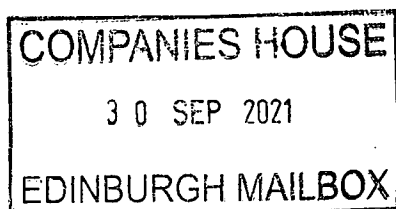


Strategic Report, Report of the Directors and
Audited Financial Statements for the Year Ended 31 December 2020

for

Zennor North Sea Limited ~

NOW KNOWN AS NEO ENERGY (ZNS) LIMITED



Zennor North Sea Limited (Registered number: 06576309)

**Contents of the Financial Statements
for the Year Ended 31 December 2020**

	Page
Company Information	3
Strategic Report	4
Report of the Directors	5
Income Statement	6
Other Comprehensive Income	7
Balance Sheet	8
Statement of Changes in Equity	9
Notes to the Financial Statements	10

Zennor North Sea Limited

Company Information
for the Year Ended 31 December 2020

DIRECTORS:

M J Rowe
R I S Crawford
J M R Henry
W G Cooper
D R Beaghan

REGISTERED OFFICE:

First Floor Hays House
Millmead
Guildford
Surrey
GU2 4HJ

REGISTERED NUMBER:

06576309 (England and Wales)

BANKERS:

Barclays
One Churchill Place
London
E14 5HP

Zennor North Sea Limited (Registered number: 06576309)

Strategic Report
for the Year Ended 31 December 2020

Zennor North Sea Limited ("the Company") is an independent UK upstream oil and gas business. The Company is one of seven subsidiary entities owned by Zennor Petroleum Ltd (together referred to as the "Group"). The Company is ultimately owned and financed by a private equity fund, Kerogen Energy Fund II, managed by Kerogen Capital. The directors present below their Strategic Report of the Company, which should be read in conjunction with the financial statements for the year ended 31 December 2020.

FUTURE CHANGE OF OWNERSHIP

On 8 March 2021 Kerogen Capital signed an agreement to sell the entire Group to NEO Energy Upstream UK Limited ("NEO"), a growing UK oil company backed by the Norwegian investment firm HitecVision AS. This transaction has an effective date of 1 January 2021 and received regulatory consent in June 2021. Transaction completion is expected in Q3 2021.

REVIEW OF BUSINESS

With an effective date of 1 January 2020, as part of a Group reorganisation, the Company sold the entire business (with the exception of one licence) to its sister company, Zennor Resources (N.I.) Ltd, for \$15.8m, a consideration amount equal to the net book value of the total net assets transferred (see note 9). This transaction was completed following receipt of all necessary third-party consents, including prior approval from The Oil and Gas Authority for the transfer of the associated UKCS licence interests. Licence P2452 (Murlach) was sold to another Group company, Zennor CNS Ltd, for a consideration equal to the net book value of that licence as at the effective date of the transaction on 1 January 2020.

On 24 February 2020, as part of the intercompany restructuring described above, the rights and obligations of the Company under a debt facility agreement with Nedbank Ltd were novated and transferred to Zennor Resources (N.I.) Ltd.

On 23 September 2020 Company was allotted 10,213,305 new ordinary shares of nominal £0.00072 each in its sister company Zennor Resources (N.I.) Ltd, at an issue price of £1.00 each, in settlement of \$13.3m of the total intercompany debt of \$15.8m arising from the intercompany restructuring described above. As at 31 December 2020 there was an outstanding intercompany debt of \$2.5m due from Zennor Resources (N.I.) Ltd.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is now dormant and expected to be wound up in due course. Given the circumstances, the directors do not consider there to be any principal risks currently faced by the Company.

Approved by the Board on 8 July 2021 and signed on its behalf by:


.....
J M R Henry - Director

Zennor North Sea Limited (Registered number: 06576309)

Report of the Directors
for the Year Ended 31 December 2020

The directors present their report with the financial statements of the Company for the year ended 31 December 2020. A business review is presented in the Strategic Report, incorporated by reference into this Directors' Report.

PRINCIPAL ACTIVITY

The principal activities of the Company in the year under review were that of oil and gas exploration, appraisal and production. Following the sale of the entire business to another Group company, with an effective date of 1 January 2020, the Company has been effectively dormant.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2020 (2019: \$nil).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in note 21 to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M J Rowe
R I S Crawford
J M R Henry
W G Cooper
D R Beaghan

GOING CONCERN

The directors acknowledge that there is some uncertainty as to how NEO will choose to organise and fund the Zennor Group, including the Company, post the acquisition completion. At the date of this report the directors are confident that the Company will continue to be supported by its parent company for the foreseeable future. Accordingly, the directors have adopted the going concern basis in preparing the annual report and accounts.

Approved by the Board on 8 July 2021 and signed on its behalf by:


.....
J M R Henry - Director

Zennor North Sea Limited (Registered number: 06576309)

Income Statement
for the Year Ended 31 December 2020

		31.12.20	31.12.19
	Notes	\$'000	(Audited) \$'000
REVENUE	3	-	14,465
Cost of sales		<u>-</u>	<u>(10,760)</u>
GROSS PROFIT		-	3,705
Foreign exchange gain/(loss)		-	122
Administrative expenses		<u>-</u>	<u>(2,570)</u>
OPERATING PROFIT/(LOSS) BEFORE IMPAIRMENT		-	1,257
Intangible fixed asset impairment	5	<u>-</u>	<u>(3,634)</u>
OPERATING LOSS		-	(2,377)
Interest payable and similar expenses	6	<u>-</u>	<u>(567)</u>
LOSS BEFORE TAXATION	7	-	(2,944)
Tax credit on loss	8	<u>-</u>	<u>3,635</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>-</u>	<u>691</u>

Zennor North Sea Limited (Registered number: 06576309)

Other Comprehensive Income
for the Year Ended 31 December 2020

	31.12.20	31.12.19
		(Audited)
Notes	\$'000	\$'000
PROFIT/(LOSS) FOR THE YEAR	-	691
OTHER COMPREHENSIVE INCOME		
-		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation reserve	-	(869)
OTHER COMPREHENSIVE INCOME		
FOR THE YEAR, NET OF INCOME TAX	-	(869)
TOTAL COMPREHENSIVE INCOME		
FOR THE YEAR	-	(178)


Zennor North Sea Limited (Registered number: 06576309)

Balance Sheet

As at 31 December 2020

		31.12.20	31.12.19
	Notes	\$'000	(Audited) \$'000
NON-CURRENT ASSETS			
Intangible assets	10	-	8,857
Tangible assets	11	-	36,958
Investments	12	13,278	-
Deferred tax asset	8	-	3,635
		13,278	49,450
CURRENT ASSETS			
Debtors	13	2,560	5,737
Inventory		-	835
Cash at bank		-	2,696
		2,560	9,268
CREDITORS			
Amounts falling due within one year	14	-	(17,966)
NET CURRENT LIABILITIES		2,560	(8,698)
TOTAL ASSETS LESS CURRENT LIABILITIES		15,838	40,752
CREDITORS			
Amounts falling due after more than one year	15	-	(6,102)
PROVISIONS FOR LIABILITIES	16	-	(18,812)
NET ASSETS		15,838	15,838
CAPITAL AND RESERVES			
Called up share capital	17	13,277	13,277
FX Translation Reserve	18	(869)	(869)
Retained earnings	18	3,430	3,430
SHAREHOLDERS' FUNDS		15,838	15,838

The financial statements were approved by the Board of Directors on 8 July 2021 and were signed on its behalf by:


.....
J M R Henry - Director

Zennor North Sea Limited (Registered number: 06576309)

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital \$'000	Retained earnings \$'000	FX Translation Reserve \$'000	Total equity \$'000
Balance at 1 January 2019 (Audited)	44,614	(42,598)	-	2,016
Changes in equity				
Reduction in share capital	(45,337)	45,337	-	-
Issue of share capital	14,000	-	-	14,000
Total comprehensive income	-	691	(869)	(178)
Balance at 31 December 2019 (Audited)	<u>13,277</u>	<u>3,430</u>	<u>(869)</u>	<u>15,838</u>
Changes in equity				
Issue of share capital	-	-	-	-
Total comprehensive income	-	-	-	-
Balance at 31 December 2020	<u>13,277</u>	<u>3,430</u>	<u>(869)</u>	<u>15,838</u>

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements
for the Year Ended 31 December 2020

1. AUTHORISATION OF THE FINANCIAL STATEMENTS

The Company's financial statements for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 8 July 2021 and the balance sheets were signed on the Board's behalf by J M R Henry.

Zennor North Sea Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the US Dollar (\$).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES

Basis of preparation

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 ('FRS 100') issued by the Financial Reporting Council. The Company financial statements and related disclosures have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

A summary of the principal accounting policies, which have all been applied consistently throughout the current and prior year, is set out below.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historic cost convention, with the exception of derivative financial instruments and underlift / overlift which are revalued at fair value. Zennor North Sea Limited is a limited company incorporated and domiciled in England and Wales. The Company's functional currency is US Dollars and the financial statements are presented in US Dollars.

Amendments to International Financial reporting Standards ("IFRS") that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Company has adopted the amendments to IFRS 3 for the first time in the current year. This includes an updated definition of what constitutes a business and also includes an optional concentration test, which can be applied on a transaction by transaction basis, to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the concentration test is met, the set of activities and assets is determined not to be a business and the transaction can be treated as an asset acquisition.

Amendments to IAS 1 and IAS 8 Definition of material

The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

New and revised IFRSs in issue but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company in the current or future reporting periods nor on foreseeable future transactions.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

Revenue recognition

Sales revenue represents the sales value, net of VAT, of the entity's share of oil and gas liftings in the year. Revenue from contracts with customers is recognised when the Company satisfies a performance obligation by transferring control of a good or service. The transfer of control of oil and gas sold by the Company coincides with title passing to the customer and the customer taking physical possession. Interest income is not significant and is accounted for on a receipts basis.

Exploration and appraisal expenditure

As allowed under IFRS 6 and in accordance with clarification issued by IFRIC, the Company has continued to apply its existing accounting policy to exploration and evaluation activity, subject to the specific requirements of IFRS 6.

All licence acquisition, exploration and appraisal costs are initially capitalised in well, field or general exploration cost centres as appropriate pending determination. Expenditure incurred during the various exploration and development phases is written off unless commercial reserves have been established or the determination process has not been completed. Exploration and appraisal expenditure is classified as "intangible assets - exploration expenditure" pending evaluation. When the existence of commercial reserves is established, directly related exploration and appraisal expenditure is reclassified as tangible fixed assets, at which point an impairment test is performed. Expenditure incurred prior to the acquisition of licences and the other costs of exploration activities which are not specifically directed to an identified structure are written off in the period in which they are incurred.

Property, plant and equipment

All fixed assets are initially recorded at cost. The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment

The Company monitors internal and external indicators of impairment relating to its tangible and intangible assets which may indicate that the carrying value of the assets may not be recoverable. The calculation of the recoverable amount from each production asset involves estimating the net present value of cash flows expected to be generated, based on assumptions on reserve quantities, production profile, oil price and operating costs. The pre-tax discount rate applied is a matter of judgement which reflects the risks involved. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised in prior years. Any reversal is recognised in profit or loss.

Depletion and amortisation

All expenditure carried within each field is amortised from the commencement of production, on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period, plus the production in the period, on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves.

Decommissioning

The Company recognises the full discounted cost of decommissioning when the Company has an obligation to plug and abandon a well, or to dismantle and remove a production, transportation or processing facility and to restore the site on which it is located. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements and is re-assessed each year. Any changes in the present value of the estimated expenditure is added to or deducted from the cost of the assets to which it relates, unless the associated activity resulted in write-off to the profit and loss account. This asset is subsequently depreciated as part of the capital costs of the production and related pipeline facilities, on a unit of production basis. The unwinding of the discount on the decommissioning provision is included in finance costs. Changes in the estimates of commercial reserves of decommissioning cost estimates are dealt with prospectively.

Inventory

Lifting arrangements for oil and gas is such that each participant may not receive its share of the overall production in each period. The difference between cumulative entitlement and cumulative production less stock is 'underlift' or 'overlift'. Underlift and overlift are valued at market value and included within debtors ('underlift') or creditors ('overlift'). Movements during an accounting period are adjusted through cost of sales, such that gross profit is recognised on an entitlement basis. Physical oil and gas inventory on hand is revalued at market value. The Company's share of any physical equipment stock is accounted for at the lower of cost and net realisable value.

Foreign currencies

In the accounts of the Company, transactions in foreign currencies, being currencies other than the functional currency, are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and differences are taken to the income statement. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate as at the date of initial transaction. Exchange gains and losses arising from translation are charged to the income statement.

Financial instruments

Financial instruments comprise trade receivables, cash and cash equivalents, trade payables, bank borrowings, derivative financial instruments and equity instruments.

Trade receivables

Trade receivables are stated at cost, as reduced by any appropriate reductions for estimated irrecoverable amounts utilising the expected credit loss approach outlined in IFRS 9.

Cash and cash equivalents

Cash and cash equivalents are balances with banks.

Trade payables

Trade payables are stated at cost.

Bank borrowings

Bank loans are recorded at the amount of the proceeds received, net of any direct loan arrangement fees and other directly related costs. Other borrowing costs, including interest and commitment fees, are accrued on a time basis and expensed in the income statement in the period in which they are incurred. All borrowing costs directly relating to the development of an oil and gas property are capitalized and added to the project cost during the development phase, until such time that the oil and gas property is capable of commercial production

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

2. ACCOUNTING POLICIES - continued

Derivative financial instruments

The Company enters into put option derivative transactions to manage its exposure to movements in oil and gas prices. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately. The Company does not adopt hedge accounting in relation to derivatives. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as an asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Taxation

Current tax

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

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

3. REVENUE

The revenue and loss before taxation are attributable to the one principal activity of the company. All of the Company's operations take place in the United Kingdom or offshore in the UK North Sea in one business segment, the exploration and production of hydrocarbons. All sales were to third parties.

Turnover represents the sales value, net of VAT, of the Company's share of production in the year, on an entitlement basis.

4. EMPLOYEES AND DIRECTORS

The company had no employees other than its directors for the year ended 31 December 2020 nor for the year ended 31 December 2019.

	31.12.20	31.12.19 (Audited)
	\$	\$
Directors' remuneration	<u>-</u>	<u>-</u>

5. EXCEPTIONAL ITEMS

	31.12.20	31.12.19 (Audited)
	\$'000	\$'000
Exploration asset impairment	<u>-</u>	<u>(3,634)</u>
	<u>-</u>	<u>(3,634)</u>

As previously reported, the exceptional impairment cost of \$3.6m in 2019 relates to the write-off of past capitalised costs on two licences.

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.20	31.12.19
	\$'000	\$'000
		(Audited)
Bank loan interest	-	319
Unwinding discount (note 16)	<u>-</u>	<u>248</u>
	<u>-</u>	<u>567</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	31.12.20	31.12.19 (Audited)
	\$'000	\$'000
Depletion and amortisation of oil and gas properties	-	3,672
Amortisation data assets	-	375
Unwinding of discount on long term provision	-	248
Auditors' remuneration	-	32
Bank interest and fees payable	-	1
Unwinding discount on long term provisions	-	248
Foreign exchange losses/(gains)	<u>-</u>	<u>(122)</u>

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

8. TAXATION

Analysis of movement in deferred tax asset

	\$000
At 1 January 2020	3,635
Credited during the period	-
Transferred to Zennor Resources (N.I.) Ltd	(3,635)
At 31 December 2020	-

(a) Tax credit on loss on ordinary activities

The tax (charge)/credit is made up as follows:

	Year Ended 31.12.20	Year Ended 31.12.19 (Audited)
	\$000	\$000
Current tax	-	-
Deferred tax (8(c)):		
Recognition of opening deferred tax asset	-	(666)
Origination and reversal of timing differences	-	4,301
	-	3,635

The deferred tax credit is explained further in note 8(c).

(b) Factors affecting tax charge

A reconciliation between the tax expense and the product of accounting profit multiplied by the UK standard income tax for the year ended 31 December 2020 is as follows:

	Year Ended 31.12.20	Year Ended 31.12.19 (Audited)
	\$000	\$000
Loss on ordinary activities before taxation	-	(2,944)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 40% (2019: 40%)	-	1,178
Recognition of opening deferred tax asset	-	(666)
Investment allowances recognised	-	319
Ring fence expenditure supplement	-	2,804
Total current tax (note 8(a))	-	3,635

(c) Deferred tax

	Year Ended 31.12.20	Year Ended 31.12.19 (Audited)
	\$000	\$000
Tax losses available	-	22,000
Tax losses unrecognised	-	13,186
Investment allowance	-	5,224
Property and equipment	-	(18,365)
Adjustment to recoverable amount	-	(18,410)
Deferred tax asset	-	3,635

Zennor Resources (N.I.) Limited**Notes to the Financial Statements - continued**
for the Year Ended 31 December 2020**9. INTERNAL GROUP RESTRUCTURE**

On 1 January 2020 the Company sold the entire business (with the exception of one asset) of its sister Group company Zennor Resources (N.I.) Ltd as part of an internal Group restructure. All the assets and liabilities were transferred at book value and no positive or negative goodwill arose from this transaction. Consideration was provided by way of intercompany loan. The book values of the assets and liabilities acquired were as follows:

	\$'000
Tangible fixed assets	36,958
Deferred tax asset	3,635
Intangible assets	8,857
Debtors and prepayments	5,737
Inventory	835
Cash	2,696
Creditors and accruals	(5,144)
Intercompany loan	(4,822)
Bank loan	(14,102)
Decommissioning provision	(18,812)
Total net assets sold	<u>15,838</u>

10. INTANGIBLE FIXED ASSETS

	Data Assets \$'000	Exploration expenditure \$'000	Totals \$'000
COST			
At 1 January 2020	1,125	8,857	9,982
Disposals	(1,125)	(8,857)	(9,982)
Impairments	—	—	—
At 31 December 2020	—	—	—
AMORTISATION			
At 1 January 2020	1,125	—	1,125
Disposals	(1,125)	—	(1,125)
Amortisation for year	—	—	—
At 31 December 2020	—	—	—
NET BOOK VALUE			
At 31 December 2020	—	—	—
At 31 December 2019	—	8,857	8,857

With an effective date of 1 January 2020, as part of a Group restructuring, the Company's intangible assets were sold to two sister Group companies at their combined net book value of \$8.9m.

The Company's 100% interest in Licence P2350 (Leverett Discovery and Greenwell DHI), 100% interest in Licence P2367 (Rutford Prospect), 100% interest in Licence P2368 (Fisher Prospect), 35% interest in Licence P2381 (Manhattan Prospect), 45% interest in Licence P2397 (Courageous Discovery), 30% interest in Licence P2400 (Skerryvore Prospect) and 30% interest in Licence P2402 (Ruvaal Prospect) were sold to Zennor Resources (N.I.) Ltd. The Company's 20% interest in Licence P2452 (Murlach Discovery) was sold to Zennor CNS Ltd.

Data licences are amortised over their estimated useful life of three years.

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

11. TANGIBLE FIXED ASSETS

	Petroleum assets \$'000
COST	
At 1 January 2020	43,365
Additions	(43,365)
Change in decommissioning estimate	-
At 31 December 2020	-
DEPRECIATION	
At 1 January 2020	6,407
Disposals	(6,407)
At 31 December 2020	-
NET BOOK VALUE	
At 31 December 2020	-
At 31 December 2019	<u>36,958</u>

As part of a Group restructuring, the Company's tangible petroleum assets were sold to sister Group company Zennor Resources (N.I.) Ltd at their combined net book value of \$37.0m, with an effective date of 1 January 2020. The Company's 8.97% interest in the Britannia field and 31.6% interest in the Cormorant East field were sold to Zennor Resources (N.I.) Ltd.

12. INVESTMENTS

	Shares in group undertakings \$'000
COST	
Additions	<u>13,278</u>
At 31 December 2020	<u>13,278</u>
NET BOOK VALUE	
At 31 December 2020	<u>13,278</u>

On 23 September 2020 the Company was allotted 10,213,305 new ordinary shares of nominal £0.00072 each, at an issue price of £1.00 per share, in its sister entity, Zennor Resources (N.I.) Ltd, in part settlement of an outstanding intercompany debt.

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20 \$'000	31.12.19 \$'000 (Audited)
Trade debtors	-	768
Amounts owed by group undertakings	2,560	-
Accrued Income	-	1,509
Other debtors	-	3,289
VAT	-	43
Prepayments	-	128
	<u>2,560</u>	<u>5,737</u>

With an effective date of 1 January 2020, as part of a Group restructuring, the Company's debtors were transferred to sister Group company, Zennor Resources (N.I.) Ltd at book value.

At 31 December 2021 the Company had an outstanding debt of \$2.6m owed by Zennor Resources (N.I.) Ltd in respect of the restructuring described above. Management considers that this debt is not impaired. The directors consider the carrying amount of trade and other receivables approximates to their fair value.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20 \$'000	31.12.19 \$'000 (Audited)
Bank loans and overdrafts (see note 15)	-	8,000
Group loans (see note 15)	-	4,822
Trade creditors	-	427
Other amounts owed to group undertakings	-	1,027
Accrued expenses	-	3,690
	<u>-</u>	<u>17,966</u>

The stated value of the trade payables approximates their fair value.

15. FINANCIAL LIABILITIES - BORROWINGS

	31.12.20 \$'000	31.12.19 \$'000 (Audited)
Current liability:		
Bank loans	-	8,000
Loan from immediate parent	-	4,822
	<u>-</u>	<u>12,822</u>
Non-current liability:		
Bank loans 2-5 years	-	6,102

On 24 February 2020, as part of a Group restructuring, the rights and obligations of the Company under a debt facility agreement with Nedbank Ltd were novated and transferred to Zennor Resources (N.I.) Ltd. The associated bank loan of \$14.1m and the parent company loan were both transferred to Zennor Resources (N.I.) Ltd with an effective date of 1 January 2020.

Zennor North Sea Limited (Registered number: 06576309)

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2020**

16. PROVISIONS FOR LIABILITIES

	31.12.20 \$'000	31.12.19 \$'000 (Unaudited)
Other provisions		
Decommissioning Provision	<u>-</u>	<u>18,812</u>
		Deomm' Provn \$000
Balance at 1 st January 2020		18,812
Disposals		(18,812)
Change in estimates		<u>-</u>
Balance at 31 st December 2020		<u>-</u>

As part of a Group restructuring, the Company's decommissioning provisions were transferred to sister Group company Zennor Resources (N.I.) Ltd at book value, with an effective date of 1 January 2020.

17. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal	31.12.20	31.12.19
Number:	Class:	value:	\$'000	\$'000
1,010,196	Ordinary £10	£10.00	<u>13,277</u>	<u>13,277</u>

18. RESERVES

	Retained earnings \$'000	FX Translation Reserve \$'000	Totals \$'000
At 1 January 2020	3,430	(869)	2,561
Profit for the year	-	-	-
Movement for the year	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2020	<u>3,430</u>	<u>(869)</u>	<u>2,561</u>

19. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities of \$nil (2019: \$1.1m) in excess of its liabilities and firm capital commitments.

20. CAPITAL COMMITMENTS

At the balance sheet date, the amounts contracted in relation to ongoing projects, but not provided for in the financial statements totalled \$nil (2019: \$8.8m). The commitments as at 31 December 2019 were transferred to another Group company, with an effective date of 1 January 2020, as described in the Strategic Report on page 4.

Zennor North Sea Limited (Registered number: 06576309)

Notes to the Financial Statements - continued
for the Year Ended 31 December 2020

21. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2021 Kerogen Capital signed an agreement to sell the entire Group to NEO Energy Upstream UK Limited ("NEO"), a growing UK oil company backed by the Norwegian investment firm HitecVision AS. This transaction has an effective date of 1 January 2021 and received regulatory consent in June 2021. Transaction completion is expected in Q3 2021.

22. ULTIMATE CONTROLLING PARTY

The Company was controlled by its immediate parent company, Zennor Energy Limited, a company registered in England & Wales during the current and previous period.

Zennor Energy Limited is a 100% subsidiary of Zennor Petroleum Limited which prepares consolidated accounts for the Group and copies are available from First Floor, Hays House, Millmead, Guildford, Surrey, GU2 4HJ.

The Company is ultimately controlled by Kerogen General Partner II Limited as general partner of Kerogen Energy Fund II L.P. and its parallel fund.