Pharis Energy Ltd

REGISTERED NUMBER: 08954960

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

Pharis Energy Ltd

COMPANY INFORMATION

Directors	Stephen Brown Gregory Harding Julia Cane-Honeysett Joseph Darby Alan Hume Christian Wilms (Appointed 1 October 2019)
Company Secretary	Stephen Brown
Registered Number	08954960
Registered Office	70 Claremont Road Surbiton Surrey KT6 4RH
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD

Pharis Energy Ltd

CONTENTS

DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2020

The Directors present their report and the financial statements for Pharis Energy Ltd ("the Company") for the year ended 30 June 2020.

Principal activities
The Company evaluates and manages oil and gas assets and holds a 100% interest in, and is licence administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries and P2482 which contains the Elke and Narwhal discoveries.

Results and dividend
The Company's loss for the year ended 30 June 2020 was £230,519 (2019: £99,702).

The directors do not recommend the payment of a dividend (2019: £nil).

Balance Sheet
At 30 June 2020 the Company had a cash balance of £31,318 (2019: £9,993) and total assets of £1,393,360 (2019: £626,366).

Financial Risk Management
The company has a limited cash balance, which is held at Barclays, a bank with an A rating. Financial risk management policies are set out in note 23.

Policy and practice on payment of creditors
It is the Company's policy to settle all amounts owing to creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Principal Risks and uncertainties
The Company's business is the development and production of oil and gas assets. Set out below are the principal risks and uncertainties facing the Company:

- The Company has relatively modest work commitments on its licenses, however, both P2320 and P2482 are drill-or-drop licences and require commitment to drill a well by May 2022 and July 2025 respectively.There is a risk that the Company may not be able to raise the capital necessary to progress its projects towards final investment decision, and ultimately towards first oil production.

- Oil and gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability to the Company.

- Oil and gas prices are highly volatile, and lower oil and gas prices will negatively affect the Company's financial position, capital expenditures and results of operations.

- The current COVID 19 situation does not adversely affect the Company's business as it has no employees who work in a central office and it does not, at this stage of the project, depend on third party supplies of materials which could be disrupted. Looking to the future, the Company has no plans to increase staffing levels nor to bring staff into the office. Most of the work to be undertaken will be for consultants or the technical team who have all demonstrated the ability to work effectively remotely. Fundraising during the pandemic has not been impacted as we have been successful in securing loan funding utilising our existing network contacted by e-mail and phone.

- Oil and gas drilling is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect the Company.

Directors
The directors who have held office up to the date of the approval of these financial statements were:

Stephen Brown
Gregory Harding
Julia Cane-Honeysett
Joseph Darby
Alan Hume
Christian Wilms (appointed 1 October 2019)

As of the 30 June 2020 each director had an interest in the shares of the Company as noted below

Julia Cane-Honeysett*	4,913,165	28.24%
Stephen Brown*	4,874,684	28.01%
Gregory Harding	2,730,560	15.69%
Alan Hume	1042,461	5.99%
Joseph Darby	140,000	0.80%
Christian Wilms	140,000	0.80%

* As they are married, Stephen Brown and Julia Cane-Honeysett are related parties, together they hold 9,787,849 shares and 56.25% of the Company and are considered the ultimate controlling parties.

Going concern
The financial statements have been prepared on a going concern basis. The Company is not yet revenue generating, an operating loss has been reported and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. Whilst the Directors acknowledge this represents a material uncertainty regarding the Company's going concern status, the Directors are confident that the Company will be able to raise the finance required over the next 12 months.

The costs of maintaining the licences held by the company are small and within the financing capacity of the Directors. All other costs are discretionary, and the Directors are of the opinion that the shareholders will continue to support the company until further funding can be raised.

Based on the Board's assessment that the cash flow budgets can be achieved and that the necessary funds have been or will be raised, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2020.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

In preparing this report, the Directors have taken advantage of the exemption to prepare a Strategic Report by section 414B of the Companies Act 2006.

This report was approved and authorised for issue by the Board on 18 December 2020 and signed on its behalf by

ADHume

Alan Hume
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2020

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with Internantional Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the European Union; 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 confirm that they have complied with the above requirements in preparing the Financial Statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTOR'S OF PHARIS ENERGY LTD

Opinion

We have audited the financial statements of Pharis Energy Limited (the 'Company') for the year ended 30 June 2020, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of Changes in Equity, the Statements of Cash Flow and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements, which indicates that the Company incurred a net loss of £230,519 during the year ended 30 June 2020 and that the Company will be required to obtain further financing in order to meet its working capital requirements for the period of 12 months from the date of approval of the financial statements. As stated in note 2.2, these events or conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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 Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTOR'S OF PHARIS ENERGY LTD (continued)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Use of our report

This report is made solely to the Company's members in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTOR'S OF PHARIS ENERGY LTD (continued)

members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members for our audit work, for this report, or for the opinions we have formed.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

18 December 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 £	2019 £
Administrative expenses	**4**	(200,225)	(99,215)
Operating Loss		**(200,225)**	**(99,215)**
Finance costs	**7**	(40,294)	(487)
Other income	**5**	10,000	
Loss before tax		**(230,519)**	**(99,702)**
Taxation	**8**	-	-
Loss for the year		**(230,519)**	**(99,702)**
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Other comprehensive income		-	-
Total comprehensive income		**(230,519)**	**(99,702)**
Earnings per share	**9**	(1.32p)	(0.61p)

All operations are continuing.

The notes on pages 11 to 27 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 £	2019 £
Non-current assets			
Property, plant and equipment	10	107	801
Intangible assets	11	1,283,797	532,999
		1,283,904	**533,800**
Current assets			
Debtors	12	78,138	82,573
Cash and cash equivalents	13	31,318	9,993
		109,456	**92,566**
Total assets		**1,393,360**	**626,366**
Non-current liabilities			
Borrowings	14	(953,152)	(70,000)
Amounts due to related parties	15	-	(882)
		(953,152)	**(70,882)**
Current liabilities			
Trade and other payables	16	(250,596)	(206,754)
		(250,596)	**(206,754)**
Total liabilities		**(1,203,748)**	**(277,636)**
Net assets		**189,612**	**348,730**
Equity			
Share capital	17	17,401	17,346
Share premium	17	563,561	492,215
Retained earnings		(391,350)	(160,831)
Total equity		**189,612**	**348,730**

The consolidated financial statements of Pharis Energy Ltd, company number 08954960, were approved by the Board of Directors and authorised for issue on 18 December 2020.

Signed on behalf of the Board of Directors by:

ADHume

Alan Hume
Director

The notes on pages 11 to 277 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Ordinary Share capital £	Share premium £	Retained earnings £	Total £
Balance as at 1 July 2018		**15,041**	**264,010**	**(61,129)**	**217,922**
Loss for the year and total comprehensive income		-	-	(99,702)	(99,702)
Proceeds of share issues (net of costs)	17	2,305	228,205	-	230,510
Balance as at 30 June 2019		**17,346**	**492,215**	**(160,831)**	**348,730**
Balance as at 1 July 2019		**17,346**	**492,215**	**(160,831)**	**348,730**
Loss for the year and total comprehensive income		-	-	(230,519)	(230,519)
Proceeds of share issues (net of costs)	17	55	71,346	-	71,401
Balance as at 30 June 2020		**17,401**	**563,561**	**(391,350)**	**189,612**

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Ordinary shares	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

The notes on pages 11 to 277 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 30 JUNE 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the year		(230,519)	(99,702)
Adjustments for:			
Depreciation	10	694	821
Decrease in debtors	12	4,435	16,794
Increase in creditors	16	43,842	136,816
Finance costs in the year		40,294	-
Cash generated from operations		**(141,254)**	**54,729**
Income taxes paid		-	-
Net cash flows from operating activities		**(141,254)**	**54,729**
Investing activities			
Purchases of property, plant and equipment	10	-	(242)
Purchases of exploration and evaluation assets	11	(750,799)	(297,029)
Net cash used in investing activities		**(750,799)**	**(297,271)**
Financing activities			
Borrowings from Directors and Officers	15	(882)	(4,589)
Proceeds from issue of convertible loan notes	14	100,000	70,000
Proceeds from loans obtained	14	814,260	-
Proceeds from issue of ordinary share capital	17	-	158,286
Net cash used in financing activities		**913,378**	**223,697**
Net increase in cash and cash equivalents		**21,325**	**(18,845)**
Cash and cash equivalents at beginning of period	13	9,993	28,838
Cash and cash equivalents and end of period	13	**31,318**	**9,993**

The notes on pages 11 to 277 form part of these financial statements.

Convertible loan notes were exercised in the year leading to shares being issued for a total value of £71,400. No cash was received in consideration for these shares.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Pharis Energy Ltd (the "company") is a private limited company which is domiciled and incorporated in England and Wales under the Companies Act 2006 with the registered number 08954960. The registered office is 70 Claremont Road, Surbiton, Surrey, KT6 4RH.

The principal activity of Pharis Energy Limited is managing oil and gas assets and holds 100% interest in, and is administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, and P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries.

The financial statements presented for the company are for the year ended 30 June 2020 and these have are shown alongside figures for the year ended 30 June 2019 for comparative purposes.

2. Summary of significant accounting policies

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

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

2.2. Going concern

The financial statements have been prepared on a going concern basis. The Company is not yet revenue generating, an operating loss has been reported and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. Whilst the Directors acknowledge this represents a material uncertainty regarding the Company's going concern status, the Directors are confident that the Company will be able to raise the finance required over the next 12 months.

The costs of maintaining the licences held by the company are small and within the financing capacity of the Directors. All other costs are discretionary, and the Directors are of the opinion that the shareholders will continue to support the company until further funding can be raised.

Based on the Board's assessment that the cash flow budgets can be achieved and that the necessary funds have been or will be raised, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2020.

2.3. Changes in accounting policies

2.3.1. New standards, amendments to standards and interpretations

i) New and amended standards adopted by the Company

Standard	Impact on initial application	Effective date
IFRS 16	Leases	1 January 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019

2.3.2. New standards, amendments to standards and interpretations (continued)

Annual improvements	2015-2017 Cycle	1 January 2019
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement.	1 January 2019

2.3.3. Standards and interpretations effective for subsequent periods

New standards, amendments and interpretations not yet adopted

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 July 2019 have had a material impact on the Company.

ii) New standards, amendments and Interpretations in issue but not yet effective or not yet endorsed and not early adopted

The standards and interpretations that are issued, but not yet effective and (in some cases) have not yet been endorsed by the EU, up to the date of issuance of the financial statements are listed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard	Impact on initial application	Effective date
IFRS 3 (amendments)	Definition of a Business	1 January 2020
IFRS standards (amendments)	References to the Conceptual Framework	1 January 2020
IAS 1 (amendments)	Definition of Material	1 January 2020
IAS 8 (amendments)	Definition of Material	1 January 2020
IFRS 9, IAS 39 and IFRS 7 (amendments)	Interest Rate Benchmark Reform	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021

The Directors are evaluating the impact of the new and amended standards above. The Directors believe that these new and amended standards are not expected to have a material impact on the financial statements of the Company.

2.4. Foreign currency

2.4.1. Functional and presentation currency

Items in the company's financial statements are measured in the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the company is Pounds sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £

2.4.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs.' All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains.'

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value are included in other comprehensive income.

2.5. Government grants

The company recognises an unconditional government grant in profit or loss as other income when the grant becomes receivable.

2.6. Taxation

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business on combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.6. Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax assets and liabilities are not discounted.

2.7. Leases

The company assesses whether a contract is or contains a lease at the inception of the contract. The company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the company recognises the lease payments as an administrative expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The company did not make any such adjustments during the periods presented.

2.8. Intangible assets

Exploration and evaluation expenditures (E&E)

The company applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

All licence acquisition, exploration and evaluation costs are capitalised, a share of administration costs is capitalised insofar as they relate to exploration, evaluation and development activities. These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. If a project is deemed commercial all of the attributable costs are transferred into Property, Plant and Equipment. These costs are then depreciated from the commencement of production on a unit of production basis.

2.9. Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. This includes consideration of the IFRS 6 impairment indicators for any intangible exploration and evaluation assets capitalised as intangible costs. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

In assessing value in use, 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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.10. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Property, plant and equipment – 3 years straight line

2.10 Property, plant and equipment (continued)

All assets are subject to annual impairment reviews.

2.11. Financial Instruments

2.11.1 Initial recognition

A financial asset or financial liability is recognised in the statement of financial position of the Company when it arises or when the Company becomes part of the contractual terms of the financial instrument.

2.11.2 Classification

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

(1) the asset is held within a business model whose objective is to collect contractual cash flows; and

(2) the contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate Method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest rate method include current borrowings and trade and other payables that are short term in nature. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included as finance costs in profit or loss. Trade payables other payables are non-interest bearing and are stated at amortised cost using the effective interest method.

2.11.3. Derecognition

A financial asset is derecognised when:

(1) the rights to receive cash flows from the asset have expired, or

(2) the Company has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.11.4 Impairment

The Company recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Company expects to receive. Regarding trade receivables, the Company applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses over its lifetime without monitoring changes in credit risk. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics.

2.12. Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

2.14. Share capital

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

2.15. Share premium

Share premium account represents the excess of the issue price over the par value on shares issued. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Trade payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

2.17. Compound instruments and borrowings

The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar debt instruments. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument’s maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, loans are measured at the amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

2.18 Earnings per share

Basic Earnings per share is calculated as profit attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2.19 Operating segments

The Chief Operating Decision Maker (CODM) is considered to be the Board of Directors. They consider that the Company operates in a single segment, that of oil and gas exploration, appraisal and development, in a single geographical location, the North Sea of the United Kingdom. As a result, the financial information of the single segment is the same as set out in the statement of comprehensive income, statement of financial position, statement of Changes in Equity and Statement of Cashflows.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

3.1. Significant accounting estimates

Impairment of intangible assets

As at 30 June 2020, the company held oil and gas exploration and evaluation intangible assets of £1,283,797 (2019: £532,998). The carrying values of intangible assets are assessed for indicaitions of impairment, as set out in IFRS 6, on an annual basis.

Management do not consider that any intangible assets are impaired as at 30 June 2020.

These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the assessment of impairment indicators.

3.2. Significant judgements of management

There was only one critical judgement identified, apart from those involving estimations (which are dealt with separately above) that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) Recoverable value of capitalised exploration costs

When conducting their impairment assessment at the year-end, the Directors were required to assess the recoverable value of the capitalised exploration costs and compare this value to the carrying value of the capitalised exploration costs.

In making this assessment, Directors were required to make judgements in assessing whether key license commitments would continue to be met. Due to their confidence in the Company's ability to continue to raise finance, the Directors concluded that sufficient finance will be able to be raised to enable the minimum spend requirements for all licenses held to continue to be met.

4. Administrative expenses

	2020	2019
	£	£
Office costs, rates and services	18,649	2,524
Wages and salaries	60,000	26,400
Consultants and advisers	11,335	10,000
Audit fees (note 18)	8,000	15,000
Pre-award licence costs	17,821	30,839
Insurance	4,603	8,611
Other expenses / (income)	28,991	4,920
National Insurance	16,310	
Foreign Exchange	33,822	
Depreciation	694	921
	200,225	**99,215**

5. Other Income

As part of the Government's support for small businesses during the Coronavirus crisis a non-repayable Coronavirus support grant of £10,000 was provided to any business whose premises were eligible for Small Business Rate Relief as of 11 March 2020, having a rateable value up to £15,000. The Company qualified for this support and applied for and received the grant.

	2020	2019
	£	£
Coronavirus support grant	10,000	
Other Income	**10,000**	

6. Staff numbers and costs

	2020	2019
Staff costs (including directors)	£	£
Wages and salaries	138,133	26,400
Social security costs	16,309	-
	154,442	**26,400**

The average number of persons (including directors) employed by the Company during the year was:

	2020	2019
Management and Administration	6	5
	6	**5**

7. Finance costs

	2020	2019
	£	£
Interest paid	40,293	487
	40,293	**487**

8. Taxation

Analysis of charge for the year:

	2020	2019
	£	£
Current income tax charge	–	–
Deferred tax charge	–	–
Total taxation charge	–	–

Taxation reconciliation

The below table reconciles the tax charge for the year to the theoretical charge based on the result for the year and the corporation tax rate.

	2020	2019
	£	£
Loss before income tax	(230,519)	(99,702)
Tax at the applicable rate of 18% (2019: 19%)	(41,493)	(18,943)
Effects of:		
Expenses not deducted for tax purposes	1,661	
Unutilised tax losses	39,823	18,943
Total income tax expense	-	-

As at 30 June 2020, the Company had unused tax losses of £83,463 (2019: £43,820) for which no deferred tax asset has been recognised. This is due to uncertainty over the availability of future taxable profits to offset these losses against.

9. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the loss for the year for continuing operations for the Company by the weighted average number of ordinary shares in issue during the year:

	2020	2019
	£	£
Earnings for the purposes of basic earnings per share being net loss attributable to the owners	(230,519)	(99,702)
Weighted average number of Ordinary Shares	17,362,614	16,236,524
Earnings/ loss per share	(1.32p)	(0.61p)

There is no difference between the basic and diluted earnings per share.

10. Property, plant and equipment

	IT hardware & software £	Office equipment £	Total £
Cost			
As at 30 June 2018	**2,521**	**202**	**2,723**
Additions	242	-	**242**
As at 30 June 2019	**2,763**	**202**	**2,965**
Additions	-	-	**-**
As at 30 June 2020	**2,763**	**202**	**2,965**

	IT hardware & software £	Office equipment £	Total £
Depreciation			
As at 30 June 2018	**1,159**	**84**	**1,243**
Charged in the year	853	67	**921**
As at 30 June 2019	**2,013**	**151**	**2,164**
Charged in the year	643	51	**694**
As at 30 June 2020	**2,656**	**202**	**2,858**
Net book value as at 30 June 2020	**107**	**0**	**107**
Net book value as at 30 June 2019	750	51	801

The depreciation expense is recognised in administrative expenses as set out in note 4.

11. Intangible assets

	Oil and gas exploration assets £
Cost	
As at 30 June 2018	**235,970**
Additions	297,029
As at 30 June 2019	532,998
Additions	750,799
As at 30 June 2020	1,283,797

Included in intangible assets are general office expenses incurred during the year that have been capitalised totalling £nil (2019: £15,778).

12. Trade and other receivables

	2020 £	2019 £
VAT receivable	5,914	10,349
Amounts due from related parties	72,224	72,224
	78,138	**82,573**

Amounts due from related parties are unsecured, interest free and have no fixed repayment date.

The fair value of other receivables is the same as their carrying values as stated above.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

13. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	31,318	9,993
	31,318	**9,993**

14. Borrowings

	2020 £	2019 £
Convertible Loan Note 2018	-	70,000
STASCO Loan	853,152	-
Convertible Loan Note 2020	100,000	-
	953,152	**70,000**

14. Borrowings (continued)

On 20 March 2020 and 28 May 2020 the Company issued £50,000 of convertible loan notes on each of those dates.

15. Amounts due to related parties – due after one year

	2020	2019
	£	£
Amounts due to related parties	-	882
Total	**-**	**882**

Amounts due to related parties are unsecured, interest free and have no fixed repayment date.

16. Trade and other payables – due within one year

	2020	2019
	£	£
Trade payables	8,003	32,523
Accruals	242,593	174,231
	250,596	**206,754**

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

17. Share capital and share premium

Issued	**Number of shares**	**Share capital £**	**Share premium £**
As at 30 June 2018	**15,040,500**	**15,041**	**264,010**
Issue of shares	241,550	242	23,913
Issue of shares	2,063,560	2,064	204,292
As at 30 June 2019	**17,345,610**	**17,346**	**492,215**
Issue of shares	54,924	55	71,346
As at 30 June 2020	**17,400,534**	**17,401**	**563,561**

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

On 12 October 2018, 241,550 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

Of the shares issued on 12 October 2018, 221,400 were issued as settlement of services to the Company in lieu of cash for a value of £22,140.

17. Share capital and share premium (continued)

On 31 December 2018, 2,063,560 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

On 9 March 2020 54,924 shares with a nominal value of £0.001 were issued in relation to the conversion of the 2018 Convertible Loan Note at a conversion price of £1.30 per share.

As at 30 June 2020, £72,224 of the consideration for ordinary shares remained unpaid and has been included in amounts due from related parties in note 11.

18. Directors' remuneration

	2020	**2019**
	£	**£**
Short term employee benefits	113,333	26,400
	113,333	**26,400**

No pension benefits are provided for any Directors (2019: £nil).

19. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditors and its associates:

	2020	**2019**
	£	**£**
Audit of the financial statements	8,000	7,500
Audit related assurance services	-	7,500
	8,000	**15,000**

20. Related parties

20.1 Transactions with related parties

The Company had the following related party transactions:

(i) The Company makes use of an office at 70 Claremont Road which is currently provided to the Company by Mrs Julia Cane-Honeysett and Mr Stephen Brown at a rental of £1,000 per calendar month. The company pays for the services and business rates associated with the property.

20.2 Loans to/from related parties

During the year, several Directors and shareholders provided funds to the Company as a working capital injection.

The following balances are outstanding at the end of the reporting period in relation to these transactions:

	Amount due (to)/from related parties £
As at 30 June 2019	**71,341**
Funds advanced to the Company	0.00
Loan amounts settlement by the Company	882
As at 30 June 2020	**72,224**

The amount due as at 30 June 2019, is disclosed as amounts due from related parties of £72,224, as set out in note 11, and amounts due to related parties of £882, as set out in note 14.

The amount due as at 30 June 2020 is disclosed as amounts due from related parties of £72,224.

Loans due to/from related parties are unsecured, interest free and have no fixed repayment terms.

20.3 Key management personnel

Directors of the Company are considered to be key management personnel. The remuneration of the Directors has been set out on note 18.

21. Ultimate controlling party

The Directors consider Stephen Brown and Julia Cane-Honeysett to be the ultimate controlling parties.

22. Financial instruments

The Company holds the following financial instruments:

Financial assets

	2020	2019
Financial assets at amortised cost:	**£**	**£**
Trade receivables		
Other financial assets at amortised cost	72,224	72,224
Cash and cash equivalents	31,318	9,993
	103,542	**82,217**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities

	2020	2019
Financial liabilities at amortised cost:	**£**	**£**
Trade payables	8,003	32,523
Other financial liabilities at amortised cost	-	882
Borrowings	853,152	-
	161,155	**33,405**

	2020	2019
Financial liabilities at fair value through profit and loss	**£**	**£**
Borrowings	100,000	70,000
	100,000	**70,000**

23. Financial risk management

23.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the executive management team.

a) Market risk

The Company is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Company does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Company has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Statements at the present time. The Directors will continue to assess the effect of movements in market risks on the Company's financial operations and initiate suitable risk management measures where necessary.

b) Credit risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Company periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Company will only keep its holdings of cash with institutions which have a minimum credit rating of 'A'.

c) Liquidity risk

The Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt. The Directors are reasonably confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

23.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its exploration and development of oil and gas resources. In order to maintain or adjust the capital structure, the Company may adjust the issue of shares or sell assets to reduce debts.

The Company defines capital based on the total equity and reserves of the Company. The Company monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

24. Commitments

The Company has entered into the following non-cancellable commitments in respect of exploration licences:

	2020	2019
	£	£
Due within one year	94,348	42,357
Later than one year but not later than five years	298,951	261,224
Total commitments	**393,299**	**303,581**

25. Events after the reporting period

A further £200,000 was raised from the Convertible Loan Note in July 2020 and £30,000 in December 2020.

On the 3 September 2020 the Company was offerd a 50% interest in a new exploration licence. The licence would cover blocks 14/20g and 15/16g and contain the Fynn heavy oil discovery, the licence operator would be Parkmead Group.