

IOG plc

Report and Audited Financial Statements

Year Ended

31 December 2021

Company Number 07434350

ANNUAL REPORT & ACCOUNTS 2021

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Chief Executive's Review

2021 Review

Last year saw an immense effort by the whole IOG team to progress towards production, culminating in the safe and successful delivery of First Gas from the Blythe and Elgood fields on 13 and 15 March 2022 respectively. I am very proud of our team for overcoming the many challenges we've faced and achieving this major milestone. By working closely together, guided by our core values of resourcefulness, innovation, drive, efficiency, resilience and safety, we have turned IOG from an unfunded micro-cap into a material UK gas producer with exciting further growth plans.

I cannot understate the huge effort from all involved from Phase 1 Final Investment Decision (FID) in late October 2019 to delivering First Gas less than two and a half years later. However, First Gas has never been the destination, it is just the first step on a very exciting journey. We can now start to reap the benefits of our strategic focus on UK gas, which has always had compelling economic logic: the UK remains highly dependent on this commodity that will be pivotal in the global energy transition. Phase 1 production gives IOG both the operational platform and the financial capacity to deliver incremental value for our shareholders.

To put this milestone in its strategic context: IOG is a Net Zero UK gas and infrastructure operator focused on high-return projects. Each element of this definition is important. We aim continually to reduce emissions courtesy of our inherently low carbon intensity operating model and we set the standard as the first London-listed E&P company to commit to Scope 1 and 2 Net Zero from 2021. We play to our strengths with a focused but diverse portfolio in the UK Southern North Sea. We are a specialist gas developer and producer but also an infrastructure owner, leveraging our expanded offshore Saturn Banks Pipeline System to capture further opportunities, supported by our onshore presence at Bacton. We operate our entire offshore portfolio, giving us good control, while benefitting from a constructive 50:50 joint venture partnership with CalEnergy Resources (UK) Limited (CER), part of Berkshire Hathaway Energy. Finally, we focus on maximising risked returns above all other metrics, through synergistic incremental investments and selective portfolio additions.

Achieving First Gas is undoubtedly a key step in delivering this strategy. Our vision is a "project factory" whereby Phase 1 breeds several complementary further phases: commercialising discovered assets, leveraging owned infrastructure, maximising operating efficiencies, increasing cost synergies and driving up returns. A key pillar of this strategy is our continued investment in subsurface understanding to ensure the best technical interpretation of all opportunities across our Saturn Banks catchment area. That includes discovered resources like Nailsworth, Abbeydale, Panther and Grafton, appraisal assets like Goddard, Kelham North and Kelham Central, step-out exploration targets like Thornbridge and Southsea, or the many potential inorganic opportunities that we continually review. While we take a disciplined approach to screening potential acquisitions against our existing portfolio, we can move quickly to capture opportunities we see as both economically and environmentally synergistic.

There were a number of important operational firsts for IOG in 2021. We progressed from engineering and construction activities to start putting substantial infrastructure offshore and drilling key wells. The two Phase 1 normally unmanned platform (NUI) installations, Blythe and Southwark, were completed at HSM Offshore's yard in Schiedam, Netherlands, and then installed at their field locations over the summer. Delivering our first development well at Elgood, which tested at a maximum rate of 57.8 mmscf/d gas and 959 bbl/d condensate, was another key milestone. As expected, it was technically challenging, being the only subsea tie-back in the programme drilled horizontally through the reservoir section to a Total Depth of 15,472 ft MD. After Elgood we continued on to drill the Blythe development well, which tested at a maximum rate of 45.5 mmscf/d. These first two development wells were safely and successfully completed in six months thanks to the hard work, resourcefulness and diligent collaboration of the IOG, Petrofac and Noble Corporation teams. We were then able to complete the offshore subsea and hook-up scopes later in the year, leaving the onshore recommissioning work to be completed at Bacton before being able to safely start production. In light of this tangible progress it was very pleasing to see a significant recovery in the share price, ending the year at 36p (an increase of over 170% from the 13.2p close a year earlier) and strengthening further still since then.

The most important element of any strategy is of course the people who deliver it. As with our portfolio, so with the organisation: focusing on quality rather than quantity to best achieve our strategic plans. Our objective has always been to build a dynamic culture of continuous improvement and effective collaboration, with the agility to respond quickly to both threats and opportunities, underpinned by fundamental respect for each other and for the environment. Phase 1 has put this objective to the test in unprecedented circumstances, with remote working and digital communications becoming a new reality, and we have responded accordingly. With several high-calibre post-Phase 1 FID appointments now well established, not least our COO David Gibson who is just over a year into his role, we are now benefitting from greater continuity and cohesion as we emerge from the Covid-era working environment. The pandemic presented an

undeniable challenge to all these activities. In the face of Covid-19, our three primary objectives did not change: protect our people, deliver the project and ensure business continuity. This was tougher in 2021 with the highly transmissible Omicron variant causing issues both onshore and offshore, but our team and our contractors have shown resilience and adaptability to work around these constraints.

Environmental differentiation is central to our values and strategy – and is a fundamental pillar of our licence to operate. It has long been our intention to build a high-return gas business in which low unit costs and low carbon intensity deliver a sustainable competitive advantage. By promoting a mindset of sustainability, responsibility, ethics and respect for people and the environment throughout our activities, we can deliver shareholder returns that are sustainable in every sense. In Q3 2021 I was very pleased to release our initial Emissions Assessment report, a key Environmental, Social and Governance (ESG) objective, which confirmed IOG as an exceptionally low carbon intensity operator thanks to our small, remotely operated infrastructure. More importantly, it enabled us to commit to Scope 1 and 2 Net Zero from 2021, which we are fulfilling through appropriate voluntary carbon market offset investments. We are also designing future phases of Saturn Banks to be as low emission – correlating with low cost – as possible.

Our business model sits squarely within the UK's energy policy of meeting the 2050 Net Zero target while maximising the value of economically recoverable resources. Gas is an essential transition fuel for balancing intermittent renewable power generation while continuing to provide heating and hot water to 23 million UK homes. The replacement of coal with gas-fired generation has significantly advanced the UK's energy transition already, helping to reduce the emissions of UK energy supply by 70% between 1990 and 2020. However, not all gas is equal: domestic gas produced with negligible offshore power or manning requirements is vastly superior from an environmental perspective to imported LNG, on which the UK has recently become highly dependent. We firmly believe that domestic gas produced at very low carbon intensity is an indispensable part of the UK's energy transition: cleaner, more reliable and better for the UK economy. We are also actively involved in plans to create a long-term integrated energy hub around Bacton, synthesizing gas, wind, hydrogen and carbon capture and storage.

2022 Outlook

Building on last year's progress, 2022 will be a really pivotal year for IOG, with several key catalysts beyond our first production and cashflow. Delivering Southwark First Gas is important not just in a Phase 1 context but as the gateway to further phases within our broader area plan. Another key objective this year is FID on Nailsworth, which is expected to be exported via Southwark. After the first two Southwark wells the Noble Hans Deul rig will drill the Goddard and Kelham North/Central appraisal wells, which each have considerable resource and hub-opening potential. In parallel we are investing in further 3D seismic reprocessing as the key to understanding the commercial potential of the Panther-Grafton area. Its proximity to our other assets, including Elland, creates clear scope for operational and economic synergies, especially with CER as 50% non-operating partner across the full portfolio.

In the weeks leading up to this report, the world has witnessed the shocking events unfolding in Ukraine and our thoughts are with all of those directly affected. At the time of writing, it is impossible to be sure how this conflict will play out and what its longer-term ramifications may be. However, what is already clear is that it is sending shockwaves through the energy industry and causing exceptional volatility in several commodity markets – not least gas, for which current and forward prices have recently become very elevated. Whilst as a gas producer IOG is clearly exposed to the upside, such volatility is likely to have challenging economic impacts and is not conducive to long-term stability in supply and demand. At IOG, despite witnessing both extreme lows and highs in gas pricing since Phase 1 FID, our consistent view has been that we must look through these cycles and plan our business around a seasonally adjusted long-term 45p/therm price deck. Notwithstanding the current geopolitical upheaval, we expect that prices will revert towards their long-term historical averages over time.

In conclusion, I believe we have the right people, assets and partnerships to build on what we have achieved so far and deliver exciting further phases of growth over the years ahead: what I call our "project factory". I would like to thank the whole team, our partner CER and all our contractors for their dedication in making Phase 1 production a reality. I also owe all our shareholders my sincere thanks for their continued support in helping us turn IOG, your company, into a respected UK gas developer and producer. I believe this is just the start and I look forward to delivering further growth on your behalf.

Andrew Hockey
Chief Executive Officer
16 March 2022

Strategic Report

2021 Highlights

Corporate and Operational

- Phase 1 Blythe and Southwark normally unmanned platform installations were mechanically completed in April 2021 and safely installed at their offshore field locations in May-June 2021
- Elgood well 48/22c-7 was successfully completed in July 2021, testing at a surface-constrained maximum rate of 57.8 mmscf/d of gas and 959 bbl/d condensate through an 80/64th inch choke
 - Reservoir encountered 39ft deep to prognosis and having integrated well data into subsequent technical analysis, management has updated its gross estimated 1P/2P/3P reserves to 9.7/14.1/18.3 billion cubic feet (BCF)
- Blythe development well 48/23a-H1 successfully drilled, cleaned up and flow tested to a maximum gas rate of 45.5 mmscf/d through an 80/64th inch choke within two months of spud
 - Having integrated well data into subsequent technical analysis, management has updated its gross estimated 1P/2P/3P reserves to 25.4/42.5/55.8 BCF
- Offshore subsea and hook-up scopes for Blythe and Elgood fields completed in November 2021, with one million Phase 1 cumulative manhours passed in September 2021
- First Southwark development well initially spudded in December 2021 following repair of the Noble Hans Deul rig leg in Dundee (Southwark drilling subsequently suspended due to seabed scour issues and expected to resume in March/April 2022 with Southwark First Gas targeted in Q3 2022).
- Phase 1 Duty Holder contract for Installation and Pipeline Operator, as well as facilities operations and maintenance (“O&M”), awarded to ODE Asset Management (“ODEAM”)
- Inaugural Emissions Assessment released, projecting Phase 1 lifetime average Scope 1 and 2 emission intensity at under 4 kg kgCO₂e/boe, versus North Sea average of 20.2 kgCO₂e/boe
- Commitment to Scope 1 and 2 Net Zero emissions from 2021 via investment in accredited voluntary offsets
- Potential for valuable multi-field “Southern hub” demonstrated with identification of Kelham North, Kelham Central, Thornbridge and Thornbridge Deep prospects on the P2442 licence
- Collaboration agreement signed with GeoNetZero Centre for Doctoral Training to support carbon capture & storage research on quads 48, 49, 52 & 53 (broader Bacton catchment area)

Financial

- Cash balance at period end of £34.7 million (2020: £80.4million), including restricted cash of £3.4 million (2020: £67.0 million)
- Post tax loss for the year of £4.3 million (2020: £19.3 million)
- Group net debt¹ at year end £56.6 million (2020: £14.1 million)
- Remaining £11.7 million out of £60 million Phase 1 partner development carry from CER fully utilised
- £140.0 million invested in the Phase 1 development, of which CER funded £70.0 million for their non-operated share
- Remaining €65.8 million (£59.2 million) drawn down from Bond escrow account
- €9.7 million (£8.9 million) in Bond interest payments, of which €4.8 million (£4.4 million) was drawn from the Debt Service Retention Account (DSRA)
- Gross proceeds of £8.5 million raised through placing and subscription in September 2021 at 25p/share, a 1% premium to 30-day volume weighted average price, primarily to fund the Kelham North/Central appraisal well

Board and Management

- David Gibson appointed as Chief Operator Officer (COO) in February 2021
- Operational and technical teams further strengthened to support Phase 1 and facilitate further phases of growth

¹ Net debt is defined as total loans, less restricted cash and cash equivalents.

Post Year End Developments

- Commissioning of onshore Saturn Banks Reception Facilities completed on 4 March 2022, enabling backgassing of the offshore Saturn Banks Pipeline System out to Blythe and Elgood
- Phase 1 First Gas was safely and successfully achieved from the Blythe well on 13 March 2022
- Southwark drilling operations suspended in January 2022 pending remediation of the drilling location seabed to ensure safe operations with resumption expected by late Q1 or early Q2 2022
- New gas sales agreement (GSA) signed with BP Gas Marketing Limited (BPGM), covering all of the Phase 1 fields as well as Nailsworth and Elland, replacing the 2014 Blythe GSA
- Planning and contracting continuing for the appraisal wells at Kelham North/Central (P2442: Block 53/1b) and Goddard (P2342: Block 48/11c and 12b), to be drilled by the Noble Hans Deul rig after the second Southwark well on the same competitive day rate as the Phase 1 wells
 - Petrofac appointed Well Operator for these wells and pre-drill site surveys initiated in Q1 2022
- 3D seismic reprocessing to Pre-Stack Depth Migration underway on licence P2589 (Panther / Grafton area adjacent to Elland), expected to provide enhanced view of subsurface and commercial potential later in 2022
- Further to an ongoing comprehensive process of subsurface re-evaluation of the Company's asset portfolio, revisions to management's gross volumetric estimates have been made as follows:
 - 1P/2P/3P reserves for the Blythe field revised to 25.4/42.5/55.8 BCF
 - 1P/2P/3P reserves for the Elgood field revised to 9.7/14.1/18.3 BCF
 - 1P/2P/3P reserves for the Southwark field revised to 46.3/71.2/104.7 BCF
 - 1C/2C/3C contingent resources for the main Goddard discovery revised to 52.0/115.0/169.0 BCF
 - Low/Mid/High prospective resources revised to 16/27/42 BCF and 30/50/73 BCF for the two Goddard flank structures, both with 71% Geological Chance of Success (GCoS)
 - Low/Mid/High prospective resources for the Kelham North and Kelham Central prospects of 30.0/48.0/67.0 BCF and 12.0/31.0/32.0 BCF respectively, both with 72% GCoS
 - Low/Mid/High prospective resources for the Thornbridge prospect estimated at 19.0/35.0/57.0 BCF, with 64% GCoS
 - Low/Mid/High prospective resources for the Thornbridge Deep prospect revised to 55.0/107.0/167.0 BCF, with 18% GCoS
 - 1C/2C/3C contingent resources for the part of the Orrell discovery lying within the P2442 licence area estimated at 13.0/18.0/21.0 BCF
 - No changes at the current time to the management estimates of reserves at Nailsworth and Elland, to the contingent resources at Abbeydale, Panther and Grafton, or to the prospective resources at Southsea

Business Strategy

IOG is a Net Zero UK gas and infrastructure operator focused on high-return projects.

The Company deploys a focused infrastructure-led gas hub strategy as a cost-effective path to value creation, leveraging its co-ownership of the Saturn Banks Pipeline System gas export route and associated onshore reception facilities. These midstream assets are key pieces of infrastructure providing direct access to the UK gas market via the Bacton Gas Terminal. Along with operatorship of a portfolio of nine 50%-owned gas assets in the UK Southern North Sea, this provides both substantial economic benefits and a clear competitive advantage for further business development in the area.

Phase 1 of the Saturn Banks project is expected to realise significant inherent value and pave the way for Phase 2 and other incremental opportunities in the area. These opportunities fall into several categories, all focused on maximising the potential of the existing operated infrastructure. These categories are: discoveries within IOG acreage; low-cost addition of further discovered gas assets via Licensing Rounds; acquisitions from third-parties of nearby undeveloped assets; third-party gas tariffing opportunities; and finally re-development of nearby shut-in or previously developed fields where commercial potential remains.

The strategy focuses on prioritising the highest return opportunities and delivering them in successive phases, whilst maximising operating synergies. The emphasis is on optimising risk-adjusted overall returns rather than particular reserves or production targets. This approach can commercialise relatively small, gas assets that would otherwise be stranded, marginal or sub-economic on a standalone basis. In addition, the Company seeks wherever possible to operate its assets, drawing on in-house technical and operational expertise and appropriately utilising contractors.

The Company has a strategic focus on gas, the cleanest hydrocarbon which remains fundamental to UK energy security as it has progressively replaced coal-fired power generation in recent decades. With typically around half of UK gas consumption being imported, stable domestic gas supply is essential for the country's power generation, industrial and domestic heating requirements. Given its relatively low production and transportation costs, IOG's domestic gas production also has economic and environmental advantages over pipeline and LNG imports. As such, the Company's strategy supports the UK government policy of maximising economic returns from domestic resources while transitioning to a Net Zero economy by 2050.

Whilst the Covid-19 pandemic has had some impact on Company operations, it has not fundamentally affected its strategy. The Group has consistently pursued three key priorities throughout: protecting its people, delivering its projects and ensuring business continuity, while at all times continuing to follow government guidelines. Working closely with all its contractors, the Group has been and remains highly vigilant towards the risks to efficient operations from Covid-19.

Health, Safety and Environment (HSE)

The Company continues to invest in its capacity to fulfil its obligations as a Licence Holder and Field Operator in a responsible manner that protects people and the environment from harm. We see compliance with all applicable HSE laws, regulations and obligations as fundamental for our long-term sustainable success.

As laid out in our HSE Policy, which can be read in full on the IOG website, the Company aims to design its facilities and plan all its activities to ensure that HSE risks are identified and managed to be as low as reasonably practicable. It seeks to implement all reasonable measures to ensure the health and safety of our people and other personnel directly involved in its operations. It aims to maintain rigorous environmental management processes and to achieve the highest standards in environmental performance. Along with promoting a culture of speaking up internally on any HSE concerns or risks, it also actively seeks the same HSE standards from consultants, contractors, partners, Duty Holders and other personnel acting in the Company's name or working on IOG premises or assets. The Company also maintains and exercises suitable Crisis Management Procedures and facilities appropriate to our responsibilities and activities.

The HSE and Technical Committee of the Board continued to meet at regular intervals throughout 2021 providing oversight and direction for the HSE aspects of the business from advising the Board, supporting the management team and helping to foster an open attitude throughout the company in the conduct and reporting of risk management.

Key HSE achievements in 2021 included:

- Acceptance of the Safety Cases for both the Blythe and Southwark platforms by the UK Health and Safety Executive
- 317 Permits, Licences and Consents required for the Phase 1 development submitted to relevant authorities on schedule
- Secured all environmental permits to support offshore construction, installation and drilling operations necessary for First Gas from Blythe and Elgood
- Ongoing development of our Safety and Environmental Management Systems

IOG have recorded and classified all HSE Incidents occurring on the Phase 1 Development and where appropriate shared lessons learned across all parties associated with the project. In 2021 there were three Lost Time Incidents (LTIs) and three High Potential Incidents (HiPOs) – all of which are an area of focus for both the Company and the contractors involved in each case. IOG have formed part of incident investigation teams where necessary as well as maintaining clear visibility of the actions taken by relevant parties to ensure lessons are learned and disseminated.

In 2022, the focus of the Company's HSE team will be to support both the safe completion of the Phase 1 development programme, the commencement of Phase 1 production operations and the Phase 2 project including development of the associated Environmental Statement, FDP, engineering and all supporting permit, licence and consent processes.

Environmental, Social and Governance (ESG)

By establishing itself as a safe and efficient UK gas and infrastructure operator, IOG aims to contribute positively to the UK's energy transition, helping to supply stable and affordable energy to UK homes and businesses as part of a lower-carbon energy supply mix. Low-carbon intensity domestic gas supply has an essential role to play in reducing the overall emissions profile of UK energy supply as the country seeks to deliver on the national Net Zero 2050 target.

One of the Company's core principles is to embed a mindset of sustainability, responsibility, strong ethics and respect for people and the environment throughout its decision making, its development projects and its production operations.

In 2021, the Company further delivered on its Climate Change and Sustainability (CC&S) Policy adopted in late 2020, as part of its strategy to be a leader in ESG matters among its industry peer group.

The primary objective for 2021 under the CC&S Policy was to deliver an Emissions Assessment, establishing a rigorous benchmark of the Company's projected Scope 1 and 2 greenhouse gas emissions from its Phase 1 development (which went through FID in 2019) and its corporate activities. This was successfully undertaken in collaboration with the consultancy Genesis and the resulting report was released in Q3 2021. Key conclusions from the study were as follows:

- IOG has a very low emissions profile relative to other North Sea operators, thanks primarily to the use of small, shallow-water offshore infrastructure, with no significant offshore energy demands or requirement for permanent offshore personnel, as well as the re-use of significant pipeline and associated infrastructure both onshore and offshore
- Gas is a key transition fuel but from an emissions perspective, not all gas is equal: there is a very tangible emissions saving from using IOG gas versus imports (particularly LNG)
- IOG's business model sits firmly at the heart of the latest UK government energy policies and revised OGA Strategy, which aims to maximise the value of economically recoverable reserves whilst helping to meet the Net Zero target
- By incorporating further assets beyond its existing SNS portfolio into our production system in future, the Company can both increase the amount of domestically produced gas and deliver corresponding emissions savings
- The Emissions Assessment modelling and methodology can be used as input to design and build even cleaner further phases of growth through Phase 2 and beyond
- The Company is also advantageously positioned to play a relevant role in the OGA-led initiative to develop a low-carbon Bacton Energy Hub, in which it has taken a role on the Infrastructure Special Interest Group
- IOG will continue to seek opportunities to collaborate with relevant partners, associations and industry bodies as part of a wider industry effort to mitigate emissions and help meet the UK's Net Zero target.

Most significantly, on the basis of the Emissions Assessment, the Company committed to adopt a Scope 1 and 2 Net Zero position from 2021 onwards, becoming to its knowledge the first London-listed exploration and production (E&P) company to do so. The Company believes this can be a significant differentiator in terms of core corporate values, suitability in further UK licensing (which will henceforth be subject to a Climate Compatibility Checkpoint) and also in attracting the right partners in the capital markets.

The Scope 1 and 2 Net Zero position is achieved primarily by minimising emissions and then in turn by investing in appropriate verified emissions reduction (VERs) based on independently certified projects to offset unavoidable emissions. In Q4 2021 the Company made its first investments in suitable VERs to cover Scope 1 and 2 emissions for the 2021-22 period.

During 2021, in keeping with its organisational development and intention to be a safe and responsible operator, the Company also renewed its Social Policy. The Social Policy codifies several key principles and commitments, based around the belief that all personnel have a responsibility to act in the interests of the society in which we operate. These include acting with the highest ethical standards at all times and holding each other to these standards; fostering an open, inclusive and equal opportunity culture; respecting diversity; promoting constructive collaboration, effective communication, knowledge sharing and critical thinking, listening to colleagues and supporting their wellbeing; and looking for opportunities to positively impact external communities.

In Q2 2021 the Company also announced the signing of a Collaboration Agreement with the GeoNetZero Centre for Doctoral Training (CDT, affiliated with Heriot-Watt University at the time but being transitioned over to Aberdeen University) to support research into carbon capture and storage and other renewable energy opportunities across quads 48, 49, 52 and 53 of the UK SNS (corresponding to the broader offshore Bacton catchment area where IOG's assets lie). GeoNetZero CDT is a leader in applying geoscience to the challenges of progress towards a Net Zero economy.

The collaboration agreement reflects the Company's view that the infrastructure, knowledge and skills generated by over 50 years of the SNS gas industry can play a constructive role in the UK's energy transition. It demonstrates IOG's support for the UK's Net Zero commitment, the new OGA Strategy and the North Sea Transition Deal between government and industry. Extending the economic life of the SNS basin in a sustainable way is likely to involve long-term integration of the established gas industry with wind, hydrogen and CCS solutions. In particular, a successful blue hydrogen-CCS cluster in the Bacton area will require consistent gas supply – IOG's core business – as well as steam reformation facilities and secure offshore carbon storage sites, all in reasonable proximity.

This important latter storage element is the focus of this research, filling the gap in the geological analysis of the factors that maintain seal integrity at subsurface sites. Drawing on an extensive gas industry archive of seismic, well and core data, the key focus will be on assessing which fields and aquifers across the Bacton catchment area are the most suitable carbon sinks, particularly where existing infrastructure could provide operational synergies. As such, the research will help to inform the roadmap towards a decarbonised energy hub at Bacton that could bring new economic opportunities and extend the life of existing infrastructure.

Licences

The Company, through its wholly owned subsidiaries IOG North Sea Limited (IOGNSL) and IOG UK Ltd (IOGUKL) is currently a licensee on five Traditional Licences and four Innovate Licences all in the UK North Sea:

Licence	Blocks	Subsidiary	Interest	Field/Discovery Name	Licence Type
Southwark					
P1915	49/21c ALL	IOG UK Ltd	50%	Southwark	Traditional
Blythe and Elgood					
P1736	48/22b ALL and 48/23a ALL	IOG North Sea Limited	50%	Blythe	Traditional
P2260	48/22c ALL	IOG North Sea Limited	50%	Elgood	Traditional
Elland and Nailsworth					
P039	49/21a J	IOG UK Ltd	50%	Elland	Traditional
P2342	48/25a ALL	IOG UK Ltd	50%	Nailsworth	Innovate C
P130	48/25b NW	IOG UK Ltd	50%	Nailsworth	Traditional
Goddard					
P2438	48/11c and 48/12b	IOG North Sea Limited	50%	Goddard	Innovate C
Abbeydale					
P2442	53/1b	IOG North Sea Limited	50%	Abbeydale	Innovate A/C
Panther and Grafton					
P2589	49/21e ALL and 49/22b ALL	IOG North Sea Limited	50%	Panther, Grafton	Innovate A/C

2021 Licence Update

Licence P1736 (Blythe), Licence P2260 (Elgood) and Licence P1915 (Southwark) are in their Production terms, further to the approval of the Phase 1 FDP in April 2020.

On 9 December 2021, the Initial Term of Licence P2342 (Nailsworth) was extended by a period of 21 months to the 30 September 2023 to allow Phase 2 FDP preparation to continue.

On 9 September 2021 the Initial Term of Licence P2438 (Goddard) was extended by 12 months to 30 September 2022 to allow the drilling of a well to meet the drill or drop commitment on the licence. In early 2022, in light of unexpected delays to the Southwark drilling programme, IOGNSL formally requested a 12-month extension to the firm work programme commitment so that the Goddard appraisal well, as per the current Noble Hans Deul drilling schedule, can be completed within the licence term. The outcome of the extension request is expected after the publication of this report.

On 1 October 2021 the OGA confirmed that Licence P2442 (Abbeydale) would continue into Phase C of the Initial Term until 30 September 2023 to allow the drilling of a well to meet the drill or drop commitment on the licence.

The formal process for part relinquishment of Licence P2085 (Harvey) completed on 10 March 2021. On 20 December 2021 the Second Term of the Licence expired, following the decision not to pursue an extension or progress to an FDP. Surrender of Licence P2441 (Redwell) also completed on 10 March 2021.

Statement of Reserves & Resources

Reserves (net to IOG)

Field	Gas Reserves (BCF)			Condensate Reserves (MMBbls)		
	1P	2P	3P	1P	2P	3P
Blythe ¹	12.7	21.3	27.9	0.0	0.1	0.1
Elgood ¹	4.8	7.1	9.2	0.0	0.0	0.0
Nailsworth ²	30.2	49.7	73.6	0.3	0.5	0.8
Elland ²	20.0	27.5	36.5	0.0	0.0	0.0
Southwark ¹	23.2	35.6	52.4	0.0	0.0	0.0
Total*	90.8	141.1	199.5	0.4	0.6	0.9
Total MMBoe*	15.7	24.3	34.4	0.4	0.6	0.9

Source: ¹ Management Estimates: March 2022, ² ERC Equipoise Competent Person's Report 11 October 2017

Contingent Resources (net to IOG)

Discovery	Contingent Gas Resources (BCF)		
	1C	2C	3C
Goddard ¹	26.0	57.5	84.5
Abbeydale ²	9.5	11.5	12.5
Panther ³	19.0	23.0	27.5
Grafton ³	12.0	17.5	23.0
Total*	66.5	109.5	147.5
Total MMBoe*	11.5	18.9	24.4

Source: ¹ Management estimate March 2022 ² Management estimate March 2021, ³ Management estimates November 2020

Prospective Resources (net to IOG)

Prospect	Prospective Gas Resources (BCF)			
	Low	Best	High	Geological Chance of Success
Kelham North ¹	14.8	24.1	33.5	72%
Kelham Central ¹	6.2	10.5	15.9	72%
Thornbridge ¹	9.3	17.5	28.5	64%
Thornbridge Deep ¹	27.5	53.5	83.5	18%
Orrell ¹	6.3	8.8	10.5	100%
Goddard Flank 1 ¹	8.0	13.5	21.0	71%
Goddard Flank 2 ¹	15.0	25.0	36.5	71%
Southsea ²	6.5	15.5	38.0	48%
Total*	93.6	168.4	267.4	
Total MMBoe*	16.1	29.1	46.1	

Source: ¹ Management estimates March 2022, ² Management estimates March 2021 *Arithmetic Total for comparison only

Operational Update

Saturn Banks Phase 1

Phase 1 Infrastructure

In 2021 IOG renamed the 24" former Thames Pipeline and associated onshore Thames Reception Facilities as the Saturn Banks Pipeline System (SBPS) and Saturn Banks Reception Facilities (SBRF) respectively. Through its subsidiary IOG Infrastructure Limited (IOGIL), IOG owns a 50% operated share in the SBPS and SBRF, with CER as 50% non-operated partner in each asset. In keeping with its new economic life, the old Thames Pipeline designation PL370 was replaced with two new numbers: PL5079 for the inner section, the first 28.5km from Bacton to the newly installed 24" valve skid, and PL5152 for the outer section from the 24" valve skid to the 60km point, from where the further 6km extension to the Southwark platform is planned to be laid in 2022.

In early 2021, installation of the 12" pipeline PL4956 from the SBPS tie-in point to the Blythe platform and the 6" pipeline PL4955 from Blythe to the subsea Elgood well were completed. Additionally, an umbilical PLU5039 was installed and connected between the Blythe platform and the Elgood well.

During 2021 the Company significantly consolidated its technical and operational capability, through both in-house additions to the team and the establishment of key third-party relationships. For example, in Q2 2021 ODE Asset Management (ODEAM) was awarded the contract to operate and maintain the SBPS and act as Duty Holder for the Blythe and Southwark platforms, while Petrofac were appointed as Well Operator for the Phase 1 development wells. In the same quarter the fabrication of the Blythe and Southwark unmanned platforms was completed, with installation then being undertaken by HSM and their subcontractor Seaway 7. Once installed on location, both platforms were powered up and put in communication with ODEAM's temporary onshore control room, which was then switched over to the Perenco Bacton control room ahead of First Gas. Importantly, in Q3 2021 the Safety Cases for both the Blythe and Southwark platforms were also accepted by the UK Health and Safety Executive (UK HSE).

In Q4 2021 the key offshore SURF and hook-up and commissioning (HUC) scopes from the Emergency Shutdown Valve (ESDV) onshore at Bacton through to the Blythe and Elgood wells were completed, demonstrating end-to-end system integrity in preparation for First Gas from both fields. These scopes include fabrication, installation and testing of the 24" valve skid at the Blythe-SBPS tie-in point; connection of PL4956 (12" SBPS-Blythe) and PL4955 (6" Blythe-Elgood) lines to the Blythe platform risers; tie-in of PL5079 at Bacton; hook-up of the Blythe and Elgood wells; leak testing and dewatering of the 6", 12" and 24" lines; and offshore system commissioning. "Walk-to-Work" vessels were used wherever possible to enable longer shift durations and minimise helicopter flights. In the meantime, refurbishment, construction and commissioning of the onshore SBRF continued through 2021 via Bacton terminal operator Perenco UK Limited (PUK). With all regulatory permits, licences, approvals and consents in place for production and operation to commence production at Blythe and Elgood, First Gas was then achieved on 13 March 2022.

Phase 1 Drilling

IOGNSL has a 50% working interest in and is operator of Licence P2260 (Block 48/22c), which was awarded in the 28th Licensing Round. The licence, which lies immediately to the north-west of the Blythe licence, contains the Elgood gas field in the Rotliegend Leman Sandstone Formation.

During Q2-3 2021 the subsea Elgood well 48/22c-7 was drilled horizontally through the reservoir section to a Total Depth of 15,472ft Measured Depth (MD), intersecting 1,080 ft of high-quality Permian Leman Sandstone reservoir along hole between 14,290 ft MD and 15,370 ft MD, with a net:gross ratio of 91%, good porosity at 12.4% and average log-derived permeability of 13.3 milliDarcies (mD) versus the P50 prediction of 5mD.

The well was successfully cleaned up and flow tested at a maximum rate of 57.8 mmscf/d of gas and 959 bbl/d condensate through a 80/64th inch choke, constrained by surface facilities on the rig. The Elgood reservoir was encountered 39ft deep to prognosis and over the ensuing months the well data was integrated into updated subsurface analysis as described in the Subsurface section below.

The Blythe gas field in the Rotliegend Leman Formation, straddles Blocks 48/22b and 48/23a in the SNS in Licence P1736 in which IOGNSL has a 50% working interest as operator.

In Q3 2021 the Blythe well 48/23a-H1 was drilled by the Noble Hans Deul jack-up rig through the Blythe platform to a Total Depth of 10,750ft Measured Depth (MD), intersecting 1,238 ft of good quality Permian Leman Sandstone reservoir along hole between 9403 ft MD and 10,641 ft MD, with a net:gross ratio of 95%, porosity at 10.6% and average log-derived permeability of 5.0 milliDarcies (mD). Over the ensuing months the well data was then used to revise the Company's view of the asset, as described in the Subsurface section below.

The well was successfully cleaned up and flow tested to a maximum gas rate of 45.5 mmscf/d through an 80/64th inch choke. An operational challenge experienced during drilling was the loss of drilling mud due to natural fracturing in the reservoir. This necessitated the use of Lost Circulation Materials (LCM) down-hole which may have constrained the clean-up flow rate with drilling mud being recovered to surface during clean-up.

The Southwark gas discovery in the Rotliegend Lemman Sandstone Formation sits in Block 49/21c in Licence P1915 in which IOGUKL has a 50% working interest as operator. The Southwark Field Development Plan (FDP) envisages a three well development tied back to the SBPS via a 6km extension to the Southwark unmanned platform. Following seismic reprocessing to PSDM, seismic reinterpretation and initial 3D subsurface modelling, the drilling plan was updated to have the first two wells initially batch drilled after Blythe, with the third well deferred to incorporate the data and conclusions from the first two.

Following the Blythe well, one of the Noble Hans Deul jack-up drilling rig's legs was damaged as it was being mobilised to the Southwark location. After being repaired in Dundee port, the rig returned to the Southwark location and the first Southwark well was spudded on 30 December 2021, before rig stability issues resulted in the requirement to move off location again while a seabed remediation plan is engineered and executed. These unexpected drilling issues at Southwark are expected to cause increases to the total Phase 1 outturn capital expenditure. Southwark drilling is currently expected to resume by late Q1 or early Q2 2022 and Southwark first gas is therefore now targeted in Q3 2022.

By the end of 2021 the Phase 1 project had passed significantly over one million cumulative manhours worked.

Phase 1 Subsurface

Elgood and Blythe (P2260 and P1736)

Over the months following the completion of the Elgood and Blythe wells, the 3D static and dynamic reservoir models have been comprehensively updated for these fields. Interpretation of the seismic data was revised with the incorporation of previously unidentified additional faults encountered in drilling the wells. The area depth conversions were also updated to incorporate vertical and lateral thickness changes with the Zechstein evaporitic sequence that were identified while drilling. This sequence sits above the Rotliegend Lemman Sandstone Formation and is a key interval when converting time seismic data to depth due to rapid velocity changes based on the lithologies encountered. The difference between the pre-drill modelled velocities within the Zechstein and those encountered in the well are the reason that the Elgood well came in 39 ft deep to prognosis. This has impacted the Gross Rock Volume (GRV) above the Gas-Water Contact. The dynamic models have also been updated and matched to the well performance observed during the clean-up process. It was not possible to include dynamic production data from Elgood or Blythe into the subsurface models in time for the publication of this report, so the March 2022 volumetric assessments have been based on static data alone.

Pre-drill management estimated gross 1P/2P/3P reserves for Elgood and Blythe were 20.2/27.5/33.9 and 20.6/41.2/52.2 respectively. Based on the post well technical evaluation detailed above, management's updated gross 1P/2P/3P reserves estimate is 9.6/14.1/18.3 BCF for Elgood and 25.40/42.5/55.8 BCF for Blythe. Following the initial phase of production, dynamic data will be assessed and reserve estimates further refined.

Southwark (P1915)

During 2021 a regional evaluation of the Southwark and adjacent Vulcan Satellite area was undertaken by the Company's subsurface team. This involved review of the reprocessed PSDM seismic data that was completed in Q1 2021 and the incorporation of other regional seismic and geological data sets. This new technical work generated an updated view on the structural framework and top reservoir geometry of the Southwark field, resulting in an improved understanding of the location of the bounding faults separating Southwark from the Lemman gas field to the south. This has resulted in a reduction in GRV in this southwestern area of the field and consequently the previous gross 1P/2P/3P management estimates have reduced from 61.2/94.2/137.7 to 46.3/71.2/104.7 BCF. It was not possible to include data from the Southwark development wells into the subsurface models in time for the publication of this report, so the March 2022 volumetric assessment above has been based on existing reservoir modelling. This estimate is subject to further review based on the data from the development wells which are due to resumed shortly and subsequent initial production data.

Pre-Development Assets (PDAs)

Nailsworth (P130 & P2342)

IOGUKL has a 50% working interest and is operator of the P130 and P2342 licences, which contain the Nailsworth gas discovery. Nailsworth is a three-way dip and fault sealed structure directly north of the Vulcan field, which produced 665 BCF between 1988 and 2018. Four exploration and appraisal wells have been drilled on the Nailsworth structure, confirming a gas-water contact (GWC) of -7,657ft TVDSS. The Company has reprocessed 3D seismic data to Pre-Stack Depth Migration (PSDM) standard, and completed new static reservoir modelling of the field, with dynamic reservoir modelling expected to be completed by early Q2 2022. In its 2017 Competent Persons Report (CPR), ERC Equipose assessed gross 1P/2P/3P gas reserves to be 60.4/99.4/147.2 BCF in Nailsworth. The current gross 1P/2P/3P management estimated Nailsworth gas reserves are likewise 60.4/99.4/147.2 BCF.

The Nailsworth discovery is intended to be the first Phase 2 field to be developed and has been under evaluation in stage two of IOG's Project Governance Process, which assesses the optimal development concept for the field within the context of the Saturn Banks infrastructure and the wider asset portfolio. Based on this work, the Company expects to put Nailsworth through the concept select gate in Q2 2022. This would be followed by further Front-End Engineering and Design and development well planning work, alongside the drafting of a Field Development Programme and an Environmental Statement ahead of a Final Investment Decision expected in the second half of 2022.

The optimal development of the Nailsworth discovery is likely to be via hydraulically stimulated production wells, which could be phased based on well performance. To maximise operational and commercial synergies, Nailsworth production is expected to be transported via a spur line to the Southwark platform 19km to the southeast, for onward transportation to the Bacton Gas Terminal via the IOG-owned and operated Saturn Banks Pipeline System.

Goddard and Goddard Flank structures (P2438)

IOGNSL has a 50% working interest and is operator of Licence P2438, which contains the Goddard field, an undeveloped gas discovery, part of the planned Phase 2 of the Saturn Banks Project.

In their 2018 CPR, ERC Equipose assessed gross 1C/2C/3C contingent resources to be 54.3/107.8/202.8 BCF within Goddard with Low/Best/High gross unrisks prospective resources of 41.8/73.0/121.4 BCF. The chance of development of Goddard was estimated by ERC Equipose as being 75%, and the geological chance of success of the prospective gas resources was 48%.

In light of the relative maturity of Goddard's contingent resources, and to improve structural imaging of the field as much as possible, further reprocessing to PSDM of 3D seismic data over the Goddard area was undertaken in 2020. Reinterpretation of this data was completed in Q1 2021, updating the gross 1C/2C/3C management resource estimate of the Goddard discovery to 57.0/132.0/258.0 BCF at that time.

Over recent months, additional seismic mapping was carried out that incorporated further structural analysis of the PSDM seismic data. Improved imaging has resulted in a clearer definition of the greater Goddard area and a better understanding of lateral velocity variation across the field allowing an enhanced depth conversion methodology. There is now also better definition of main field bounding faults and possible intra-field faults which is key to optimal development of the field. Detailed mapping of these faults has resulted in a reduction in GRV above maximum gas water contact. This led to updated inputs to probabilistic volumetrics, resulting in management estimated contingent resources for the main Goddard structure being revised to 52.0/115.0/169.0 BCF.

The 2020-21 mapping of the two Goddard flank structures initially indicated a gross unrisks prospective resource range of Low/Mid/High 8/19/44 BCF and 14/28/68 BCF respectively, with 71% GCoS in each case. The further recent Goddard mapping work has also resulted in increased management estimated prospective resources in the Goddard flank structures to Low/Mid/High 16/27/42 BCF and 30/50/73 BCF, with no change to either GCoS. These increases in volumes are associated with the positioning of the bounding fault between the main Goddard structure and the flanks.

The PSDM has also been used to optimally locate the planned appraisal well to be drilled approximately 4 kilometres away from the Goddard discovery. The well will test the full range of possible gas-water contacts resulting in greater certainty of the Gas-Initially-in-Place (GIIP) within the Goddard structure. The well will also de-risk the Goddard Flank structures. The results of the appraisal well will enable the Company to determine the optimum field development scenario, including well count, to maximise the return on investment from commercialisation.

The current term of the P2438 licence includes a firm work programme commitment to drill and complete an appraisal well on the Goddard structure to 3,140m total depth by 30 September 2022. The Noble Hans Deul jack-up rig has been contracted to drill the appraisal well after completion of the Southwark field development wells. In early 2022, in light of unexpected delays to the Southwark drilling programme, IOGNSL requested a 12-month extension to the firm work

programme commitment so that the well, as per the current Noble Hans Deul drilling schedule, can be completed within the licence term. The outcome of the extension request is expected after the publication of this report.

Southsea (P2438)

The 2020-21 seismic reinterpretation also identified an additional prospect within Licence P2438 close to the south-east of Goddard, which the Company has named Southsea. Mapping of this structure indicates gross prospective resources of Low/Mid/High 13/31/76 BCF, with a 48% GCOS. Further detailed work during 2021 has confirmed that Southsea is a robust structure. The results of the Goddard appraisal well will be used to update our view of Southsea during 2022.

Abbeydale (P2442)

IOGNSL has a 50% working interest and is operator of Licence P2442, which contains the Abbeydale gas discovery. The licence includes a firm work programme commitment to reprocess 150 km² of seismic data within two years, and to either drill an appraisal well on the licence before 30 September 2023 or relinquish the licence.

The seismic reprocessing work programme was completed in Q1 2021. New interpretation and mapping based on the reprocessed dataset enhanced the Company's view of the resource potential across the licence. The deterministic management estimate of gross 1C/2C/3C contingent resources at Abbeydale remains at 19/23/25 BCF. The tight resource range reflects a well-defined structure, constrained by well data from the 51/13a-13 appraisal well.

Kelham North and Central (P2442)

The recent technical work on the P2442 licence mentioned above includes a more sophisticated depth conversion and mapping work programme to better capture the Gross Rock Volume uncertainty range of the identified structures, further evaluation of the existing adjacent well stock and an improved understanding of rock quality.

This work has identified several further prospects and leads on the licence. To the immediate north of Abbeydale lies the formerly producing Camelot Complex, comprising several fields developed and produced by Mobil (and later Perenco). The Kelham North prospect is a previously unmapped, distinct structural closure within the Cadon field, which was part of the Camelot Complex. Similarly, mapping of the Kelham Central prospect, and reconciliation with production volumes from Camelot Central, suggest an unconnected volume from an undrained structure.

The seismic reinterpretation combined with available production data has been used to derive updated management estimated gross Low/Mid/High contingent gas resources of 30/48/67 BCF in Kelham North and 12/31/32 BCF in Kelham Central, both with a 72% Geological Chance of success (GCoS). The Company intends to drill an appraisal well and side-track to confirm these resource ranges in the structures, as part of the appraisal well campaign that includes Goddard, using the Noble Hans Deul jack-up rig after it has drilled the first two Southwark development wells in 2022.

If successfully appraised, these assets would form the basis of a new Southern Hub development that would include a subsea tie-back of the Abbeydale discovery to gas gathering infrastructure tied directly into the Saturn Banks Pipeline System. In the Company's view, successful appraisal would significantly de-risk the other discoveries and prospects in the P2442 licence detailed below, enhancing the commercial potential of the area and providing add-on development opportunities for the potential Southern Hub.

Thornbridge and Thornbridge Deep (P2442)

IOG has identified two further prospects on the P2442 licence, lying to the northwest of Abbeydale, which it has named Thornbridge and Thornbridge Deep. Subject to successful exploration drilling, these structures have the potential to create material resource additions to the potential Southern Hub.

The Thornbridge structure has management estimated gross Low/Mid/High prospective resources of 19/35/57 BCF, with a 64% GCoS. This GCoS is driven by the potential communication of the Thornbridge structure with the Camelot South field, which produced 201 BCF between 1989 and 2013.

The Thornbridge Deep structure has management estimated gross Low/Mid/High prospective resources of 55/107/167 BCF, with a relatively low GCoS of 18% due to the uncertainty around the quality of the Zechstein formation fault seal.

Orrell (P2442)

A further discovery, which the Company has named Orrell, lies partly on the P2442 licence, extending over its northern limit into an unlicensed area. The management estimated gross Low/Mid/High prospective resources that lie within the Orrell structure on the P2442 licence are 13/18/21 BCF.

Elland (P039)

IOGUKL has a 50% working interest and is operator of the P039 licence, which contains the Elland gas discovery, designated as part of Phase 2 of the Saturn Banks Project. In its 2017 CPR, ERC Equipoise assessed gross 1P/2P/3P gas reserves to be 39.9/55.0/72.9 BCF in Elland. The current gross 1P/2P/3P management estimated Elland gas reserves are likewise 39.9/55.0/72.9 BCF. Management's technical view on Elland is expected to be updated as part of the ongoing Nailsworth subsurface evaluation.

Further to the Elland suspended well 49/21-10A decommissioning review, prepared by Acona in April 2015, IOGUKL has revisited the decommissioning provision for the well. It is envisaged that permanent plugging and abandonment of the well can be completed at a gross cost of £2.4 million (£1.2 million net to IOG), due to savings through synergies associated with an Elland development drilling programme.

Panther and Grafton (P2589)

IOG NSL has a 50% working interest and is operator of Licence P2589, which contains the Panther and Grafton gas discoveries. The licence was awarded in the 32nd Licensing Round, formally commencing on 1 December 2020. The licence contains a firm work programme commitment to reprocess 79km² of seismic data within three years, which is in the process of being completed, and to drill an appraisal well on the licence by 30 November 2025 or relinquish the licence.

In 2020, IOG management initially estimated gross 1C/2C/3C contingent gas resources at 38/46/55 BCF in Panther and 24/35/46 BCF in Grafton, respectively. IOG has initiated a programme of 3D seismic reprocessing to PSDM standard over the licence area, which is due to complete later this year. This includes a more sophisticated depth conversion and mapping work programme than previously undertaken and should enable a clearer view of Panther and Grafton's commercial potential, and an understanding of the resource potential across the rest of the licence.

Given the proximity of Panther and Grafton to Elland, subject to the ongoing seismic reprocessing work programme, the Company would seek to evaluate the potential to create an "Eastern Hub" incorporating some or all of these assets with associated development synergies.

Business Development

The Company takes a systematic focused approach to screening opportunities to enhance its asset portfolio and further develop the business. All opportunities are evaluated in terms of fundamental value, potential return, materiality and synergy with the existing portfolio, ranked alongside the Company's existing assets. The fundamental purpose is to generate enhanced shareholder value over time, rather than simply to build a bigger business.

There are several different types of possible acquisition opportunities continually evaluated by management, each with potential to generate operating and economic synergies with the existing portfolio. The first of these is licensing activity, whether in formal licence rounds or by separation engagement with the OGA, which offers a well-established and low-cost path to adding suitable incremental assets. The Company has an extensive track record of successful licence round applications, including the 27th, 30th and 32nd UK Offshore Licensing Rounds. However, licensing rounds are relatively infrequent and not guaranteed to include the most attractive licences, therefore out-of-round applications and expressions of interest are also considered valid approaches to acquiring suitable unlicensed acreage.

In addition, there may be at any given time potential acquisitions from other licensees and operators who may be interested in either selling or farming-out assets at various stages of maturity, including appraisal, development or also previously developed shut-in or decommissioned assets. The Company undertakes a systematic ongoing review of all such opportunities to ensure it can prioritise those it may wish to pursue. Furthermore, the Company also discusses potential gas transportation tariffing opportunities and engages with parties who may be seeking access to export infrastructure as part of their own development planning.

Key Performance Indicators

The Group's main business is the acquisition, development and production of gas reserves and resources in a safe, efficient and environmentally responsible manner. This is undertaken by assembling and managing a carefully selected portfolio of licence interests containing a range of prospective, contingent and proven reserves, working these up from a technical perspective, planning, designing and executing appropriate appraisal, pre-development and development activities and ensuring effective ongoing production operations.

The Company monitors its performance against its primary HSE and ESG KPIs, which are the Total Recordable Incident Rate (Lost Time Incidents per 200,000 manhours worked) and Scope 1 and 2 emissions (and/or emissions intensity from 2022 onwards whereby relevant emissions are measured against total annual production). Other HSE performance indicators include securing all relevant environmental permits, consent and approvals, maintaining a verified Environmental Management System.

The main operational KPIs include the total reserves and resources in the portfolio and, going forward, the production rate as compared with annual guidance (noting that with Phase 1 start-up in Q1 2022, annual production guidance for 2022 has not yet been issued as at the time of this report – this is expected around the mid-year once the initial months of production have been tracked and analysed). Other operational performance indicators include successfully meeting all licence commitments relating to the Company's asset portfolio during the year, maintaining effective relationships at all levels with JV partners in compliance with Joint Operating Agreements (JOAs), operating within appropriate governance and HR policies, ensuring the Company has adequate in-house capability to manage its operations and third-party providers, and ensuring all corporate legal obligations are met.

Financial performance is tracked against established metrics and budgets which are set according to carefully assessed cost estimates and the availability of funds, whether raised from capital providers or delivered from operations, with the overriding objective of creating value per share. The main financial KPIs include unit operating cost i.e. opex (measured either in the standard industry metric of US dollars per barrel of oil equivalent to ensure comparability or more relevantly to IOG in pence per therm), operating cash flow and net debt. Financial performance indicators also include maintaining full compliance with terms of debt facilities, maintaining constructive relationships with debt providers and equity investors, being adequately resourced for all corporate and JV-related financial matters, maintaining appropriate fit-for-purpose finance systems, delivering approved annual budgets and adhering to updated financial and corporate operating policies.

Corporate Hedging Policy

The fundamental principle of the Group's hedging policy is to take a prudent approach to mitigating exposure to fluctuations in commodity prices and/or currencies to best protect cash flows. The Group will enter into hedging transactions only to manage genuine risks to cash flows, factoring in relevant economic data and reasonable projections of its production, costs and debt service profile, and never for the purposes of investment or speculation. Commodity and foreign exchange (FX) exposures are overseen by a Risk Management Committee (RMC) and hedging decisions

are taken by a quorum of this RMC, which must include the CFO (with a second Executive Director also required to approve transactions with a nominal value over a certain threshold).

No commodity hedging instruments were utilised in 2021, in view of the excessive costs and risks of expending capital for this purpose before Group production is established. With production having now commenced, the Group expects to start executing an appropriate “wedge” commodity hedging strategy, with a higher proportion of P90 forecast production hedged over earlier periods reducing to a lower proportion hedged over later periods, on a rolling basis, in order to reduce cashflow volatility whilst allowing shareholders to retain an appropriate degree of gas price exposure.

The Group expects to use simple structures with a limited range of outcomes for its commodity hedging programme, executed only with approved market counterparties, including its designated Phase 1 offtaker BPGM. Entering any swap transactions with the latter counterparties will require two months of production data before execution. Where more complex structures (involving combinations of swaps, puts and call options) may be proposed, specific Board approvals would be required. Under its hedging policy, the Group may also take positions to protect against the risks associated with further phase investments or other transactions such as acquisitions.

Details of the risks arising from the Group’s use of financial instruments can be found in Note 1 to the financial statements.

Insurance

The Group insures the risks it considers appropriate and proportionate for its needs and circumstances, including any risks that it has an obligation to insure against. However, it may elect not to put insurance in place at certain times for certain risks, for example due to high premium costs or extremely low probability risks. During 2021 the Group put in place insurance coverage for both construction and operational energy packages, covering Operators Extra Expense (OEE) during drilling activities, physical loss/damage, third party liability and OPOL in accordance with market standards. This insurance coverage and associated limits were in line with its energy sector peer group.

Principal Risks and Uncertainties

The Company seeks to generate shareholder returns by developing and producing its portfolio of offshore gas assets. This primarily entails construction and installation of production, transportation and processing infrastructure and drilling of production wells. These activities carry a number of associated financial, operational, regulatory, legal, commercial, human resource, HSE and sustainability related risks and uncertainties. Key risks and associated mitigations are set out below.

Financial	
Risk	Mitigation
Access to capital	<ul style="list-style-type: none"> • Management has a clear strategy for value realisation and creation • Capital providers are updated regularly as to corporate and operational progress • Phase 1 has now started production into a strong gas market and the resulting cash flows will help to fund further phases of development • There is an agreed £65 million Phase 2 development carry in place with CER, whose credit risk is low and kept under review • The Company's portfolio has robust economics and substantial incremental value, as attested by third-party analyst reports • The Company demonstrated it can raise incremental capital if needed as it successfully raised new equity in Q3 2021 to fund the Kelham North/Central appraisal well
Cost escalation	<ul style="list-style-type: none"> • The Company actively manages its costs and has an appropriate hedging policy which it will start executing at the appropriate time to mitigate the risks of commodity price volatility (see "Corporate Hedging Policy" section above) • There is a limited remaining scope of work for Phase 1 compared to the work already done • Cost escalation risks are mitigated by very high current and forward gas prices at the time of writing
Breach of Bond terms (including financial covenants: €2m minimum liquidity, minimum 2.5x leverage ratio from 6 months after First Gas, minimum 5x interest cover from 6 months after First Gas)	<ul style="list-style-type: none"> • The Company makes consistent efforts to be fully aware of its responsibilities and obligations under the Bond terms • The Company makes consistent efforts to minimise costs • Management calibrates key project and corporate commitments against bond conditions and covenants to ensure avoidance of any breach. • Phase 1 is now on production in a strong gas market, helping to minimise this risk
Gas price volatility	<ul style="list-style-type: none"> • During 2021 the UK gas market, along with other global gas benchmarks, rose significantly and has remained relatively high in 2022 year to date, putting the Company at a tangible advantage versus its planning case gas price assumption of 45p/therm (seasonally adjusted) • While gas market volatility has increased over recent months and particularly since the onset of the Russia-Ukraine conflict, fluctuations are around very high price levels at the time of writing • The Company actively manages its costs and has an appropriate hedging policy which it will start executing at the appropriate time to mitigate the risks of commodity price volatility (see "Corporate Hedging Policy" section above)

	<ul style="list-style-type: none"> • Hedging strategies may also be employed to derisk major incremental capital commitments • Budget planning considers a range of commodity pricing, taking into account potential future price scenarios, and advice is taken from independent third-party market experts
Fiscal change	<ul style="list-style-type: none"> • The Company, along with its peer group and associated organisations, continually engages with government and regulatory bodies, and advocates for continued stability in the fiscal regime being in the long-term interests of stable domestic energy supply • The Company has significant tax losses and does not expect to incur corporation tax liabilities in the initial years of production
Fluctuation in asset values	<ul style="list-style-type: none"> • The Company seeks to limit its financial dependence on any one single asset by holding a diversified portfolio of 6 discovered gas fields across Phases 1 and 2 of the Saturn Banks Project, plus several further assets which are being worked up for potential future additional developments • The Company makes consistent efforts to keep its cost base as low as reasonably possible • In addition, the Company continues to undertake further technical work to better understand each asset and narrow the range of potential values • Asset values can increase as well as decrease

Operational	
Risk	Mitigation
Changes in reservoir volumes or characteristics	<ul style="list-style-type: none"> • The Company undertakes a thorough programme for technical evaluation for all of its licences, including subsurface mapping and reservoir modelling • This is carried out by a competent, highly qualified and experienced in-house team supported where necessary by leading technical consultancies, with independent third-party reports commissioned as appropriate • A prudent range of input assumptions and possible outcomes are always considered within planning processes • The Company aims to minimise reservoir risks through high quality well design • The Company seeks to itemise and apply lessons learned from earlier wells when drilling subsequent wells
Departure from schedule and budget	<ul style="list-style-type: none"> • The Company employs technically competent and experienced personnel throughout the organisation • The Company awards contracts to competent, recognised, experienced contractors with a view to obtaining best value for money • Rigorous checks and controls are applied to schedule and budget to minimise any overruns as far as reasonably possible • Any scope changes are required to go through the Management of Change process • The Company follows the gate process for project governance and utilises peer reviews at appropriate project stages

Integrity of single point failure infrastructure	<ul style="list-style-type: none"> The Company has run extensive analysis and physical tests on its key infrastructure in the build up to first production to ensure it is satisfied as to its integrity The Company is in the process of rolling out an assurance plan for both its platform and pipeline Duty Holder ODE and the Bacton terminal operator PUK (reg 5 audits)
Fluctuation in market conditions for rig, vessels and offshore procurement	<ul style="list-style-type: none"> The Company seeks to utilise EPCI lump sum contracts for offshore work as far as reasonably possible, where this constitutes best value for money Competitive tendering processes are used for all material contracting requirements Where appropriate, suitable incentivisation clauses are used contracts in order to minimise delivered cost
Weather risks	<ul style="list-style-type: none"> There is a limited remaining scope of work for Phase 1 compared to the work already done Remaining work primarily include drilling – the main weather risks for the jack-up drilling rig are in mobilising to the field location (which is a relatively short period); once on location the weather risks are significantly lower The planned pipelay operation for the 24” extension to the Saturn Banks Pipeline is only a relatively short period (circa 1 week) Hook-up and commissioning work on the Blythe platform is complete and on Southwark is largely complete – access can be gained either via helicopters or walk-to-work vessels
Cyber security	<ul style="list-style-type: none"> Control systems at Bacton gas terminal are tried and tested over extended periods and considered to be very robust The Company has appointed a Duty Holder in ODE that has adequate systems and processes in place to protect platform infrastructure The Company has developed an enhanced IT security plan and supporting procedures, including improved access right to systems and protocols, and enhanced onboarding and leaving processes

Regulatory and Legal	
Risk	Mitigation
Securing regulatory consents, approvals and permits	<ul style="list-style-type: none"> The Company works continually to foster positive relationships at all levels with relevant government and regulatory bodies, including but not limited to OGA, BEIS / OPRED and HSE There is frequent and detailed liaison at multiple levels with these authorities to ensure good mutual understanding, minimise issues and delays in approvals Relevant applications are reviewed in detail and submitted promptly
Deficiency in Corporate Governance	<ul style="list-style-type: none"> The Company has developed and implemented a suitable suite of corporate policies and procedures, covering Financial Operations, Anti-Bribery and Corruption, Travel and Expenses, Climate Change and Sustainability, etc

	<ul style="list-style-type: none"> All contracts must be authorised by the Contracts and Procurement function, Finance, General Counsel and above certain thresholds are subject to Tender Committee and Board approval
Commercial	
Risk	Mitigation
Stakeholder misalignment	<ul style="list-style-type: none"> The Company undertakes very regular discussions and meetings with key stakeholders, to build mutual understanding and maintain positive relationships The Company continually seeks to understand stakeholders' priorities, drivers and risk tolerance levels
Access to market	<ul style="list-style-type: none"> The Company has successfully undertaken a competitive gas sales tendering process in 2021, with a good number of interested parties leading to healthy competition There are a lot of credible and well-funded gas shippers in the UK who can purchase IOG's gas. The UK gas market is deep and liquid, especially in the short term. There is a single buyer for condensate at Bacton with whom IOG has an agreed offtake contract

HSE and Sustainability	
Risks	Mitigation
Harm or injury to people or the environment	<ul style="list-style-type: none"> Compliance with the UK regulatory goal setting regime for safety is established, implemented and maintained through the Company leadership, HSE and Technical Committee, culture and management systems The Company continually reviews and updates its HSE Policy, which can be read in full on its website The Company employs experienced in-house HSE practitioners to ensure it meets all its related obligations, supported by appropriate external subject matter experts and consultants
Adverse environmental effects of our activities including, in particular, contributing to climate change	<ul style="list-style-type: none"> The Company has a Climate Change and Sustainability Policy, which can be read in full on its website Strategic focus on low carbon intensity domestic natural gas resources as a key fuel for the Energy Transition with lower carbon content than other hydrocarbons (including imported gas) Use of low carbon intensity facilities, including re-use of existing infrastructure – as illustrated by its inaugural Emissions Assessment (see ESG section above)

Human Resources	
Risks	Mitigation
Building and maintaining a fit for purpose team	<ul style="list-style-type: none"> The Company has over recent years established a competent, experienced team across all key disciplines, which mitigates the risk of losing any key individual The Company's Remuneration Committee regularly evaluates incentivisation schemes to ensure they remain in line with market standards The Company undertakes annual external benchmarking for all roles to ensure its salaries and benefits are appropriate and competitive
Disruption from the Covid-19 pandemic	<ul style="list-style-type: none"> Throughout the pandemic the Company has successfully implemented logistical and organisational changes to underpin its resilience to Covid-19

	<p>disruption, with the key focus being protecting all personnel, minimising impact on critical workstreams and ensuring business continuity</p> <ul style="list-style-type: none">• The Company has proactively sought to mitigate the risks of Covid-19 outbreaks involving its operations, for example through rigorous testing before personnel go on site or travel offshore• Senior management communicates regularly with all employees around changes in the company protocols or government working guidance• The Company continues to maintain Covid-19 protocols over and above government regulation to maintain and safe working environment and to mitigate risk to the business
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S172 statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. The Company seeks to manage its operations and assets in a safe and efficient way, and acknowledges that limiting climate change and transitioning to a more sustainable economy are critical challenges of our time. In that context, it recognises the importance of the UK's 2050 Net Zero target as part of global efforts to meet the goals of the 2015 Paris Accord. It has also taken particular steps to mitigate Covid-19 risks. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for all its stakeholders in the long term. We explain in this annual report, and referenced below, how the Board engages with key stakeholders which are typical of an offshore gas development company and which include investors (both shareholders and bond investors), employees, regulators, contractors, suppliers and other operators in the southern North Sea.

Likely consequence of any decision in the long term

The CEO Review on pages 2-3, Business Strategy on page 6 and principle 1 of the Company's QCA Statement, which is available in full via www.iog.co.uk/investors/aim-rule-26/, collectively set out the Company's long term rationale and strategy, with the business decisions that these entail.

Key decisions over the past year have included the selection and/or ongoing management of contractors for the Phase 1 development project. These included contractors for platforms, drilling, well management, SURF and numerous tier 2 contracts. These decisions have been taken off the back of competitive selection processes in each case and in the interests of achieving best value for shareholders as their primary driver. The Board will always take all relevant factors into consideration when making such decisions, including the track record and operational and environmental competence of each party. Other key decisions have included a number of technical and operational decisions relating to Phase 1 which are each designed ultimately to maximise project value and minimise project risks.

Interests of Employees

Covid-19 presented obvious challenges throughout 2021 and beyond, requiring effective closure of our offices for extended periods. Faced with these challenges, and in the interests of protecting employees as well as other stakeholders in the Company, we identified three fundamental priorities at the outset of the pandemic which have remained the same throughout: protect our people, deliver the project and ensure business continuity. We continued to ensure a safe working and operating environment and minimise virus transmission risks, and implemented effective remote working practices with robust communication systems to ensure the team could continue to deliver our objectives effectively.

The Company has continued to upgrade its employee processes and personnel. A new Employee Intranet and HR System was introduced in 2021. The Employee Handbook covers employment matters including maternity and paternity leave arrangements, equal opportunities and dignity at work, anti-harassment and bullying, IT and communication systems, social media, flexible working, disciplinary procedure, grievance procedure, code of conduct/ anti-corruption and bribery, whistleblowing, data protection and HSE. Together, the Employee Handbook, Intranet and HR System are intended to improve the communication of the Company's principles and policies with our staff and contractors. They encapsulate the Company's Code of Conduct with which all staff and contractors are expected to comply.

The Board believes that it is important that employees (including Executive Directors) are appropriately incentivised, given that the Group's success is highly dependent on their performance. Accordingly, it has in place a Company Share Option Plan (CSOP) which allows the Company to grant options over ordinary shares to all employees as set out on page 31.

The Company's position with regard to the interests of its employees is also covered in the IOG Social Policy, which is laid out in full on the Employee Intranet and website and includes the following principles and commitments which the Company expects all its personnel to uphold:

- Act with the highest ethical standards at all times and hold each other to these standards
- Foster an open, inclusive and equal opportunity culture
- Respect our diversity as people
- Promote an ethos of constructive collaboration, effective communication and knowledge sharing
- Promote critical thinking and a problem-solving mindset to overcome challenges and capitalise on opportunities

- Take a dynamic and agile approach to our decisions and activities, and consider their external impacts
- Help our colleagues to further their professional ambitions by contributing to our shared progress, supported by training and development where appropriate
- Listen to our colleagues and support their wellbeing as far as possible
- Look for opportunities to positively impact communities around us

Foster business relationships with suppliers, customers and others

The Company's policies and procedures relating to suppliers and all stakeholders are set out in principle 3 of the QCA Statement. Engaging with all our stakeholders, whether the joint venture partner, investors (both equity and bond), regulators or contractors, strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder management to stay abreast of insights into the issues that matter most to these various stakeholders and our business, to enable the Board to understand and consider these issues in decision-making.

Potential suppliers are considered in light of their relevant experience and commercial attractiveness, but also their suitability to comply with the Company's HSE and other policies. We aim to work with contractors with deep experience in their field, a strong value proposition, and who share our ethos of safe, efficient and responsible operatorship. Through the competitive process of selecting contractors to deliver respective parts of the Phase 1 project over the course of 2020-21 and through the initiation and progress of work under the resulting contracts, the Company has continued to deepen its relationships with key contractors including Petrofac, Noble Corporation, Subsea 7 and ODE among others.

The Covid-19 pandemic has led to some changes to operating procedures among suppliers and there are risks of increased costs as a result, and it has also entailed some changes to commercial or contractual terms with suppliers.

The relationship with the joint venture partner, CER, is a fundamentally important one for the Company given the shared ownership of almost all the licences in its portfolio and the alignment on the Core Project in particular. The farm-out transaction with CER in 2019 established the basis of this relationship and the Company's funding strategy, with development carries agreed for both Phase 1 and Phase 2. The Company maintains a very close and active relationship with CER at all levels, from a board/principal level down through the various layers of management, administered by Operating Committee and Technical Committee meeting, down to daily operational interactions. Given the Core Project arrangement as well as the Area of Mutual Interest agreement in respect of joint business development efforts, and notwithstanding that IOG is Operator of the relevant licences, there is a fundamental conjunction of interests and activities between IOG and CER, reflected in active collaboration across technical, financial, commercial and operational domains. The Company makes all due effort to understand the strategic and financial objectives of its partner and take these into account as far as reasonably possible in progressing the Core Project and wider portfolio activities.

The Company expends significant time and resources developing and maintaining its relationships with all relevant regulatory bodies, notably the OGA, OPRED and the UK Health and Safety Executive (HSE).

Community and Environment

IOG aims to contribute positively to the UK's energy transition by helping to supply stable and affordable energy to UK homes and businesses as part of a lower-carbon energy supply mix. The Company's approach to the community and environment is set out in more detail both in principle 3 of the QCA Statement and ESG policies, both available in full on its website. In respect of its environmental responsibilities, the HSE and Climate Change and Sustainability (CC&S) policies are most relevant, clearly laying out the Company's commitments in these areas. The latter policy recognises the importance of establishing clear principles in relation to climate change and sustainability matters, the Company declares its ambition to manage its assets in a safe and efficient way, and acknowledges that limiting climate change and transitioning to a more sustainable economy are critical challenges of our time. In that context, it recognises the importance of the UK's 2050 Net Zero target as part of global efforts to meet the goals of the 2015 Paris Accord. The Board and quarterly HSE and Technical Committee review HSE issues as a standing agenda item. Further details of the specific commitments in the policy can be read in full on the Company website at www.iog.co.uk/esg. In 2021 the Company completed an independent Phase 1 emissions assessment which is a key objective as laid out under the CC&S Policy. This assessment was used to inform the Company's early commitment to Scope 1 and 2 Net Zero as discussed above.

Maintain high standards of business conduct

The Company operates a corporate culture that is based on ethical values and behaviours. It maintains policies and processes that are appropriate to do this for a Company of its size. The Executive Directors communicate regularly with staff through town hall meetings and other smaller meetings. The Board has implemented a robust governance framework including a Code of Conduct, which includes the Company's Compliance with Anti-bribery and Corruption Policy that is incorporated in the Employee Handbook and is communicated to all employees. The Code provides clear guidance on how the members of staff are expected to behave towards other colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate. All employees are expected to comply with the Code and any violations of it may be reported to management or Group HR. Under its Anti-bribery and Corruption Policy, the Company's policy is to conduct all its business in an honest and ethical manner. The Company and Group apply a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates by implementing and enforcing effective systems to counter bribery. These systems include both detailed financial approval procedures and Tender Committee processes, whereby contracts recommended by the Contracts and Procurement function are reviewed by the Tender Committee to confirm a robust selection process, value and operational appropriateness and the rationale minuted and reported by the General Counsel and Company Secretary to the Board on both an ongoing and annual summary report basis. The Social Policy provides guidance for employees in respect of how the Company expects them to conduct themselves, as detailed above.

Act fairly between shareholders

The Company remains committed to listening and to communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about the Company and in turn, helping these audiences understand our business, is a key part of driving the business forward and Company representatives maintain active dialogue with market participants in line with expectations of a listed company. This is done via investor roadshows and meetings, attending investor conferences, delivering presentations, hosting capital markets days, updating our website and our regular reporting and corporate and project update announcements.

The AGM is the main forum for dialogue with shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The Directors routinely attend the AGM and are available to answer questions raised by shareholders in the form of a question and answer session after an update presentation. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The outcome of the resolutions proposed at the AGM are subsequently published on the Company's corporate website.

The Company actively upholds its relationships with institutional shareholders as well as ensuring that private shareholders are also attended to as far as reasonably possible. Shareholder relations are managed primarily by the Head of Capital Markets & ESG Corporate supported by the Chief Executive Officer, Chief Financial Officer and others in the Executive Team, as appropriate. The Chief Executive Officer and Chief Financial Officer make presentations to analysts throughout each year and immediately following the release of the full-year and half-year results. The Board is kept informed of the views and concerns of major shareholders by briefings from the Executive Team. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chair and Senior Independent Director are available to meet with major shareholders if required to discuss issues of importance to them.

The Company makes regular updates to the market on its commercial, technical and operational progress at all stages of executing on its strategy.

Besides its shareholders, the Company has a separate class of financial investors, which are the institutional holders of the €100 million senior secured Bond, who are effectively lenders to the Company. While there is less transparency in this market as to which institutions hold the bonds, the Company does maintain an active dialogue with those who do identify themselves and also maintains relationships with the Nordic investment banks who are active in this market.

Finance Review

From a financial as well as operational perspective the Company focused in 2021 on investing the proceeds of the significant funding transactions undertaken in 2019, in particular the Farm-out and the €100 million senior secured Bond which provided the capital for continued investment in Saturn Banks Phase 1.

During 2021, a total of £140.0 million was invested in the Phase 1 development. Of this, the joint venture partner CER funded £70.0 million for their 50% non-operating share in each asset and a further £11.7 million as Phase 1 development carry for the Company's benefit under the terms of the 2019 Farm-out. The full £60 million of Phase 1 partner development carry was thereby utilised in the year, with a further agreed carry of £65 million to come for Phase 2 subject to FID.

The post-tax loss for the year was £4.2 million, which includes a £0.9 million write down of the remaining Harvey licence following relinquishment of the licence (2020: loss of £19.3 million which included a £12.6 million write down of the Harvey and Redwell assets).

The Company ended the year with a cash balance of £31.3 million (2020: £13.9 million) plus £3.4 million of restricted cash (2020: £67.0 million), £2.0 million of which is the minimum holding of Bond interest in the DSRA and £1.4 million of which is decommissioning security. Group net debt at the end of the year was £56.6 million (2020: £14.1 million) (see note 17).

Under IFRS 16, IOG is responsible for capitalising 100% of the lease cost of its contract with Noble Corporation for the Noble Hans Deul jack-up drilling rig, as well as contracts for the marine supply vessel and emergency rapid response marine (ERRV) vessel, to its statement of financial position. Based on the minimum contract durations and day-rates, IOG has therefore recognised £21.3 million in Property, Plant and Equipment (PP&E). IFRS 16 also requires recognition of the lease liability for future payment obligations and interest on lease liabilities in the income statement over the lease term. Based on the minimum contract duration and day-rate, IOG has therefore recognised £11.1 million (net liability after payments) in lease liabilities.

In September 2021 the Company raised gross proceeds of £8.5 million from new and existing shareholders via a placing and subscription, the proceeds of which are primarily intended to fund the drilling of the Kelham North/Central appraisal well in the P2442 licence.

The £11.6 million long-term, unsecured, non-interest-bearing Loan Note Instrument, convertible at 19p into 60,872,631 Ordinary Shares, remained in place, with a maturity date of October 2024.

Income Statement

The Group made a loss for the year of £4.3 million (2020: £19.3 million, driven primarily by a £12.6 million impairment charge on the Harvey and Redwell assets). This includes £4.0 million of administration expenses, finance expense of £3.1 million, £0.9 million of impairment and £0.1 million of project, pre-licence and exploration expenses, offset by a £3.4 million FX gain and fair value gain of £0.3 million.

Net administration expenses of £4.0 million (2020: £3.4 million) reflect a lean corporate operation and the allocation of a proportion of overheads to project assets.

The foreign exchange gain of £3.4 million (2020: £0.7 million loss) reflects realised and unrealised foreign exchange movements on EUR denominated Bond, provisions and trade creditors and loans.

The total interest paid on bonds for 2021 was £8.3 million (2020: £8.7 million), all of which was attributable to financing of capital projects and hence fully capitalised in line with company's accounting policy.

Statement of financial position

Property, Plant and Equipment (PPE) oil and gas assets increased to £138.4 million (2020: £53.4 million) during the year, representing capital expenditure activities on the Saturn Banks Project assets as well as capitalisation of the right of use of leased assets over their lease term under IFRS 16.

Total assets increased to £180.7 million (2020: £154.2 million), including cash resources of £34.7 million (2020: £80.4 million) of which £3.4 million is restricted (2020: £67.0 million).

Total liabilities have increased to £152.4 million (2020: £131.1 million), with the Bond representing £82.4 million (2020: £87.8 million). Liabilities also include trade creditors £8.1 million (2020: £1.0 million), lease liabilities of £11.1 million

(2020: £13.8 million), accruals and operator advance accounts of £25.7 million (2020: £7.2 million) given the high volume of work as the Phase 1 development progressed, and deferred considerations in relation to acquisitions of £0.6 million (2020: £2.3 million).

Decommissioning provisions net to IOG increased to £15.8 million (2020: £6.2 million), including the Elland suspended well decommissioning provision of £1.2 million, Saturn Banks Pipeline decommissioning provision of £0.1 million (2020: £1.0 million), Saturn Banks Reception Facilities decommissioning provision of £2.9 million and the addition of further Phase 1 infrastructure of £11.6 million (see Note 16). Lease liabilities recognised under IFRS 16 were £11.1 million (2020 £17.6 million) predominantly driven by the inclusion of the contract for the Noble Hans Deul drilling rig as well as the marine supply vessel and ERRV.

The Group ended the year with a net debt position of £56.6 million (2020: £14.1 million), primarily driven by the ongoing expenditure on Phase 1. Net debt is defined as total loans, primarily the EUR denominated Bond, less restricted cash and cash equivalents.

Cash Flow

Net cash inflows of £20.0 million (2020: £8.0 million inflow) from operations, net cash inflow of £3.6 million (2020: £1.2 million) generated from investing activities and net cash outflow of £8.2 million (2020: £10.5 million) from financing resulted in a cash and equivalents position of £31.3 million at year end. There were no loan repayments (2020: Nil). At the end of the year £3.4 million (2020: £67.0 million) of funds were also held as restricted cash in the DSRA and as decommissioning security.

The Directors do not recommend payment of a dividend (2020: nil).

€100 million Bond

The Group's €100 million 5-year senior secured Bond was issued in 2019 in the name of Independent Oil and Gas plc (the former name for the Company) to a range of institutional investors across the Nordic region, Europe, UK and Asia. The bond has a bullet repayment structure, with a maturity date of 20 September 2024, and an interest rate, payable quarterly, of 9.5 per cent per annum over the three-month EURIBOR rate (with a floor of zero when this rate is negative, as it is at the time of writing). The Bond has a senior secured position over the Group's licences and infrastructure assets, as well as any further licence in which the Group takes an ownership interest during the tenure of the Bond, such as the newly acquired P2589 Panther-Grafton licence. Bond funds can be used to fund Phase 1 capital expenditure, financing costs and general corporate purposes.

The Bond has been listed since December 2019 on the Oslo Børs with the ISIN NO0010863236. The pricing on the secondary market was impacted heavily in early 2020 at the onset of the Covid-19 pandemic which had a major impact on markets. However, since this time the trading price has steadily recovered and in late Q3 2021 it started to trade at a premium to par. Since then to the time of writing it has traded within a range of 100-102 cents (with 100 cents being par value), indicating investors' confidence that the Bond will be repaid in full.

At settlement of the Bond in September 2019, the first eight quarterly payments were set aside in a Debt Service Reserve Account (DSRA). Over the course of 2021, a total of €9.7 million was drawn down quarterly as planned from the DSRA to fund the four coupon payments in March, June, September and December. Further to this the DSRA balance at the end of the period was €2.5 million (£2.1 million).

As laid out in the Bond terms, drawdown from the Bond escrow account was subject to a series of progress milestones. During the course of 2021, three drawdowns of €27.3 million (£24.2 million), €19.5 million (£16.6 million) and €18.9 million (£16.1 million) were made in February, April and April 2021 respectively further to the relevant Phase 1 operational milestones. This extinguished the Bond escrow account leaving no further balance to be drawn down.

The Bond is callable from 3 years after issuance, i.e. in or after September 2022, with an initial call premium of 50% of the coupon (i.e. repayable at a cost of €104.75 million (£88 million) if the 3month EURIBOR is at zero or lower), declining by 10% every six months thereafter.

The Company has the option, subject to conditions and investor commitments, to issue additional amounts up to a maximum aggregate of €30 million (£25.2 million) ("Tap Issues"). Tap Issues carry identical terms to the initial €100 million issue but may be issued at different prices.

Funding & Liquidity

The Board has reviewed the Group's cash flow forecasts having regard to its current financial position and operational objectives.

The Consolidated Statement of Financial Position at 31 December 2021 details a net debt position for the Group of £56.6 million (2020: 14.1 million). Net debt is defined as total loans, primarily the Bond, less restricted cash and cash equivalents.

In assessing the Group's and Parent Company's current financial position and reaching its conclusion as to going concern status up until September 2023, as laid out in the Annual Report, the Board has, by necessity, utilised a set of reasonable assumptions around activities, costs, timings, asset performance and other relevant economic factors in order to develop an accurate perspective. These assumptions are summarised in this paper.

The primary consideration is progress of the Phase 1 development. On 14 March, the Company announced that Phase 1 First Gas had successfully been delivered on the previous day, with Blythe field producing gas into the Saturn Banks infrastructure and Bacton terminal. This is a key turning point for the Company in transitioning from a developer into a cash-generative producer, with significant cashflow expected to be generated point forward under the Company's current base case gas price assumptions.

The gas price assumptions used for these purposes are based on a long-term average realised price of 45p/therm, which management confirms to be a sensible baseline in the context of average realised UK gas prices over the past decade, having taken advice from independent market experts engaged by the Group. This is seasonally adjusted to more accurately replicate the actual seasonal fluctuations in the UK gas market (higher prices over October-March, lower prices over April-September), rather than use an unrealistic flat price assumption. Importantly, to remain as realistic as reasonably possible, the assumptions also factor in recent gas market developments as reflected in the NBP forward curve. Whilst over recent weeks UK spot and forward gas prices have reached unprecedented highs due to several factors, primarily the risk of global gas supply constraints as a result of the Russia-Ukraine conflict, the Company's assumptions over 2022-23 are based on 35-45% discounts to the forward curve on 23 February 2022, prior to recent extreme pricing dislocations.

The Company has a gas sales agreement in place with a very well established, highly creditworthy offtaker in BPGM and also has a condensate sales agreement in place with the single condensate offtaker at the Bacton terminal. Under its GSA, gas is sold on a day-ahead nomination basis at a price linked to the National Balancing Point (NBP, the UK traded gas benchmark). First payments for the Phase 1 gas are contractually scheduled to be received on 20 April 2022. As an additional liquidity backstop measure the Company has also executed a €5 million working capital facility from a respected international bank, which can be drawn as needed after First Gas subject to market standard conditions and is repayable by March 2023.

Management calibrates key project and corporate commitments against bond conditions and covenants to ensure avoidance of any breach. The Company makes consistent efforts to manage the business within budget. Phase 1 capital costs underlying the going concern assessment flow from the baseline project plan as recently reviewed and reaffirmed by senior management. At this stage there is a detailed understanding of the expected further expenditure based on existing commitments as Phase 1 reaches its final stages of execution, with the Southwark drilling and extension to the Saturn Banks Pipeline System being key final elements of the scope. The latest cost estimates have in turn been interrogated and subsequently approved at both executive and Board level.

Similarly, operating cost assumptions, including offshore Operations and Maintenance (O&M) costs, onshore Saturn Banks Reception Facilities operation costs and Bacton processing tariff costs, have been established using the latest estimates provided by internal operational personnel and relevant external parties (ODEAM and Perenco).

Decommissioning cost assumptions are drawn directly from the independent Competent Persons Report (CPR) undertaken by reserve auditor ERC Equipoise in 2017.

Pre-development assets and General and Administrative (G&A) cost assumptions are based on approved internal budgets, which are based on estimates and are reviewed and derived from comparable activities and relevant past actual costs. G&A budgets are constructed with an iterative methodology that factors in historical expenditure trends adjusted with appropriate forward-looking modifications and expected trends in underlying activity (e.g. changes in organisation headcount). Forecasts are reviewed by the senior finance team and the CFO on a monthly basis in order to assess the appropriateness of budget versus actual outturn and reviewed and when appropriate are discussed at Board level. Finally, prudent assumptions have been taken in respect of the Group's treasury management, including the policy of minimising foreign exchange exposures as far as possible. Foreign exchange exposures are forecast and compared to the available currency held as cash balances or JV cash calls, which allows any exposure to be actively managed.

The nature of the Group's operations inherently involves a range of potential outcomes and in that context, as demonstrated above, the Group uses prudent assumptions to develop its view of most likely outcomes, as well as identifying measures to mitigate or eliminate potential risks that may affect cash flows. Management undertakes detailed financial modelling to generate stress test scenarios, including changes in gas prices and/or production levels, which are reviewed by the Board. Under all reasonable forecast scenarios, the Group is expected to be able to remain within its Bond covenants and to have sufficient cash resources to continue with its planned business strategy.

Conclusions

Based on above, and particularly in light of the recent announcement of the First Gas milestone for Phase 1 amid a very elevated gas market, the Board have a reasonable expectation that the Group has adequate resources which will continue to grow off the back of Phase 1 delivery and to progress to FID on further phases, providing long-term business continuity with stable cash generation for the foreseeable future. To this end, the Board believe that the Group and Company can be represented as being a going concern without any modification of material uncertainty for the 2021 Annual Report and Accounts.

The financial statements do not include any adjustments that would result if the Group and the Parent Company were unable to continue as a going concern.

Rupert Newall
Chief Financial Officer
16 March 2022

Corporate Governance Statement

Board of Directors

The Company is led by a strong, disciplined Board with extensive experience in all aspects of the Company's business supported by a capable and experienced management team. Their experience covers both ends of the investment spectrum from private equity backed start-up companies to London Stock Exchange listed companies. The Board is supported by a capable and experienced management team.

Fiona MacAulay – Non-Executive Chair

A Chartered Geologist with over 30 years' experience in the upstream oil and gas sector including key roles in a number of leading oil and gas firms across the large, mid and small-cap space including Mobil, British Gas, Amerada Hess and Rockhopper. Non-Executive Director at Coro Energy plc, EPI Group Ltd, Ferrexpo PLC and Chemring PLC. She is a past president of the American Association of Petroleum Geologists Europe. Fiona chairs the Company's Remuneration and Nominations Committee and is a member of the Audit Committee.

Andrew Hockey – Chief Executive Officer

Andrew Hockey has 40 years of energy sector experience. He has a technical background with a BA in geology from Oxford University, and an MSc in petroleum geology from Imperial College. Until the end of 2015 Andrew was General Manager of Business Development at UKCS oil and gas exploration and production company Fairfield Energy Limited. Andrew led the team to acquire Clipper South as an undeveloped gas discovery and then subsequently managed its development via farm down and funding through to first gas. Andrew is a Non-Executive Director of Chariot Limited, a company with gas interests in Morocco.

Rupert Newall – Chief Financial Officer

Rupert has over 25 years of corporate finance experience in the upstream oil and gas industry, primarily in Investment Banking where he has provided strategic, transactional and financing advice to broad range of E&P companies and majors. Rupert's Investment Banking career included Deutsche Bank, Bank of America and BMO Capital Markets where he was Co-Head of Investment & Corporate Banking EMEA. Rupert's extensive upstream experience includes corporate and asset transactions, strategic advisory, equity and debt capital markets and restructuring. Prior to joining IOG, Rupert was CEO of Edimis Energy Limited, an oil & gas advisory boutique which advised IOG on its strategic options and the farm-out transaction in 2019. Rupert has a BA in Economics from Cambridge University.

Esa Ikaheimonen – Senior Independent Non-Executive Director

Esa has over 25 years of oil and gas industry experience and strong board level expertise. He was until 16 March 2022 the CFO of London listed E&P company Genel Energy plc. Currently, he is a Non-Executive Chairman of Lamor Corporation, a leading environmental service company. Esa's previous non-executive experience includes roles at Ahlstrom Corporation, global supplier of fibre-based products, and at Vantage Drilling International, a major offshore drilling contractor. Previously, in addition to these non-executive roles, Esa was Executive Vice President and CFO of Transocean, the world's largest offshore drilling company. Prior to Transocean, Esa enjoyed a 20-year career at Royal Dutch Shell, culminating in the role of Vice President Finance for Shell Africa E&P. He holds a master's degree in Law from the University of Turku, specialising in tax law and tax planning. Esa is Senior Independent Non-Executive Director and chairs the Company's Audit Committee.

Neil Hawkings – Non-Executive Director

Neil Hawkings has over 35 years' experience in the upstream oil and gas sector. At ConocoPhillips, Neil played key roles in the successful development of both their Southern North Sea gas business, and their gas business in Indonesia. His final role was as Managing Director at Britannia Operator Limited (BOL), where he led production, development and commercial activities at the Britannia gas condensate field. Neil then served as Operations Director at Premier Oil Plc, responsible for operational and development activities across their global portfolio. He holds a Master's Degree in Chemical Engineering from Cambridge University. Neil chairs the Company's HSE and Technical Committee.

Remuneration Policy

Remuneration comprises a mix of salary and bonus payments and equity incentives.

In December 2021 the Board's Remuneration Committee commissioned FIT to carry out a benchmarking review of its executive, senior team and Non-Executive Director remuneration arrangements. The work covered Board and Executive Committee – Board Chair, NEDs, CEO, CFO, COO, Head of Capital Markets & ESG and the General Counsel and Company Secretary and included a full salary, benefits and incentives review and a view of general structure of benefits and incentives across the Company. The benchmarking review concluded that the remuneration and benefits structure comprising salary, discretionary cash bonus and long-term incentive options along with health, life assurance and death in service benefits was appropriate for the senior team and Executive Directors. However, however the review concluded that the fees for the non-Executive Directors and the salary and total compensation levels for the Executive Directors was materially below the benchmarks for the peer group considered, which included other E&P companies of similar size in the UK. The Remuneration Committee is considering what adjustments it may make for the above elements based on the benchmarking review and to fees for Non-Executive Directors. The company also commissioned WRS and Hunter Adams to provide benchmarking reviews on all its employees other than the CEO, CFO and COO. These reviews are used to calibrate salary and incentives for all those employees.

Options and Long-Term Incentive Plan Policy

The Board believes that it is important that all employees (including Executive Directors) are appropriately incentivised, given that the Group's success is highly dependent on their performance. Accordingly, it has in place a Company Share Option Plan (CSOP) which allows the Company to grant options over ordinary shares to all employees, subject to appropriate vesting conditions. The CSOP is administered by the Remuneration Committee and the maximum aggregate awards, together with any other employee share schemes (excluding the Salary Sacrifice Arrangements mentioned below), cannot exceed ten per cent of the issued share capital of the Company at the time of grant. Under this scheme, a total of 9,425,095 long-term incentivisation options were awarded to employees in 2021, vesting three years from the date of grant and subject to meeting various conditions including: a compound annual Company Total Shareholder Return ("TSR") of 12.5%, relative TSR against a basket of competitors, first gas and subsequent production goals and FDP approval on future fields being achieved.

Salary Sacrifice Arrangements

During the year, in order to enhance alignment between IOG personnel and shareholders, certain personnel continued with salary sacrifice arrangements whereby cash salary payments were reduced, and the difference settled by options granted with a strike price of 1p. The number of options granted is determined by the Company's volume weighted average share price for each six-month period of salary or fee sacrifice. The salary sacrifice arrangements were discontinued from August 2021 onwards. Further details can be found in Note 4 to the financial statements.

Corporate Governance Statement

The Directors recognise the importance of sound corporate governance. The Company has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code 2019 (the Code) to the extent considered appropriate for a company of its size.

Details of how the Company complies with the ten 'Principles of the Code' and explanations of why if it does not can be found in the QCA Statement, which can be accessed via www.iog.co.uk/investors/aim-rule-26/, and are also discussed below.

Commentary relating to Principles 1-3 of the Code, which state the following, are covered in the Strategic Report and Section 172 above, and the Company's QCA statement on the website.

1. **Establish a strategy and business model which promote long-term value for shareholders**
2. **Seek to understand and meet shareholder needs and expectations**
3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**

Principle 4 of the Code states

MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**

Audit, risk and internal control

The Board of Directors are aware of their responsibility for establishing and communicating a system to manage risk and implement internal controls.

Operational risks are identified and assessed by management and any significant risks are reported to the Board. Financial and commercial risks are reviewed by the Board.

The Board have reviewed the work of the executive management, which synthesised the key risks from a far broader assessment of all operational and corporate risks considered as part of the day to day operational and commercial management of the Company.

The Board, Audit Committee and HSE and Technical Committee Chair were circulated with summaries of the risk analysis and discussed these informally before formal review at Board meetings.

The Company's internal control systems are designed to provide the directors with reasonable assurance that any problems are identified on a timely basis and dealt with appropriately. The Board considers the internal controls to be effective, but no system of internal control can provide absolute assurance against material misstatement or loss.

The Company will effectively review the risks faced by the business, considering both opportunities and threats and identify these in its annual report.

Further disclosures on risk and internal controls are set out below.

Financial Controls

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- The Company's Financial Operating Policy (FOP) is the framework which regulates the financial processes of the Group, from the concept of Group financial strategy through to the payment of invoices. The key objectives of the FOP are to:
 - provide a clear framework for internal financial control;
 - define the levels of financial authority for Staff, Contractors, Directors and the Board; and
 - set out the processes for budgeting and financial reporting.
- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury and tax.
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business and operational and financial controls, including the review of results of work performed by the Group controls function.
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and net asset statements.
- The Company has a consistent system of prior appraisal for investments, overseen by the Chief Financial Officer and Chief Executive Officer, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development.

Non-financial Controls

The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan.

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors.
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks.
- A comprehensive annual budgeting process.
- Detailed monthly reporting of performance against budget.
- Central control over key areas such as capital expenditure authorisation and banking facilities.

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. As part of the Group's review a number of non-financial controls covering

areas such as regulatory compliance, business integrity, health and safety, risk management, business continuity and corporate social responsibility have been assessed. The key elements of those non-financial controls are set out below.

Standards and Policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies and kept under review.

Approval Process

Contracts are required to be reviewed and signed off functionally by the CFO and General Counsel and signed by a Director of the Company. Major contracts require the internal sign off from two or more directors according to the Financial Operating Policy of the Company.

Re-assessment

The Company has a Business Risk Register with business continuity plans to address key risks that have an immediate impact. Risks facing the business are re-assessed and potential mitigating actions are considered and implemented to help protect against those risks.

Sections 5-10 of the Code state:

5. Maintaining the Board as a well-functioning, balanced team led by the Chair

The Board currently comprises the Non-Executive Chair, three Executive Directors and two further Non-Executive Directors.

The Board considers that Fiona MacAulay (Chair), Esa Ikaheimonen (Senior Independent Director) and Neil Hawkings its current three Non-Executive Directors, bring independent judgement to bear. Fiona MacAulay was previously the Company's Senior Independent Director.

Non-Executive Directors are expected to devote such time as necessary for proper performance of their duties. This includes regular attendance at Board, AGM, shareholder and committee meetings.

The Board is satisfied that it has a suitable balance between independence on the one hand and knowledge of the Company on the other to enable it to discharge its duties and responsibilities effectively.

All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. During the year at least six scheduled Board meetings take place and a number of additional meetings as may be required. These are held at IOG's head office in London (or by video conference in exceptional circumstances due to government restrictions relating to Covid-19).

Key Board activities include:

- Considering our financial and non-financial policies.
- Discussing strategic priorities.
- Discussing the Group's capital structure and financial strategy, including capital investments and shareholder returns.
- Discussing internal governance processes.

Directors' Conflict of Interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors and changes to these commitments interests are reported, minuted and where appropriate, agreed with the rest of the Board.

Directors' Attendance:

Director	Board	Audit Committee	Remuneration and Nominations Committee	HSE and Technical Committee
Meetings	12	6	4	4
Fiona MacAulay	Chair 12	6	Chair 4	-
Andrew Hockey	12	-	-	-
Rupert Newall ¹	12	-	-	1
Esa Ikaheimonen	12	Chair 6	4	-
Neil Hawkings	12	-	-	Chair 4

1. Rupert Newall attended the January 2021 HSE and Technical Committee meeting as Interim Project Director and David Gibson in his capacity as COO was appointed as a new committee member on 8 February 2021. Mark Yates, in his capacity as HSE Manager, acts as Secretary to the Committee.

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

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of technical Oil and Gas subsurface, project management, drilling and facilities experience and in the areas of banking, financial and commercial skills and experience. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors by the Company Secretary in advance of meetings. The business reports monthly on its headline performance against its agreed budget and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting.

Relevant updates are provided by the General Counsel, external counsel, NOMAD and Brokers as required.

Two Non-Executive Directors are active in other companies in Executive and Non-Executive capacities.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

The Board of Directors has a mix of experience, skills and personal qualities that help deliver the strategy of the Company. The Company will ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities to deliver the Company strategy and targets. Each Director is listed on the website and in the annual report along with a clear description of their role and experience.

The Board also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

Independent Advice

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the General Counsel and Company Secretary, the Chief Executive Officer and the Chief Financial Officer.

Experience, Skills and Capabilities

Biographical details of the Directors and their relevant experience can be found on the Company website at the following link www.ioq.co.uk/about-us/board-and-management/.

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

The Chair will continue to informally assess the individual contributions of each of the members of the team to ensure that Company strategy is effectively implemented, and that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

Each year the board team completes an internal review of individual and collective effectiveness and identifies a number of actions to ensure that the members of the Board collectively function in an efficient and productive manner as possible. This takes the form of an adapted standard form questionnaire that is circulated by the Company Secretary, the results of which were summarised and discussed with the Chair. The results were collated under a traffic light system, together with suggested actions, which were circulated to the Board and then discussed in a full Board meeting, with agreed actions being minuted. These actions have included the introduction of strategic sessions to compliment the usual format of board meetings, adjusting board meetings into longer and also some shorter update sessions, updated processes to manage risk registers between the Board and Committees, improved employee communication through town hall and virtual town hall meetings.

8. Promote a culture that is based on ethical values and behaviours

The Board aims to lead by example and do what is in the best interests of the Company.

The Company operates a corporate culture that is based on ethical values and behaviours. It maintains policies and processes that are appropriate to do this for a Company of its size. The Executive Directors communicate regularly with staff through town hall meetings, both in person and through digital communications where necessary.

The Board has implemented a robust governance framework including a Code of Conduct, which includes the Company's Compliance with Anti-bribery and Corruption Policy that is incorporated in an updated Employee Handbook and is communicated to all employees. The Code provides clear guidance on how the members of staff are expected to behave towards other colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate. All employees are expected to comply with the Code and any violations of it may be reported to local management or Group HR.

Anti-bribery and Corruption Policy

Company policy is to conduct all its business in an honest and ethical manner. The Company and Group apply a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates by implementing and enforcing effective systems to counter bribery.

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

Board programme

The Board meets at least six times each year in accordance with its scheduled meeting calendar.

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required.

During 2021 the Board met for its six scheduled meetings and a further eleven ad-hoc meetings, giving a total of seventeen meetings. The Board and its subcommittees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors by the Company Secretary. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's executive management.

Roles of the Board, Chair and Chief Executive Officer.

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company as the roles of Chair and Chief Executive Officer are split. The Chair is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chair leads a Board of Non-Executive Directors with significant industry experience, in order to provide an effective challenge to the Executive Directors and to foster high quality debate and effective business decisions in an open and ethical culture. The Chair considers the Code principles of Company strategy, shareholder, stakeholder, societal, environmental and risk management responsibilities. The Chair, together with the Company Secretary ensures that all Directors are aware and updated on their duties. The Chair assesses the Board's effectiveness on an annual basis and identifies actions to improve the functioning of the Board. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company's head office or virtually.

Executive Team

The Executive Team comprises Andrew Hockey the Chief Executive Officer, Rupert Newall, the Chief Financial Officer, David Gibson, the Chief Operating Officer (following his appointment on 8 February 2021), James Chance, the Head of Capital Markets & ESG and Robin Storey, General Counsel and Company Secretary. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. The Executive Team also manages and oversees key risks, management development and corporate responsibility programmes. The Chief Executive Officer reports to the Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board Committees

The Board is supported by the Audit Committee, Remuneration and Nomination Committee and the HSE and Technical Committee. Each subcommittee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The terms of reference of each committee are as follows:

Audit Committee

The Audit Committee comprises Esa Ikaheimonen (Chair) and Fiona MacAulay. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. In addition, it receives, and reviews reports from the Company's management and auditors. The Audit Committee met six times during the year. It has unrestricted access to the Company's Auditors.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises Fiona MacAulay (Chair) and Esa Ikaheimonen. The Remuneration Committee determines the remuneration of the Executive Directors and grants share options and any other equity incentives pursuant to any share option scheme or LTIP in operation from time to time. The Committee leads the process for Board appointments and makes recommendations for maintaining an appropriate balance of skills on the Board. The Remuneration & Nominations Committee met twice during the year as planned.

Other Directors, including the Chief Executive, are invited to attend as appropriate and only if they do not have a conflict of interest. The Committee was also assisted by executive and industry remuneration consultants during the year.

HSE and Technical Committee

The HSE and Technical Committee comprises Neil Hawkings (Chair), Andrew Hockey and David Gibson, who was appointed on 8 February 2021. Mark Yates, the Company's Head of HSE, acts as Secretary to the Committee. The HSE and Technical Committee determines the Company's Environmental Management Policy, its Health and Safety Management Policy and directs the overall governance of the Company's Subsurface and Technical Management policies. The HSE and Technical Committee met four times during the year.

BUILD TRUST

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

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year interim announcements, the Annual General Meeting ('AGM'), General Meetings ('GMs') and one-to-one meetings with large existing or potential new shareholders. Investor Relations are managed by the Executive Team and email queries from private individual shareholders are handled with responses limited to clarifying information that is already in the public domain.

In regard to a general meeting of the Company, once the meeting has concluded the results of the meeting are released through a regulatory news service and a copy of the announcement is posted on the Company's website. If it became relevant an explanation of actions where a significant proportion of votes (e.g. 20% of votes received) is cast against a resolution would be provided.

A range of corporate information (including all Company announcements, third party reports, summaries of key assets and presentations) is also available to shareholders, investors and the public on the Company's corporate website, <https://www.iog.co.uk>.

The Board receives regular updates on the views of shareholders from the Chairman, the Chief Executive Officer and the Chief Financial Officer. The Company's PR consultants Vigo Communications provides monthly reports on public forum comments about the Company and the Company's Nominated Advisor finnCap provides weekly reports on share price performance and comparisons with our peer group. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. All annual reports and interim statements since the Company was formed are available on the Company's website at <https://www.iog.co.uk/investors/results-reports-and-presentations/>.

Website AIM Rule 26 Page

The AIM Rule 26 page of the website includes this Corporate Governance Statement and information or links to the statutory information regarding:

- Description of the business
- Details and biographies of the Board of Directors
- Description of main Board committees and their responsibilities
- Details of any restrictions on the transfer of AIM securities
- Number of securities in issue
- Identity and percentage holding of significant shareholders, including Directors' shareholdings and shareholders with more than 3% of the stock
- Current Annual Report & Accounts
- Current constitutional documents
- Admission Document

The Company website is updated regularly.

On behalf of the Board

Robin Storey
General Counsel and Company Secretary
16 March 2022

Report of the Directors

The Directors present their report and audited financial statements of IOG plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2021. All amounts are shown in Pounds Sterling, unless otherwise stated.

The Company has its headquarters in London and its oil and gas interests are in the UK sector of the North Sea.

Information about the principal activities of the business, statement of reserves and resources, operational and financial updates, the principal risks and uncertainties faced by the business, the Group's KPIs and the Directors' going concern assessment can be found in the Strategic Report / Finance Review.

Dividend

The Directors do not recommend the payment of a dividend (2020: £nil).

Political contributions

No payments to political parties have been made during the year (2020: £nil).

Future Developments

The Group is now primarily focused on optimising the performance of the Phase 1 of the Saturn Banks project as well as delivering further phases, further details of which are included in the Strategic Report above.

Directors and their Interests

The Directors who held office during the year, and at the date of this report, were: -

Fiona MacAulay
 Andrew Hockey
 Rupert Newall
 Esa Ikaheimonen
 Neil Hawkings

Directors' biographies and committee memberships are set out in the Corporate Governance Report from pages 30 to 37.

The Group has provided the Directors with third party indemnity insurance of £25 million for 2021 (2020: £25 million).

Directors who held office during the financial year had the following interests in shares of the Company:

Ordinary shares of 1p each	At 31 December 2021	At 31 December 2020
Andrew Hockey	830,729	790,729
Rupert Newall ¹	3,807,050	3,767,050
Fiona MacAulay	220,000	200,000
Esa Ikaheimonen	500,000	500,000
Neil Hawkings	20,000	-

¹ Also includes people related to, or persons closely associated to Rupert Newall.

Details of Directors' emoluments and share options are set out in Note 4 to the financial statements.

Substantial Shareholdings

Except for the holdings of ordinary shares listed below, the Company has not been notified by or become aware of any persons holding 3% or more of the 523,844,193 issued ordinary shares of 1p each of the Company as at market close on 16 March 2022.

Shareholder	Number	%
London Oil and Gas Limited (in administration)	144,538,669	27.59%
Lombard Odier Asset Management (Europe) Limited	88,334,277	16.86%
Premier Miton Investors	55,136,037	10.53%
Chelverton Asset Management	25,000,000	4.77%
Richard Griffiths and Controlled Undertakings	23,135,494	4.42%
Stonehage Fleming	18,500,000	3.53%
Remainder	169,199,716	32.30%
Total	523,844,193	100%

Risk Management

Information on the financial and operational risks faced by the Group and the risk management objectives and policies is included in the Strategic Report.

Financial Instruments

Information on financial instruments can be found in Note 22 to the financial statements.

Related Parties

Information on related party transactions can be found in Note 24 to the financial statements.

Subsequent Events

Information on subsequent events can be found in Note 26 to the financial statements.

Shareholder Communications

The Company has a website, www.ioq.co.uk, to provide relevant information to shareholders.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report and the Report of the Directors 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 legislation the Directors have elected to prepare the Group and Company financial statements in accordance with UK adopted International Accounting Standards as applied in accordance with the provisions of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that 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 the Alternative Investment Market ('AIM').

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 they have been prepared in accordance with UK adopted International Accounting Standards applied in accordance with the provisions of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain 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.

Directors' confirmation

Each person who is Director at the time when this report is approved has confirmed that:

- a. So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b. Each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and the Company's auditor for that purpose, to be aware of any information needed by the Company's auditor in connection with preparing their report and to establish that the Company's auditor is aware of that information.

Auditor

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

Andrew Hockey
Chief Executive Officer
16 March 2022

Opinion on the financial statements

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 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 and as applied in accordance with the provisions 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 IOG Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated statement of financial position, the company statement of financial position, the consolidated cash flow statement, the company cash flow statement and notes forming part of 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. 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 has been 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 and the 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% (2020: 100%) of Group loss before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
Key matters	audit		
		2021	2020
	Accounting for leases under IFRS 16	✓	✓
	Going Concern	✓	✓
	Accounting for decommissioning provisions	✓	n/a
Materiality	<i>Group financial statements as a whole</i> £2.6m (2020:£2.2m) based on 1.4% 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 the Directors that may have represented a risk of material misstatement.

We determined that there were three significant components: IOG UK Ltd, IOG North Sea Limited, IOG Infrastructure Limited. Together with the parent company and its Group consolidation, they were all subject to a full scope audit.

The remaining components of the Group were considered non-significant and these components were principally subject to analytical review procedures, together with additional substantive testing over the risk areas detailed above where applicable to that component.

All of the audit work was conducted by the group audit team.

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.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Accounting for leases under IFRS 16 (Please refer to note 1, 9 and 21 of the financial statements for further information)</p> <p>During the development of its oil and gas projects the Group has entered into a number of significant contracts with suppliers for platform construction, subsea drilling and offshore support activities. A number of these contracts are considered to be leases.</p> <p>Given the complexities and judgements required to be applied by Management in determining the application of IFRS 16 to the arrangements, the materiality of the balances related to the leases and the judgements in ensuring the completeness of the right of use asset and lease liabilities we consider this area to be a significant risk for the audit and therefore a key audit matter.</p>	<ul style="list-style-type: none"> • We obtained, reviewed and challenged Management's assessment of lease accounting for contracts entered into during the year, including consideration of the impact on lease liabilities and right of use assets recognised. • We reviewed a sample of the underlying supporting agreements to check Management had identified and reflected the appropriate accounting for all relevant clauses impacted by the application of IFRS 16 such as renewal option clauses. We also met with the projects and contracts team to obtain an understanding of the contract identification process for potential leases. • We evaluated whether Management's accounting for the lease modifications that occurred during the current year was in accordance with applicable standards and re-performed our own assessment of the impact on the financial statements. • We assessed Management's accounting for the amendments to day rates and operation of the equipment under contracts classified as leases, in order to check whether the correct accounting treatment had been applied in line with the requirements of applicable accounting standards. • We recalculated Management's determination of the right of use asset and lease liability for new leases identified. • We also recalculated the depreciation and associated finance cost for all leases recorded at the balance sheet date. • We challenged the incremental borrowing rate assumption made by Management. Our work focussed on benchmarking Management's assumptions against interest rates on bonds and other loans received by the Group in order to assess the reasonableness of the rate applied.

		<ul style="list-style-type: none"> • We obtained a listing of suppliers used by the Group in the year and obtained an understanding of the services provided by each through review of supporting documentation in order to determine the completeness of Management's IFRS 16 assessment. • We further analysed the general ledger to assess whether the supplier listing was complete, for example searching entry descriptions for previously unidentified suppliers, and also to identify any material recurring costs to determine any unidentified leases as these could be indicative of a lease payment in substance. • We reviewed a sample of current and post year end payments to agree the completeness of Management's IFRS 16 assessment. During the audit of other areas of the financial statements, we considered whether any costs incurred may indicate the existence of a lease arrangement. • We reviewed the adequacy of the disclosures in the financial statements for compliance with the accounting framework. <p>Key observations: Based on the work performed we did not identify any instances which suggests that the accounting for the leases is materially incorrect.</p>
<p>Accounting for decommissioning provisions (Please refer to note 1 and 16 of the financial statements for further information)</p>	<p>The Group has a regulatory and financial obligation to decommission their assets at their end of their economic lives.</p> <p>There are a number of judgements and estimates such as costs, the timing of the work and the discount rate applied by Management in the determination of the decommissioning provision in accordance with the accounting standard.</p> <p>Given the material increase in this provision in the year, we considered this area to be a significant risk for the audit and</p>	<ul style="list-style-type: none"> • We held discussions with Management to understand the material changes and movements in the decommissioning provisions which had occurred in the year. • We obtained Management's calculation of the year end decommissioning provision and assessed the key inputs. We critically assessed the assumptions including: a) the expected timing of decommissioning of the assets versus the operational plans and wider Group programs, b) comparing discount rates to market risk free bond rates and peer analysis, c) comparing inflation rates to forecast inflation rate data, and d) agreeing the consistency of the cost of decommissioning cost estimates with third party external data and internal expert reports where possible. • We performed sensitivity analysis on the discount rate as this was considered a judgemental input. • We reviewed correspondence with the Oil and Gas Authority and made specific inquiries of Management to understand and assess the

	<p>therefore a key audit matter.</p>	<p>appropriateness of the decommissioning plans.</p> <ul style="list-style-type: none"> We critically assessed the integrity of Management's calculations, assessing the mathematical accuracy of the provision, verifying the discount unwinding charge, movement in the provision and associated decommissioning assets. We held meetings with Management's internal experts to assess controls and oversight relating to the preparation of estimates applied in the decommissioning provisions and considered the risks and uncertainties associated with the required work for each asset. We assessed the competence and objectivity of Management's internal experts in the preparation of estimates of decommissioning obligations. <p>Key observations: Based on the work performed, we consider the judgements and estimates made in the calculation of the Group's provisions for decommissioning to be reasonable.</p>
<p>Going concern (Please refer to note 1 of the financial statements for further information)</p>	<p>The Group is inherently reliant on the sale of gas from production which commenced in March 2022, as the funding obtained in the prior period has been largely utilised and accordingly the available cash resources have significantly reduced.</p> <p>The Directors have therefore made a number of judgements and estimates around whether the gas production will provide sufficient cashflows for at least 12 months from the date of approval of the financial statements. Due to the significance of the judgements and estimates we consider it to be a key audit matter.</p>	<ul style="list-style-type: none"> We obtained, challenged and assessed the Group and Parent Company's base case cash flow forecasts and the underlying assumptions (gas prices, production levels, operating and development costs) which have been approved by the Board focussing on the appropriateness of estimates with reference to empirical data and external evidence. We challenged Management on the reasonableness of forecast price assumptions applied in the model and benchmarked these to market and other broker consensus pricing ranges. We assessed whether key inputs applied in the cash flow forecasts relating to future capital costs and production were consistent with approved budgets and field development plans and other financial and operational information obtained during the course of the audit. We evaluated potential mitigating actions identified by Management. In doing so we confirmed the terms of working capital facilities in place and their due date. We obtained, reviewed and challenged Management's reverse stress testing analysis which was performed to determine the point at which liquidity and bond covenants are

		<p>breached. Our testing considered whether such scenarios, including significant deductions in gas prices and delays to production were possible.</p> <ul style="list-style-type: none"> • We compared the Group's actual results for the year ended 31 December 2021 to the planned budgeted out turn for 2021 to assess the quality of Management's budgetary process including retrospective analysis on the planned capital and developmental expenditure. • We compared the levels of production since first gas against the forecast levels of production and considered potential downside scenarios in order to assess the level of sensitivity in the model from this key input. • We compared the level of capital and developmental expenditure committed by the Group and Parent Company to the level of such expenditure included in the going concern model. We agreed a sample of such expenditure to underlying source documentation such as contracts. • We assessed the sufficiency of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation checking that the disclosures reflect the key judgements and estimates made. <p>Key observations: See the Conclusions relating to going concern section above.</p>
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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	2.6	2.2	2.3	1.9
Basis for determining materiality	1.4% of total assets	1.4% of total assets	90% of Group materiality.	90% of Group materiality.
Rationale for the benchmark applied	Total Assets was determined as an appropriate basis as the principal focus of the Group, remains fundamentally focussed on the development of its oil and gas assets. As such, we consider the shareholders will look to the statement of financial position and total assets of the Group in order to understand the level of investment.		The Company is a holding company Materiality is set at 90% of Group materiality for Group reporting purposes given the assessment of aggregation risk.	
Performance materiality	£2m	£1.6m	£1.7m	£1.4m
Basis for determining performance materiality	In setting performance materiality at 75% of the above materiality level we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), and Management's attitude towards proposed adjustments		In setting performance materiality at 75% of the above materiality level we considered a number of factors including the expected total value of known and likely misstatements (based on past experience), and Management's attitude towards proposed adjustments	

Lower threshold for testing

We also determined that for items in the consolidated statement of comprehensive income, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we applied a lower threshold of testing for these items based on 5% of loss before tax for each component of the Group which ranged from £230,000 to £260,000.

Component materiality

We set materiality for each component of the Group based on 1.4% of the individual total assets dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £400,000 to £1,050,000. In the audit of each 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 £52,600 (2020: £43,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual report and accounts 2021 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.

<p>Strategic report and Directors' report</p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
<p>Matters on which we are required to</p>	<p>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:</p>

report by exception	<ul style="list-style-type: none"> • 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.
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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 and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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.

We considered the risk of management override during the course of our work. We considered the potential for management override to arise in respect of the areas where management are required to make judgements and estimates in the determination of a financial statement balance.

We considered the laws and regulations of the UK to be those relating to the industry, financial reporting framework, tax legislation, environmental regulations and the listing rules as the most relevant to the audit given the geographical area of focus of the Group. As part of our audit work we reviewed and held meetings with the relevant internal Management to form our own opinion on the extent of the Group wide compliance.

In addition, our testing also included, but was not limited to:

- Testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be a greater risk of susceptibility to fraud;
- Enquiring of Management and the Audit Committee of known or suspected instances of fraud, potential litigation and claims;

Reading minutes of meetings of those charged with governance and regulatory authorities to identify any instances of non-compliance with laws and regulations;

- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by making enquiries of Management and the Audit Committee during the planning and execution phases of our audit to understand where they considered there to be susceptibility to fraud, considering the risk of management override of controls and relevant controls established to address risks identified to prevent or detect fraud;
- Testing the relevant controls surrounding the financial reporting close process such as controls over the posting of journals and the consolidation process and obtained an understanding of the segregation of duties in these processes;
- Addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries where we considered there to be a higher risk of potential fraud and other adjustments, assessing whether the judgements made in making accounting estimates specifically those in the Key Audit Matters section of the report are indicative of a potential bias, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- Testing the consolidation entries for consistency and appropriateness of application;
- Obtaining an understanding of the Group's IT and the wider control environment and the process for management approval and Board sanction of cost requisitions, and
- Applying professional scepticism in our audit procedures and performing randomised procedures to include a level of unpredictability.

These procedures are designed to address the risk of material misstatements in respect of irregularities, including fraud, but do not provide absolute assurance as to the non-existence of any such misstatements.

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.

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.

Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 March 2022

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

Consolidated Statement of Comprehensive Income

	Notes	2021 £000	2020 £000
Administration expenses		(3,960)	(3,410)
Impairment of oil and gas properties	8	(865)	(12,598)
Project, pre-licence and exploration expenses		(104)	(180)
Foreign exchange gain / (loss)		3,440	(701)
Operating (loss)	3	(1,489)	(16,889)
Finance expense	5	(3,066)	(2,203)
Finance income		29	20
Fair value gain / (loss)	12	260	(265)
(Loss) for the year before taxation		(4,266)	(19,337)
Taxation	6	-	-
(Loss) and total comprehensive (loss) for the year attributable to equity holders of the parent	7	(4,266)	(19,337)
(Loss)/earnings for the year per ordinary share – basic	7	(0.0p)	(4.0p)
(Loss)/earnings for the year per ordinary share – diluted	7	(0.0p)	(4.0p)

The loss for the year (£4.3 million) (2020: Loss £19.3 million) arose from continuing operations.

The Notes on pages 57 to 108 form part of these financial statements.

Consolidated and Company Statements of Changes in Equity

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
Group:	£000	£000	£000	£000	£000
At 1 January 2020	4,802	49,423	6,352	(20,029)	40,548
Loss for the year	-	-	-	(19,337)	(19,337)
Total comprehensive loss attributable to owners of the parent	-	-	-	(19,337)	(19,337)
Lapse of warrants	-	-	(401)	401	-
Exercise of warrants	78	566	(727)	727	644
Issue of share options	-	-	941	-	941
Expiry of share options	-	-	(1)	1	-
Exercise of share options	2	-	(10)	10	2
At 31 December 2020	4,882	49,989	6,154	(38,227)	22,798
Loss for the year	-	-	-	(4,266)	(4,266)
Total comprehensive loss attributable to owners of the parent	-	-	-	(4,266)	(4,266)
Issue of shares	338	8,112	-	-	8,450
Issue of share options	-	-	1,272	-	1,272
Expiry of share options	-	-	(20)	230	210
Exercise of share options	18	48	(210)	-	(144)
At 31 December 2021	5,238	58,149	7,196	(42,263)	28,320
Company:					
At 1 January 2020	4,802	49,423	6,352	(11,535)	49,042
Loss for the year	-	-	-	(6,285)	(6,285)
Total comprehensive loss attributable to owners of the parent	-	-	-	(6,285)	(6,285)
Lapse of warrants	-	-	(401)	401	-
Exercise of warrants	78	566	(727)	727	644
Issue of share options	-	-	941	-	941
Expiry of share options	-	-	(1)	1	-
Exercise of share options	2	-	(10)	10	2
At 31 December 2020	4,882	49,989	6,154	(16,681)	44,344
Loss for the year	-	-	-	(3,643)	(3,643)
Total comprehensive loss attributable to owners of the parent	-	-	-	(3,643)	(3,643)
Lapse of warrants	338	8,112	-	-	8,450
Issue of share options	-	-	1,272	-	1,272
Expiry of share options	-	-	(20)	230	210
Exercise of share options	18	48	(210)	-	(144)
At 31 December 2021	5,238	58,149	7,196	(20,094)	50,489

Share capital - Amounts subscribed for share capital at nominal value.

Share premium - Amounts received on the issue of shares, in excess of the nominal value of the shares.

Share-based payment reserve - Amounts reflecting fair value of options and warrants issued.

Accumulated losses - Cumulative net losses recognised in the Statement of Comprehensive Income net of amounts recognised directly in equity.

The Notes on pages 57 to 108 form part of these financial statements.

Consolidated Statement of Financial Position

	Notes	2021 £000	2020 £000
Non-current assets			
Intangible assets: exploration & evaluation	8	950	1,309
Intangible assets: other	8	75	170
Property, plant and equipment: development & production assets	9	138,403	53,422
Property, plant and equipment: other	9	4,872	16,541
		144,300	71,442
Current assets			
Financial asset	12	-	1,260
Other receivables and prepayments	14	1,705	1,099
Restricted cash	19	3,429	67,049
Cash and cash equivalents	19	31,255	13,389
		36,389	82,797
Total assets		180,689	154,239
Current liabilities			
Trade and other payables	15	(44,880)	(22,131)
		(44,880)	(22,131)
Non-current liabilities			
Loans	16, 20	(91,257)	(95,813)
Other liabilities	16	(16,232)	(13,497)
		(107,489)	(109,310)
Total liabilities		(152,369)	(131,441)
NET ASSETS		28,320	22,798
Capital and reserves			
Share capital	18	5,238	4,882
Share premium	18	58,149	49,989
Share-based payment reserve		7,196	6,154
Accumulated losses		(42,263)	(38,227)
		28,320	22,798

The financial statements were approved and authorised for issue by the Board of Directors on 16th March 2022 and were signed on its behalf by:

Rupert Newall
Chief Financial Officer
 16 March 2022

The Notes on pages 57 to 108 form part of these financial statements.

Company Statement of Financial Position

Company Number: 07434350	Notes	2021 £000	2020 £000
Non-current assets			
Intangible assets	8	75	170
Property, plant and equipment: Development & Production	9	-	1,959
Property, plant and equipment: Other	9	4,872	16,541
Investments	11	15,486	15,486
Amounts due from subsidiaries	11	109,195	44,906
		129,628	79,062
Current assets			
Financial asset	12	-	1,260
Other receivables and prepayments	14	1,705	2,466
Restricted cash	19	2,066	65,699
Cash and cash equivalents	19	31,255	13,389
		35,026	82,814
Total assets		164,654	161,876
Current liabilities			
Trade and other payables	15	(22,513)	(16,138)
Non-current liabilities			
Loans	16,20	(91,257)	(95,813)
Other liabilities	16,21	(395)	(5,581)
		(91,652)	(101,394)
Total liabilities		(114,165)	(117,532)
NET ASSETS		50,489	44,344
Capital and reserves			
Share capital	18	5,238	4,882
Share premium	18	58,149	49,989
Share-based payment reserve		7,196	6,154
Accumulated losses		(20,094)	(16,681)
		50,489	44,344

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company loss for the year was (£3.6) million (2020: loss £6.3 million).

The financial statements were approved and authorised for issue by the Board of Directors on 16th March 2022 and were signed on its behalf by: -

Rupert Newall
Chief Financial Officer
 16 March 2022

The Notes on pages 57 to 108 form part of these financial statements.

Consolidated Cash Flow Statement

	Notes	2021 £000	2020 £000
(Loss) for the year		(4,266)	(19,337)
Depreciation, depletion and amortisation	9	519	559
Exploration asset write off	8	865	12,598
Share based payments		1,225	941
Fair value (gain) / loss	12	(260)	265
Interest received		(18)	(20)
Finance expense	5	3,066	2,203
Effect of exchange rate changes on Bond		(5,901)	4,792
Movement in trade and other receivables		(732)	3,993
Movement in trade and other payables		25,499	1,974
Net cash generated from operating activities		19,997	7,968
Investing activities			
Development & Production assets		(58,269)	(11,735)
Exploration & Appraisal assets (write off)		(506)	-
ROU, Lease improvements, Computer hardware etc		(295)	-
Movement in restricted cash		61,172	15,017
Interest received		18	20
Decrease / (Increase) in financial assets		1,520	(1,260)
Deferred consideration payments		-	(875)
Net cash generated from investing activities		3,640	1,167
Financing activities			
Proceeds from issue of equity instruments of the Group		8,516	2
Proceeds from issue of warrant instruments of the Group		-	644
Lease liability payments		(12,307)	
Finance fees paid		(4,441)	(11,116)
Net cash used in financing activities		(8,232)	(10,470)
Net increase / (decrease) in cash and cash equivalents		15,405	(1,335)
Cash and cash equivalents at the beginning of the year		13,389	16,197
Effects of exchange rate changes on cash and cash equivalents		2,461	(1,473)
Cash and cash equivalents at end of year	19	31,255	13,389

The Notes on pages 57 to 108 form part of these financial statements.

Company Cash Flow Statement

	Notes	2021 £000	2020 £000
Loss for the year	3	(3,643)	(6,285)
Depreciation charges		519	559
Exploration asset write off		-	180
Share based payments		1,225	941
Fair value (gain) / loss		(260)	265
Inter-company service charge uplift		-	-
Interest received / (paid)		(5)	(20)
Finance expenses		3,280	2,137
Effect of exchange rate changes in Bond		(5,901)	4,792
Movement in trade and other receivables		761	47
Movement in trade and other payables		25,449	2,879
Net cash generated from operating activities		21,425	5,495
Investing activities			
Property, plant and equipment		(253)	(629)
Movement in restricted cash		61,172	17,979
Loans to subsidiary undertakings		(60,247)	(11,681)
Interest received		5	20
Increase in financial assets		1,520	(1,260)
Deferred consideration payments		-	(875)
		-	(129)
Net cash generated from investing activities		2,198	3,425
Financing activities			
Proceeds from issue of equity instruments of the Company		8,516	646
Lease liability payments		(12,307)	-
Finance fees paid		(4,441)	(11,116)
Net cash used in financing activities		(8,232)	(10,470)
Net (decrease) / increase in cash and cash equivalents		15,391	(1,550)
Cash and cash equivalents at the beginning of the year		13,389	16,197
Effects of exchange rate changes on cash and cash equivalents		2,475	(1,258)
Cash and cash equivalents at end of year	19	31,255	13,389

The Notes on pages 57 to 108 form part of these financial statements

Notes forming part of the financial statements

1 Accounting policies

General information

IOG plc is a public limited company incorporated and domiciled in England and Wales. The Group's and Company's financial statements for the year ended 31 December 2021 were authorised for issue by the Board of Directors on 16 March 2022 and the balance sheets were signed on the Board's behalf by the CFO, Rupert Newall.

Basis of preparation and accounting

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated. The consolidated financial statements are presented in GBP Sterling, which is also the functional currency of the Company and its subsidiaries. Amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with UK adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006. On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted international accounting standards, with future changes being subject to endorsement by the UK Endorsement Board. The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed within this Note 1 on pages 57 and 72.

The consolidated financial statements have been prepared on a historical cost basis.

Going concern

The Board has reviewed the Group's cash flow forecasts having regard to its current financial position and operational objectives.

The Consolidated Statement of Financial Position at 31 December 2021 details a net debt position for the Group of £56.6 million (2020: 14.1 million). Net debt is defined as total loans, primarily the Bond, less restricted cash and cash equivalents.

In assessing the Group's and Parent Company's current financial position and reaching its conclusion as to going concern status up until September 2023, as laid out in the Annual Report, the Board has, by necessity, utilised a set of reasonable assumptions around activities, costs, timings, asset performance and other relevant economic factors in order to develop an accurate perspective. These assumptions are summarised in this paper.

The primary consideration is progress of the Phase 1 development. On 14 March, the Company announced that Phase 1 First Gas had successfully been delivered on the previous day, with Blythe field producing gas into the Saturn Banks infrastructure and Bacton terminal. This is a key turning point for the Company in transitioning from a developer into a cash-generative producer, with significant cashflow expected to be generated point forward under the Company's current base case gas price assumptions.

The gas price assumptions used for these purposes are based on a long-term average realised price of 45p/therm, which management confirms to be a sensible baseline in the context of average realised UK gas prices over the past decade, having taken advice from independent market experts engaged by the Group. This is seasonally adjusted to more accurately replicate the actual seasonal fluctuations in the UK gas market (higher prices over October-March, lower prices over April-September), rather than use an unrealistic flat price assumption. Importantly, to remain as realistic as reasonably possible, the assumptions also factor in recent gas market developments as reflected in the NBP forward curve. Whilst over recent weeks UK spot and forward gas prices have reached unprecedented highs due to several factors, primarily the risk of global gas supply constraints as a result of the Russia-Ukraine conflict, the Company's assumptions over 2022-23 are based on 35-45% discounts to the forward curve on 23 February 2022, prior to recent extreme pricing dislocations.

The Company has a gas sales agreement in place with a very well established, highly creditworthy offtaker in BPGM and also has a condensate sales agreement in place with the single condensate offtaker at the Bacton terminal. Under its GSA, gas is sold on a day-ahead nomination basis at a price linked to the National Balancing Point (NBP, the UK traded gas benchmark). First payments for the Phase 1 gas are contractually scheduled to be received on 20 April 2022. As an additional liquidity backstop measure the Company has also executed a €5 million working capital facility

from a respected international bank, which can be drawn as needed after First Gas subject to market standard conditions and is repayable by March 2023.

Management calibrates key project and corporate commitments against bond conditions and covenants to ensure avoidance of any breach. The Company makes consistent efforts to manage the business within budget. Phase 1 capital costs underlying the going concern assessment flow from the baseline project plan as recently reviewed and reaffirmed by senior management. At this stage there is a detailed understanding of the expected further expenditure based on existing commitments as Phase 1 reaches its final stages of execution, with the Southwark drilling and extension to the Saturn Banks Pipeline System being key final elements of the scope. The latest cost estimates have in turn been interrogated and subsequently approved at both executive and Board level.

Similarly, operating cost assumptions, including offshore Operations and Maintenance (O&M) costs, onshore Saturn Banks Reception Facilities operation costs and Bacton processing tariff costs, have been established using the latest estimates provided by internal operational personnel and relevant external parties (ODEAM and Perenco).

Decommissioning cost assumptions are drawn directly from the independent Competent Persons Report (CPR) undertaken by reserve auditor ERC Equipoise in 2017.

Pre-development assets and General and Administrative (G&A) cost assumptions are based on approved internal budgets, which are based on estimates and are reviewed and derived from comparable activities and relevant past actual costs. G&A budgets are constructed with an iterative methodology that factors in historical expenditure trends adjusted with appropriate forward-looking modifications and expected trends in underlying activity (e.g. changes in organisation headcount). Forecasts are reviewed by the senior finance team and the CFO on a monthly basis in order to assess the appropriateness of budget versus actual outturn and reviewed and when appropriate are discussed at Board level. Finally, prudent assumptions have been taken in respect of the Group's treasury management, including the policy of minimising foreign exchange exposures as far as possible. Foreign exchange exposures are forecast and compared to the available currency held as cash balances or JV cash calls, which allows any exposure to be actively managed.

The nature of the Group's operations inherently involves a range of potential outcomes and in that context, as demonstrated above, the Group uses prudent assumptions to develop its view of most likely outcomes, as well as identifying measures to mitigate or eliminate potential risks that may affect cash flows. Management undertakes detailed financial modelling to generate stress test scenarios, including changes in gas prices and/or production levels, which are reviewed by the Board. Under all reasonable forecast scenarios, the Group is expected to be able to remain within its Bond covenants and to have sufficient cash resources to continue with its planned business strategy.

Conclusions

Based on above, and particularly in light of the recent announcement of the First Gas milestone for Phase 1 amid a very elevated gas market, the Board have a reasonable expectation that the Group has adequate resources which will continue to grow off the back of Phase 1 delivery and to progress to FID on further phases, providing long-term business continuity with stable cash generation for the foreseeable future. To this end, the Board believe that the Group and Company can be represented as being a going concern without any modification of material uncertainty for the 2021 Annual Report and Accounts.

The financial statements do not include any adjustments that would result if the Group and the Parent Company were unable to continue as a going concern.

1 Accounting policies (continued)

New and revised accounting standards

For annual reporting periods beginning on or after 1 January 2021, the following is a newly effective requirement:

IFRS	IASB Effective Date	Note in financial statements	EU Endorsement status
IBOR reform and its Effects on Financial Reporting – phase 2	1 January 2021		Endorsed

Interest Rate Benchmark Reform – Phase 2 introduces amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 and is not mandatorily effective until annual periods beginning on or after 1 January 2021, however, many entities were expected to adopt the amendments early. As such, these financial statements include the effect of the adoption of these amendments from the comparative period i.e. financial year ended 31 December 2020.

Early adoption of Standards and Amendments

The table below lists all pronouncements with a mandatory effective date in future accounting

Mandatorily effective for periods beginning on or after 1 April 2021	Mandatorily effective for periods beginning on or after 1 January 2022	Mandatorily effective for periods beginning on or after 1 January 2023
IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021*	Annual Improvements to IFRSs - 2018-2020 cycle	IFRS 17 Insurance Contracts
	IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)	IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current)
	IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)	IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment – Disclosure of Accounting Policies)
	IFRS 3 Business Combinations (Amendment – Reference to the Conceptual Framework)	IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates)
		IAS 12 Income Taxes (Amendment – Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

*The Group has early adopted the amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021 from annual reporting period beginning on 1 January 2021, as permitted by the amendment. The effects of this amendment to IFRS 16 on the recognition and measurement of items in the financial statements are disclosed in note 1.

Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated in full. The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

1 Accounting policies (continued)

Asset Acquisition

In the event of an asset acquisition, the cost of the acquisition is assigned to the individual assets and liabilities based on their relative fair values. All directly attributable costs are capitalised. Contingent consideration is accrued for when these amounts are considered probable and are discounted to present value based on the expected timing of payment.

Oil and gas exploration, development and producing assets

The Group adopts the following accounting policies for oil and gas asset expenditure, based on the stage of development of the assets:-

1) Pre-Licence

Expenditure incurred prior to the acquisition and/or award of a licence interest is expensed to the Statement of Comprehensive Income as 'Exploration Expenses'.

2) Exploration and evaluation ('E&E')

Capitalisation

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 overheads (including time writing as described under D&P capitalisation), 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. Costs relating to the exploration and evaluation of oil and gas interests are carried forward until the existence, or otherwise, of commercial reserves have been determined.

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, within property, plant and equipment ('PPE'), following development sanction by the Board, but only after the carrying value is assessed for impairment at point of transfer and, where appropriate, its carrying value adjusted. Following development sanction by the Board, a Field Development Plan ('FDP') may be submitted. If it is subsequently assessed that commercial reserves have not been discovered, the E&E asset is written off to the Statement of Comprehensive Income. The Group's definition of commercial reserves for such purpose is proven and probable ('2P') reserves on an entitlement basis.

Intangible E&E assets that relate to E&E activities that are not yet determined to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost, subject to impairment assessments as set out below.

Impairment

The Group's oil and gas assets are analysed into cash generating units ('CGU') for impairment reporting purposes, with E&E asset impairment testing being performed at an individual asset level. E&E assets are reviewed for impairment when circumstances arise which indicate that the carrying value of an E&E asset exceeds the recoverable amount. Such indicators would include but not limited to:

- (i) adequate and sufficient data exists that render the resource uneconomic and unlikely to be developed;
- (ii) title to the asset is compromised;
- (iii) budgeted or planned expenditure is not expected in the foreseeable future, and
- (iv) insufficient discovery of commercially viable resources leading to the discontinuation of activities
- (v) Rights to explore in an area have expired or will expire in the near future without renewal

1 Accounting policies (continued)**Oil and gas exploration, development and producing assets (continued)**

The recoverable amount of the individual asset is determined as the higher of its fair value less costs to sell and value in use. Impairment losses resulting from an impairment review are separately recognised and written off to the Statement of Comprehensive Income.

Impaired assets are reviewed annually to determine whether any substantial change to their fair value amounts previously impaired would require reversal.

A previously recognised impairment loss is reversed if the recoverable amount increases because of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depletion or amortisation) had no impairment loss been recognised in prior periods. Reversal of impairments and impairment charges are credited/(charged) to a separate line item within the Statement of Comprehensive Income.

3) Development and production ('D&P')*Capitalisation*

Costs of bringing a field into production, including the cost of facilities, wells and sub-sea equipment together with E&E assets reclassified in accordance with the above policy, are capitalised as a D&P asset within PPE. Normally each individual field development will form an individual D&P asset but there may be cases, such as phased developments, or multiple fields around a single production facility when fields are grouped together to form a single D&P asset. The cost of development and production assets also include the cost of acquisitions and purchases of such assets, directly attributable overheads, applicable borrowing costs and the cost of recognising provisions for future consideration payments - see Note 16. The discounted cost for future decommissioning is also added to the D&P asset. Personnel / staff costs are charged to D&P assets based on a time writing system where all identified staff input their time across assets and activities, they work on during any given period at a precalculated hourly rate which takes into account various elements of staff costs and seniority of the organisational position.

Rig day rate costs attributable to changes or adjustments to the drilling program due to rescheduling are considered as normal and inherent to the activity of drilling wells that form part of the infrastructure and therefore these costs are capitalised to the asset

Depreciation and depletion

All costs relating to a development are accumulated and not depreciated/depleted until the commencement of production. Depletion is calculated on a UOP basis based on the 2P reserves of the asset. Any re-assessment of reserves affects the depletion rate prospectively. Significant items of plant and equipment will normally be fully depreciated over the life of the field; however, these items are assessed to consider if their useful lives differ from the expected life of the D&P asset and should this occur a different depreciation rate may be charged. The key areas of estimation regarding depletion and the associated unit of production calculation for oil and gas assets are recoverable reserves and future capital expenditures.

Impairment

A review is carried out for any indication that the carrying value of the Group's D&P assets may be impaired. If any indicators are identified, a review of D&P assets is carried out on an asset by asset basis and involves comparing the carrying value with the recoverable value of an asset. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and value in use. The value in use is determined from estimated future net cash flows, being the present value of the future cash flows expected to be derived from production of commercial reserves. Impairment resulting from the impairment testing is charged to a separate line item within the Statement of Comprehensive Income.

The pre-tax future cash flows are adjusted for risks specific to the CGU and are discounted using a pre-tax discount rate. The discount rate is derived from the Group's post-tax weighted average cost of capital and is adjusted where applicable to consider any specific risks relating to the country where the CGU is located, although other rates may be used if appropriate to the specific circumstances. The discount rates applied in assessments of impairment are reassessed each year. The Company uses a risk adjusted discount rate of 10%, unless otherwise stated.

The CGU basis is generally the field, however, oil and gas assets, including infrastructure assets may be accounted for on an aggregated basis where such assets are economically inter-dependent.

1 Accounting policies (continued)**Oil and gas exploration, development and producing assets (continued)**

4) Offshore Pipelines

Capitalisation

Costs of commissioning an offshore pipeline to transport hydrocarbons, including the cost of related onshore facilities and subsea equipment are capitalised as a tangible asset within PPE. Each contiguous pipeline will form an exclusive individual asset but there may be cases, such as phased developments, when pipelines are grouped together to form a single tangible pipeline asset. The cost of offshore pipeline assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, applicable borrowing costs and the discounted cost of future decommissioning.

Depreciation

All costs relating to pipeline commissioning are not depreciated until the commencement of transportation of hydrocarbons. Depreciation is calculated on a straight-line basis over the period in which transportation is likely to take place. Any re-assessment of this timeline will impact on the depreciation rate prospectively. The key areas of estimation regarding depreciation are future capital expenditures and recoverable reserves for those fields where such pipelines are utilised for the transportation of oil and gas production.

Impairment

A review is carried out for any indication that the carrying value of the pipeline asset may be impaired. If any indicators are identified, such as the pipeline's inability to continue to operate safely and effectively in its current environment, a review of the pipeline asset is carried out. Impairment resulting from the impairment review is charged to a separate line item within the Statement of Comprehensive Income.

5) Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised as interest payable in the statement of comprehensive income in accordance with the effective interest method.

Assets other than oil and gas interests

Assets other than oil and gas interests are stated at cost, less accumulated depreciation and any provision for impairment. Depreciation is provided at rates estimated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows: -

- Computer and office equipment: 33% straight line, with one full year's depreciation in year of acquisition; and
- Tenants improvements: 20% straight line, with one full year's depreciation in year of acquisition.
- Right of use assets: Straight line over the term of the lease

Provisions

Provisions are recognised when:-

- the Group has a present legal or constructive obligation resulting from past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount can be reliably estimated.

Decommissioning

Provisions for decommissioning costs are recognised in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Provisions are recorded at the present value of the expenditures expected to be required to settle the Group's future obligations.

Provisions are reviewed at each reporting date to reflect the current best estimate of the cost at present value. Any change in the date on which provisions fall due will change the present value of the provision. These changes are treated as an administration expense. The unwinding of the discount is reflected as a finance expense.

In the case of a D&P and/or pipeline asset, since the future cost of decommissioning is regarded as part of the total investment to gain access to future economic benefits, this is included as part of the cost of the relevant D&P and/or pipeline asset.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONT'D)

1 Accounting policies (continued)

Disposals

Net proceeds from any disposal of an E&E, D&P or pipeline asset are initially credited against the previously capitalised costs of that asset and any surplus or shortfall proceeds are credited or debited to the Statement of Comprehensive Income.

For the Farm down of an E&E, D&P or pipeline asset, proceeds from the farm-down are credited against the previously capitalised costs of the asset and any surplus or shortfall proceeds above or below the representative percentage of the carrying value of the asset or assets being farmed down are credited or debited to the Statement of Comprehensive Income accordingly.

Foreign currencies

The Group's presentational currency is GBP Sterling and has been selected based on the currency of the primary economic environment in which the Group operates. The Group's primary product is generally traded by reference to its pricing in GBP Sterling. The functional currency of all companies in the Group is also considered to be GBP Sterling. Transactions in currencies other than the functional currency of a company are recorded at a rate of exchange approximating to that prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the amounts prevailing at the balance sheet date and any gains or losses arising are recognised in the Consolidated Statement of Comprehensive Income.

Taxation

Current Tax

Tax is payable based upon taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible on other years and it further excludes items that are never taxable or deductible. Any Group liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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. 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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group can control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting 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 Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

1 Accounting policies (continued)

Investments & Loans (Company)

Non-current investments in subsidiary undertakings are shown in the Company's Statement of Financial Position at cost less any provision for permanent diminution of value.

Loans to subsidiary undertakings are stated at amortised cost and recognised in accordance with IFRS 9. The loans have no maturity date and are not repayable until the respective subsidiary entity has sufficient cash to repay the loan, however they are technically due on demand.

Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases, with limited exceptions, under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. Under IFRS 16, at the commencement date of a lease, a lessee is required to recognise a liability to make lease payments ('lease liability') and an asset representing the right to use the underlying asset during the lease term ('right-of-use asset', 'ROU'). Lease liabilities are measured at the present value of future lease payments over the reasonably certain lease term. Variable lease payments that do not depend on an index or a rate are not included in the lease liability. Such payments are expensed as incurred throughout the lease term.

Lessees are required to separately recognise the interest expense associated with the unwinding of the lease liability and the depreciation expense on the right-of-use asset. As the leases relate to D&P work scopes the depreciation expense is capitalised and treated as the cost of the underlying D&P asset. These costs replace amounts previously recognised as operating expenditure in respect of operating leases in accordance with IAS 17. After completion of Development phase, once the assets come into operation the depreciation of the right of use asset will be charged to the income statement on straight line basis over the course of the lease term.

The Group adopted IFRS 16 on 1 January 2019 using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information, instead recognising the cumulative effect as an adjustment to opening retained earnings and the Group applied the standard prospectively.

The Group has elected to apply the following optional practical expedients under the standard:

- Short-term leases – those with terms of 12 months or less at date of adoption
- Low-value leases – those with a value less than £5,000

In 2021 the ROU assets and lease obligations related to the adoption of IFRS 16, relate to office leases, the Saturn Banks Pipeline permission to cross the foreshore, the Noble Hans Deul drilling rig contract, Charter of PSV "VOS Paradise" and Charter of ERV "Esvagt Champion". The incremental borrowing rate of approximately 9.25% was used for all ROU (except Saturn Banks Pipeline permission) in arriving at net present value of future lease payments as they belong to the same asset class and with similar lease terms. The internal borrowing rate for Saturn Banks Pipeline was retained at 11.5% as it belongs to a different asset class and has longer lease term. The ROU for Noble Hans Deul was increased in line with the extension option.

The Group has elected to utilise the practical expedient when accounting for the Noble Rig, PSV and ERVV contract to not separate non-lease components from lease components, and instead account for each lease component and any non-lease component as a single component.

The Company depreciates the ROU assets on a straight-line basis over the length of the lease unless management determines this is not representative of the useful life, in which case, management will estimate the useful life of the asset to be used.

The liability is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Group changes its 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.

The right-of-use asset is 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 incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

1 Accounting policies (continued)

Financial Instruments

Financial instruments are recognised when the Group becomes a party to the contractual provisions of the instrument and are subsequently measured at amortised cost.

Classification and measurement of financial assets

The initial classification of a financial asset depends upon the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group's financial assets are measured at amortised cost and are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that represent solely payments of principal and interest.

The Group's cash and cash equivalents and other receivables are measured at amortised cost. Other receivables are initially measured at fair value. The Group holds other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

The Group has financial assets measured at FVOCI (Fair Value Through Other Comprehensive Income) or FVTPL (Fair Value Through the Statement of Profit or Loss).

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur

Investment in and disposal of Norwegian bond

The company carried an investment in its Norwegian bond until September 2021. These bonds were denominated in Euro's and were adjusted to mark-to-market and revalued at period end rates. These holdings were sold in the open market at spot price and a profit / loss on sale was recognised in the statement of comprehensive income on disposal.

Restricted cash

Restricted cash includes cash balances that are subject to access restrictions or have conditions attached to their drawdown. Included in this are monies raised from its Norwegian bond placing held in Debt Servicing Retention account and subject to defined conditions. Also included are balances held as collateralised security in the Group's name for future expenditures such as Decommissioning.

Cash and cash equivalents

Cash includes cash on hand and demand deposits with any bank or other financial institution. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

1 Accounting policies (continued)

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ('ECL's) on its financial assets measured at amortised cost. Due to the nature of its financial assets, the Group measures loss allowances at an amount equal to the lifetime ECLs. Lifetime ECLs are the anticipated ECLs that result from all possible default events over the expected life of a financial asset. ECLs are a probability-weighted estimate of credit losses. The Company has carried out an analysis of the balances outstanding at the end of the period and assessed the likelihood of repayment from its subsidiaries. It believes that there is no significant increase in credit risk from the prior year and, if anything, the position is strengthened with the sanction of the phase 1 project resulting in future cashflows for its subsidiaries.

Classification and measurement of financial liabilities

A financial liability is initially classified as measured at amortised cost or FVTPL. A financial liability is classified as measured at FVTPL if it is held-for-trading, a derivative or designated as FVTPL on initial recognition.

The Group's accounts payable, accrued liabilities, operators balances and long-term debt are measured at amortised cost.

Accounts payable, accrued liabilities and operators balances are initially measured at fair value and subsequently measured at amortised cost. Accounts payable and accrued liabilities are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Long-term debt is initially measured at fair value, net of transaction costs incurred. The contractual cash flows of the long-term debt are made up of solely principal and interest, therefore long-term debt is subsequently measured at amortised cost. Long-term debt is classified as current when payment is due within 12 months after the reporting period.

Where warrants are issued in lieu of arrangement fees on debt facilities, the fair value of the warrants are measured at the date of grant as determined through the use of the Black-Scholes technique. The fair value determined at the grant date of the warrants is recognised in the Group's warrant reserve and is amortised as a finance cost over the life of the facility.

The outstanding LOG loans are unsecured against any assets or Company of the Group.

Convertible loan notes

Upon issue, convertible notes are assessed as to whether it is necessary to separate the loan into an equity and liability component at the date of issue. If the bifurcation is considered material the liability component is recognised initially at its fair value. Subsequent to initial recognition, it is carried at amortised carrying value using the effective interest method until the liability is extinguished on conversion or redemption of the notes. The equity component is the residual amount of the convertible note after deducting the fair value of the liability component. This is recognised and included in equity and is not subsequently re-measured.

Contingent consideration payable:

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in the fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent considerations classified either as an asset or liability are accounted for in accordance with relevant IFRSs with any gains or losses recorded in the income statement unless it is classified as equity.

1 Accounting policies (continued)**Financial instruments (continued)****Equity**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

Share issue expenses and share premium account

The costs of issuing new share capital are written off against the share premium account arising out of the proceeds of the new issue.

Share-based payments

The Company and Group have applied the requirements of IFRS 2 Share-based payments. The Company issues equity share options, to certain employees and contractors, as direct compensation for both salary and fees sacrificed in lieu of such share options. Other Long-Term Incentive Plan ('LTIP') and Company Share Ownership Plan ('CSOP') share options may be awarded to incentivise and reward successful corporate and individual performance. The fair value of these awards has been determined at the date of the grant of the award allowing for the effect of any market-based performance conditions.

The fair value of share options awarded, in lieu of salary sacrifice, is expensed on the effective date of grant, with no vesting conditions applied. The fair value is deemed to be the actual salary sacrificed.

For LTIP and CSOP share option awards, based upon incentive and performance, the fair value, adjusted by the estimate of the number of awards that will eventually vest because of non-market conditions, is expensed uniformly over the vesting period and is charged to the Statement of Comprehensive Income, together with an increase in equity reserves, over a similar period. The fair values are calculated using an option pricing model with suitable modifications to allow for early exercise. The inputs to the model include: the share price at the date of grant; exercise price; expected volatility; expected dividends; risk-free rate of interest; and patterns of exercise of the plan participants. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period. No expense is recognised for options that do not ultimately vest except where vesting is only conditional upon a market condition.

The fair value of warrants issued to third parties is calculated by reference to the service provided, or if this is not considered possible, calculated in the same way as for LTIP share options as detailed above. Typically, these amounts have related to debt issues and are included in the effective interest rate calculation of borrowings.

Earnings or Loss per share

Earnings or Loss per share is calculated as profit/loss attributable to shareholders divided by the weighted average number of ordinary shares in issue for the relevant period. Diluted earnings per share is calculated using the weighted average number of ordinary shares in issue plus the weighted average number of ordinary shares that would be in issue on the conversion of all relevant potentially dilutive shares to ordinary shares adjusted for any proceeds obtained on the exercise of any options and warrants. Where the impact of converted shares would be anti-dilutive, they are excluded from the calculation.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not clear from other sources. Actual results may differ from these estimates.

The following are the critical judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

1 Accounting policies (continued)**Critical accounting judgements and key sources of estimation uncertainty (continued)***Critical accounting estimates and judgements*

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Judgements

Where judgements have been applied, these can affect the outcome and results within the Financial Statements. An area that carries significant judgement is around the accounting for the IFRS 16 assumptions for the Noble Hans Deul rig contract, charter of PSV supply vessel & charter of ERRV (emergency rapid response vessel). These contracts have been assessed to fall within the scope of IFRS 16 and judgements around the initial contract length, subsequent extension (in case of Noble Hans Deul) and the incremental borrowing rate have been made by Management.

The Group capitalises the borrowing cost, so far as the monies borrowed are utilised towards financing capital expenditures in engineering, construction, and procurement of its onshore and offshore facilities, drilling wells. The rate of capitalisation of interest is based on the level of actual capital expenditure incurred on each of the identified assets. Capitalisation of interest costs ceases when the asset is considered available for use.

The right of use assets recognised under IFRS 16 for lease with terms extending over a year are depreciated over the lease term on straight line method. The 3 main leases relate to equipment and facilities (Rig, Platform supply vessel, Emergency Rapid Response vessel) that are used in carrying out field Development activities and the amount equal to the depreciation is capitalised and to that extent the estimated value of work done accruals are adjusted to reflect the most accurate asset values. Management has made judgements as to the lease period, estimate of cash outflows and application of appropriate internal borrowing rate.

The Group capitalises a certain proportion of its personnel / staff costs as D&P tangible assets or E&E intangible assets based on a system of time writing. This system requires identified staff to input their hourly details based on work performed to against the specific assets and/or activities. An hourly rate has been defined based on components of staff costs and varies depending on staff seniority. The definition of hourly rate and time writing involves management judgement.

Estimates and assumptions

- Impairment Exploration, Development and Producing assets – Estimate of future cash flows and determination of the discount rate (see note 10).
- The determination of lease term for some lease contracts in which the Group is a lessee, including whether the Company is reasonably certain to exercise lessee options (note 23)
- The determination of the incremental borrowing rate used to measure lease liabilities (note 1)

Impairment of assets

Management is required to assess oil and gas assets for indicators of impairment and has considered the economic value of individual E&E and D&P assets. The carrying value of oil and gas assets is disclosed in Notes 11. The carrying value of related investments in the Company Statement of Financial Position is disclosed on page 48.

E&E assets are subject to a separate review for indicators of impairment, by reference to the impairment indicators set out in IFRS 6, which is inherently judgmental.

Indicators of impairment include, but are not limited to:

- Rights to explore in an area have expired or will expire in the near future without renewal
- No further exploration or evaluation is planned or budgeted
- A decision to discontinue exploration and evaluation in an area because of the absence of commercial reserves
- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

1 Accounting policies (continued)

D&P assets are reviewed for impairment by reference to indicators set out in IFRS 36, which is inherently judgemental. Indicators of D&P assets include, but are not limited to:

- Significant downward trend changes long term gas price
- Any information available that would lead to a reduction in the reservoir estimates, either performance or via an updated reserves assessment by a competent person
- Significant cost overruns that would impact the economics of the CGU / asset
- Any commercial changes that would impact the economics of the CGU / asset
- Any regulatory, governance or environmental changes that would impact the asset's ability to function as previously envisaged.

Key estimates used in the assessment of value in use and fair value less costs to sell assessments

As noted in the accounting policy the carrying value of the assets is assessed against the higher of a value-in-use calculation and a fair value less costs to sell assessment.

The calculation of value-in-use for oil and gas assets under development or in production is most sensitive to the following assumptions:

- Commercial reserves;
- production volumes/recoverable reserves;
- commodity prices;
- fixed and variable operating costs;
- capital expenditure; and
- discount rates

In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate appropriate to the specific asset or cash generating unit. 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. Impairment losses are recognised immediately in the statement of comprehensive income.

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Commercial Reserves

Commercial reserves are proven and probable ('2P') oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a UOP basis, oil and gas asset impairments, as well as the valuation of assets in use. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price.

Production volumes/recoverable reserves

Annual estimates of oil and gas reserves are generated internally by the Group with external input from operator profiles and/or a Competent Person. These are reported annually by the Board. The self-certified estimated future production profiles are used in the life of the fields which in turn are used as a basis in the value-in-use calculation.

Commodity prices

A seasonally adjusted long-term assumption for natural UKNBP gas and Brent oil are used for future cash flows in accordance with the Group's corporate assumptions. Field specific discounts and prices are used where applicable.

Fixed and variable operating costs

Typical examples of variable operating costs are pipeline tariffs, treatment charges and freight costs. Commercial agreements are in place for most of these costs and the assumptions used in the value-in-use calculation are sourced from these where available. Examples of fixed operating costs are platform costs and operator overheads. Fixed operating costs are based on operator and/or third-party duty holder budgets.

Capital expenditure

Field development is capital intensive and future capital expenditure has a significant bearing on the value of an oil and gas development asset. In addition, capital expenditure may be required for producing fields to increase production and/or extend the life of the field. Cost assumptions are based on operator and/or service contractor cost estimates or specific contracts where available.

Capitalisation of the borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets is substantially ready for their intended use. Although a significant progress has been made in the Engineering, construction and installation of the qualifying assets they were not fully tested and commissioned at the end of the year nor at the assets been put to their intended use and hence directly attributable borrowing costs continued to be capitalised.

Discount rates

Discount rates reflect the current market assessment of the risks specific to the oil and gas sector and are based on the weighted average cost of capital for the Group. Where appropriate, the rates are adjusted to reflect the market assessment of any risk specific to the field for which future estimated cash flows have not been adjusted. The Group has applied a risk adjusted discount rate of 9.25% for the current year (2020: 10%).

Sensitivity to changes in assumptions

A potential change in any of the above assumptions may cause the estimated recoverable value to be lower than the carrying value, resulting in an impairment loss. The assumptions which would have the greatest impact on the recoverable amounts of the fields are production volumes (linked to recoverable reserves) and commodity prices.

Investments in subsidiaries

If circumstances indicate that impairment may exist, investments in and the value of any loans to subsidiary undertakings of the Company are evaluated using market values, where available, or the discounted expected future cash flows of the investment. If these cash flows are lower than the Company's carrying value of the investment or loan amount due, an impairment charge is recorded in the Company. Evaluation of impairments on such investments involves significant management judgement and may differ from actual results.

1 Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Decommissioning

At 31 December 2021, the Group has obligations in respect of decommissioning a suspended well on the Southwark, Nailsworth and Elland D&P assets, together with the offshore Saturn Banks Pipeline and the acquired Saturn Banks Reception Facilities at Bacton.

The extent to which a provision is recognised depends on the legal requirements at the date of decommissioning, regulatory activity required to ensure such infrastructure meets safety and environmental requirements, the estimated costs and timing of the work and the discount rate applied.

A full decommissioning estimate for the Blyth, Southwark, Nailsworth and Elland D&P assets remains uncertain until all development infrastructure has been installed and production volumes and time to decommissioning has been considered. Until all development infrastructure has been installed and production volumes and time to abandonment has been considered, there is significant estimation uncertainty when providing a decommissioning estimate.

The Blythe Offshore Gas Field: (Platform, well and 12" pipeline) - the site decommissioning and restoration obligation is specified in the license agreement, with approvals from the OGA. An internal assessment has been made at FDP and reassessed recently and based on the assessment the decommissioning costs are estimated to be £3.9 million nominal value (IOG net share 50%). As per the current development plans this asset will be in use until 2038 with decommissioning occurring the year after in 2039.

Elgood Offshore Oilfield: (Well, subsurface structure and 6" pipeline): The site decommissioning and restoration obligation is specified in the license agreement, with approvals from the OGA. An internal assessment has been made at FDP and based on this the decommissioning costs are estimated to be £1.9 million nominal value (IOG net share 50%). As per the current development plans this asset will be in use until 2038 with decommissioning occurring the year after in 2039.

Southwark Offshore Oilfield: (Platforms, wells, subsurface structures, and pipelines): The site decommissioning and restoration obligation is specified in the license agreement with approvals from the OGA. An internal assessment has been made at FDP and based on this the decommissioning costs are estimated to be £7.5 million nominal value (IOG net share 50%). As per the current long-term plans of IOG this asset will be in use until 2038 with decommissioning expected the year after in 2039.

Elland Offshore Oilfield: As licensee and operator, IOG UK Ltd is responsible for the decommissioning liability with respect to the Elland (former Vulcan East) suspended well 49/21-10A located within Licence P039. An internal assessment has been made in 2021 and based on this the decommissioning costs are estimated to be £1.2 million nominal value (IOG net share 50%). As per the current plans of IOG this well will be decommissioned in 2023.

On acquisition of the Saturn Banks Pipeline, the Group assumed the decommissioning liability for the pipeline, which is based upon a regulatory framework determined by the OGA. The expected useable life of the pipeline, along with the structural integrity were assessed when calculating the provision. A discounted cost estimate provision has been made in the financial statements as at 31 December 2021 and this provision will continue to be reviewed on an annual basis, given the regulatory framework is subject to constant change and is inherently uncertain over future years.

On acquisition of the Saturn Banks Reception Facilities at Bacton, the Group assumed the initial decommissioning liability for the asset which was cash collateralised, which is based upon a contractual obligation with Perenco. A provision has been made in the financial statements as at 31 December 2021. This provision will be reviewed on an annual basis and reassessed once the development has been completed. 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 only affects that period, or, in the period of revision and future periods, if the revision affects both current and future periods.

The Decommissioning cost estimates for are based on assumptions made at the time of FDP and have been adjusted for more thorough understanding of decommissioning engineering specifications, these cost estimates have been refined based on near term experience of similar activities and awarded contracts and prices.

Management has also performed a review of appropriate discounting factor based on a pre tax risk free rate as a starting point with reference to UK Government bond rate for term similar to that of decommissioning obligation adjusted for specific risks inherent to the cash flow under consideration.

Management performed sensitivity analysis to assess the impact of changes to the risk-free rate on the Group's decommissioning provision balance. A 0.5% decrease in the risk-free rate assumption would result in an increase in the decommissioning provision by £1 million.

1 Accounting policies (continued)

Contingent Consideration

The Group was required under the terms of the 2016 acquisition of the additional 50% of Blythe, the 2016 acquisition of Vulcan Satellites, to make further amounts payable on both the FDP approval (Vulcans), and first gas (Blythe and Vulcans).

These milestone events triggering deferred consideration payments were considered to be more certain than not and a non-current amount of £2.3 million was recognised. These amounts were provided for and the payments discounted to the point where the Board expect the milestones to be achieved based on the current development programme.

However during 2021 the administrators of the counter party have instructed the company that the deferred consideration is deemed to have expired and the administrators do not consider this to be payable any longer by the company. Management have therefore taken the judgement to reverse the non-current liability.

Fair value of share options and warrants

The fair value of options and warrants is calculated using appropriate estimates of expected volatility, risk free rates of return, expected life of the options/warrants, the dividend growth rate, the number of options expected to vest and the impact of any attached conditions of exercise. See above for further details of these assumptions.

2 Segmental information

The Group complies with IFRS 8, Operating Segments, which requires operating segments to be identified based upon internal reports about components of the Group that are regularly reviewed by the Directors to allocate resources to the segments and to assess their performance. In the opinion of the Directors, the operations of the Group comprise one class of business, being the development, production and exploration of oil and gas opportunities in the UK Southern North Sea.

3 Operating (loss)

The Group's operating loss (2020: loss) is stated after charging/(crediting) the following:

	2021	2020
	£000	£000
Fees payable to the Company's auditor:		
for the audit of the Group's financial statements	128	99
Non-audit services	7	24
Of which		
for the audit of the Company's financial statements	62	62
Depreciation, depletion and amortisation	519	559
Project, pre-licence and exploration expenses	104	180
Impairment of oil and gas properties	865	12,598
Effect of exchange rate changes on Bond	(5,901)	(4,792)
Effects of exchange rate changes on cash and cash equivalents	2,461	5,493

¹ Personnel costs are shown gross, before the reallocation via the time writing process of the costs to the specific assets to which they relate in Intangible assets and PP&E.

4 Personnel costs and directors' remuneration

During the year, the average number of personnel, including contract personnel, for both the Company and Group was:

	2021	2020
	Number	Number
Management / technical / operations	52	52
of which: Directors	5	6
Personnel costs Group and Company	£000	£000
Wages, salaries, fees and other direct costs	6,379	4,018
Social security costs	850	509
Pension costs	298	232
Share-based payments	1,284	941
	8,811	5,700

Note that project contract personnel, capitalised directly to project cost centres, are excluded from the above personnel cost figures.

Key management personnel are deemed to be the Directors, the Chief Operating Officer, the General Counsel & Company Secretary and the Head of Capital Markets & ESG.

Of the total personnel costs of £8,811k (2020: £5,700k), was capitalised to the balance sheet under PP&E £6,332k (2020: £3,107k) and Intangibles £655k (2020: £2,593k).

4 Personnel costs and directors' remuneration (continued)

Directors' remuneration	Salary/ Fees	Salary/Fees Sacrificed	Bonus	Benefits (1)	Share-based payment	2021 Total	Salary/ Fees	Salary/Fees Sacrificed	Bonus	Benefits (1)	Share-based payment	2020 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fiona MacAulay ²	113	7	-	-	-	120	113	7	-	-	-	120
Esa Ikaheimonen	17	33	-	-	-	50	-	50	-	-	-	-
Neil Hawkings	42	3	-	-	-	45	42	3	-	-	-	45
Andrew Hockey	308	22	146	43	-	519	308	22	-	38	-	368
Rupert Newall	234	17	163	31	-	445	234	16	-	29	-	279
Mark Hughes ³	-	-	-	-	-	-	171	15	-	23	-	209
	<u>714</u>	<u>82</u>	<u>309</u>	<u>74</u>	<u>-</u>	<u>1,179</u>	<u>898</u>	<u>113</u>	<u>-</u>	<u>90</u>	<u>-</u>	<u>1071</u>
Other key management personnel	557	22	66	74	-	719	399	21	40	45	12	517
Total key management personnel	1,271	104	375	148	-	1,898	1,267	134	40	135	12	1,588

1 Benefits includes pension contributions, healthcare and life cover.

2 Fiona MacAulay sacrifices £10,000 of her fees to a personal pension plan, paid directly into by the company.

3 Mark Hughes resigned on 11 November 2020

Short term benefits are deemed to be salary/fees, salary/fees sacrificed, bonus and benefits. No post-employment, long term or termination payments were made during the year.

The salary amounts are those cash amounts paid to Directors and key management personnel during the year.

Social security costs for the year for key management personnel were £237k (2020 - £189k).

The share-based payment amounts represent the charges for share options during the year.

For the current Directors at 31 December 2021, the service agreements provide that the full contractual amount will be paid in cash. In addition, there is the option to voluntarily elect to sacrifice up to 100% cash and receive the equivalent amount in share options. The salary sacrifice option was reintroduced for all Directors with effect from May 2020 and ended in August 2021, except for Esa Ikaheimonen who sacrificed all his fees for share options since joining the Company which also ended in August 2021.

The average proportions of monthly salaries paid in cash and share options in 2021 for all Directors is as follows:

	Cash	Shares
Fiona MacAulay	93%	7%
Andrew Hockey	93%	7%
Rupert Newall	93%	7%
Esa Ikaheimonen	33%	67%
Neil Hawkings	93%	7%

For each six-month interval, ending on 28 (or 29) February and 31 August respectively, the Company settles the difference between the reduced rate and the full rate through the granting of options over ordinary shares of the Company at the volume-weighted average share price over the period to which they relate.

4 Personnel costs and directors' remuneration (continued)

Amounts of salary and/or fees outstanding at 31 December 2021 to which these terms relate totalled £nil (31 December 2020 – £43k) for Directors and key management personnel and £nil (2020 - £16k) for other personnel. These share options are yet to be issued.

Directors' interests in options on 1p ordinary shares of the Company at 31 December 2021 were as follows:

	Granted	Type	Total 31 Dec 2020	Awarded in 2021	Total 31 Dec 2021	Exercise price	Expiry date
Andrew Hockey	01-Mar-18	LTIP	1,600,000	-	1,600,000	20p	28-Feb-28
	01-May-19	CSOP	1,600,000	-	1,600,000	12.75p	30-Apr-29
	31-Aug-19	Salary Sacrifice	267,740	-	267,740	1p	31-Aug-24
	02-Jan-20	CSOP	2,256,410	-	2,256,410	1p	01-Jan-30
	01-Apr-20	Salary Sacrifice	62,460	-	62,460	1p	01-Apr-25
	31-Aug-20	Salary Sacrifice	103,248	-	103,248	1p	05-Oct-25
	28-Jan-21	CSOP		2,314,166	2,314,166	1p	27-Jan-31
	28-Feb-21	Salary Sacrifice		135,437	135,437	1p	28-Feb-26
	31-Aug-21	Salary Sacrifice		90,908	90,908	1p	28-Sep-26
			5,889,858	2,540,511	8,430,369		
Rupert Newall	01-May-19	CSOP	1,200,000	-	1,200,000	12.75p	30-Apr-29
	31-Aug-19	Salary Sacrifice	240,966	-	240,966	1p	31-Aug-24
	02-Jan-20	CSOP	1,709,402	-	1,709,402	1p	01-Jan-30
	01-Apr-20	Salary Sacrifice	56,214	-	56,214	1p	01-Apr-25
	31-Aug-20	Salary Sacrifice	78,218	-	78,218	1p	05-Oct-25
	28-Jan-21	CSOP		1,753,156	1,753,156	1p	27-Jan-31
	28-Feb-21	Salary Sacrifice		102,604	102,604	1p	28-Feb-26
	31-Aug-21	Salary Sacrifice		68,869	68,869	1p	28-Sep-26
			3,284,800	1,924,629	5,209,429		
Esa Ikaheimonen	01-May-19	LTIP	600,000	-	600,000	12.75p	30-Apr-29
	31-Aug-19	Salary Sacrifice	136,606	-	136,606	1p	31-Aug-24
	29-Feb-20	Salary Sacrifice	114,152	-	114,152	1p	31-Mar-25
	01-Apr-20	Salary Sacrifice	39,974	-	39,974	1p	01-Apr-25
	31-Aug-20	Salary Sacrifice	234,627	-	234,627	1p	05-Oct-25
	28-Feb-21	Salary Sacrifice		205,208	205,208	1p	28-Feb-26
	31-Aug-21	Salary Sacrifice		137,739	137,739	1p	28-Sep-26
			1,125,359	342,947	1,468,306		
Fiona MacAulay	01-May-19	LTIP	1,000,000	-	1,000,000	12.75p	30-Apr-29
	31-Aug-20	Salary Sacrifice	34,416	-	34,416	1p	05-Oct-25
	28-Feb-21	Salary Sacrifice		45,146	45,146	1p	28-Feb-26
	31-Aug-21	Salary Sacrifice		30,303	30,303	1p	28-Sep-26
			1,034,416	75,449	1,109,865		
Neil Hawkings	24-May-19	LTIP	600,000	-	600,000	13.5p	28-Feb-24
	31-Aug-19	Salary Sacrifice	18,061	-	18,061	1p	31-Aug-24
	31-Aug-20	Salary Sacrifice	14,079	-	14,079	1p	05-Oct-25
	28-Feb-21	Salary Sacrifice		18,469	18,469	1p	28-Feb-26
	31-Aug-21	Salary Sacrifice		12,396	12,396	1p	28-Sep-26
			632,140	30,865	663,005		

5 Finance expense

	2021	2020
	£000	£000
Interest on loans	(14)	103
Amortisation of loan finance charges	-	2
Current year loan finance charges	560	540
Current year finance charges on deferred payment creditors	-	19
Unwinding of discount on convertible loan	1,001	1,027
Unwinding of deferred consideration provisions	(118)	158
Unwinding of discount on lease liability	1,637	354
Interest on bonds	8,253	8,668
Capitalisation of interest on bonds ¹	(8,253)	(8,668)
	<hr/> 3,066 <hr/>	<hr/> 2,203 <hr/>

¹ During the Phase 1 development, all interest paid in the Norwegian bonds is capitalised to the Phase 1 assets proportionately based on their capital expenditure during the year

During 2021 there were no interest bearing loans outstanding other than the Norwegian Bonds. The interest associated with the Bond is capitalised to project costs as the bond drawdowns are purposefully used to finance the development of the project assets.

6 Taxation

a) Current taxation

There was no tax charge during the year as the Group loss was not chargeable to corporation tax. Applicable expenditures to-date will be accumulated for offset against future tax charges.

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2021 £000	2020 £000
Loss for the year	(4,266)	(19,337)
Income tax expense	-	-
Loss before income taxes	<u>(4,266)</u>	<u>(19,337)</u>
Expected tax expense/(credit) based on the standard rate of United Kingdom corporation tax at the domestic rate of 40% ¹ (2020: 40%)	(1,706)	(7,735)
Difference in tax rates	1,168	1,952
Expenses not deductible for tax purposes	(77)	260
Income not taxable	(7,618)	(4,590)
Group relief claimed	(2)	-
Unrecognised taxable losses carried forward	8,235	10,113
Total tax expense	<u>-</u>	<u>-</u>

¹ The standard rate of corporation tax of 40% (2020: 40%) , including the supplemental corporation tax charge of 10% (2020:10%) is levied in respect of UK ring fence profit. Non-ring fenced profits are taxed at the standard rate of corporation tax of 19%. Given that the group's activities are primarily focused on activities which will generate income within the UK ring fence the 40% has been regarded as the appropriate rate for the reconciliation above.

b) Deferred taxation

Due to the nature of the Group's exploration activities there is a long lead time in either developing or otherwise realising exploration assets. The amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset is recognised in the statement of financial position is £ 220.6 million (2020:£122.7 million). There are also accelerated capital allowances of £111.0 million (2020:£35.7 million)

The Group has not recognised a deferred tax asset at 31 December 2021 on the basis that the Group would expect the point of recognition to be when the Group has some level of production history showing that the Group is making profits in line with the underlying economic model which would support the recognition.

The group has carried forward ring fence tax losses of £196.4 million (2020: £111. 5 million) and non-ring fence tax losses of £16.6 million (2020: £ 13.4 million). In addition the group has pre- trading revenue expenditure of £4.8 million (2020: £2.9 million) (to the extent that the company commences a trade within seven years from the time the expenditure was incurred) and pre-trading capital expenditure of £20.7 million (2020:£5.3 million) that would be available upon commencement of the trade in the respective group company.

7 Loss per share

	2021	2020
	£000	£000
(Loss) for the year attributable to shareholders (Numerator)	(4,266)	(19,337)
Weighted average number of ordinary shares: basic (Denominator)	513,584,870	488,211,155
Add potentially dilutive shares:		
Convertible loan notes	60,872,631	60,872,631
Salary/Fee sacrifice options	4,325,027	4,480,836
LTIP/CSOP	26,369,136	20,809,486
Warrants	20,000,000	20,000,000
diluted	625,151,664	594,374,108
Loss / Earnings per share in pence:		
basic	nil	(4.0p)
diluted	nil	(4.0p)

Diluted loss per share is calculated based upon the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued upon conversion of potentially dilutive share options, convertible loan notes and warrants into ordinary shares.

As the current year result for the year was a loss, the options and warrants outstanding would be anti-dilutive. Therefore, the dilutive loss per share is considered as the same as the basic loss per share.

In 2020 there were no anti-dilutive instruments that were not included in the calculations that would have had a material impact on the basic earnings per share.

There are no significant ordinary share issues post the reporting date, save for those disclosed in note 28 that would materially affect this calculation.

8 Intangible assets

Group	Exploration & evaluation assets	Company & IT software assets	Total	Exploration & evaluation assets	Company & IT software assets	Total
	2021 £000	2021 £000	2021 £000	2020 £000	2020 £000	2020 £000
At cost						
At beginning of the year	36,274	321	36,595	35,466	120	35,586
Additions	506	15	521	808	201	1,009
Disposals	-	-	-	-	-	-
At end of the year	36,780	336	37,116	36,274	321	36,595
Impairments and write-downs						
At beginning of the year	(34,965)	(151)	(35,116)	(22,367)	(40)	(22,407)
Amortisation	-	(110)	(110)	-	(111)	(111)
Impairment	(865)	-	(865)	(12,598)	-	(12,598)
At end of the year	(35,830)	(261)	(36,091)	(34,965)	(151)	(35,116)
Net book value						
At 31 December 2021	950	75	1,025			
At 1 January 2021	1,309	170	1,479			
At 1 January 2020	13,099	80	13,179			

Exploration and evaluation assets at 31 December 2021 comprise the Group's interest in the Abbeydale appraisal, the Goddard pre-development prospects and Panther and Grafton.

The affected E&E assets are tested for impairment once indicators have been identified.

After completing the technical analysis of Harvey, IOG has fully determined the Harvey licence in December 2021. The Redwell licence, was fully determined (surrendered) in March 2021, both the licences have been fully impaired in 2021 as no further investment is planned on these licences.

9 Property, plant and equipment

Group

	D&P assets Phase 1	D&P assets Phase 2	Pipeline assets	Right of use assets	Admin assets	Total
	2020	2020	2020	2020	2020	2020
	£000	£000	£000	£000	£000	£000
At cost						
At beginning of the year	13,847	4,062	11,012	1,054	258	30,233
On transition	-	-	-	-	-	-
Additions	19,828	3,088	2,499	17,496	379	43,290
Change in estimate of decommissioning asset (note 18)	-	-	(1,850)	-	-	(1,850)
Decommissioning asset (note 18)	-	-	936	-	-	936
Disposals	-	-	-	-	-	-
Saturn Banks Pipeline decommissioning security	-	-	-	-	-	-
At end of the year	33,675	7,150	12,597	18,550	637	72,609
Accumulated depreciation						
At beginning of the year	-	-	-	(145)	(96)	(241)
DD&A	-	-	-	(2,231)	(174)	(2,405)
At end of the year	-	-	-	(2,376)	(270)	(2,646)

9 Property, plant and equipment (continued)

	D&P assets Phase 1	D&P assets Phase 2	Pipeline assets	Right of use assets	Admin assets	Total
	2021	2021	2021	2021	2021	2021
	£000	£000	£000	£000	£000	£000
At cost						
At beginning of the year	33,675	7,150	12,597	18,550	637	72,609
On transition	-	-	-	-	-	-
Additions	57,673	263	17,274	2,753	17	77,979
Change in estimate of decommissioning asset (note 18)	-	-	(1,824)	-	-	(1,824)
Decommissioning asset (note 18)	11,613	(17)	-	-	-	11,596
Disposals	-	-	-	-	-	-
Saturn Banks Pipeline decommissioning security	-	-	-	-	-	-
At end of the year	102,961	7,396	28,047	21,302	654	160,360
Accumulated depreciation						
At beginning of the year	-	-	-	(2,376)	(270)	(2,646)
DD&A	-	-	-	(14,276)	(163)	(14,439)
At end of the year	-	-	-	(16,652)	(433)	(17,085)
Net book value						
At 31 December 2021	102,961	7,396	28,046	4,650	221	143,275
At 1 January 2021	33,675	7,150	12,597	16,174	367	69,963
At 1 January 2020	13,847	4,062	11,012	909	162	29,992

Phase 2 development and production assets are currently scheduled for Final Investment Decision in 2H 2022.

The £200k paid as decommissioning security guarantees in 2018 in respect of both the Elland P039 Licence suspended well and the Initial Pipeline Decommissioning Security were classified as fixed assets at 31 December 2019. In 2019, a further £2.0 million Saturn Banks was paid upon acquisition as security against the Saturn Banks Facilities Decommissioning Security.

Following the farm-down to CER, the above amounts were reduced by 50% resulting in £100k held against the Elland P039 licence, £250k against the Saturn Banks Pipeline, and £1.0 million against the Saturn Banks Reception Facilities. At the year end, £1.25 million for the Saturn Banks Pipeline and Saturn Banks Reception Facilities classified as Restricted cash on the balance sheet.

In 2020, due to the 12" and 6" pipeline laying campaign, a further £0.9 million was recognised as a decommissioning liability. A re-assessment of the Saturn Banks Reception Facilities decommissioning liability was also conducted and the amount reduced to £3.2 million.

All assets were assessed for impairment under IAS 36, no impairment has been recognised during the year (2020: nil).

9 Property, plant and equipment (continued)

Company

	D&P assets Phase 1	Right of use assets	Admin assets	Total	D&P assets Phase 1	Right of use assets	Company & admin assets	Total
	2021	2021	2021	2021	2020	2020	2020	2020
	£000	£000	£000	£000	£000	£000	£000	£000
At cost								
At beginning of the year	1,959	18,550	637	21,146	-	1,054	258	1,312
Additions	-	2,753	17	2,770	1,959	17,496	379	19,834
At end of the year	1,959	21,303	654	23,916	1,959	18,550	637	21,146
Accumulated depreciation								
At beginning of the year	-	(2,376)	(270)	(2,646)	-	(145)	(96)	(241)
DD&A	(1,959)	(14,276)	(163)	(16,398)	-	(2,231)	(174)	(2,405)
At end of the year	(1,959)	(16,652)	(433)	(19,044)	-	(2,376)	(270)	(2,646)
Net book value								
At 31 December 2021	-	4,651	221	4,872				
At 1 January 2021	1,959	16,174	367	18,500				
At 1 January 2020	-	909	162	1,071				

Phase 1 assets for the Company relate to the depreciation of the right of use asset in relation to the Noble Hans Deul rig contract. The depreciation on right of use asset is capitalised as D&P assets for the group.

All assets were assessed for impairment, but no impairment indicators were identified.

10 Convertible Loans

The table below sets out the opening, movement and closing position of the LOG loans in 2020.

Loan Facility	2020 B/fwd Balance	2020 Drawdown	2020 Interest	2020 Cash Settlement	2020 Converted to ordinary shares	2020 Gain on loan modification	2020 Unwinding discount	Carrying Value at 31 December 2020
	£000	£000	£000	£000	£000	£000	£000	£000
£10.00 million facility	6,819	-	-	-	-	-	1,218	8,037
	6,819	-	-	-	-	-	1,218	8,037

The table below sets out the opening, movement and closing position of the LOG loans in 2021.

Loan Facility	2021 B/fwd Balance	2021 Drawdown	2021 Interest	2021 Cash Settlement	2021 Converted to ordinary shares	2021 Gain on loan modification	2021 Unwinding discount	Carrying Value at 31 December 2021
	£000	£000	£000	£000	£000	£000	£000	£000
£10.00 million facility	8,037	-	-	-	-	(216)	1,001	8,822
	8,037	-	-	-	-	(216)	1,001	8,822

11 Investments

Company	Shares in Group companies	Loans to Group companies	Total
	£000	£000	£000
At cost			
At 1 January 2020	15,486	28,710	44,196
Additions	-	16,196	16,196
	15,486	44,906	60,392
At 31 December 2020	15,486	44,906	60,392
Additions	-	64,289	64,289
Disposals			
	15,486	109,195	124,681
At 31 December 2021	15,486	109,195	124,681
Net book value			
At 1 January 2020	15,486	28,710	44,196
At 1 January 2021	15,486	44,906	60,392
At 31 December 2021¹	15,486	109,195	124,681

¹There were no impairments in the 2021 period. Although the Harvey (P2085) licence was impaired during the period by IOG North Sea Limited, the Company has assessed the subsidiaries ability to repay its loans and believes there is sufficient cash flow from other assets held by the subsidiary to fulfil its obligation.

The Company has undertaken not to seek repayment of loans from other Group subsidiary companies until each subsidiary has sufficient funds to make such payments, however they are technically due on demand. The repayment of the subsidiary loans is expected to begin once each entity generates revenues from gas sales and transportation. The Company expects these loans to begin to be repaid in 2022 and is supported by its detailed cash flow modelling. These loans are non-interest bearing.

The Company's subsidiaries, all registered at 60 Gracechurch Street, London EC3V 0HR, are as follows:

Directly held	Country of incorporation	Area of operation	%
IOG Infrastructure Limited	United Kingdom	United Kingdom	100
IOG North Sea Limited	United Kingdom	United Kingdom	100
IOG UK Ltd	United Kingdom	United Kingdom	100
Avalonia Energy Limited (dormant)	United Kingdom	United Kingdom	100
Held by Avalonia Energy Limited			
Avalonia Goddard Limited (dormant)	United Kingdom	United Kingdom	100
Avalonia Abbeydale Limited (dormant)	United Kingdom	United Kingdom	100
Avalonia Energy Appraisal Limited (dormant)	United Kingdom	United Kingdom	100

All three active subsidiaries are engaged in the business of oil and gas appraisal, development and/or operations in the UK North Sea.

The four dormant companies were incorporated in 2018 and 2019 and have been made available to support any potential Group restructure following refinancing of the Group.

The financial reporting periods for each subsidiary entity are consistent with the Company and end on 31 December.

12 Financial Asset

IOG held €1.7 million (£1.3 million) of its Norwegian bonds, which were sold during the year in the open market and the gain on sale has been recognised in the statement of comprehensive income.

	2021 £000	2020 £000
At 1 January	1,260	-
Additions	-	1,525
Fair value adjustment	199	(265)
Disposal	(1,459)	-
	<hr/>	<hr/>
At 31 December	-	1,260
	<hr/> <hr/>	<hr/> <hr/>

13 Interests in production licences

At 31 December 2021, all nine Group UK Offshore Production Licences, were owned 50% by either IOG North Sea Limited or IOG UK Ltd. The Saturn Banks Pipeline PL370 and Bacton Gas Terminal assets are owned 50% by IOG Infrastructure Limited. Harvey and Redwell have been fully determined (surrendered).

14 Other receivables and prepayments

	2021 £000	2020 £000
Group		
VAT recoverable	1,455	869
Prepayments	245	205
Other receivables	5	25
	<hr/>	<hr/>
	1,705	1,099
	<hr/> <hr/>	<hr/> <hr/>
Company		
VAT recoverable	1,455	2,236
Prepayments	246	205
Other receivables	5	25
	<hr/>	<hr/>
	1,705	2,466
	<hr/> <hr/>	<hr/> <hr/>

The 2021 prepayments relate to rental charges for its 189 Endeavour House office space in London and general administration.

The Company has considered the carrying value of Debtors in the context of IFRS 9 and has assessed the debtors ability to repay the amount due. In assessing the expected credit loss ('ECL') of the receivables, the Company considered future cash flows from the entities and concluded there is no material ECL provision required.

15 Current liabilities

Group	2021 £000	2020 £000
Accruals	13,350	3,106
Operator advance accounts	11,728	4,100
Lease liabilities	11,068	13,781
Trade payables	7,708	979
Contingent consideration payable	659	-
Tax payable	367	165
	<u>44,880</u>	<u>22,131</u>
 Company		
Lease liabilities	11,070	13,781
Trade payables	7,708	979
Accruals	2,709	1,213
Contingent consideration payable	659	-
Tax Payable	367	165
	<u>22,513</u>	<u>16,138</u>

Current liabilities include: -

- Lease liabilities under IFRS 16 relate to the future payment obligation within the year.
- Accruals relate to estimates of value of work carried out under engineering, construction, procurement and commissioning activities and contracts related therewith.
- Operators advance accounts is the balance due to JV partners and is the difference between cash calls received and billing statements at the balance sheet date.
- Trade payables relate to unpaid invoices to various suppliers and service providers at the balance sheet date.
- Contingent consideration relates to an additional consideration payable 3 months after first gas as part of the acquisition of the Southwark asset.
- Tax payable is the outstanding balance due to HMRC at the end of the year.

16 Non-current liabilities

	2021	2020
	£000	£000
Group		
Long-term loans	91,257	95,813
Lease liability	395	4,968
Contingent consideration payable	-	2,302
Decommissioning provision	15,837	6,227
	<u>107,489</u>	<u>109,310</u>
Company		
Long-term loans	91,257	95,813
Lease liability	395	4,968
Contingent consideration payable	-	613
	<u>91,652</u>	<u>101,394</u>

Long-term loans:

The Nordic bond issued in 20 September 2019 represents £82.4 million (2020: 87.8 million) of the long-term loans balance with the LOG loan of £8.8 million being the balance of the total of £91.3 million. See note 20 for further details of the Nordic bond.

The amounts drawn on LOG loans at 31 December 2021 and 31 December 2020 were as follows:

Loan Facility	Entity	Effective Date	Maturity Date	Principal	Interest
£11.6 million convertible loan, 5 year facility	IOG plc	28 September 2019	23 September 2024	£11.6 million	Nil

See note 10 for information relating to the outstanding LOG loan.

16 Non-current liabilities (continued)

Contingent consideration payable:

The Group is required under certain terms its acquisitions to make further amounts payable upon first gas.

The deferred consideration which was considered to be certain expired under the terms of the contract and consequently the non-current liability has been released in 2021.

The movements in the year are as follows:

	2021	2020
	£000	£000
At 1 January	2,302	3,114
Settlement of liability ¹	-	(875)
Foreign exchange	-	(96)
Unwinding of discount	-	159
Lapsed	<u>(2,302)</u>	<u>-</u>
At 31 December	-	<u>2,302</u>

¹ Payment made following the FDP approval of Phase 1 by the OGA.

The liability expired under the terms of the contract on 9th of January 2021 and therefore the balance due is now NIL:

	2021	2020
	£000	£000
Non-Current contingent consideration	=	<u>2,302</u>
	=	<u>2,302</u>

16 Non-current liabilities (continued)**Decommissioning provision:**

	2021	2020
	£000	£000
At 1 January	6,226	7,239
Revision in estimates	(1,948)	(1,850)
Discount unwinding	10	(99)
Additions	11,549	936
At 31 December	15,837	6,226

The Group has regulatory and financial obligations in respect of decommissioning for a suspended well on the Elland Licence P039 – Gross £2.4 million (2020: £2.4 million), net to the Company £1.2 million. Decommissioning the Saturn Banks Pipeline - £0.1 million (2020: £2.0 million). For the Saturn Banks Reception Facilities at Bacton the company holds further decommissioning liabilities totalling £3.3 million net to the Company. The Company, as a result of its work program in 2021 has decommissioning liabilities of £13.2 million (net) for the addition to Phase 1 construction project and drilling program.

A full decommissioning estimate for the Elland suspended well remains uncertain until an appropriate drilling programme has been reviewed and considered for the Elland development, which may include the decommissioning of that particular well. The timing and thus payment of this decommissioning program remains inherently uncertain.

The current £0.1 million provision for the Saturn Banks Pipeline decommissioning obligation has been calculated on a discounted cash flow basis, whereby the present value of the regulatory marine surveys has been inflated at 2% and then discounted at the risk-free discount rate of 2.75%. It has been estimated that the Saturn Banks Pipeline has a useful life over the next 25 years; however, the judgements made on this and other variables, currently provided by the OGA, are inherently uncertain and this is reflected in the fact that the provision in 2021 net to the company was £0.1 million

The £7.6 million (2020) provision for the Saturn Banks Reception Facilities decommissioning obligation has been reduced to £6.7 million recognised on the basis of the SPA, then reduced to reflect the Farm-out to CER (£3.35 million net). Resulting in a net £3.35 million liability. An initial payment of £2.0 million was made by the Company as security for the liability on completion of the Saturn Banks Reception Facilities transaction which was then reduced for CER's 50% share to £1.0 million. The Group is due to pay a further eight quarterly payments of £0.5 million as security six months after the start of gas production. The Group has chosen to recognise the full amount of the liability represented in the SPA as there is no material difference of discounting the payments back to the balance sheet date.

17 Net (Debt) / Cash

IOG uses the following definition of net (debt)/cash - restricted cash and cash equivalents plus the financial asset, less total loans.

	2021	2020
	£000	£000
Restricted cash	3,429	67,049
Cash and cash equivalents	31,255	13,389
Fair value asset	-	1,260
Loans	(91,257)	(95,813)
Net (debt)	(56,573)	(14,115)

18 Share capital

	Number	Share capital £000	Share premium £000	Total £000
Authorised, allotted, issued and fully paid				
At 1 January 2020				
- Ordinary shares of 1p each	480,173,245	4,802	49,423	54,225
Equity issued:				
- December 2020, Ordinary shares of 1p, London Oil & Gas Ltd, Warrant exercise ²	7,877,310	78	566	644
- Other LTIP and Salary sacrifice share exercises ¹	160,600	2	-	2
	488,211,155	4,882	49,989	54,871
At 31 December 2020				
- Ordinary shares of 1p each				
Equity issued:				
- September 2021, Ordinary shares of 1p, ³	33,800,000	338	8,112	8,450
- Other LTIP and Salary sacrifice share exercises	1,753,057	18	48	66
	523,764,212	5,238	58,149	63,387

¹ For further details, see related party transactions note 24

² During 2020, London Oil & Gas Ltd exercised 7,500,000 of their warrants at 8 pence per share and 377,310 warrants at 11.9 pence per share.

³ During 2021, the carried out a share placement of 33,800,00 at 25 pence per share.

18 Share capital (continued)**Share Placing**

In September 2021, the Group raised gross proceeds of £8.5 million through the issue of ordinary shares at 10 pence. The two components of shares were issued:

	Ordinary Shares	£000
Placement	33,800,000	8,450
Directors Subscription	200,000	50
	34,000,000	8,500

The Company successfully raised gross proceeds of £8.5 million through a placing (the "Placing") and subscription (together, the "Fundraise"). The Company has placed 33,800,000 new Ordinary Shares at a price of 25 pence per New Ordinary Share (the "Issue Price") with existing and new investors and a further 200,000 new Ordinary Shares at a price of 25 pence per share to Directors of the Company.

The Issue Price represents a premium of approximately 1.0% to the 30-day volume weighted average price of an Ordinary Share to 22 September 2021 of 24.75 pence and a discount of approximately 8.3% to the closing mid-market price of an Ordinary Share of 27.25 pence on 22 September 2021. The New Ordinary Shares will represent 6.5% of the Company's Enlarged Issued Share Capital.

Share options and warrants

During the current and prior year, the Company granted share options under its share option plans as follows:

	Number	Price	Date of Grant	Expiry
1 January 2020	14,111,871	13.03p		
Salary/fee sacrifice options	114,152	1p	29 Feb 2020	31 Mar 25
CSOP cancelled/expired	(395,279)	1p		
CSOP options	10,274,102	1p	Various dates in 2020	Various dates in 2023
Salary/fee sacrifice options	1,046,076	1p	31 Aug 2020	05 Oct 25
Options exercised	(160,600)			
31 December 2020	25,290,322	7.70p		
Salary/fee sacrifice options	972,685	1p	28 Feb 2021	28 Feb 26
CSOP cancelled/expired	(2,875,284)	1p		
CSOP options	9,199,640	1p	Various dates in 2021	Various dates in 2031
Salary/fee sacrifice options	479,052	1p	31 Aug 2021	28 Sept 26
Options exercised	(2,072,252)			
31 December 2021	30,694,163	6.53p		

Of the remaining staff options, 14,111,871 outstanding at 31 December 2019, 126,497 were exercised during the year. Of those personnel options granted during 2020, 34,103 were exercised during 2020. Total personnel options exercised in 2020 is thus 160,600.

Of the remaining staff options, 25,290,322 outstanding at 31 December 2020, 2,072,252 were exercised during the year.

The fair value of these options exercised was transferred from the Share-based Payment Reserve to Accumulated Loss.

18 Share capital (continued)

All salary/fee sacrifice options outstanding at 31 December 2020 were issued at an exercise price of 1p per share and carry no additional performance conditions. These shares were issued at a volume calculated by taking the amount owing and dividing by the volume weighted average price for the period to which the salary/fee sacrifice pertains.

CSOP Valuation

The 2021 CSOP valuation is based on a Log-normal Monte-Carlo stochastic model.

The valuation model assumes:-

- Share price at date of grant 22.50p
- Exercise price of 1.00p
- Option life of 10 years
- The risk-free rate and volatility of the underlying are known and constant (0.17%, 3 year UK government bond at grant date)
- Share price volatility is 64.56%
- 10,000 iterations

LTIP Valuation

There were no LTIP shares granted in 2021 and 2020. The LTIP valuation is based on a Log-normal Monte-Carlo stochastic model.

The valuation incorporates a forecast employee turnover to establish the number of options expected to vest, the charge requires recalculation each year to take account of any revised estimates regarding employee turnover and any new grants of share options.

- Efficient markets (i.e., market movements cannot be predicted)
- No commissions
- 10,000 iterations
- The risk-free rate and volatility of the underlying are known and constant (-0.09%, 3 year UK government bond at grant date)
- Share price volatility is 64.56%

All LTIP and CSOP options outstanding at 31 December 2021 were issued to option holders with, other than the target price, several performance criteria including the delivery, measurement, control and management of an appropriate HSE statement and policy together with a Group-wide HSE focussed culture.

The remaining average contractual life of the 30,694,163 options outstanding at 31 December 2021 (2020 – 25,290,322) was 4.2 years at that date (2020: 5.2 years) of which 4,480,836 were exercisable at 31 December 2021 (2020: 4,480,836).

The weighted average exercise price of the options remaining was 6.53p at 31 December 2021 (2020 – 7.7p).

The Company calculates the value of personnel salary/fee sacrificed share-based compensation as the actual value of the sacrificed amount. This is deemed to be the fair value of such awards. The fair value of sacrificed salary/fee share options granted in 2021 is calculated as £104k (2020: £161k) and this has been charged to the Statement of Comprehensive Income. The exercise price of such awards was determined as 1p (2020: 1p).

18 Share capital (continued)

Further details for Directors are provided in Note 4.

The Company did not grant any warrants in the current year (2020: nil). No warrants were exercised during the year (2020: 7,877,310) and no warrants lapsed during the year (2020: 5,400,000) and are shown as follows:

	Number	Price	Date of Grant	Expiry
1 January 2021	20,000,000	32.18p		
31 December 2021	20,000,000	32.18p	13/09/2018	31/08/2023

The Company calculates the value of share-based compensation using the Black-Scholes option pricing model to estimate the fair value of warrants at the date of grant.

The fair value of 20,000,000 warrants granted to London Oil & Gas Limited on 13 September 2018 was calculated as £4.2 million, all of which was recognised as an issue cost of the £15 million LOG loan facility, held at amortised cost using the effective interest method. The exercise price of these warrants was determined as 32.18p.

The following assumptions were applied in the LOG warrant award calculation:

Risk free interest rate	1.50%
Dividend yield	nil
Weighted average life expectancy	4 years
Volatility factor	96.45%

A volatility of 96.45% has been applied based upon the Company's share price over the period from the Company's listing on AIM on 30 September 2013 until 13 September 2019.

The remaining average contractual life of the 20,000,000 warrants outstanding at 31 December 2021 (2020 – 20,000,000) was 1.66 years at that date (2020 – 2.66 years). All such warrants were exercisable at 31 December 2021.

The weighted average exercise price of the warrants remaining was 32.18p at 31 December 2021 (2020 – 32.18p). No further warrants have been issued or exercised as at 16 March 2022.

19 Restricted cash, Cash and cash equivalents

Group	2021 £000	2020 £000
Restricted cash	3,429	67,049
Cash at bank	31,255	13,389
Company		
Restricted cash	2,066	65,699
Cash at bank	31,255	13,389

Restricted cash at 31 December 2021 includes £2.1 million (2020: £66.0 million) of restricted deposits in Euro escrow and Debt Service Reserve Accounts following the Norwegian Bond issue and a £1.4 million (2020: £1.4 million) deposit secured against decommissioning provisions of its infrastructure assets. Total restricted cash balances of £3.4 million for the Group and £2.1 million for the Company are available within 1 year.

Cash and cash equivalents comprise cash in hand, deposits and other short-term money market deposit accounts that are readily convertible into known amounts of cash. The fair value of cash and cash equivalents is £31.3 million (2020: £13.4 million).

20 Bonds payable

On 20 September 2019, the Company issued €100 million Norwegian Bonds on the Oslo Børs to fund the Phase 1 development program.

	2021 £000	2020 £000
Balance at the beginning of the year	87,777	82,423
Amortisation of transaction fees	560	562
Interest charged	8,253	8,668
Interest Paid	(8,253)	(8,668)
Currency revaluation	(5,901)	4,792
	82,436	87,777

The secured callable bonds were issued on 20 September 2019 by IOG plc at an issue price of par. The bonds have a term of five years and will be repaid in full at maturity. The bonds carry a coupon of 9.5% plus 3 month EURIBOR with a EURIBOR floor of 0% and were issued at par.

The Bond is callable 3 years after issuance with an initial call premium of 50% of the coupon (i.e. repayable at a cost of €104.75 million if 3m EURIBOR is at zero or lower), declining by 10% every six months thereafter.

Bond covenants

- Minimum liquidity - €2 million up to, and including, 6 months from the first gas date and €5 million thereafter.
- Minimum leverage ratio – a minimum of 2.5 : 1 from the first reporting date following 6 months after the first gas date.
- Minimum interest cover ratio – a minimum of 5 times cover of interest to EBITDA from the first reporting date following 6 months after the first gas date.

As part of the original Bond issue, the Company has the option to issue a further €30 million of bonds, though these would be at the prevailing market rate at the time of any issue and would not be on any carry any favourable terms to the market pricing at the time.

Full terms and conditions of the Bonds can be seen in 'Bond Terms' document which is publicly available at: <https://www.ioq.co.uk/media/1237/bond-terms-execution-version-190919.pdf>

21 Lease liabilities

	2021	2020
	£000	£000
Current		
At 1 January	13,781	939
Interest expenses	1,754	381
Lease payments	(12,307)	(192)
Additions	7,840	12,653
At 31 December	11,068	13,781
Long term		
At 1 January	4,968	-
Additions	395	4,968
Move to current	(4,968)	-
At 31 December	395	4,968

Lease payments represent the Group and Company's share of Drilling Rig rental, PSV marine supply vessel rental, ERVV marine emergency rapid response vessel rental, office lease rental payments at Endeavour House, 189 Shaftesbury Avenue, London, together with the Crown Estate lease for the rights for the Saturn Banks Pipeline to cross the foreshore at Bacton. During 2021 the Company continued with drilling rig contract with Noble Corporation for the Noble Hans Deul drilling rig for which payments commenced in 2021 additionally in 2021 to new contracts were awarded one for marine supply vessel and another one for marine emergency rapid response vessel.

22 Financial instruments

Significant accounting policies

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 1 of the financial statements.

Financial risk management

The Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. At this stage, no formal policies have been put in place to hedge the Group and Company's activities to the exposure to currency risk or interest risk and no derivatives or hedges were entered during the year.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group and Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of its objectives and policies to the Group's finance function. The Board receives regular reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- Liquidity risk;
- Credit risk;
- Commodity price risk;
- Cash flow interest rate risk; and
- Foreign exchange risk

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group and Company's competitiveness and flexibility. Further details regarding these policies are set out below.

Principal financial instruments

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

- Cash and cash equivalents
- Restricted cash
- Loans
- Other financial assets
- Other receivables
- Trade and other payables
- Bonds

22 Financial instruments (continued)

Liquidity risk

The Group and Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances supplemented by borrowing facilities sufficient to meet expected requirements for a period of at least twelve to eighteen months for personnel costs, overheads, working capital and as commitments dictate for capital spend.

Rolling cash forecasts, which are essentially the current budgeting and reforecasting process, identifying the liquidity requirements of the Group and Company, are produced frequently. These are reviewed and approved regularly by management and the Board to ensure that sufficient financial resources are made available. The Group's oil and gas exploration and development activities are currently funded through the Company with existing cash balances, Bond proceeds in escrow and joint venture partner carry receipts from CER.

	6 months or less £000	Greater than 6 months, less than 12 months £000	Greater than 12 months £000	Total undiscounted £000	Carrying amount £000
2021 Group					
Current financial liabilities					
Trade and other payables	7,708	-	-	7,708	7,708
Lease liability	10,372	1,083	-	11,455	11,068
Accruals	13,345	-	-	13,345	13,345
Non-current financial liabilities					
Deferred Consideration	-	750	-	750	659
Loans	-	-	11,566	11,566	8,821
Lease liability	-	-	414	414	395
Bonds	4,034	4,034	97,485	105,554	82,435
	<u>35,459</u>	<u>5,867</u>	<u>109,465</u>	<u>150,792</u>	<u>124,431</u>
2020 Group					
Current financial liabilities					
Trade and other payables	5,244	-	-	5,244	5,244
Lease liability	4,631	9,015	-	13,646	13,356
Accruals	5,244	-	-	5,244	5,244
Non-current financial liabilities					
Deferred Consideration	-	-	2,370	2,370	2,370
Loans	-	-	11,566	11,566	8,037
Lease liability	-	-	5,616	5,616	4,968
Bonds	4,264	4,264	123,451	131,979	87,777
	<u>17,242</u>	<u>13,279</u>	<u>143,003</u>	<u>173,524</u>	<u>124,855</u>

22 Financial instruments (continued)

	6 months or less £000	Greater than 6 months, less than 12 months £000	Greater than 12 months £000	Total undiscounted £000	Carrying amount £000
2021 Company					
Current financial liabilities					
Trade and other payables	7,708	-	-	7,708	7,708
Lease liability	10,372	1,083	-	11,455	11,068
Accruals	2,723	-	-	2,723	2,723
Non-current financial liabilities					
Deferred Consideration	-	750	-	750	659
Loans	-	-	11,566	11,566	8,821
Lease liability	-	-	414	414	395
Bonds	4,034	4,034	97,485	105,554	82,435
	<u>24,837</u>	<u>5,867</u>	<u>109,465</u>	<u>140,170</u>	<u>113,809</u>
2020 Company					
Current financial liabilities					
Trade and other payables	1,145	-	-	1,145	1,145
Deferred Consideration	4,631	9,015	-	13,646	13,356
Accruals	1,216	-	-	1,216	1,216
Non-current financial liabilities					
Deferred Consideration	-	-	750	750	681
Loans	-	-	11,566	11,566	8,037
Lease liability	-	-	5,616	5,616	4,968
Bonds	4,264	4,264	123,451	131,979	87,777
	<u>11,256</u>	<u>13,279</u>	<u>141,383</u>	<u>165,918</u>	<u>117,180</u>

22 Financial instruments (continued)**Credit risk**

Credit risk arises principally from the Group's and Company's other receivables, restricted cash, cash and cash equivalents, and loans to subsidiaries (Company). It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies. The Group places funds only with selected organisations with ratings of 'A' or above as ranked by Standard & Poor's for both long and short-term debt. Funds are currently placed with the National Westminster Bank plc and DNB Bank ASA for the EUR Escrow and DSRA funds. Under IFRS 9 there is no material impact for both the Group and Company when assessing expected credit losses of its receivables.

The Group made investments and advances into subsidiary undertakings during the year and these mostly relate to the funding of the SNS Hub Development Projects, and the Company expects to recover these loans when these Projects start to generate positive cash flows. Loans to subsidiary undertakings are recognised at amortised cost in accordance with IFRS 9. The loans have no maturity date and are not repayable until the respective subsidiary entity has sufficient cash to repay the loan. The Board has accordingly assessed the expected repayment dates based on the strategic forecasts approved by the Board.

As at the reporting date, the Group and Company had £0.005 million external receivables (2020: £0.9 million).

IFRS 9 introduced a new impairment model that requires the recognition of ECLs on financial assets at amortised cost. The ECL computation considers forward looking information to recognise impairment allowances earlier. Intercompany exposures, where appropriate, are also in scope under IFRS 9. The Company assesses the loans made to subsidiary undertakings on the basis of the relevant subsidiaries' long-term strategic forecasts and alongside the Board's commercial rationale for providing the specific loan. The loans are not repayable on demand and are expected to be repaid once the underlying assets progress into the production phase when cash inflows are generated. Based on the methodology set out by the standard, the Board has for each intercompany loan, assessed the probability of the default, the loss given default and the expected exposure to compute the ECLs. The Board has incorporated relevant medium and long-term macroeconomic forecasts in their assessment which is included as a principle consideration in the entity's strategic forecasts. Such factors include oil price sensitivities, funding requirements, reserve and resource estimates. The Board has concluded that any ECLs to be recognised are not material to these financial statements and that there has been no significant increase in credit risk that would warrant the recognition of a material provision. Accordingly, the Company has not recognised any expected credit loss for the balances owed by subsidiary undertakings recognised on the Balance Sheet at amortised cost. The Group and Company do not hold any collateral as security for any external financial instruments, or otherwise.

The maximum exposure to credit risk is the same as the carrying value of these items in the financial statements as shown below.

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Other receivables	1,445	894	1,445	894
Loans to subsidiaries		-	109,779	45,196
Restricted cash	3,429	67,049	2,066	65,699
Cash and cash equivalents	31,255	13,389	31,255	13,389

22 Financial instruments (continued)**Commodity price risk**

The Group currently has not entered into any commodity price hedging instruments.

Although there is no gas production, the Group's asset valuations and cash flow modelling make assumptions on the anticipated gas price for the period of expected production. The Group uses a seasonally adjusted flat pricing structure that is not inflated over the expected production life of the asset.

Cash flow interest rate risk

Save for restricted EUR denominated cash held in escrow and DSRA accounts which attract a nominal negative cost to hold, cash is essentially non-interest bearing. Loans and trade payables are subject only to fixed interest rates; accordingly, commercial interest rates would have no significant impact upon the Group's and Company's result for the year ended 31 December 2021 (nor 31 December 2020).

In relation to the EUR denominated cash held in escrow, which currently attracts a nominal negative cost to hold, a 10% fluctuation in the cost to hold rate (currently 0.612%) would increase/reduce the charge by £52k per annum.

Foreign exchange risk

Save for restricted EUR denominated cash held in escrow and DSRA accounts which attract a nominal negative cost to hold, cash is essentially non-interest bearing. Loans and trade payables are subject only to fixed interest rates; accordingly, commercial interest rates would have no significant impact upon the Group's and Company's result for the year ended 31 December 2021 (nor 31 December 2020).

In relation to the EUR denominated cash held in escrow, which currently attracts a nominal negative cost to hold, a 10% fluctuation in the cost to hold rate (currently 0.612%) would increase/reduce the charge by £0.1 million per annum.

At 31 December 2021, the Group's and Company's monetary assets and liabilities are denominated in GBP Sterling Euro and US Dollars, converted to GBP the functional currency of the Group and each of its subsidiaries.

The Company holds (€0.00 million) in EUR from proceeds of the Bond issue, held in escrow. The remaining balances are held in GBP £19.5 million, EUR €9.1 million and USD 5.5 million. This exposure gives rise to net currency gains and losses recognised in the Statement of Comprehensive Income.

A 10% fluctuation in the GBP sterling rate compared to EUR would give rise to a £0.9 million gain or £0.9 million loss in the Group and Company's Statement of Comprehensive Income

The Group has no current revenues. The Group and the Company's cash balances are maintained primarily in GBP Sterling (which is the functional and reporting currency of each Group company) and EUR for the Bond deposits with small balances held in USD to settle any USD liabilities. No formal policies have been put in place to hedge the Group and Company's activities to the exposure to currency risk. It is the Group's policy to ensure that individual Group entities enter transactions in their functional currency wherever possible. The Group considers this minimises any foreign exchange exposure.

Management regularly monitor the currency profile and obtain informal advice to ensure that the cash balances are held in currencies which minimise the impact on the results and position of the Group and the Company from foreign exchange movements.

Capital management

The primary objective of the Group's capital management is to maintain appropriate levels of funding to meet the commitments of its forward programme of appraisal and development expenditure, and to safeguard the entity's ability to continue as a going concern and create shareholder value. The Director's consider capital to include equity as described in the Statement of Changes in Equity, and loan notes, as disclosed in Notes 10 and 20. The Group raised an additional £8.5 million of equity by way of a placement, open offer and subscription in 2021.

The Group manages compliance of the Bond and the covenants by reviewing on a monthly basis its cash flow modelling which incorporates the bond terms and covenants. Norwegian advisors are also engaged to ensure that any regulatory requirements are met. At each reporting date and milestone draw down the Directors provide representation that the terms of the bond are satisfied.

22 Financial instruments (continued)

Borrowing facilities

The Group had £91.3 million of borrowings outstanding at 31 December 2021 (2020: £95.8 million).

Hedges

The Group did not hold any hedge instruments at the reporting date (2020: none).

23 Financial commitments and contingent liabilities

The Group has contracted capital expenditure in the current period as part of the phase 1 development work program for the licences in which it participates:

	2021 £000	2020 £000
Authorised but not contracted	9,045	118,000
Contracted	376,166	56,758
	<u>385,211</u>	<u>174,758</u>

All 2021 contracted amounts relate to contracted UKCS licence fees and associated OGA levy payments (estimate) together with contracted service awards to suppliers procured for the development of the Group's phase 1 project assets (Blythe, Southwark, Elgood, Saturn Banks Facilities and Saturn Banks Pipeline).

At the year end, authorised commitments (approved expenditure) to complete the phase 1 project totalled £385.2 million. £376.2 million of the authorised amount had been contracted at 31 December 2021 with the remaining expenditures to be contracted during 2022. All expenditures are shown gross, 100% and have not been scaled back for any joint venture share.

Saturn Banks Pipeline System:

Security in the sum of £0.5 million, the Initial Saturn Banks Pipeline Decommissioning Security Amount, was provided on completion of the Saturn Banks Pipeline SPA in April 2018. In October 2019, following the completion of the farm-out to CER, this amount was reduced to £0.25 million.

Further security in the sum of £1.25 million, the Saturn Banks Pipeline Decommissioning Security Amount, is to be provided on the earlier of:

- one month after the variation issued by the OGA to the Pipeline Works Authorisation to allow for the tie-in of one or more of the Group's fields; or
- at the date of sale or alternative use of the Saturn Banks Pipeline

Saturn Banks Reception Facilities ("SBRF"):

Security in the sum of £2.0 million, the Initial SBRF Decommissioning Security Amount, was provided on completion of the SBRF SPA in October 2019. Following the completion of the farm-out to CER, this amount was reduced to £1.0 million.

Further security in the sum of £4.0 million, the SBRF Decommissioning Security Amount, is to be provided 2.5 years following the announcement of 'first gas'. This additional amount is payable in 8 quarterly instalments of £0.5 million with the first instalment payable 6 months after the declaration of 'first gas'.

Cross-Guarantees:

The Company acts as guarantor to its subsidiary IOG North Sea Limited and its facilities with LOG. These cross guarantees are considered insurance contracts in accordance with IFRS4.

24 Related party transactions

Details of Directors' and key management personnel remuneration are provided in Note 4.

Andrew Hockey, CEO, at 31 December 2021 held 830,729 ordinary shares of 1p each in the capital of the Company. Andrew is also the current holder of 7,770,576 share options at 31 December. Andrew was also entitled to 659,793 share options through salary sacrifice at 31 December 2021.

Rupert Newall, CFO, and persons closely associated, at 31 December 2021 held 3,807,050 ordinary shares of 1p each in the capital of the Company. Rupert was also the current holder of 4,662,558 share options at 31 December. Rupert is also entitled to 546,871 share options through salary sacrifice at 31 December 2021.

Fiona MacAulay, Chair, at 31 December 2021 held 220,000 ordinary shares of 1p each in the capital of the Company. Fiona is also the current holder of 1,000,000 share options at 31 December 2021. Fiona is also entitled to 109,865 share options through salary sacrifice at 31 December 2021.

Esa Ikaheimonen, Non-Executive Director, at 31 December 2021 held 500,000 ordinary shares of 1p each in the capital of the Company. Esa is also the current holder of 600,000 share options at 31 December 2021. Esa is also entitled to 868,306 share options through salary sacrifice at 31 December 2021.

Neil Hawkings, Non-Executive Director, at 31 December 2021 held 20,000 ordinary shares of 1p each in the capital of the Company. Neil is also the current holder of 600,000 share options at 31 December 2021. Neil is also entitled to 63,005 share options through salary sacrifice at 31 December 2021.

Details of loans and interest charged (only relevant to 2019) by LOG are detailed in Note 10. The relevant loans outstanding at the end of the year related to the Company.

25 Notes supporting statements of cash flows

Details of significant non-cash transactions

	2021	2020	
	£000	£000	
Equity consideration for settlement of liabilities	-	161	
 Group – Loans and borrowings			
	Current loans and borrowings £000	Non-current loans and borrowings £000	Total loans and borrowings £000
At 1 January 2020	939	6,820	7,759
Lease Liability additions	12,653	4,968	17,621
Repayments	(192)	-	(192)
Gain on modification of convertible loan	-	-	-
Unwinding of discount	381	1,217	1,598
At 31 December 2020	13,781	13,005	26,786
 At 1 January 2021	 13,781	 13,005	 26,786
Lease Liability additions	7,840	395	8,235
Repayments	(12,307)		(12,307)
Unwinding of discount	1,754	785	2,539
Move to current loans & borrowings		(4,968)	(4,968)
At 31 December 2021	11,068	9,217	20,285

25 Notes supporting statements of cash flows (continued)**Company – Loans and borrowings**

	Current loans and borrowings £000	Non-current loans and borrowings £000	Total loans and borrowings £000
At 1 January 2020	939	6,820	7,759
Lease Liability additions	12,653	4,968	17,621
Unwinding of discount	381	1,217	1,598
Repayments	(192)	-	(192)
At 31 December 2020	13,781	13,005	26,786
Lease Liability additions	7,840	395	8,235
Repayments	(12,307)		(12,307)
Unwinding of discount	1,754	785	2,539
Move to current loans & borrowings		(4,968)	(4,968)
At 31 December 2021	11,068	9,217	20,285

26 Subsequent events

The key events after 31 December 2021 are as follows:

On 4 March commissioning of onshore Saturn Banks Reception Facilities completed. enabling backgassing of the offshore Saturn Banks Pipeline System out to Blythe and Elgood

On 13 March 2022 Phase 1 First Gas was safely and successfully achieved from the Blythe well and on 15 March 2022 for Elgood.

On 16 March 2022 the Company signed a five-year lease contract for its 3rd floor, Endeavour House, London office.

Southwark drilling operations are expected to resume in late Q1 or early Q2 2022 with remediation of the drilling location seabed to ensure safe operations.

New gas sales agreement (GSA) signed with BP Gas Marketing Limited (BPGM), covering all of the Phase 1 fields as well as Nailsworth and Elland, replacing the 2014 Blythe GSA

Planning and contracting continuing for the appraisal wells at Kelham North/Central (P2442: Block 53/1b) and Goddard (P2342: Block 48/11c and 12b), to be drilled by the Noble Hans Deul rig after the second Southwark well on the same competitive day rate as the Phase 1 wells

GLOSSARY of KEY TERMS

“1C”	the minimum estimate of Contingent Resources;
“2C”	the best estimate of Contingent Resources;
“3C”	the maximum estimate of Contingent Resources;
“3D-seismic”	geophysical data that depicts the subsurface strata in three dimensions. 3D-seismic typically provides a more detailed and accurate interpretation of the subsurface strata than 2D seismic;
“1P”	the Proved Reserves;
“2P”	the sum of Proved Reserves + Probable Reserves;
“3P”	the sum of Proved Reserves + Probable plus Possible Reserves;
“appraisal well”	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field;
“barrels” or “bbls” or “Bbbls”	a unit of volume measurement used for petroleum and its products (for a typical crude oil 7.3 barrels ≈ 1 tonne: 6.29 barrels ≈ 1 cubic metre);
“BCF” or “Bcfe” or “Bscf”	billion (10 ⁹) standard cubic feet; 1 BCF is approximately equal to 172,414 Boe or 23,618 tonnes of oil equivalent, using a factor of 5.8 BCF per MMBbbls;
“BEIS”	Department of Business, Energy & Industrial Strategy of the UK Government
“best estimate”	the middle value in a range of estimates considered to be the most likely. If based on a statistical distribution, can be the mean, median or mode depending on usage;
“block”	an area subdivision of the UKCS of 10 minutes of latitude by 12 minutes of longitude measuring approximately 10 by 20 kilometres, forming part of a quadrant. Each quadrant is divided into a grid, five blocks wide and six blocks deep, and numbered 1 to 30 from NW to SE e.g. Block 14/13 is the 13th block in Quadrant 14;
“Boe” or “BOE”	barrels of oil equivalent. One barrel of oil is approximately the energy equivalent of 5,800 cubic feet of natural gas;
“Brent Crude”	an international benchmark comprising a mix of crude oil from 15 different oil fields in the North Sea;
“carbon footprint”	amount of carbon dioxide (CO ₂) emissions associated with all the activities of a person or other entity (e.g., building, corporation, country, etc.). It includes direct emissions, as well as emissions required to produce goods and services consumed;
“Carboniferous”	a geological period and system that extends from the end of the Devonian Period, about 359 million years ago, to the beginning of the Permian Period, about 299 million years ago;
“contingent resources”	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;
“Covid-19”	coronavirus disease 2020, is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), the disease has spread globally, causing the 2020-20 global coronavirus pandemic;
“development carry”	involves the farmer-in agreeing to bear some or all of the development costs relating to the farmer out's retained interest in a development project;
“discovery”	an exploration well which has encountered hydrocarbons for the first time in a structure;
“Farm-out”	to assign an interest in a licence to another party;
“FEED studies”	Front End Engineering Design studies
“FDP”	field development plan;
“field”	an area consisting of either a single reservoir or multiple reservoirs, all grouped on or related to the same individual geological structural feature and/or stratigraphic condition;
“formation”	a layer or unit of rock. A productive formation in the context of reservoir rock;
“ft”	foot/feet;
“G&A”	general and administrative;
“GIIP”	gas initially in place;

GLOSSARY of KEY TERMS (CONT'D)

“gross resources”	the total estimated petroleum that is potentially recoverable from a field or prospect;
“hydrocarbon”	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate;
“km”	kilometre;
“km ² ” or “sq. km”	square kilometres;
“licence”	an exclusive right to search for or to develop and produce hydrocarbons within a specific area. Usually granted by the State authorities and may be time limited;
“Mcf” or “mcf”	thousand standard cubic feet;
“Mcf/d” or “mcf/d”	thousand cubic feet per day;
“MMbbl” or “MMBbls”	millions (10 ⁶) of barrels of oil;
“MMBO”	million (10 ⁶) barrels of oil;
“MMBOE”	million (10 ⁶) barrels of oil equivalent;
“mmscf”	million (10 ⁶) standard cubic feet;
“mmscf/d”	million (10 ⁶) standard cubic feet per day;
“net debt”	total loans, less restricted cash and cash equivalents, adding back the financial asset being the IOG Norwegian bonds which are held by the Company.
“NUI”	Normally Unmanned Installation;
“OGA”	UK Oil and Gas Authority
“oil”	mixture of liquid hydrocarbons of different molecular weights;
“oil equivalent”	international standard for comparing the thermal energy of different fuels;
“operator” or “operatorship”	the company that has legal authority to drill wells and undertake production of hydrocarbons found. The operator is often part of a consortium and acts on behalf of such consortium;
“OPRED”	Offshore Petroleum Regulator for Environment and Decommissioning, part of the UK government Department for Business, Enterprise and Industrial Strategy (BEIS)
“Oslo Børs”	Oslo Stock Exchange
“petroleum”	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products;
“probable reserves”	those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated Proved + Probable reserves;
“promote licence”	a specific type of licence awarded by DECC whereby licence holders are given two years after an award, with low rental payments and obligations, in order to attract the technical, environmental and financial capacity to complete an agreed work programme. The licence will expire after two years if the licensee has not made a firm commitment to DECC to complete the work programme;
“prospect”	a project associated with a potential accumulation of oil or natural gas that is sufficiently well defined to represent a viable drilling target;
“prospective resources”	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects;

GLOSSARY of KEY TERMS (CONT'D)

"proven reserves"	those quantities of petroleum which, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods and government regulations. Proved reserves can be categorised as developed or undeveloped. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate;
"quadrant"	an area subdivision of the UKCS of 1 degree of longitude by 1 degree of latitude - typically around 6,600km ² . On the UKCS each quadrant is further subdivided into 30 blocks;
"reserves"	those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) being applied;
"reservoir"	a subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. A reservoir is a critical component of a complete petroleum system;
"resources"	deposits of naturally occurring hydrocarbons which, if recoverable, include those volumes of hydrocarbons either yet to be found (prospective) or if found the development of which depends upon a number of factors (technical, legal and/or commercial) being resolved (contingent);
"Rotliegendes" or "Rotliegend"	a lithostratigraphic geological unit of early Permian age (beneath the Zechstein and above the Carboniferous) that is found in the subsurface of large areas in western and central Europe;
"scf"	standard cubic feet;
"seismic survey"	a method by which an image of the earth's subsurface is created through the generation of shockwaves and analysis of their reflection from rock strata. Such surveys can be done in two or three-dimensional form;
"UKCS"	United Kingdom Continental Shelf.

INFORMATION AND ADVISERS

Country of incorporation of parent company

England and Wales

Legal form

Public limited company with share capital

Directors

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Rupert Newall
Esa Ikaheimonen
Neil Hawkings

General Counsel and Company Secretary

Robin Storey

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Company registered number

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