Columbus Energy Resources Limited

Annual Report
For the year ended
31 December 2021

Columbus Energy Resources Limited **Company Number 05901339**

Registered office:	71-91 Aldwych London WC2B 4HN
Director:	Eytan Uliel
Secretary:	Benjamin Proffitt

Contents

STRATEGIC REPORT

The Directors present their report and audited financial statements of Columbus Energy Resources Limited (the Company) for the year ended 31 December 2021.

Principal activities

The principal activities of the company are the provision of management services and the financing of its subsidiaries.

Business review

During 2021 the company has continued to provide management services and funding to its subsidiaries.

Summary of key performance indicators

The Company provides commercial and technical and support for the CEG Plc Group and incurs costs which are recharged on to operating companies within the CEG Group. As such, management's review of key performance indicators including going concern and liquidity risk assessment focuses on the Group as a whole. Key performance indicators for the CEG Group include revenue, gross profit, earnings before interest, tax, depreciation and amortisation ('EBITDA'), profit before tax and profit after tax.

At a Company level, management review the cost base and ensure it is appropriate given the size and nature of the Company's activity and in line with the CEG Group budget. Management have reviewed this for the year ended 31 December 2021 and consider it appropriate. They will continue to monitor this in light of changes to the activity of the Company and the CEG Group.

Results for the year and financial position

The trading results for the year and the Company's financial position at the end of the year are shown in the attached financial statements on page 11 and 12 respectively. The loss for the financial year ended 31 December 2021 amounted to £1,684,296 compared to a loss of £41,141,725 for the comparative period ended 31 December 2020.

Significant agreements

During 2021 the Company has not entered any significant agreements.

STRATEGIC REPORT

Section 172 statement

This section serves as the Company's Section 172 Statement. Section 172 of the Companies Act 2006 requires that a Director of a company must act in a way that he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to other stakeholder interests, amongst other matters.

The following six key considerations the Directors of the Company must have regard to when performing their duties are:

1. The likely consequences of any decision in the long term;
2. The interests of the Company's employees;
3. The need to foster the Company's business relationships with suppliers, customers and others;
4. The impact of the Company's operations on the community and the environment;
5. The desirability of the Company maintaining a reputation for high standards of business conduct; and
6. The need to act fairly between the members of the Company.

For examples of Section 172 in practice in relation to the CEG Group, and all its subsidiaries (including the Company), please refer to pages 11 to 14 of the CEG Annual Report and Financial Statements for the year ended 31 December 2021.

STRATEGIC REPORT (CONTINUED)

Principal risks and uncertainties

Company level risks have been identified as financial risks and are disclosed in note 16 Financial instruments and risk management. Risks relating to the CEG Group, including the finance risk are disclosed in the CEG Annual Report and Financial Statements for the year ended 31 December 2021. Issues relating to going concern including the Company's dependence of parent company support and fundamental uncertainties are discussed in note 1.21.

On behalf of the Board

Eytan Uliel

Director

8 December 2022

DIRECTORS' REPORT

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2021.

Results and dividends

The loss on ordinary activities of the Company after taxation amounted to £1,684,296 (2020: £41,141,725). The Directors do not recommend payment of a dividend.

Political donations

The Company made no political donations during the financial years ended 31 December 2021 and 2020.

Engagement with suppliers, customers, and other business relationships

Subsequent to the merger with CEG the company no longer has any material relationships with external suppliers and customers. All external relationships are managed by CEG.

The directors and their interests in shares of the company

The Directors who served during the year and up to the date of signing this report were:

Executive Directors

Benjamin Proffitt (appointed on 7 August 2020, resigned on 21 October 2021)
Simon Potter (appointed on 7 August 2020, resigned on 21 October 2021)
Eytan Uliel (appointed on 20 October 2021)

Secretary

Benjamin Proffitt (appointed 2 September 2020)

Post balance sheet events

At the date these financial statements were approved, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

Substantial shareholdings

Subsequent to the merger with CEG on 7 August 2020, the company is 100% owned by CEG.

Internal controls and risk management

The Company's processes for financial reporting are consistent with the internal control and risk management systems established by CEG in relation to the CEG Group's financial reporting process and the CEG Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of the financial statements in accordance with IFRS. The main features of these systems are set out in the Environmental, Social and Corporate Governance Report in the CEG Annual Report and Financial Statements for the year ended 31 December 2021. Company level risks have been identified as financial risks and are disclosed in note 16 Financial instruments and risk management.

Auditors

PricewaterhouseCoopers LLC Chartered Accountants were appointed as the Company's Independent auditor following the merger with CEG on 7 August 2020 and have indicated their willingness to continue in office.

DIRECTORS' REPORT (CONTINUED)

Going concern

The Company's internal cashflow forecasts monitor both the short and long-term timelines, factoring in the known risks and uncertainties. These forecasts are regularly updated and incorporated into the CEG Group forecast and demonstrate that with the current cash reserves and forecasted future revenue and available sources of funding, the Company is able to continue in operation for at least the next 12 months. As the Company does not generate it's own cashflows it is reliant on its parent company for ongoing financial support. The Company's financial statements have therefore been prepared on a going concern basis. Issues relating to going concern including fundamental uncertainties are discussed in note 1.21.

Future developments

The company will continue to provide management consulting services to operating subsidiaries within the CEG Group.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board:

Eytan Uliel
Director
8 December 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COLUMBUS ENERGY RESOURCES LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Columbus Energy Resources Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2021; the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.21 to the financial statements concerning the company's ability to continue as a going concern.

As at 31 December 2021, the company was in a net liability position of £6.8m and is dependent upon continuing financial support from its parent, Challenger Energy Group PLC ("CEG") which went through a restructuring in 2022.

Following the CEG restructuring, the Directors have prepared a CEG Group ("the Group") cash flow forecast which anticipates the Group being able to continue in operation for a period that covers at least the next twelve months from the date of this report. However, as explained in note 1.21 the Group cash flow forecast includes a number of underlying assumptions and estimates, including oil price, sustained production from the Group's producing fields in Trinidad along with certain incremental production from the intended work programme, reliability of reserves estimates and renewal of licences upon expiry.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COLUMBUS ENERGY RESOURCES LIMITED (CONTINUED)

In addition, the projections assume offsetting of certain tax liabilities and deferral of certain historical liabilities in Trinidad that the Directors believe are either not likely to require settlement in cash or are capable of being deferred and settled on long-dated payment terms so as to not require material amounts of cash during the forecast period.

Certain of these items are outside of the CEG Group's control and unfavourable actual outcomes may lead to the Group not being able to continue to support Columbus Energy Resources Limited ("CERL") without CEG or CERL needing to take additional measures such as fund raising, cost savings or the sale of assets. These conditions, along with the other matters explained in note 1.21 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a 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 responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COLUMBUS ENERGY RESOURCES LIMITED (CONTINUED)

Strategic report and Directors' report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
As explained more fully in the Directors' Report, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COLUMBUS ENERGY RESOURCES LIMITED (CONTINUED)

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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with tax legislation and employment law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and the potential for management bias in key judgements impacting the financial statements. Audit procedures performed by the engagement team included:

- enquiry of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations;
- reviewing the minutes of meetings of those charged with governance or additional matters relevant to the audit; and
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF COLUMBUS ENERGY RESOURCES LIMITED (CONTINUED)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Dunn BSc FCA (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLC
Chartered Accountants and Statutory Auditors
Douglas, Isle of Man
8 December 2022

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Year ended 31 December 2021 £	Year ended 31 December 2020 £
Management fees from parent company		255,846	651,198
Total revenue		**255,846**	**651,198**
General and administrative expenses	**2**	(297,507)	(2,206,628)
Provision for doubtful intercompany receivable	**11**	(1,553,219)	(39,211,148)
Operating foreign exchange (losses)/gains		(89,635)	187,094
Operating loss		**(1,684,515)**	**(40,579,484)**
Other income		219	118,731
Finance costs	**7**	-	(680,972)
Loss before taxation		**(1,684,296)**	**(41,141,725)**
Income tax expense	**4**	-	-
Loss for the year		**(1,684,296)**	**(41,141,725)**
Other comprehensive income		-	-
Total comprehensive expense		**(1,684,296)**	**(41,141,725)**

All operations are considered to be continuing.

The accompanying accounting policies and notes on pages 15 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 December 2021

	Note	As at 31 December 2021 £	As at 31 December 2020 £
Assets			
Non-current assets			
Intangible assets	**8**	-	-
Property, plant and equipment	**9**	892	1,397
Investment in subsidiaries	**10**	1,277	1,277
Trade and other receivables	**11**	-	-
Total non-current assets		**2,169**	**2,674**
Current assets			
Trade and other receivables	**11**	29,155	35,352
Cash and cash equivalents		8,365	12,581
Total current assets		**37,520**	**47,933**
Total assets		**39,689**	**50,607**
Liabilities			
Current liabilities			
Trade and other payables	**12**	(6,837,669)	(5,164,291)
Borrowings	**13**	-	-
Total current liabilities		**(6,837,669)**	**(5,164,291)**
Non-current liabilities			
Borrowings	**13**	-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**(6,837,669)**	**(5,164,291)**
Net liabilities		**(6,797,980)**	**(5,113,684)**
Shareholders' equity			
Called-up share capital	**14**	4,446,129	4,446,129
Share premium		77,638,905	77,638,905
Share based payments reserve	**15**	1,672,710	1,672,710
Retained earnings		(90,555,724)	(88,871,428)
Total equity		**(6,797,980)**	**(5,113,684)**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

The accompanying accounting policies and notes on pages 15 to 32 form an integral part of these financial statements.

These financial statements on pages 11 to 32 were approved by the Board of Directors on 8 December 2022 and signed on its behalf by:

Eytan Uliel
Director

Columbus Energy Resources Limited **Company Number 05901339**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Year ended 31 December2021	Year ended 31 December2020
	£	£
Cash outflow from operating activities		
Operating loss	(1,684,296)	(41,141,725)
Decrease/(increase) in trade and other receivables	6,197	(18,831)
(Decrease)/Increase in trade and other payables	(45,358)	1,291,610
Provision for doubtful recovery of intercompany receivable (note 11)	1,553,219	39,211,148
Amortisation and depreciation	505	639
Management fee income	(255,846)	(651,198)
Other income	(219)	(118,731)
Expenses settled via shares issued (note 6)	-	(123,096)
Management fee expense from parent company	-	10,382
Expenses settled by parent company	-	380
Contractor shares issued	-	19,473
Interest and finance expenses	-	680,972
Foreign exchange loss on operating activities	89,635	(187,094)
Net cash outflow from operating activities	**(336,163)**	**(1,026,071)**
Cash flows from investing activities		
Loans granted to subsidiaries	(1,553,219)	(1,511,667)
Other income received	219	-
Net cash outflow from investing activities	**(1,553,000)**	**(1,511,667)**
Cash flows from financing activities		
Finance costs paid	-	(4,917)
Repayments of borrowings	-	(251,700)
Proceeds of parent loan	1,885,399	1,142,335
Net cash inflow from financing activities	**1,885,399**	**885,718**
Net (decrease) in cash and cash equivalents	**(3,764)**	**(1,652,020)**
Effects of exchange rate changes on cash and cash equivalents	(452)	55,887
Cash and cash equivalents at beginning of year	12,581	1,608,714
Cash and cash equivalents at end of year	**8,365**	**12,581**

The accompanying accounting policies and notes on pages 15 to 32 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium reserve	Share based payments reserve	Retained earnings	Total Equity
	£	£	£	£	£
Total equity at 1 January 2020	**4,398,740**	**75,923,097**	**1,672,710**	**(47,729,703)**	**34,264,844**
Loss for the year	-	-	-	(41,141,725)	(41,141,725)
Total comprehensive expense	**-**	**-**	**-**	**(41,141,725)**	**(41,141,725)**
Share capital issued	47,389	1,715,808	-		1,763,197
Total contributions by and distributions to owners of the Company	**47,389**	**1,715,808**			**1,763,197**
As at 31 December 2020	**4,446,129**	**77,638,905**	**1,672,710**	**(88,871,428)**	**(5,113,684)**
Total equity at the beginning of the financial year	**4,446,129**	**77,638,905**	**1,672,710**	**(88,871,428)**	**(5,113,684)**
Loss for the year	**-**	**-**	**-**	**(1,684,296)**	**(1,684,296)**
Total comprehensive expense	**-**	**-**	**-**	**(1,684,296)**	**(1,684,296)**
Total contributions by and distributions to owners of the Company	**-**	**-**	**-**	**-**	**-**
As at 31 December 2021	**4,446,129**	**77,638,905**	**1,672,710**	**(90,555,724)**	**(6,797,980)**

The accompanying accounting policies and notes on pages 15 to 32 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

1 Summary of significant accounting policies

1.01 General information and authorisation of financial statements

Columbus Energy Resources Limited is a private company registered in the United Kingdom under the Companies Act 2006. The address of its registered office is 71-91 Aldwych, London, WC2B 4HN. The financial statements of Columbus Energy Resources Limited for the year ended 31 December 2021 were authorised for issue by the Board on 7 December 2022 and the Statement of Financial Position signed on the Board's behalf by Mr Eytan Uliel.

1.02 Statement of compliance with IFRS

The Company's separate financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IFRS) in conformity with the requirements of the Companies Act 2006. The principal accounting policies adopted by the Company are set out below.

New and revised standards and interpretations not applied

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1.03 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement of certain assets and financial instruments at fair value as described in the accounting policies below.

The financial statements have been prepared on a going concern basis, refer to note 1.21 for more details, including the Company's dependence on parent company support and fundamental uncertainties.

The financial report is presented in Pound Sterling (£) and all values are rounded to the nearest (£) unless otherwise stated.

The company is exempt from preparing consolidated financial statements under Section 401 of the Companies Act 2006 as it is a wholly owned subsidiary undertaking of a parent company that prepares group financial statements under the law of a Non-EEA state, and in accordance with paragraph 4 (a) of IFRS 10 'Consolidated Financial Statements'.

1.04 Intangible assets

Intangible assets are recorded at cost less eventual amortisation and provision for impairment in value. Amortisation on intangible assets is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of four years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1.05 Property, plant and equipment

Property, plant and equipment is stated in the Statement of Financial Position at cost less accumulated depreciation and any recognised impairment loss. Depreciation on property, plant and equipment is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life of four years (computer equipment) and five years (furniture). Leasehold improvements are classified as property, plant and equipment and are depreciated on a straight-line basis over the period of the lease.

1.06 Revenue recognition

Revenue represents amounts invoiced in respect of management services and is recognised in the period during which the provision of services to which the income relates take place. The Management Services Agreement currently in place with parent and subsidiary companies provides that management services are charged at full cost with a 5% mark-up.

1.07 Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of each transaction. Foreign currency monetary assets and liabilities are retranslated using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the original transaction.

The financial statements are presented in Pounds Sterling ("£"), which is the functional currency of the company.

1.08 Leases

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1.09 Financial instruments

Financial assets

The Company classifies its financial assets as financial assets held at amortised cost. Management determines the classification of its financial assets at initial recognition.

The Company classifies its financial assets as financial assets held at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Measurement

Financial assets held at amortised cost are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. Financial assets at amortised cost comprise 'cash and cash equivalents' at variable interest rates and 'trade and other receivables' excluding 'prepayments'.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets held at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the expected credit loss model to financial assets at amortised cost. Refer to note 1.21 for further analysis of recoverability of intercompany loans.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. Other financial liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method. Other financial liabilities consist of 'trade and other payables' and 'lease liabilities'. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions with original maturities of three months or less.

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are deducted, net of tax, from the proceeds. Net proceeds are disclosed in the statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1.12 Finance costs
Borrowing costs are recognised as an expense when incurred.

1.13 Borrowings
Borrowings are recognised initially at fair value, net of any applicable transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method (if applicable).

Interest on borrowings is accrued as applicable to that class of borrowing.

1.14 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

1.15 Dividends
Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

1.16 Taxation

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

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and adjusted to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

1.17 Impairment of assets

At each balance sheet date, the Company assesses whether there is any indication that its property, plant and equipment and intangible assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset, for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

The Company's impairment policy is to recognise a loss relating to assets carried at cost less any accumulated depreciation or amortisation immediately in the Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the Statement of Comprehensive Income.

1.18 Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

Where equity instruments are granted to persons other than employees or Directors, the statement of comprehensive income is charged with the fair value of goods and services received.

Bonuses
The Company recognises a liability and an expense for bonuses. Bonuses are approved by the Board and a number of factors are taken into consideration when determining the amount of any bonus payable, including the recipient's existing salary, length of service and merit. The Company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Pension obligations
For defined contribution plans, the Company pays contributions to privately administered pension plans. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination and when the entity has a detailed formal plan to terminate the employment of current employees without the possibility of withdrawal. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

1.19 Share premium reserve
This reserve includes the amounts allocated to share capital above the nominal value of ordinary shares. Costs of share issues are written off against the premium arising on the issues of share capital.

1.20 Share based payments reserve

This reserve is used to record the value of equity benefits provided to employees and Directors as part of their remuneration and provided to consultants and advisors hired by the Company from time to time as part of the consideration paid.

1.21 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverability of Intercompany Loans

The investment in the Company's direct subsidiaries and amounts owed by subsidiary undertakings at 31 December 2021 stood at £1,277 (2020: £1,277) and £nil (2020: £nil) respectively.

The ultimate recoverability of investments in subsidiaries and amounts owed by subsidiary undertakings is dependent on the successful development and commercial exploitation increasing production through optimisation of existing wells, drilling of new infill wells and or the application of improved oil recovery methods, or alternatively, the sale of the respective licence areas. The carrying value of the Company's investments in subsidiaries is reviewed at each balance sheet date and, if there is any indication of impairment, the recoverable amount is estimated. Estimates of impairments are limited to an assessment by the directors of any events or changes in circumstances that would indicate that the carrying values of the assets may not be fully recoverable. Similarly, the expected credit losses on the amounts owed by subsidiary undertakings are intrinsically linked to the recoverable amount of the underlying assets. Any impairment losses arising are charged to the statement of comprehensive income.

At 31 December 2021 and based on the financial position of the Challenger Energy Group as a whole, an allowance for expected credit losses of £1,553,219 (2020: £39,211,148) was provided for in respect of the recoverability of amounts due from subsidiary undertakings. Should the operating performance of the subsidiaries with whom the balances are held improve in future periods then the provision for expected credit losses may be reversed in part or in whole. However, there can be no certainty in this regard. Refer to note 11 for further information.

Going concern

The company meets its day to day working capital requirements by the support of CEG Plc, its parent undertaking through the following actions:

i) Not seeking the repayment of amounts advanced to the Company by CEG Plc, and/or other members of the Parent group unless adequate alternative financing has been secured by the Company; and

ii) Advancing further amounts to the Company as required by the Company.

The Directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future on the basis of the Company's plans and the continued support of the parent undertaking.

1.21 Critical accounting estimates and assumptions (continued)

As noted in the note 1 of the Parent Company's Group financial statements for the year ended 31 December 2021 released on 30 September 2022, subsequent to the end of the financial year, the CEG Group has completed a comprehensive restructuring and recapitalisation exercise which resulted in:

i) the CEG Group and Parent Company raising approximately £7.3 million (or approximately USD$10 million) (before expenses) via the issue of new shares, to fund certain payments to creditors as part of the agreed discounted payment plan, as well as to fund a work programme for 2022;

ii) a substantial reduction in the CEG Group's balance sheet payables, debts and potential liability exposures, that would have reasonably required settlement in cash, from approximately USD$23.5 million to approximately USD$2.5 million, being the estimated liabilities amount that would be required for settlement in cash by the CEG Group in the foreseeable future. The substantial majority of liability settlements took place subsequent to the year-end, predominantly in the first quarter of 2022. As a substantial majority of these settlement agreements were conditional on making settlements post year end, the CEG Group's liabilities as of the balance sheet date reflect full amounts that would otherwise have been payable in the absence of settlement agreements (see Note 19 of the CEG Group financial statements for further information); and

iii) the CEG Parent Company reducing its net current liability position from approximately USD$10.1 million at balance sheet date to a net current asset position of approximately USD$4.1 million as a result of the settlements and recapitalisation made subsequent to year end.

Following the restructuring and recapitalisation, the Directors have prepared a group cash flow forecast which anticipates the CEG Group and the Company being able to continue in operation for at least the next twelve months from the date of this report. As at the date of this report the company is reliant on its parent company to provide ongoing financing and has received a letter of support from CEG Plc confirming its intention to continue to provide this support for the foreseeable future.

The cash flow forecast includes underlying assumptions and estimates, including oil price, sustained production from the CEG Group's producing fields in Trinidad and Tobago along with certain incremental production from the intended work programme, reliability of reserves estimates and renewal of licences upon expiry.

In addition, the projections assume offsetting of certain tax liabilities and deferral of certain historical liabilities in Trinidad and Tobago that the Directors believe are either not likely to require settlement in cash or are capable of being deferred and settled on long-dated payment terms so as to not require material amounts of cash during the forecast period.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Certain of these items are outside of the CEG Group and the Company's control and unfavourable actual outcomes may materially and adversely affect the CEG Group's cash resources and cast significant doubt about the CEG Group and the Company's ability to continue as a going concern. In such an event, the CEG Group and the Company may be required to implement certain other measures including, but not limited to,

i) raising additional third-party capital in form of equity, debt or other instruments of a similar nature, and / or
ii) undertake cost reduction, and / or
iii) sell certain assets of the CEG Group,

and a successful outcome of such measures cannot be guaranteed.

These financial statements do not include the adjustments that would result if the CEG Group was not able to continue to provide its support to the Company and the Company was unable to continue as a going concern.

2 Operating loss

	2021	2020
	£	£
Operating loss is arrived at after charging:		
Fees payable to the Company's auditor for:		
-the audit of the Company	14,500	10,900
General and administrative expenses		
Parent company management charge	-	10,382
Depreciation and amortisation	505	639
Employee costs	207,848	1,384,075
Investor relations	-	4,350
IT & communication	1,758	24,359
Operating lease	23,729	23,347
Professional fees	39,479	323,988
Regulatory fees	20,581	353,371
Share settled payments	-	64,817
Other expenses	3,607	17,300
	297,507	**2,206,628**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

3 Employee information (excluding Directors)

	2021	2020
	£	£
Staff costs:		
Wages and salaries	171,304	135,408
Social security costs	20,171	13,787
Other pension costs	16,373	13,486
Total	**207,848**	**162,681**

	Number	Number
The average number of employees working on a full-time equivalent basis:		
Management	3	4
Administration	1	1
Total	**4**	**5**

4 Taxation

	2021	2020
	£	£
Analysis of tax charge in the year		
Tax charge on ordinary activities	-	-
Factors affecting the tax charge for the year:		
Loss on ordinary activities before tax	1,684,296	41,141,725
Standard rate of corporation tax in the UK	19 %	19%
Loss on ordinary activities multiplied by the standard rate of corporation tax	320,016	7,816,928
Effects of:		
Non-deductible expenses	(295,211)	(7,450,285)
Capital allowances	4,039	4,926
Future tax benefit not brought to account	(28,844)	(371,569)
Current tax charge for the year	-	-

As at the 31 December 2021 the Company had an unrecognised deferred tax asset of £2,865,790 (2020: £2,836,946) calculated at 19% of estimated losses totalling £15,083,107 (2020: £14,931,295).

5 Dividends

During the year, no dividends were paid or proposed by the Directors (2020: nil).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

6 Directors' remuneration

	2021	2020
	£	£
Directors' remuneration	-	1,221,394

	Directors fees*	Other pension costs		Social security costs	Share - settled payments*	Share- settled benefit**	Total
	£		£	£		£	£
2020							
Executive Directors							
Leo Koot	30,472	9,250	41,281	300,000	169,435	(123,096)	**427,342**
Gordon Stein	15,833	5,567	61,101	190,000	98,149	-	**370,650**
Anthony Hawkins	20,834	2,210	2,486	250,000	108,627	-	**384,157**
Simon Potter	-	-	-	-	-	-	**-**
Benjamin Proffitt	-	-	-	-	-	-	**-**
Non-Executive Directors							
Michael Douglas	14,462	-	783	24,000	-	-	**39,245**
	81,601	**17,027**	**105,651**	**764,000**	**376,211**	**(123,096)**	**1,221,394**

*Throughout 2020, the Executive Directors (Leo Koot, Gordon Stein and Anthony Hawkins) and the Executive Management Members (Stewart Ahmed and Geoffrey Leid) continued to receive between 50% and 100% of their salaries in Company shares, implemented via nil cost options. Subsequent to the merger with CEG on 7 August 2020, the outstanding nil cost options on the date of merger were transferred into rights to receive a given number of CEG shares based on a rate agreed in the merger scheme document. In addition to this executive management was entitled to termination benefits totalling £764,000 for loss of compensation in office also payable in CEG stock.

**In February 2020 Leo Koot exercised 12,437,930 nil cost share options which was the total number of nil cost options owing to him at 31 December 2019. Following from this transaction an over accrual of salaries payable of £123,096 was crystalised and released to the statement of comprehensive income.

7 Finance costs

	2021	2020
	£	£
Loan settlement costs*	-	201,691
Loan interest payable	-	479,281
Total	**-**	**680,972**

*During 2020, some Lind loan facility payments were substituted for payment in shares in accordance with the loan agreement. These transactions crystallised in the statement of comprehensive income resulting from the difference between the value of the loan balance settled and the shares issued.

8 Intangible assets

	2021
	Computer Software
	£
Cost	
As at 1 January 2021	133,205
Additions	-
As at 31 December 2021	**133,205**
Amortisation and Impairment	
As at 1 January 2021	133,205
Amortisation	-
As at 31 December 2021	**133,205**
Net book value	
As at 31 December 2021	**-**
As at 31 December 2020	-

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Intangible assets	**2020**
	Computer Software
	£
Cost	
As at 1 January 2020	133,205
Additions	-
As at 31 December 2020	**133,205**
Amortisation and Impairment	
As at 1 January 2020	133,117
Amortisation	88
As at 31 December 2020	**133,205**
Net book value	
As at 31 December 2020	**-**
As at 31 December 2019	88

9 Property, plant and equipment

	2021	**2021**	**2021**	**2021**
	Leasehold improvements	**Furniture**	**Computer Equipment**	**Total**
	£	**£**	**£**	**£**
Cost				
As at 1 January 2021	163,842	69,151	18,475	251,468
Additions	-	-	-	-
As at 31 December 2021	**163,842**	**69,151**	**18,475**	**251,468**
Depreciation and Impairment				
As at 1 January 2021	163,842	69,151	17,078	250,071
Depreciation	-	-	505	505
As at 31 December 2021	**163,842**	**69,151**	**17,583**	**250,576**
Net book value				
As at 31 December 2021	**-**	**-**	**892**	**892**
As at 31 December 2020	-	-	1,397	1,397

Property, plant and equipment

	2020	2020	2020	2020
	Leasehold improvements	Furniture	Computer Equipment	Total
	£	£	£	£
Cost				
As at 1 January 2020	163,842	69,151	18,475	251,468
Additions	-	-	-	-
As at 31 December 2020	**163,842**	**69,151**	**18,475**	**251,468**
Depreciation and Impairment				
As at 1 January 2020	163,842	69,151	16,527	249,520
Depreciation	-	-	551	551
As at 31 December 2020	**163,842**	**69,151**	**17,078**	**250,071**
Net book value				
As at 31 December 2020	**-**	**-**	**1,397**	**1,397**
As at 31 December 2019	-	-	1,948	1,948

10 Investment in subsidiaries

	2021	2020
	£	£
Cost		
As at 1 January	1,277	1,277
Additions	-	-
Disposals	-	-
As at 31 December	**1,277**	**1,277**

Columbus Energy Resources Limited, holds 100% of the share capital of the following companies:

10 Investment in subsidiaries (continued)

Company	Country of registration	Proportion held	Nature of business
Direct			
Columbus Energy Holdings Ltd	Cyprus	100 %	Holding Company
Columbus Energy Resources South America B.V.	Netherlands	100 %	Holding Company (Suriname Branch)
BPC Uruguay Holdings Ltd	United Kingdom	100 %	Dormant Company
Indirect			
Via Columbus Energy Holdings Ltd			
Columbus Energy CPS (Cyprus) Ltd	Cyprus	100 %	Investment Company
Columbus Energy Byron Ltd	Cyprus	100 %	Investment Company
Columbus Energy (Cyprus) Ltd	Cyprus	100 %	Investment Company
Columbus Energy Investments Ltd	Cyprus	100 %	Investment Company
Via Columbus Energy CPS (Cyprus) Ltd			
Compania Petrolifera de Sedano S.L.U.	Spain	100 %	Oil and Gas Production and Exploration Company
Via Columbus Energy Byron Ltd			
Leni Gas and Oil US Inc.	United States	100 %	Dormant Company
Via Columbus Energy (Cyprus) Ltd			
Columbus Energy (St Lucia) Ltd	St Lucia	100 %	Investment Company

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

10 Investment in subsidiaries (continued)

Company	**Country of registration**	**Proportion held**	**Nature of business**
Via Columbus Energy (St Lucia) Ltd			
CEG ICACOS Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
CEG Management Services Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Services Company
CEG Goudron Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
CEG Energy Bonasse Limited	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
Caribbean Rex Ltd	St Lucia	100 %	Investment Company
Steeldrum Oil Company Inc	St Lucia	100 %	Investment Company
Steeldrum Petroleum Group Ltd	Trinidad & Tobago	100 %	Investment Company
CEG Inniss-Trinity Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
CEG South Erin Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
Cory Moruga Holdings Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
West Indian Energy Group Ltd	Trinidad & Tobago	100 %	Oil and Gas Services Company
T-REX Resources (Trinidad) Ltd	Trinidad & Tobago	100 %	Oil and Gas Production and Exploration Company
CEG Well Services Trinidad Ltd	Trinidad & Tobago	100 %	Oil and Gas Services Company

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

11 Trade and other receivables

	2021	2020
	£	£
Current trade and other receivables		
VAT receivable	2,674	3,092
Prepayments	26,481	32,260
Total	**29,155**	**35,352**
Non-current trade and other receivables		
Loans due from subsidiaries	52,463,934	52,337,082
Provision for doubtful intercompany receivable*	(52,463,934)	(52,337,082)
Total	-	-

The loans due from subsidiaries are interest free, have no fixed repayment date and are denominated in GBP.

*At 31 December 2021 and based on the financial position of the CEG Group as a whole, an allowance for expected credit losses of £1,553,219 (2020: £39,211,148) was provided for in respect of the recoverability of amounts due from subsidiary undertakings. Offsetting this movement is a $1,426,368 write down of the provision for receivable balances deemed to be uncollectible which were previously provided for.

12 Trade and other payables

	2021	2020
	£	£
Current trade and other payables		
Trade and other payables	38,882	87,840
Accruals	14,500	10,900
Loans due to parent (*)	6,784,287	5,065,551
Total	**6,837,669**	**5,164,291**

(*) The intercompany Loan to the CEG Group is repayable on demand, however CEG is not seeking the repayment of amounts advanced to the Company and is committed to advancing further amounts as required by the Company going forward. Refer to note 1.21 (Going concern) for discussion of the CEG Group policy regarding the repayment of Intercompany Loans and future financing to the wider CEG Group.
The net fair value of financial assets and liabilities approximates the carrying values disclosed in the financial statements.

13 Borrowings

	2021	2020
	£	£
Current borrowings		
Unsecured loan	-	-
Total	**-**	**-**
Non-current borrowings		
Unsecured loan	-	-
Total	**-**	**-**

In November 2019, the Company drew down US$1.76m under a new Convertible Security Funding Agreement (Tranche 1). Repayments were over 2 Years with 20 monthly payments of $87,750. Lind were able to convert the outstanding balance at a conversion price of 5.17 pence, subject to restrictions. The loan was denominated in US Dollars. The final monthly payment on this loan was forecast for October 2021. In December 2019, the Company drew down a further US$1.76m (Tranche 2) under the same funding agreement. Repayments were over 2 years with 24 monthly payments of $74,222. Lind were able to convert the outstanding balance at a conversion price of 5.17 pence, subject to restrictions. The loan was denominated in US Dollars. The final monthly payment on this loan was forecast for December 2021.

During the course of 2020 repayments on these loan balances were made in cash and shares in accordance with the funding agreement. Following the merger with CEG these loan balances were settled in full through a Replacement Funding Agreement with Trafalgar Capital Management (HK) Limited and CEG. Details of this agreement can be found in the Merger Scheme document.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Net debt reconciliation

	Loans from parent	Borrowings	Cash	Total
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
As at 1 January 2020	**-**	**(2,205,266)**	**1,608,714**	**(596,552)**
Cash flows	(1,142,335)	251,700	(1,652,020)	(2,542,655)
Foreign exchange adjustments	210,289	(79,081)	55,887	187,095
Other changes	(4,133,505)	2,032,647	-	(2,100,858)
As at 31 December 2020	**(5,065,551)**	**-**	**12,581**	**(5,052,970)**
As at 1 January 2021	**(5,065,551)**	**-**	**12,581**	**(5,052,970)**
Cash flows	(1,885,399)	-	(3,764)	(1,889,163)
Foreign exchange adjustments	(89,183)	-	(452)	(89,635)
Other changes	255,846	-	-	255,846
As at 31 December 2021	**(6,784,287)**	**-**	**8,365**	**(6,775,922)**

During the year ended 31 December 2020 the following significant non-cash transactions took place:

- The Lind Loan facility: £2,205,266 settled through payment in Columbus Energy Resources PLC shares and through the intercompany account with Challenger Energy Group PLC following the merger (settled though the replacement funding agreement).
- Accrued staff salaries and termination benefits totalling £2,026,117 settled through the intercompany account with Challenger Energy Group PLC through the issue of CEG Shares (2021: nil).

14 Share capital

Called up, allotted, issued and fully paid ordinary shares of 0.05p each	**Number of shares**	**Nominal value**
		£
As at 31 December 2019	**848,260,742**	**424,130**
20 February 2020 consideration at average price of 1.85p per share	24,669,886	12,335
20 April 2020 consideration at average price of 1.72p per share	22,537,310	11,269
11 May 2020 consideration at average price of 1.95p per share	22,546,803	11,273
23 June 2020 consideration at average price of 1.91p per share	17,038,603	8,519
22 July 2020 consideration at average price of 1.93p per share	7,987,143	3,993
As at 31 December 2020	**943,040,487**	**471,519**
As at 31 December 2021	**943,040,487**	**471,519**

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Deferred Shares

Deferred ordinary shares of 0.95p each	**Number of shares**	**Nominal value**
		£
As at 31 December 2020	**418,379,981**	**3,974,610**
As at 31 December 2021	**418,379,981**	**3,974,610**
Total Shares as at 31 December 2020	**1,361,420,468**	**4,446,129**
Total Shares as at 31 December 2021	**1,361,420,468**	**4,446,129**

During the year, no shares were issued (2020: 94.8 million).
At the end of 2021, the number of shares in issue comprised 943.0 million ordinary shares and 418.4 million deferred shares. The total authorised number of ordinary shares at 31 December 2021 was 1,163,233,192 shares with a par value of 0.05 pence per share (2020: 1,163,233,192 shares).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank pari passu in all respects including voting rights and dividend entitlement. The holders of deferred shares have no voting rights and are not entitled to a dividend.

15 Share based payments

Share options

Prior to the merger with CEG in August 2020, the Company had an established share option plan to enable the issue of options as part of remuneration of key management personnel and Directors. Options were granted under the plan for no consideration. Options were granted for between a 5 and 7.5 year period. There were vesting conditions associated with the options. Options granted under the plan carried no dividend or voting rights.

Following the merger with CEG in August 2020, the remaining Company options held by former Directors or Management entitle holders to shares in CEG at the merger ratio, all of which is outlined in the Merger Scheme of Arrangement document. During the year CEG undertook a 1 for 10 share consolidation which further changes the number of options and strike price entitlements in relation to the existing Company options.

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity. During the year ended 31 December 2021 the following share options were granted:

Equity settled share options granted in 2021

Nil

Equity settled share options granted in 2020

Name	Date granted	Share price at date of grant pence	Vesting date/criteria	Number	Exercise price pence	Expiry date	Expected volatility	Expected life (years)	Risk free return	Dividend yield	Fair value per option $
Leo Koot	09/05/2018*	5.25	09/05/2018	8,986,213	Zero cost	09/05/2025	-	-	-	-	-
Gordon Stein	14/06/2018*	4.7	14/06/2018	5,871,143	Zero cost	14/06/2025	-	-	-	-	-
Anthony Hawkins	31/12/2018*	2.9	31/12/2018	7,499,416	Zero cost	31/12/2025	-	-	-	-	-
Management	15/06/2018*	4.7	15/06/2018	3,865,125	Zero cost	15/06/2025	-	-	-	-	-
Management	31/12/2019*	3.45	31/12/2019	6,624,347	Zero cost	31/12/2026	-	-	-	-	-
				32,846,244			-	-	-	-	-

*The management nil cost options scheme was initiated on the respective dates listed in the table with subsequent options granted in following years.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

The Executive Directors being Anthony Hawkins, Leo Koot and Gordon Stein, and the new Executive Management Members being Stewart Ahmed and Geoffrey Leid (together the "Leadership Team"), agreed to receive 50% and at time up to 100% of their fees for their employment in Company shares, implemented by way of fully vested nil cost options. Alternatively, each member of the Leadership Team was entitled to receive 100% of their fees in cash by giving the Company one month's notice of this request in writing. Following the merger with CEG which took place on 7 August 2020 the accrued nil cost options under this scheme were transferred into CEG shares or nil cost options as part of their termination package.

The fair value of the options vested during the year was £nil (2020: £nil). The assessed fair value at grant date is determined using the Black-Scholes Model which, takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. The fair value is then discounted for the probability of the options actually vesting. The expected price volatility reflects the assumption that the historical volatility is indicative of future trends which, may not necessarily be the actual outcome.

Options and warrants		**2021**		**2020**
	Average exercise price per share $ 000's	**No. Options & Warrants $ 000's**	**Average exercise price per share $ 000's**	**No. Options & Warrants $ 000's**
At beginning of year	**6.05p**	**107,651,939**	**3.74p**	**182,126,255**
Lapsed	8.70p	(4,893,596)	0.77p	(37,959,308)
Granted	-	-	-	32,846,244
Exchanged for CEG shares	-	-	-	(54,191,366)
Exercised	-	-	-	(15,169,886)
At end of year	**5.92p**	**102,758,343**	**6.05p**	**107,651,939**
Exercisable at end of year	-	-	-	-
Number of CEG Plc shares assuming options were exercised*	**73.76p**	**8,251,495**	**7.53**	**86,444,507**

*Calculation adjustment to reflect the merger ratio of 0.803 and the 1 for 10 share consolidation impacting CEG Plc shares during the year. During the year, no options were issued (2020: 32.80 million). 4.9 million options lapsed during the year (2020: 38.0 million), no options were cancelled in the year (2020: nil), no options were exercised during the year (2020: 69.4 million). In February 2020 Leo Koot exercised 12.4 million nil cost options. At 7 August 2020 54.2 million options were exchanged for new CEG shares in accordance with the merger scheme document, these options were exercised in full by the ex-Columbus management team (four Directors and two members of the senior management team) during the second half of 2020. The weighted average remaining contractual life of the options and warrants in issue at 31 December 2021 is 1.46 (2020: 2.36).

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

15 Share based payments (continued)

Total share options in issue

As at 31 December 2021 the options in issue were:

Exercise price	Vesting criteria	Expiry date	Options in issue
2.2-10.0p	4.0-20.0p	9 May 2022	15,000,000
2.2-10.0p	4.0-20.0p	14 Jun 2022	10,000,000
8.1p	-	12 Jul 2022	5,472,136
2.2-10.0p	4.0-20.0p	20 Aug 2022	18,800,000
5.0-12.0p	8.0-24.0p	31 Dec 2022	10,000,000
5.0-12.0p	8.0-24.0p	29 Jun 2023	3,000,000
2.5p	-	12 Feb 2024	2,250,000
2.5p	1 Jan 2020	12 Feb 2024	2,250,000
2.5p	1 Jan 2021	12 Feb 2024	2,250,000
2.5p	1 Jan 2022	12 Feb 2024	2,250,000
6p	-	11 Nov 2024	14,625,000
5.1p	-	18 Dec 2024	16,861,207
As at 31 December 2021			**102,758,343**

As at 31 December 2020 the options in issue were:

Exercise price	Vesting criteria	Expiry date	Options in issue
8.7p	-	22 Feb 2021	4,893,596
2.2-10.0p	4.0-20.0p	9 May 2022	15,000,000
2.2-10.0p	4.0-20.0p	14 Jun 2022	10,000,000
8.1p	-	12 Jul 2022	5,472,136
2.2-10.0p	4.0-20.0p	20 Aug 2022	18,800,000
5.0-12.0p	8.0-24.0p	31 Dec 2022	10,000,000
5.0-12.0p	8.0-24.0p	29 Jun 2023	3,000,000
2.5p	-	12 Feb 2024	2,250,000
2.5p	1 Jan 2020	12 Feb 2024	2,250,000
2.5p	1 Jan 2021	12 Feb 2024	2,250,000
2.5p	1 Jan 2022	12 Feb 2024	2,250,000
6p	-	11 Nov 2024	14,625,000
5.1p	-	18 Dec 2024	16,861,207
As at 31 December 2020			**107,651,939**

16 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: liquidity, foreign exchange, credit and capital risk. The Company's overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Company and its subsidiaries and is ultimately driven from the parent company.

The Company's principle financial instruments comprise cash and loans to and from CEG Group undertakings. Prior to the merger with CEG on 7 August 2020 the Company also sourced external financing to fund CEG Group operations, following the merger all external loan facilities were extinguished.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach is to ensure that it will always have sufficient liquidity to meet its liabilities when due. It is the CEG Group's aim to ensure that sufficient liquidity will be made available to the Company which is also stipulated though a comfort letter signed by the ultimate parent company.

Detailed rolling cashflow forecasts are prepared for the Company, which assist in monitoring cashflow requirements and optimising its cash return on investments. Typically, the Company intends to ensure it has sufficient cash on demand and/or lines of credit to meet expected operational expenses, including the servicing of financial obligations.

16 Financial instruments and risk management (continued)

Financial liabilities

The Company's financial liabilities comprise its trade and other payables and Intercompany loan payable to the parent. The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. The amounts disclosure into the table are the contractual undiscounted cashflow. Balances due within 12 months equal their carrying balances, because the impact of discounting is not significant.

Contractual maturities of financial liabilities at 31 December 2021	Less than 6 month	6 to 12 months	Between 1 and 2 years	Repayment on demand*	Total contractual cash outflows	Carrying amount
	£	£	£	£	£	£
Trade and other payables	53,382	-	-	-	53,382	53,382
Intercompany loan due to parent*	-	-	-	6,784,287	6,784,287	6,784,287
Total	**53,382**	**-**	**-**	**6,784,287**	**6,837,669**	**6,837,669**

Contractual maturities of financial liabilities at 31 December 2020	Less than 6 months	6 to 12 months	Between 1 and 2 years	Repayment on demand*	Total contractual cash outflows	Carrying amount
	£	£	£	£	£	£
Trade and other payables	98,740	-	-	-	98,740	98,740
Intercompany loan due to parent*	-	-	-	5,065,551	5,065,551	5,065,551
Total	**98,740**	**-**	**-**	**5,065,551**	**5,164,291**	**5,164,291**

*The intercompany Loan to the CEG Group is repayable on demand, however CEG is not seeking the repayment of amounts advanced to the Company and is committed to advancing further amounts as required by the Company going forward. Refer to note 1.21 (Going concern) for discussion of the CEG Group policy regarding the repayment of Intercompany Loans and future financing to the wider CEG Group.

16 Financial instruments and risk management (continued)

Interest rate risk

At 31 December 2021 cash held in current accounts received no interest income (31 December 2020: nil) and therefore the interest rate risk is not considered significant. The company had no interest bearing borrowings at 31 December 2021 (31 December 2020: nil) and therefore do not present an interest rate risk.

The currency profile of the financial assets is as follows:

Cash and short-term deposits

	2021	2020
	£	£
Sterling	7,138	7,280
Euros	819	417
US Dollars	408	4,884
Total	**8,365**	**12,581**

Foreign currency risk

The following table details the Company's sensitivity to a 10% increase and decrease in the Pound Sterling against the relevant foreign currencies of Euro, US Dollar. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated investments and other financial assets and liabilities and adjusts their translation at the year-end for a 10% change in foreign currency rates. The table below sets out the potential exposure, where the 10% increase or decrease refers to a strengthening or weakening of the Pound Sterling:

	Profit or loss sensitivity		Equity sensitivity	
	10% increase	10% decrease	10% increase	10% decrease
	£	£	£	£
Euro	82	(82)	42	(42)
US Dollar	41	(41)	488	(488)
Total	**123**	**(123)**	**530**	**(530)**

Rates of exchange to £1 used in the financial statements were as follows:

	As at 31 December 2021	Average for the year to 31 December 2021	As at 31 December 2020	Average for the year to 31 December 2020
Euro	1.193	1.163	1.107	1.188
US Dollar	1.350	1.376	1.361	1.314

16 Financial instruments and risk management (continued)

Credit risk

Credit risk arises from cash balance held in bank, from prepayments to suppliers for services and from Intercompany Receivables for services and financing provided to subsidiaries. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. All suppliers are reviewed to assess the credit risk presented before entering into contractual relationships that give rise to prepaid balances.

Credit risk also arises on recoverability of loans due from subsidiary undertakings. Management assesses and manages these risks through regular budgeting and performance analysis. Refer to note 1.21 and note 11 for discussion on provision for intercompany loan receivables.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

For intercompany receivables the company assesses credit risk from discounted cashflows which are sensitive to the successful development or increasing production through optimisation of existing wells, drilling of new infill wells and or the application of improved recovery methods or alternatively the commercial exploitation or sale of the licence areas held.

Capital risk management

The parent company manages capital at the CEG Group level to ensure appropriate capital allocation to different CEG Group undertakings. Capital is defined by the CEG Group as all equity reserves, including share capital and share premium. The CEG Group's objectives when managing capital are to safeguard the CEG Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to support the CEG Group's business operations and maximise shareholder value. The CEG Group is not subject to any externally imposed capital requirements. Capital will be provided to the Company by other CEG Group undertakings, when and if needed for the Company to meet its obligations as they fall due.

17 Commitments and contingencies

Following the acquisition of a producing asset in Trinidad which took place in January 2008, the company has an obligation to settle the remaining purchase consideration once it receives all necessary permissions and assignments from the local Trinidad authorities. The contingent consideration agreed at the time of the transaction was the issue of 4 million then Leni Gas & Oil Plc shares. Given the changes to the Company after this transaction including various share reorganisations and the merger with CEG in August 2020, the company expects that any future settlement would be in CEG shares and subject to commercial negotiation.

There are no further material commitments or contingencies outstanding as at 31 December 2021.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

18 Related party transactions

Transactions between the Company, its subsidiaries have been separately disclosed in the Statement of Comprehensive Income and the Statement of Cash flows. Balances at balance sheet date are stated in notes 11 and 12.

Remuneration of Key Management Personnel

The Directors of the Company are considered to be the Key Management Personnel. Details of the remuneration of the Directors of the Company are disclosed below, by each of the categories specified in IAS24 Related Party Disclosures.

	2021	2020
	£	£
Short-term employee benefits	-	204,279
Compensation for loss of office	-	764,000
Share-settled payments	-	253,115
Total	**-**	**1,221,394**

See note 6 for further details of the Directors' remuneration and note 15 for details of the Directors' share-based payment benefits.

Transactions between the Company and its subsidiaries / parent during the year are as follows:

	2021	2020
	£	£
Loans, goods and services provided to West Indian Energy Group Ltd	-	7,134
Loans, goods and services provided to Steeldrum Oil Company Inc (St Lucia)	-	343,361
Loans, goods and services provided to Columbus Energy (St Lucia) Ltd	-	3,485
Loans, goods and services provided to Leni Gas and Oil US Inc.	-	3,854

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	2021	**2020**
	£	**£**
Loans, goods and services provided by Challenger Energy Group PLC (Parent)	(1,718,736)	(5,065,551)
Loans, goods and services provided to Columbus Energy Resources South America B.V.	6,533	111,086
Loans, goods and services provided to Columbus Energy Bonasse Ltd	-	332,460
Loans, goods and services provided to Goudron E&P Ltd	121,639	455,413
Loans, goods and services provided to Columbus Energy Services ltd	1,242,668	1,419,777
Loans, goods and services provided to Leni Trinidad Ltd	-	21,536
Loans, goods and services provided to FRAM Exploration (Trinidad) Ltd	-	130,595
Loans, goods and services provided to Jasmin Oil & Gas Ltd	-	60,386
Loans, goods and services provided to T-REX Resources (Trinidad) Ltd	-	23,247

Parent undertaking

The immediate and ultimate parent undertaking is Challenger Energy Group PLC, a company registered in the Isle of Man. Challenger Energy Group PLC is both the largest and smallest group for which consolidated financial statements are prepared and of which the Company is a member and is therefore exempt from preparing consolidated financial statements. The Challenger Energy Group PLC financial statements are available to the public and may be obtained at the following address:

Challenger Energy Group PLC
31-37 North Quay
Douglas
Isle of Man IM1 4LB

Website: https://www.cegplc.com/

There is no ultimate controlling party of the Group.

19 Events after the reporting period

As noted in note 1.21 after the end of the financial year, the CEG Group completed a comprehensive restructuring and recapitalisation exercise which resulted in:

i) the CEG Group and Parent Company raising approximately £7.3 million (or approximately USD$10 million) (before expenses) via the issue of new shares, to fund certain payments to creditors as part of the agreed discounted payment plan, as well as to fund a work programme for 2022;

ii) a substantial reduction in the CEG Group's balance sheet payables, debts and potential liability exposures, that would have reasonably required settlement in cash, from approximately USD$23.5 million to approximately USD$2.5 million, being the estimated liabilities amount that would be required for settlement in cash by the CEG Group in the foreseeable future. The substantial majority of liability settlements took place subsequent to the year-end, predominantly in the first quarter of 2022. As a substantial majority of these settlement agreements were conditional on making settlements post year end, the CEG Group's liabilities as of the balance sheet date reflect full amounts that would otherwise have been payable in the absence of settlement agreements (see Note 19 of the CEG Group's financial Statements for further information); and

the CEG Parent Company reducing its net current liability position from approximately USD$10.1 million at balance sheet date to a net current asset position of approximately USD$4.1 million as a result of the settlements and recapitalisation made subsequent to year end.

iii) As a result of the restructuring and capital raising taking place in the first half of 2022 the CEG Group is able to continue in operation for at least the next 12 months. The CEG Group financial statements have therefore been prepared on a going concern basis.

As at the date of this report the company is reliant on the CEG Group to provide ongoing financing and has received a letter of support from CEG PLC confirming its intention to continue to provide this support for the foreseeable future.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.