

UK Oil & Gas Plc

**Annual Report and Accounts
For the year ended 30 September 2021**



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Forward-looking Statement

This annual report contains 'forward-looking information', which may include, but is not limited to, statements with respect to the future financial and operating performance of UK Oil & Gas Plc, its subsidiaries, investment assets and affiliated companies, the estimation of oil reserves or resources, the realisation of resource estimates, costs of production, capital and exploration expenditures, costs and timing of the development of new assets, requirements for additional capital, *governmental regulation of operations and exploration operations, timing and receipt of approvals, licenses, environmental risks, title disputes or claims.*

Often, but not always, forward-looking statements can be identified by the use of words such as 'plans', 'expects', 'is expected', 'budget', 'scheduled', 'estimates', 'forecasts', 'intends', 'anticipates' or 'believes', or variations (including negative variations) of such words and phrases, or state that certain actions, events or results 'may', 'could', 'would', 'might' or 'will' be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of UK Oil & Gas Plc and/or its subsidiaries, investment assets and/or its affiliated companies to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of UK Pounds Sterling relative to the United States Dollar, and other foreign currencies; changes in project parameters as plans continue to be refined; future prices of products; possible variations in recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the oil & gas industry; political instability, adverse weather conditions, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities.

Although UK Oil & Gas Plc has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may well be other factors that cause actions, events or results to differ from those currently anticipated, estimated or intended.

Forward-looking statements contained herein are made as of the date of this annual report, and UK Oil & Gas Plc disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein. Nothing in this annual report should be construed as a profit forecast.

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2021

The Directors present their strategic report on the group for the year ended 30 September 2021.

OUR BUSINESS

UK Oil & Gas Plc (“UKOG” or the “Company”) is an energy company currently primarily focused upon oil & gas exploration and production. We specialise in creating new geological ideas, concepts and methodologies to find and produce oil & gas from previously unexplored or overlooked rock formations within established petroleum producing provinces.

Our current operational focus is on the UK and Turkey onshore sectors, where we aim to build a sustainable oil & gas production base that can act as a springboard to further worldwide opportunities. UKOG has operated safely and environmentally responsibly in the UK since 2013.

Our current UK onshore portfolio consists of direct and indirect interests in six oil & gas exploration, appraisal, development and production assets, all situated within the Weald and Purbeck-Wight Basins of southern England. We are the largest acreage holder in the south of England, with assets covering 689 gross km².

We hold majority interests in four UK onshore oil & gas discoveries, the most notable being at Horse Hill and Loxley in Surrey, together with a significant position in the Kimmeridge Limestone (KL) oil deposit or “play”. UKOG holds the largest acreage position within the play’s most prospective area or “sweet spot”, covering 489 gross km².

Our UK oil & gas portfolio contains a good balance of low-risk production, appraisal and development assets as well as upside exploration assets within both the Kimmeridge Limestone and Portland conventional plays.

Our portfolio in Turkey consists of a 50% non-operated working interest in the 305 km² Resan licence in southeast Turkey, containing the potentially significant undeveloped Basur-Resan oil discovery plus further exploration prospects. This project is assessed to contain significantly greater discovered oil volumes than any of our UK projects and, if successful, offers potentially transformational growth for the Company.

Our portfolio, notably Basur-Resan in Turkey, has the potential to generate significant returns for the Company and its shareholders.

The Company is reviewing the potential acquisition of further new international producing oil and gas properties which have the potential to deliver potentially significant short term cash flow. These assets also have the potential to become self-funding relatively quickly.

As a further diversification, we are increasingly active in the newly emerging geothermal energy field, where we possess the key subsurface and engineering skills necessary to make such projects work. We have teamed up with UK geothermal technology specialist Ceraphi Energy Limited (“Ceraphi”) to evaluate the economic feasibility of transitioning a part of our Horse Hill site into a geothermal and solar energy hub. This hub could potentially supply heat energy to a defined significant industrial end-user in the area. We are also a founder member of the Geothermal Energy Advancement Association.

As well as standalone geothermal projects, we are currently investigating the viability of hybrid energy sites centred around subsurface gas and/or hydrogen storage. These projects are envisaged to test the Company’s *hydrogen battery concept to provide peak-shaver power generation and green hydrogen generation from geothermal and other renewable sources*. Two new prime coastal sites have been identified and are under active investigation.

A review of business activities in the year and future developments is outlined within the Statement from the Chairman (page 5), the Chief Executive’s Statement (page 6) and the Operational Review (page 12).

OUR STRATEGY

UKOG aims to build a diverse, sustainable and self-funding international energy business which has the following strategic objectives:

Oil & Gas:

1. Find and Develop Low-Cost and Long-life Assets

- Continuing to invest in new and existing near-term production assets in the international sector is a key priority. New assets added to the Company's portfolio must demonstrate potential self-funding capacity in the near term. Once in production, revenues from these assets will provide free cash flow to re-invest and deliver shareholder returns.

2. Resource and Reserve Growth

- Building our recoverable resources, reserves and future production through targeted and disciplined high-impact exploration, appraisal projects and acquisitions, both in UK and increasingly in the international sector.

3. Balance Risk and Reward

- Maximising value by ground floor or early entry where possible.
- Judicious use of farmouts to provide operational funding.
- Maximising return on investment by actively considering divestment after an asset has been de-risked, where appropriate.

Geothermal, Renewables and Hydrogen:

1. UK Energy Diversification - Reduce Carbon Footprint of Company's Existing Petroleum Producing Sites

- Where viable, implement geothermal and/or solar energy cogeneration plus battery storage from existing wells/sites.
- Where viable, add new standalone geothermal and battery storage for grid/heat export.

2. Find and Develop New Stand-alone Geothermal and Energy-hub Projects

- Ground floor entry, either operated or as joint venture partner.
- UK initial focus, international expansion if successful or commercially viable opportunities arise.
- Strategic partnerships with sector technology specialists.

3. Hydrogen

- Investigate potential sites for hydrogen generation, storage and hydrogen battery concept.
- Focus initially on the UK, with international expansion if successful or if commercially viable opportunities arise.
- Ground floor operated entry through planning permission stages, with possible subsequent strategic partnerships/JV arrangements with a large infrastructure player.
- Strategic partnerships with sector technology specialists.

Targeted Portfolio Management:

Continuously review and high-grade our portfolio to either acquire or divest further stakes in existing assets. We also look to acquire assets at any stage in the life cycle and are not limited by geography, where we can create significant value for shareholders.

UKOG shares this vision and strategy through internal dialogue with employees and externally with shareholders and stakeholders via public announcements and dissemination of information through our website and the Annual Report and Accounts.

STATEMENT FROM THE CHAIRMAN

Two years ago, the price of crude oil in the USA was briefly negative. As we approach the end of the first quarter of 2022, the picture is altogether optimistic and brighter, with Brent crude surpassing 100 dollars per barrel as I write this statement. The uncertainty of oil prices over the last 24 months has thankfully stabilised, but that cannot be said of the geo-political picture where any number of dramas could unfold which could alter the mood of our industry.

That is why I am excited by UKOG's pursuit of opportunities in renewable energy, notably in respect of geothermal energy and gas storage solutions for hydrogen development. As a country the UK needs to be more self-reliant and less dependent on international gas pipelines. Over decades we have allowed our gas storage capacity to fall alarmingly. UKOG, a company with multi-faceted ambitions and abilities, is looking at domestic projects which could reverse that decline. Additionally, the management team is also considering several other potentially exciting opportunities both domestic and international and is proactively seeking to diversify the Company's portfolio in recognition of the rapidly evolving industry landscape.

The Company's gas project at Loxley is in the hands of the Secretary of State after a tortuous appeal process, but I hope that common sense will prevail and follow the view of Energy Minister Greg Hands who said: "We will always prefer British gas production to foreign imports". Given today's mammoth carbon footprint of importing oil and gas into the UK, why should the resources directly under our feet, including Loxley, not be drilled and developed?

I have only recently taken on the role of Chairman, but I have had close links with UKOG for many years and fully support the efforts of Stephen Sanderson to take on new opportunities in new territories and in new sectors. Whilst some private investors may harbour concerns regarding the recent trend in the Company's share price, raising funds from equity remains a necessary part of UKOG's strategy as it continues funding the forward growth of its high priority projects. This will remain the case until such time as the Group is generating self-sufficient cash flows from operations. Reserve-based lending is rarely an economic option for junior oil companies primarily engaged in exploration and, whilst I have sympathy for any frustrations regarding share dilution, I am encouraged that the Company is building a highly desirable and carefully curated asset portfolio with long-term economic promise.

It requires a great deal of specialist knowledge and experience for a business to spin several plates in this industry, however geographical and sector-based diversification remains core to UKOG's ambitions. Tireless efforts continue to be made in the pursuit of maximising shareholder value, and as ever there is no room for standing still.

I confidently predict a busy 2022 on all fronts, both home and abroad. There will rarely be a dull moment and, as we approach the drilling of our first production well in Turkey, let's hope for an enjoyable and profitable ride.

Nicholas Mardon Taylor
Non-Executive Chairman, 24 March 2022

CHIEF EXECUTIVE'S STATEMENT

I am delighted to be able to write this Annual Report in a more optimistic environment than a year ago, with the Covid-19 pandemic beginning to be brought under control thanks to the creative intervention of science-based solutions in double-quick time.

UKOG has emerged blinking into the glow of a new world of opportunity as we explore, amongst other opportunities, fresh commercial ideas for renewable energy generation. As was made perfectly clear during the COP26 climate change conference in Glasgow last Autumn, the world requires fossil fuels for the foreseeable future to sustain our lifestyle and to keep our homes and businesses warm and lit, but we all acknowledge that it is vital to move towards cleaner methods of power generation and transportation.

It is not a case of out with the old, in with the new. More a case of a sensible and logical transition. As Business Secretary Kwasi Kwarteng put it, "transition" from oil and gas "not extinction".

With this in mind, we have spent time and energy looking at creating an all-encompassing energy hub in the south of England for geothermal power generation, where we have identified a prime site for geothermal energy and a first-rate end user. Our high-level ambition is to convert part of our Horse Hill well site into a geothermal energy hub, having signed a Heads of Terms agreement with geothermal specialists Ceraphi, who confidently predict that we could supply more than 200,000 megawatt hours per year of continuous baseload from that site primarily in the form of heat energy.

We are also actively evaluating two potential sites in the UK for hydrogen generation and storage, to take advantage of the national transition from natural gas to hydrogen for industrial and domestic power and heating demands. Part of the project would encompass a new 'hydrogen-battery' concept to store energy for use during peak power demand, together with 'green-power' from geothermal to generate 'green-hydrogen'.

These are early days, but they are also exciting ones for the Company as we actively embrace this new world and its unique challenges.

A year ago, we spread our international reach into Turkey having entered an exciting joint venture with Aladdin Middle East ("AME"), exemplifying our ongoing strategy of active portfolio management. We are continually high grading our portfolio, both by seeking new high potential assets and divesting lower ranking assets, as and when opportunities present themselves. In this way we can harness fast-tracked organic growth through the project execution stage.

In this spirit of expanding our horizons we have completed the evaluation of potentially lucrative proven oil & gas field opportunities elsewhere in the world, including in the United States, where access to such opportunities has arisen from within the Directors' extensive business network. Should negotiations be successful, there is the realistic prospect of adding significantly to both our reserves and cash flow base in the coming year.

Turkey

UKOG's December visit to Ankara for first-time face-to-face meetings with our joint venture operator AME was hugely successful and of great benefit to all concerned. Travel restrictions in place due to Covid-19 had prevented this trip ever since we completed our Farm-In agreement for a 50% non-operated working interest in the 305 km² Resan Licence.

The Resan Licence lies within the SE Anatolian basin, a geological continuation of the prolific Zagros "fold-belt" petroleum system within the foothills of the Taurus-Zagros mountains in Iraq, Iran and Turkey, one of the Middle East's major oil producing areas. Multiple producing oil fields lie to the immediate west and south-east of the Licence, containing significant proven recoverable reserves.

The recent focus at our Basur-Resan licence has been the acquisition of a 2D seismic programme. This followed news from AME that drilling of the Basur-3 appraisal well was halted when the directional assembly was temporarily stuck in the 12¼" hole section. Credit must be given to AME's drilling team who performed a successful recovery or 'fishing' operation to return the assembly safely back to surface.

With the first phase of seismic acquisition now complete, we look forward to the drilling of a Basur-3 sidetrack ("B-3S") once processed seismic results have been received. B-3S is located within the north-western

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

structural culmination of the 60 km² Basur-Resan anticlinal structure, with a surface location approximately 1.2 km north of the 1964 Basur-1 oil discovery well.

The B-3 appraisal well was the first modern well designed to properly appraise and assess the extent and commercial viability of the Basur-Resan oil pool discovered in the 1950s-1960s. Its primary objectives were the naturally fractured and dolomitised limestone rocks of the Cretaceous age Garzan and Mardin formations, which are productive at our partner AME's East Sadak oil field, whose western edge is some 20 km to the southeast and along the same geological anticlinal trend.

AME's and the Company's bid for three new licences in last year's Turkish mini-licence round, announced on 10 December 2020, was ultimately unsuccessful. The mini-licence round attracted several other bidders including the Turkish national oil company, TPAO, to whom the licences were awarded. Although the result was disappointing given the work programme offered by AME and UKOG, the bid was always ancillary to the Company's main focus of appraising Basur-Resan.

The Company continues to look for additional projects in Turkey and has reviewed a further new opportunity to the southeast of our Resan licence. This contains an interesting and potentially material undrilled anticlinal feature analogous to both East Sadak and Basur-Resan.

Horse Hill

The focus at Horse Hill has been on optimising production and keeping capital expenditure under firm control. To assist this, we completed a material purchase of surface production equipment from PW Well Test. A more efficient and suitable gas flare has also been installed at the site.

A facilities upgrade was completed in the year, with modifications made in preparation for transitioning the site to automated 24-hour production, together with the installation of the first tranche of permanent facility equipment required under the Health and Safety Executive's Control of Major Accident Hazards (COMAH) regulations.

Well intervention operations were completed efficiently towards the beginning of the year. Despite the resulting October and November downtime, total Portland oil production during the first quarter was 7,045 bbl. Average production uptime was 57% over that period and ranged from 37% during October's main HH-1 intervention period, to 85% in November, post-intervention.

Notably, the Oil and Gas Authority ("OGA") granted two-year extensions to the remaining deadlines for the PEDL137 and PEDL246 Retention Area work programmes in the year, and at the end of 2020 over 162,000 bbl of Brent quality crude had been produced and exported from the Kimmeridge and Portland pools.

Injunction

The High Court upheld the Company's injunction against unlawful protests at the Horse Hill site. Mrs Justice Falk found that there was a sufficiently real and imminent risk to justify the interim injunction order and its revised scope, which prohibits trespass to the site's land, obstruction of the main entrance and lorry surfing. The injunction remained in force until autumn 2021.

Judicial Review

We were delighted that in February 2022 the Court of Appeal rejected the Judicial Review ("JR") appeal of Surrey County Council's ("SCC") September 2019 planning consent for long-term oil production at Horse Hill, 85.635% owned by UKOG. The written judgement means that the planning consent for Horse Hill oil production was granted entirely lawfully and, as such, confirms that Horse Hill can remain operational until the end of its commercial field life.

This latest judgment in UKOG's favour comes after more than two years in which Sarah Finch on behalf of the Weald Action group has sought to stop the Company's oil production at Horse Hill. Given that during this time five judges have found against their case, one cannot help but wonder why they were permitted so many repeated bites at the same legal cherry. That seems at very least unfair and perhaps is also somewhat unjust.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

Loxley

The future of our wholly-owned gas appraisal project at Loxley is now in the hands of the Secretary of State for Levelling Up, Housing and Communities (SoS), who has recovered the Company's appeal against Surrey County Council's decision to refuse planning consent. The final appeal determination will now be made by the SoS utilising the Planning Inspector's report and recommendation.

Whilst the Company had expected a decision from the Planning Inspectorate in the first quarter of 2022, the recovery by the SoS may lengthen the timeline for an appeal decision.

The project was refused twice by SCC in June and November 2020, before a virtual public inquiry was held in August 2021.

As questions regarding the UK's gas supply and record high gas prices have risen to the fore in recent months, I hope that in deciding the appeal, the SoS will carefully consider how Loxley gas, as a secure domestic source, could help address various pertinent national issues, including how the increasing import dependency exposes UK consumers to upwards gas price volatility and decreasing security of supply. New domestic gas, such as Loxley, could help mitigate this situation.

Similarly, higher pre-combustion carbon footprint LNG imports could also negatively impact the initial phases of the UK's 'Hydrogen Economy' from a net zero aspect, as it is widely predicted that 'blue hydrogen' from methane reforming will initially constitute a significant proportion of available hydrogen.

Domestic gas offers a significant "net zero advantage" in this respect. The Company has stated that, if granted necessary permissions, it plans to supply Loxley gas as a feedstock for reforming into hydrogen, fully in keeping with the government's net zero ambitions and plans.

Isle of Wight

The disappointing, but not unexpected, decision by the Isle of Wight's planning committee to refuse consent for the appraisal and testing of the Arreton discovery merely served to underscore our growing interest in the international arena for oil and gas, and our new direction into geothermal and hydrogen-based energy in the UK. The refusal went against the recommendation by the council's planning officers to approve the project.

We took considerable care and undertook much research to minimise the potential impacts of the site, choosing a location 300m distant from the A3056 and adjacent to land with existing non-agricultural commercial uses, namely the Wight Farm Anaerobic Digestion Energy Power Station and the Blackwater Quarry for aggregates. No objections to the development were raised by statutory consultees on environmental, drinking water, landscape or health and safety grounds.

Given the number of new opportunities available to the Company, all of which are considered to offer far greater success case economic impact and higher probabilities of success than the proposed Isle of Wight project, the Company has decided not to appeal against the planning refusal. The envisaged £0.5 million planning appeal costs will therefore remain available and could be used for developing new oil & gas and geothermal/energy storage projects (see New Ventures below).

New Ventures

The Company evaluated a number of potential producing oil & gas fields and near-term production opportunities in the period with the greatest number being within the United States, where the career histories of the Board give privileged access to a broad network of opportunities. A full due diligence evaluation of one international property is now in its final stages.

As stated above, the Company is also currently evaluating the technical and commercial feasibility of two new potentially significant geothermal-hub projects together with two hydrogen-hub storage and renewable energy projects, one in the south of England and the other in the northeast.

The Company hopes to bring at least one new oil and gas opportunity and one or more geothermal-hub and hydrogen-hub projects to fruition in the coming year.

CHIEF EXECUTIVE'S STATEMENT (CONTINUED)

Financials

In tandem with most other similar companies, UKOG relies on the liquidity of its shares to be able to raise funds from equity, which it views as the most sensible and realistic way of funding the growth of its projects and portfolio pipeline. However, with UKOG's wide-ranging activity and interests we firmly believe that the Company is progressing towards being self-sufficient in its generation of cash flows.

During the reporting period, we successfully raised £2.2 million in October 2020 to fund our share of initial drilling and seismic costs in Turkey. This was followed in July 2021 when we successfully raised approximately £5.0 million to fund our remaining share of the Basur-3 appraisal well's drilling, completion and testing costs and planned 2D seismic acquisition costs.

At the same time, we decided to announce an Open Offer to all shareholders to give them the opportunity to invest on the same terms as those who participated in the Placing. This resulted in the Company raising a further £0.5 million.

Last summer we also completed the final instalment due under the sale and purchase agreement of the Horse Hill surface production equipment from PW Well Test Ltd. UKOG acquired the equipment for a total of £1.65 million.

Director Share Purchase Programme

In May 2021 we announced that the Company was committed to put in place an annual MAR compliant Defined Director Share Purchase Programme in which a director commits to purchase UKOG ordinary shares each month equivalent in value to a fixed percentage of their net monthly salary. I made my first purchase in December and am continuing to make monthly purchases in line with the programme.

Market Place

The oil and gas industry has rebounded strongly throughout 2021, with oil prices reaching their highest levels in six years. At the time of writing, Brent prices have surpassed \$100 per barrel, with concerns about the omicron variant of Covid-19 easing. This optimism has been tempered by the worrying events in Ukraine which will have a direct impact on our future security.

Renewables

UKOG became one of the six founder members of the newly formed Geothermal Energy Advancement Association ("GEAA") in line with our goals, strategy and ambitions to enter this new sector at birth. We believe our membership can help raise awareness amongst policy makers and the public of the benefits of this renewable energy sector. The potential conversion of part of our Horse Hill well site into a geothermal energy hub represents the Company's first direct step into this sector.

Board Changes

We announced just before Christmas that, after a thorough external recruitment process, Matt Gormley had joined UKOG as the Company's Chief Financial Officer, a non-board position. He was previously Group Financial Controller of Shanta Gold Limited and an Audit Manager at Grant Thornton UK LLP. I was delighted to welcome Matt into the UKOG team. His fresh perspective from an alternate sector will be particularly valuable as UKOG seeks to expand internationally and diversify into green geothermal and hydrogen energy within the UK.

With effect from 1 January 2022 the board was also restructured, with Kiran Morzaria stepping down as Finance Director to become a Non-Executive Director. Allen Howard moved from Non-Executive Chairman to become an Executive Director of the Company on a part-time basis. Nicholas Mardon Taylor became Non-Executive Chairman.

I would also like to take this opportunity to express my sincere thanks and gratitude to Kiran Morzaria for his huge influence on the Company. I'm pleased with Kiran's continuing involvement, albeit on a non-executive basis.

Stephen Sanderson

Chief Executive, 24 March 2022

PRINCIPAL RISKS AND UNCERTAINTIES

UKOG continuously monitors its risk exposures and reports its review to the board of directors ("The Board"). The Board reviews these risks and focuses on ensuring effective systems of internal financial and non-financial controls are in place and maintained.

Key Risk Areas

Key risk areas surrounding our existing business are tabulated below; categorised as being Strategic, Operational and Financial.

Risk	Mitigation	Magnitude and likelihood
Strategic risks		
Exposure to political risk , we operate in and may seek new opportunities in countries, regions and cities where political, economic and social transition may take place. Political instability, changes to the regulatory or taxation environment, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalisation of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) may disrupt or curtail our operations or development activities and could affect the ability of UKOG to deliver to its Strategy.	Through industry associations and direct contact, the Company engages with Government and other appropriate organisations to ensure the Company is kept abreast of expected potential changes and takes an active role in making appropriate representations.	Magnitude- High Likelihood – Medium
Operational risks		
Permitting risk , planning, environmental, licensing and other permitting risks associated with our operations particularly with exploration drilling operations.	During the period the Company continued to face several challenges in obtaining all the permits that it requires to deliver on its strategy. This is despite UKOG's compliance with regulations, proactive engagement with regulators and communities, and the expertise and experience of its management team. We believe this is because of changing priorities within the United Kingdom and the Company has sought to further diversify this risk by seeking investments outside the United Kingdom.	Magnitude- High Likelihood – High
Exploration risk , the Company fails to locate and explore hydrocarbon-bearing prospects that have the potential to deliver commercially, e.g. key wells are dry or less successful than anticipated.	Analysis of available technical information to determine the work programme. Risk-sharing arrangements entered to reduce downside risk.	Magnitude- High Likelihood – High
Oil production , oil is not produced in the anticipated quantities from the Group's assets, or it cannot be produced economically.	Analysis of available technical information to improve our understanding of the reservoir and continue to review cost structure to target low production costs.	Magnitude- High Likelihood – Medium

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational risks (continued)		
Price and markets, our financial performance is impacted by fluctuating prices of oil, gas and refined products. Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil and gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic).	During the previous reporting period the Group entered into production at Horse Hill. The Group determined that given its stage of development the costs of hedging would be prohibitive. The Group continues to will continue to keep this under review. At this point the Group also continues to review costs where appropriate.	Magnitude- High Likelihood – High
Loss of key staff	Provide and maintain competitive remuneration packages to attract the right calibre of staff. Build a strong and unified team.	Magnitude- High Likelihood – Low
Financial risks		
Liquidity risk, exposure through its operations to liquidity risks.	The Board regularly reviews UKOG's cash flow forecasts and the availability or adequacy of its current facilities to meet UKOG's cash flow requirements.	Magnitude- High Likelihood - Medium

OPERATIONAL REVIEW

UKOG's operational activities were concentrated on the Horse Hill oil field, located near Gatwick Airport, and on the Resan licence in south-east Turkey, containing the undeveloped Basur-Resan oil discovery.

Horse Hill Oil Field, PEDL137 and PEDL246 (UKOG 85.635%)

The field and surrounding licence is operated by UKOG's subsidiary company Horse Hill Developments Ltd ("HHDL") in which UKOG has 77.9% ownership. The Licensees are HHDL (65% interest) and UKOG (137/246) Ltd (35% interest).

At the beginning of the reporting period, further well intervention operations on Horse Hill-1 ("HH-1") were safely completed, optimising oil flow by isolating the Kimmeridge perforations, by reperforating the full Portland oil producing section, by insertion of a new simplified production tubing string and by setting the downhole pump at a deeper level than the existing perforations to increase pumping efficiency.

The intervention was immediately followed by an ongoing series of multi-week production optimisation trials to achieve an optimum balance between oil revenues and water handling and other operational costs. Trials include well-cycling (i.e., shutting in the well for a set period each day to reduce water inflow) and pump optimisations. The trials continued for several months.

These improvements set HH-1 up for long term continuous and optimised oil production from the Portland. Conversion of the HH-2z well to water injection, subject to regulatory approval, plus further infill development of both Portland (HH-3 well) and Kimmeridge (HH-4 well) offer significant upside for the Horse Hill field.

Pressure build-up data was also carried out confirming the HH-1 connected oil in place volumes of 7-11 mmbbl.

The removal of ancillary third-party rental equipment and the purchase of the surface production equipment from PW Well Test Ltd was completed.

Due to the coronavirus pandemic the OGA granted two-year extensions to the remaining deadlines for the PEDL137 and PEDL246 Retention Area work programmes.

Planned shutdowns were successfully completed to install new surface production facilities in line with requirements under the Control of Major Accident Hazards (COMAH) Regulations. In addition, a new more efficient gas flare was installed and commissioned successfully at Horse Hill.

As of end-December over 162,000 bbl of Brent quality crude had been produced and exported from the Kimmeridge and Portland pools.

Significant efforts have again been made in managing and reducing operational costs. Recent Brent crude prices of over \$90/bbl have helped operational cash flow from the field.

During the period an energy efficiency study was completed for Horse Hill to reduce diesel consumption and carbon emissions recommending the installation of 250kW solar PV and 67kWh Li-ion battery storage. Further detailed scoping is required during the next period to confirm capital expenditure and timings for the project within the overall field development.

Post period, the Company announced the signing of a Heads of Terms with geothermal specialists Ceraphi to enter into a joint venture agreement to develop part of the Horse Hill site into a geothermal energy hub (GeoHub). The GeoHub, currently at a conceptual stage, is targeted to generate and supply more than 200,000 MWh per year of continuous baseload, primarily as heat energy. The project's first phase would aim to supply significant industrial end-users in the locality with 100% green heating and cooling plus ancillary green electricity and/or hydrogen.

Turkey, Resan Licence (UKOG 50%)

In October 2020, UKOG completed a Participation Agreement and Joint Operating Agreement with Aladdin Middle East Ltd ("AME"), an independent oil company with 60 years of operational experience in Turkey, to take a 50% non-operated working interest in the 305 km² Resan Licence.

OPERATIONAL REVIEW (CONTINUED)

UKOG is taking an active technical role in a 4-well oil appraisal and step-out exploration drilling programme designed primarily to assess the commercial viability of the significant Basur-Resan oil discovery. The transaction was approved by the Turkish government and completed in January 2021.

The Resan Licence lies within the SE Anatolian basin, a geological continuation of the prolific Zagros "fold-belt" petroleum system within the foothills of the Taurus-Zagros mountains in Iraq, Iran and Turkey, one of the Middle East's major oil producing areas. Multiple producing oil fields lie to the immediate west and south-east of the Licence, containing significant proven recoverable reserves.

UKOG quickly built on this exciting entry into Turkey by submitting an application for three further exploration licences covering four blocks, again with a 50% interest and AME as operator. Disappointingly, however, the Turkish government decided to award the licences to the Turkish national oil company, TPAO.

Construction of the drilling pad and access road for the Basur-3 ("B-3") appraisal well began in March 2021 and was completed in May. The Turkish Energy Ministry approved drilling of B-3 in April and well was spudded on 26th June. The directional drilling assembly became stuck in the 12¼" hole section whilst pulling out of hole. The rig performed a successful recovery or 'fishing' operation to free the drilling assembly and return it safely back to surface. The incident occurred after the well had made good progress, reaching a drilled depth immediately above the Garzan and Mardin target objectives, which remain untested.

AME advised that, to achieve the well's primary objective of appraising the Basur-1 oil discovery, a deviated mechanical sidetrack, B-3S, is planned, the existing 12¼" hole section being considered unsuitable for onwards drilling. AME further advised that, to ensure the sidetrack is optimally located, they plan to pause further drilling until after the acquisition and processing of the new seismic data over the sidetrack's envisaged trajectory.

The B-3 appraisal well was the first modern well designed to properly appraise and assess the extent and commercial viability of the Basur-Resan oil pool discovered in the 1950s-1960s. Its primary objectives were the naturally fractured and dolomitised limestone rocks of the Cretaceous age Garzan and Mardin Formations, which are productive at our partner AME's East Sadak oil field, whose western edge is some 20 km to the southeast and along the same geological anticlinal trend.

Active planning of B-3S is well underway and initial discussions with prospective drilling rig contractors have taken place, with detailed well planning and contractor selection progressing. In the interests of maximising cost efficiencies, plans are in place for surplus UKOG-owned casing to be transferred to the B-3S site for utilisation during drilling. It is planned that the well will commence upon receipt and interpretation of the fast-track seismic processing,

Good progress has been made post period by Viking Geophysical Services (VGS) in acquiring the 2D seismic programme. VGS' acquisition programme is being overseen by an expert quality control consultant and a first tranche of acquisition (Phase 1) has been completed. Priority has been given to process 3 lines covering the B-3S area and trajectory plus the proposed new Resan-6 drilling location. Existing legacy data has also been recently reprocessed and a pre-stack depth migration process has commenced aimed at sharpening the seismic imaging of faults that may be encountered along the B-3S trajectory.

Loxley, Broadford Bridge, PEDL234 (UKOG (234) 100%)

The OGA approved an amendment to the PEDL234 Retention Area work programme, wherein Loxley-1 is to be drilled by December 2023.

Following Surrey County Council's (SCC) initial 29th June 2020 planning committee meeting, SCC decided that the Loxley Gas project should be redetermined on 27th November 2020. However, again contrary to the recommendation of its own planning team, SCC refused Loxley planning consent. In February 2021 UKOG filed an appeal to the Planning Inspectorate, with our leading legal counsel advising that there are strong grounds to expect a positive appeal outcome. The appeal was heard via a public inquiry commencing on 27th July 2021.

OPERATIONAL REVIEW (CONTINUED)

Post period, the Planning Inspectorate advised that the Secretary of State ("SoS") had recovered the appeal. The final appeal determination will now be made by the SoS utilising the Planning Inspector's report and recommendation.

The Company has submitted a further planning permission extension application to West Sussex County Council's Planning Committee for its Broadford Bridge-1/1z Kimmeridge oil discovery.

Arreton, Isle of Wight, PEDL331 (UKOG 95%)

UKOG's planning application to the Isle of Wight Council for the appraisal drilling and flow testing of the Arreton oil discovery was refused post period. Having taken time to consider, the Company has decided not to appeal this decision.

Other Assets

Stable oil production with low water cut continues from the Horndean oil field in Hampshire (UKOG 10%).

Kris Bone
Operations Director
24 March 2022

Matt Cartwright
Commercial Director
24 March 2022

FINANCIAL REVIEW

Income Statement

Revenues for the year from sales of oil amounted to £1.56 million (2020: £0.91 million). This increase of 71.4% was largely driven by long term oil production having commenced partway through the 2020 financial year at Horse Hill, via HH-1. The Group sold 36,664 bbl from Horse Hill and Horndean during the year at an average sale price of £43/bbl.

Depletion, Depreciation and Amortisation costs amounted to £0.69 million (2020: £1.37 million), reflecting the stabilisation of production from Horse Hill during the year and the impact of certain assets being fully depreciated during the previous financial year. Other Cost of Sales reduced to £1.07 million (2020: £1.17 million). The Group recorded a gross loss for the year of £0.19 million (2020: £1.63 million).

Administration expenses during the year amounted to £2.10 million (2020: £1.76 million). Following an impairment review carried out as at 30 September 2021, the net present value of the HH-1 well at Horse Hill was determined to be lower than its recorded book value, and it was therefore determined that the value of associated oil & gas properties should be impaired by £1.46 million. This lower net present value assessment was primarily due to lower-than-expected flow rates at HH-1 where production rates have now stabilised following commencement of long-term oil production during the previous financial year.

An Operating loss for the year of £3.81 million was recorded (2020: £14.1 million). Finance costs amounted to £0.89 million (2020: £0.29 million), relating primarily to unwinding of discounts on decommissioning provisions. An exploration write-off of £0.95 million was recognised following the Company's decision not to appeal the October 2021 decision by the Isle of Wight Council's Planning Committee to refuse consent for the appraisal and testing of the Arreton oil and gas discovery.

The net effect of the above was a retained loss for the year of £4.89 million (2020: £20.94 million).

Balance Sheet

During the financial year to 30 September 2021, non-current assets decreased to £37.68 million (2020: £37.78 million). This included the effects of an impairment of oil & gas assets at Horse Hill, an exploration write-off at the Arreton oil and gas discovery, and £2.11 million of capital expenditure on oil exploration & evaluation assets, primarily at the Basur-Resan oil discovery in Turkey.

Cash and cash equivalents totalled £4.73 million at the year-end (2020: £1.63 million) which contributed significantly to an increase in current assets from £2.38 million at 30 September 2020 to £5.36 million at 30 September 2021. Current liabilities decreased to £4.15 million (2020: £5.07 million) following a reduction in trade and other creditors.

At the end of the year, the Group's net assets amounted to £37.50 million (2020: £34.01 million).

Cash Flow and Financing

The net cash outflow from operating activities during the reporting period was £1.41 million (2020: cash outflow of £2.77 million). The reduced outflow is primarily attributable to working capital movements and twelve months of operating cash flows from Horse Hill in the year to 30 September 2021.

UKOG raised £7.12 million during the reporting period via the issue of equity (net of share issue costs), which was used primarily to fund investing activities (£2.72 million). A portion of the amount raised remained unspent at the end of the year.

As a result of the above, the Group recorded a £3.09 million net increase in cash and cash equivalents during the year and had £4.73 million in cash and cash equivalents at the end of the year.

Matt Gormley
Chief Financial Officer
24 March 2022

KEY PERFORMANCE INDICATORS

UKOG has adopted both financial and non-financial key performance indicators (KPI's) to measure progress against our strategy. These KPI's will develop and new ones will be added as we progress our strategy.

KPI's	Production (bopd)	Operating costs (£/bbl)*	Operating Cashflow £m																		
	<table><tr><th>Year</th><th>2021</th><th>2020</th></tr><tr><th>(bopd)</th><td>140</td><td>128</td></tr></table> HH-1 entered into production during March 2020. These rates are reported on a gross basis and as such represent all production and relevant costs irrespective of amounts attributable to non-controlling interest shareholders of operating subsidiaries.	Year	2021	2020	(bopd)	140	128	<table><tr><th>Year</th><th>2021</th><th>2020</th></tr><tr><th>(£/bbl)</th><td>29</td><td>28</td></tr></table> HH-1 entered into production during March 2020. Operating costs have remained largely consistent since production from HH1 stabilised.	Year	2021	2020	(£/bbl)	29	28	<table><tr><th>Year</th><th>2021</th><th>2020</th></tr><tr><th>£m</th><td>(1.41)</td><td>(2.77)</td></tr></table> Operating cash outflows reduced during the reporting period as a result of higher revenues and working capital movements.	Year	2021	2020	£m	(1.41)	(2.77)
Year	2021	2020																			
(bopd)	140	128																			
Year	2021	2020																			
(£/bbl)	29	28																			
Year	2021	2020																			
£m	(1.41)	(2.77)																			
Reason for choice	Group production will provide operating cashflow to fund our investments and deliver shareholder value. At this point in time we receive production from our ownership in the Horndean oil field which is not under our control and the Horse Hill oil field of which we own 85.635%.	Operating costs per bbl are a key focus at our operations and the focus for the Company is to keep these costs low, so as to improve cash generation from our producing assets. Currently, operating costs are in relation to our ownership of the Horndean oil field (10% ownership), which is not under our control, and the Horse Hill oil field of which we own 85.635%.	Cashflow is key to providing funding for investing in the business and pursuing our strategy. This has to date been funded predominantly via equity and debt.																		
How we measure	Daily and weekly production is monitored for all producing assets and reported to senior management. Production forecasts are prepared during the year to measure progress against the production target.	Operating costs are monitored closely, to ensure that budget targets are being met.	Cashflow forecasts are reported to the Board on a regular basis, to ensure our progress is within our budget. Long-term forecasts are also provided to ensure that the strategy of the business can be adequately funded.																		

* Operating costs exclude depreciation of the oil asset and indirect management charges from UKOG

Other non-Financial KPI's	
	Lost time injuries (LTI & LTI Frequency)
	2021 – 0, LTI Frequency 0; 2020 – 0, LTI Frequency 0
Reason for choice	Health & safety is our highest priority and we look to provide the highest level of protection to all our stakeholders
How we measure	We track HSE lagging indicators during the year, which are reported to the Board. We aim to have zero LTI's. If we have an LTI it is investigated, and a clear remedial action is identified and implemented.

RESERVES AND RESOURCES

Total aggregate net discovered 2C (mid case) contingent resources and 2P (mid case) reserves now stand at 37.48 mmbbl.

HH-1 production remains in contingent resource category, while the company waits on the Environment Agency Production Permit. Upon the receipt of this permit, the company intends to review the HH-1 production decline and attribute reserves to HH-1, thus transferring them from Contingent Resources to Reserves category.

Discovered prospective resources (i.e., undiscovered but drill ready within identified exploration prospects) remain the same as last year, while we seek to resume drilling on the Turkey Basur-Resan licence.

Table 1: Recoverable Reserves mmbbl: Producing Fields, Gross and Net (as of 31 December 2021)

Asset	UKOG % Interest	Gross mmbbl			Net Attributable mmbbl			Operator
		1P	2P	3P	1P	2P	3P	
Horndean ¹	10	1.02	1.20	1.37	0.10	0.12	0.14	IGas
TOTAL (mmbbl)^{2 3}					0.10	0.12	0.14	

Notes:

1. DeGolyer and MacNaughton ("D&M") for IGas Feb 2022, 2. Horse Hill reserve volumes await external CP verification following 12 months of stable production history, see text above, 3. Avington is temporarily shut-in, consequently no reserves are attributable, recoverable resources shown in Table 3 below.

Table 2: Contingent Resources mmbbl/mmboe (i.e., discovered and drill ready recoverable volumes)

Asset	Licence	UKOG %	Gross mmbbl/mmboe				Net Attributable mmbbl/mmboe				Operator
			1C	2C	3C	mean	1C	2C	3C	mean	
Turkey, Basur-Resan ⁴	M47 b1, b2	50	14.9	30.5	67.0	37.2	7.5	15.3	33.5	18.6	AME
Horse-Hill Portland ¹	PEDL137	85.64	0.6	1.5	3.6	1.9	0.5	1.3	3.1	1.6	HHDL
Horse-Hill Kimmeridge ⁶	PEDL137	85.64	0.4	1.6	6.1	2.7	0.3	1.4	5.2	2.3	HHDL
Loxley Gas ^{3,5}	PEDL234	100	3.1	5.5	9.3	5.9	3.1	5.5	9.3	5.9	UKOG
Arreton Portland ¹	PEDL331	95	1.4	3.7	10.3	5.1	1.3	3.5	9.8	4.9	UKOG
Arreton Oolite ¹	PEDL331	95	6.2	10.8	17.6	11.5	5.9	10.3	16.7	11.0	UKOG
Avington ²	PEDL070	5	0.5	0.7	1.0	0.7	0.03	0.04	0.05	0.04	IGas
Horndean ²	PL211	10	0.3	0.8	1.3	0.8	0.03	0.08	0.13	0.08	IGas
TOTAL mmboe							18.6	37.3	77.8	44.4	

Notes:

1. Xodus June 2018, estimates for Horse Hill are deterministic based upon per well recoveries, 2. D&M for IGas Feb 2022, estimates for Horndean and Avington are deterministic, not probabilistic, 3. Xodus September 2020, probabilistic based upon range of recovery factors, 4. Xodus June 2020, probabilistic based upon range of recovery factors, 5. 1 million bbl oil equivalent (mmboe) = 5.8 bcf, 6. RPS Jun 2019.

RESERVES AND RESOURCES (CONTINUED)

Table 3: Prospective Resources (i.e., exploration, drill ready but as yet undiscovered recoverable volumes)

Asset	Licence	UKOG %	Gross mmbbl				Net Attributable mmbbl			
			Low	Best	High	Mean	Low	Best	High	Mean
Turkey, Prospect A ²	M47 b1,b2	50	4.0	8.7	17.0	9.9	2.0	4.4	8.5	5.0
Godshill Portland ¹	PEDL331	95	1.7	6.8	17.4	8.6	1.6	6.5	16.5	8.2
Arreton North ¹	PEDL331	95	0.5	2.7	7.6	3.6	0.5	2.6	7.2	3.4
TOTAL							4.1	13.4	32.3	16.6

Notes:

1 Xodus June 2018, Godshill possesses the same underlying Lower Oolite potential as Arreton but this target was not reviewed by Xodus in 2018, to be included in any subsequent external CP review, 2. Xodus June 2020

HEALTH, SAFETY AND THE ENVIRONMENT

UKOG is committed to providing, so far as is reasonably practicable, a quality working environment that is safe and one that poses no risks to the health and safety of our employees, contractors, the local community and stakeholders.

The health & safety of employees and the public, and the protection of the environment, are core business objectives of UKOG. They rank equally with the company's other business objectives.

Health, safety and environmental (HSE) risks associated with the business practices of UKOG are addressed through the effective implementation of our HSE Policy, which is designed to ensure that every person who works for UKOG is responsible for ensuring that health and safety is managed in all aspects of our business.

The Company's HSE aspirations are: "get it right, first time, every time with no accidents, no harm to people, the ecology and the environment".

To achieve the identified objectives, we will ensure that all necessary and reasonable resources are made available. We will confirm that objectives are being met by reviewing and reporting on performance and auditing the implementation and operation of UKOG's HSE Management System.

Our full HSE framework is available on our website: <http://www.ukogplc.com/page.php?PID=101>

Health & Safety Review

UKOG, under our operating subsidiary HHDL, has continued production activities at Horse Hill, including safe completion of well intervention operations. A new, more efficient, enclosed gas flare with lower carbon emissions was installed on the site during the period. An energy efficiency study was also completed for Horse Hill to reduce diesel consumption and carbon emissions, recommending the installation of 250kW solar PV and 67kWh of Li-ion battery storage. In addition, HHDL has continued the process of obtaining the full environmental production permit, including water injection and additional development drilling, from the Environment Agency (EA). The permitting process has taken longer than anticipated with the regulator but award of the permit is expected in Q2 2022.

Well site construction, together with the associated access road, and drilling activities were completed without incident by our operating partner AME in Turkey. AME carried out 11 HSE audits of Oceanmec during their drilling operations.

There were no lost time injuries or environmental incidents on any of UKOG's sites during the reporting period or post period. The lost time injury frequency was also zero.

The EA and Health and Safety Executive made a number of site visits, linked to Horse Hill well operations and production equipment.

A workscope for Horse Hill site modifications and upgrades was agreed with the Competent Authority (CA) under Regulation 6 of the Control of Major Accident Hazards Regulations (2015) (COMAH). The first phase of these COMAH upgrades was safely completed in the period.

UKOG continues to keep good housekeeping standards on its sites. The Company continuously monitors all its live operations for noise, ensuring noise from its sites is kept to a minimum, and is compliant with the levels set by the relevant site planning approval. UKOG only utilises service companies that can demonstrate commitment to our HSE standards.

Community engagement

Any complaints received are reviewed and responded to. Communication links are in place with residents close to our sites, who can call UKOG at any time.

Because of our strict Covid-19 policy to ensure the safety of our staff and visitors, we kept visits to Horse Hill to a minimum.

The Company meets and communicates regularly with local police to give operational updates.

HEALTH, SAFETY AND THE ENVIRONMENT (CONTINUED)

Route to development

UKOG operates within a highly regulated industry, led by the OGA, a Government agency reporting to the Department for Business, Energy & Industrial Strategy, who among other things are responsible for checking a company's financial and operational competency before issuing a Petroleum Exploration and Development Licence ("PEDL") and other regulatory approvals.

Once a potential site has been identified, UKOG must secure landowner consent and a land lease to operate on the land, before the EA assess any risk to groundwater and air quality, as well as the arrangements for waste management.

In parallel with seeking EA permits, discussions with local planning authorities begin. They in turn seek the views of the local community and statutory consultees. The Health and Safety Executive also regulates and monitors all onshore oil & gas exploration and production activities.

DIRECTORS' SECTION 172 STATEMENT

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the Directors' statement required under section 414CZA of The Companies Act 2006.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, 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 (amongst other matters) to:

- the likely consequences of any decisions in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers/customers and others;
- the impact of the company's operations on the community and environment;
- the company's reputation for high standards of business conduct; and
- the need to act fairly between members of the company.

As set out above in the Strategic Report the Board remains focused on providing value for shareholders through the long term success of the Company. The means by which this is achieved is set out further below.

Likely Consequences of any Decisions in the Long Term

The Statement From the Chairman, the Chief Executive's Statement and the Strategic Review set out the Company's strategy. In applying this strategy, particularly in seeking new projects and developing current ones to deliver reserves and resource growth, the Board assesses the long term future of our projects and investments with a view to shareholder return. The approach to general strategy and risk management strategy of the group is set out in the Statement of Compliance with the QCA Code of Practice (Principles 1 and 4) on pages 23 to 29.

Interest of Employees

The Group has a very limited number of employees and all have direct access to the Executive Directors on a daily basis and to the Chairman, if necessary. The Group has a formal Employees' Policy manual which includes processes for confidential report and whistleblowing.

Need to Foster the Company's Business Relationships with Suppliers/Customers and Others

The Group continuously interacts with a variety of suppliers and customers important to its success. The Group strives to strike the right balance between engagement and communication. Furthermore, the Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information. Our suppliers are fundamental to ensuring that the Group can execute its development and production strategy on time and on budget. Using quality suppliers ensures that as a business we meet the high standards of performance that we expect of ourselves and vendor partners. Our management team work closely with our suppliers, via one on one meetings and where possible supplier site visits and facility reviews to ensure our suppliers are able to meet our requirements.

Impact of the Company's Operations on the Community and Environment

The Group takes its responsibility within the community and wider environment seriously. Its approach to its social responsibilities is set out in the Statement of Compliance with the QCA Code of Practice (Principle 3) on page 23.

The Desirability of the Company Maintaining a Reputation for High Standards of Business Conduct

The Directors are committed to high standards of business conduct and governance and have adopted the QCA Code of Practice which is set out on pages 23 to 29. Where there is a need to seek advice on particular issues, the Board will consult with its lawyers and nominated advisers to ensure that its reputation for good business conduct is maintained.

The Need to Act Fairly Between Members of the Company

The Board's approach to shareholder communication is set out in the Statement of Compliance with the QCA Code of Practice (Principle 2) on page 23. The Company aims to keep shareholders fully informed of significant developments in the Group's progress. Information is disseminated through Stock Exchange announcements, website updates and, where appropriate, video-casts.

DIRECTORS' SECTION 172 STATEMENT (CONTINUED)

During 2021 the Company issued numerous stock exchange announcements on operational issues. All information is made available to all shareholders at the same time and no individual shareholder, or group of shareholders, is given preferential treatment.

CORPORATE GOVERNANCE

Introduction to Governance

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Company. As the Company is listed on the AIM market of the London Stock Exchange it also is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance ("QCA Code"). The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

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

UK Oil & Gas Plc provides shareholders with a full discussion of corporate strategy within our Annual Report. A dedicated section explains how we will establish long term shareholder value, as set out on page 3.

The Company is focused around 3 key strategic goals: Maximise production and recovery from its existing asset portfolio, grow the asset portfolio through select onshore development and appraisal projects, actively manage costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

The Management team actively evaluates projects that simultaneously de-risk the current portfolio and create long-term shareholder value. Projects are evaluated based on many characteristics to mitigate risk to our current activities, including but not limited to, alignment with the Company's core competencies, geography, time horizon and value creation. Further, a core component of the Company's activities includes an active dialogue with our legal and legislative advisors to ensure the Company remains up to date on current legislation, policy and compliance issues.

Key business challenges and how they may be mitigated are detailed on pages 10 to 11.

2. Seek to understand and meet shareholder needs and expectations

UKOG encourages two-way communication with institutional and private investors. The Chief Executive talks regularly with the Company's major shareholders and ensures that their views are communicated fully to the Board. Where voting decisions are not in line with the company's expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company seeks out appropriate platforms to communicate to a broad audience its current activities, strategic goals and broad view of the sector and other related issues. This includes but is not limited to media interviews, website videos, in-person investor presentations and written content.

Communication to all stakeholders is the direct responsibility of the Senior Management team. Managers work directly with professionals to ensure all inquiries (through established channels for this specific purpose such as email or phone) are addressed in a timely matter and that the Company communicates with clarity on its proprietary internet platforms. Senior management routinely provides interviews to local media and business reporters in support of the company's activities. The Board routinely reviews the Company communication policy and programmes to ensure quality communication with all stakeholders.

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

In all endeavours, the Company gives due consideration to the impact on its neighbours. The Company seeks out methodologies, processes and expertise in order to address the concerns of the non-investment community. As such, it actively identifies the bespoke needs of local communities and their respective planners. For example, the company provides for local hotlines and establishes community liaison groups to address local questions and concerns.

UKOG seeks to maintain positive relationships within the communities in which it operates. As such, UKOG is dedicated to ensuring:

CORPORATE GOVERNANCE (CONTINUED)

- Open and honest dialogue;
- Engagement with stakeholders at all stages of development;
- Proactive addressing of local concerns;
- Active minimisation of impact on our neighbours; and
- Adherence to a strict health and safety code of conduct.

As a responsible OGA approved and EA permitted UK operator, UKOG is committed to utilising industry best practices and achieving the highest standards of environmental management and safety.

Our operations:

- Continuously assess and monitor environmental impact;
- Promote internally and across our industry best practices for environmental management and safety; and
- Constant attention to maintaining our exemplary track record of safe oil & gas production.

For more information please refer to page 19 of the Annual Report as well as the Community section within the Company's corporate website.

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

Risk Management on pages 10 to 11 of the Annual Report details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.

The Board considers risks to the business at every Board meeting (at least 4 meetings are held each year) and the risk register is updated at each meeting. The Company formally reviews and documents the principal risks to the business at least annually.

Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.

5. Maintain the Board as a well-functioning, balanced team led by the chair

Oversight of UKOG is performed by the Company's Board of Directors. Nicholas Mardon Taylor, the Non-Executive Chairman, is responsible for the running of the Board and Stephen Sanderson, the Chief Executive, has executive responsibility for running the Company's business and implementing Company strategy. All Directors receive regular and timely information regarding the Company's operational and financial performance.

Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the UK subsidiaries are circulated to the Board. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.

The Board comprises two Executive Directors and two Non-Executive Directors with a mix of significant industry and business experience within public companies. The Board considers that all Non-Executive Directors bring an independent judgement to bear. All Directors must commit the required time and attention to thoroughly fulfil their duties.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration, Nomination and AIM Rules compliance committee. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website and can be accessed on the Corporate Governance page of the website.

CORPORATE GOVERNANCE (CONTINUED)

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

The Nomination Committee will determine the composition of the Board of the Company and appointment of senior employees. It will develop succession plans as necessary and report to the Directors. Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

As a small company, all members of the Board share responsibility for all Board functions. As such the Board will from time to time engage outside consultants to provide an independent assessment.

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

The Board intends to carry out an internal evaluation on individual Directors on an ad-hoc basis in the form of peer reviews and appraisals. The individual reviews and appraisals are used to identify group and individual targets which are reviewed and assessed at the end of the financial year.

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

The Company is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibilities (CSR) and sustainability, guide the Company's relationships with clients, employees and the communities and environment in which we operate. The Company's approach to sustainability addresses both our environmental and social impacts, supporting the Company's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

Company policy strictly adheres to local laws and customs while complying with international laws and regulations. These policies have been integral in the way group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

The ethical values of UKOG including health, safety, environmental, social and community and relationships, are set out on page 19 of the Annual Report.

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

The Company has adopted a model code for directors' dealings and persons discharging managerial responsibilities appropriate for an AIM company, considering the requirements of the Market Abuse Regulations "MAR"), and takes reasonable steps to ensure compliance is also observed by the Company's employees (AIM Rule 21 in relation to directors' dealings).

The Corporate Governance Statement details the company's governance structures, the role and responsibilities of each director. Details and members of the Audit Committee and Remuneration Committee can be found on page 28.

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

The Company encourages two-way communication with both its institutional and private investors and responds quickly to all queries received. The Chief Executive talks regularly with the Company's major shareholders and ensures that their views are communicated fully to the Board.

The Board recognises the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

To the extent that voting decisions are not in line with expectations, the Board will engage with shareholders to understand and address any issues.

CORPORATE GOVERNANCE (CONTINUED)

In addition to the investor relations activities carried out by the Company as set out above, and other relevant disclosures included within the Investor Relations section of the Company's website, reports on the activities of each of the Committees during the year are set out in the Annual Report.

While building a strong governance framework the Company also tries to ensure that it takes a proportionate approach and that its processes remain fit for purpose as well as embedded within the culture of the organisation. We continue to evolve our approach and make ongoing improvements as part of building a successful and sustainable company.

Board of Directors

The Board consists of a team of experienced multidisciplinary members who are committed to delivering shareholder value.

Nicholas Mardon Taylor, Non-Executive Chairman

Nicholas Mardon Taylor served as the Chief Financial Officer of Hurricane Energy PLC from May 2012 until January 2016. He has worked in the oil industry for over 35 years, his first involvement in the North Sea being in the early licensing rounds. He was with Hurricane from 2005 to January 2016 when he was the Company's first CFO and was subsequently responsible for the Company's Environmental Management System.

Stephen Sanderson, Chief Executive

Stephen Sanderson joined UK Oil & Gas Plc in September 2014. He was appointed Executive Chairman and Chief Executive in July 2015 and in August 2018 ceded his role as Executive Chairman as part of improvements in corporate governance. A highly experienced petroleum geologist, oil industry veteran and upstream energy business leader, with over 30 years operating experience, Stephen is a proven oil finder and has been instrumental in the discovery of more than 12 commercial conventional fields, including the Norwegian Smorbuk-Midgaard field complex.

Stephen held a variety of senior management roles for ARCO (which was acquired by BP in 2000), Wintershall AG (a subsidiary of German chemical giant BASF) and three junior start-ups. He created and ran successful new exploration businesses in Africa, Europe and South America. He has significant technical and commercial expertise in the petroleum systems of Africa, the North Sea, Norway, onshore UK & Europe, South America, the South Atlantic, Middle East, Asia, India, Australia and the USA. He is a graduate and Associate of the Royal School of Mines, Imperial College, London, a Fellow of the Geological Society of London and a member of the American Association of Petroleum Geologists.

Allen D Howard, Executive Director

Allen Howard was Senior Vice President of Houston-based Premier Oilfield Laboratories, having been Chief Operating Officer of well analysis experts Nutech. Allen also held senior positions with Schlumberger. He holds a degree in Chemical Engineering from Texas Tech University and an MBA from Mays Business School in Texas. Allen was appointed as Non-Executive Chairman for UKOG in August 2018, before taking up his current Executive role at the beginning of 2022.

Kiran Morzaria, Non-Executive Director

Kiran Morzaria holds a Bachelor of Engineering (Industrial Geology) from the Camborne School of Mines and an MBA (Finance) from CASS Business School. He has extensive experience in the mineral resource industry working in both operational and management roles. Mr Morzaria spent the first four years of his career in exploration, mining and civil engineering. He then obtained his MBA and became the Finance Director of Vatukoula Gold Mines Plc for seven years. He has served as a director of a number of public companies in both an executive and non-executive capacity; he is a non-executive director of European Metals Holdings Ltd and the Chief Executive Officer for Cadence Minerals Plc. Mr Morzaria previously served in an Executive capacity as the Finance Director of UKOG, transitioning to his current Non-Executive position at the beginning of 2022.

CORPORATE GOVERNANCE (CONTINUED)

Board and Committee Membership

Member	Board Title	Audit Committee Title	Remuneration Committee Title
Stephen Sanderson	Chief Executive		
Allen D Howard	Executive Director		
Nicholas Mardon Taylor	Non-Executive Chairman	Member	Member
Kiran Morzaria	Non-Executive Director	Chairman	Chairman

The Board and its Committees

The Board of the Company consists of two Executive Directors and two Non-Executive Directors. The Non-Executive Directors are not considered independent under the FRC Code as they hold options and/or shares in the Company. However, the Board considers that the Non-Executive Directors are independent of management under all other measures and are able to exercise independence of judgement.

With effect from 1 January 2022 the board was restructured. Kiran Morzaria stepped down as Finance Director and became a Non-Executive Director. Allen Howard moved from Non-Executive Chairman to become an Executive Director of the Company on a part-time basis. Nicholas Mardon Taylor became the Non-Executive Chairman.

The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is devolved to the executive directors, who are charged with consulting the Board on all significant financial and operational matters. The Board retains ultimate accountability for governance and is responsible for monitoring the activities of the executive team.

The roles of Chairman and Chief Executive are split in accordance with best practice. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. The Chairman is also responsible for the leadership and effective working of the Board, for setting the Board agenda, and ensuring that Directors receive accurate, timely and clear information. No one individual has unfettered powers of decision.

The Chief Executive has the overall responsibility for creating, planning, implementing, and integrating the strategic direction of the Company. This includes responsibility for all components and departments of the business. The Chief Executive ensures that the organisation's leadership maintains constant awareness of both the external and internal competitive landscape, opportunities for expansion, customer base, markets, new industry developments and standards.

The Board met regularly during the year. Tabulated below is the attendance of Board Members during the reporting period. Several of the meetings held during the year were in relation to the allotment of equity and, given that these meetings were largely procedural in nature, it was not deemed necessary for the non-executive board members to attend.

Board Member	Meetings attended (out of a total possible)
Nicholas Mardon Taylor	3/11
Stephen Sanderson	11/11
Allen D Howard	3/11
Kiran Morzaria	11/11

CORPORATE GOVERNANCE (CONTINUED)

Audit Committee

The audit committee consists of Kiran Morzaria (Chairman) and Nicholas Mardon Taylor. Prior to 1 January 2022 the audit committee consisted of Nicholas Mardon Taylor (Chairman) and Allen D Howard. The Audit Committee met once during the year.

Board member	Meetings attended (out of a total possible)
Nicholas Mardon Taylor	1/1
Allen D Howard	1/1

The principal duties and responsibilities of the Audit Committee include:

- Overseeing the Company's financial reporting disclosure process; this includes the choice of appropriate accounting policies
- Monitoring the Company's internal financial controls and assess their adequacy
- Reviewing key estimates, judgements and assumptions applied by management in preparing published financial statements
- Annually assessing the auditor's independence and objectivity
- Making recommendations in relation to the appointment, re-appointment and removal of the company's external auditor

Remuneration Committee

The Remuneration Committee consists of Kiran Morzaria (Chairman) and Nicholas Mardon Taylor. Prior to 1 January 2022 the Remuneration Committee consisted of Nicholas Mardon Taylor (Chairman) and Allen D Howard. The Remuneration Committee met once during the year.

Board member	Meetings attended (out of a total possible)
Nicholas Mardon Taylor	1/1
Allen D Howard	1/1

The principal duties and responsibilities of the Remuneration Committee include:

- Setting the remuneration policy for all Executive Directors
- Recommending and monitoring the level and structure of remuneration for senior management
- Approving the design of, and determining targets for, performance related pay schemes operated by the company and approve the total annual payments made under such schemes
- Reviewing the design of all share incentive plans for approval by the board and shareholders

None of the Committee members have any personal financial interest (other than as shareholders and option holders), conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the business. No director plays a part in any financial decision about his or her own remuneration.

Internal Controls

The Board is responsible for establishing and maintaining the Company's system of internal controls and reviewing its effectiveness. The procedures that include financial, operational, health and safety, compliance matters and risk management are reviewed on an ongoing basis.

CORPORATE GOVERNANCE (CONTINUED)

The Company's internal control procedures include the following:

- Board approval for all significant projects, including corporate transactions and major capital projects;
- The Board receives and reviews regular reports covering both the technical progress of projects and the Company's financial affairs to facilitate its control;
- There is a comprehensive budgeting and planning system for all items of expenditure with an annual budget approved by the Board;
- The Company has in place internal control and risk management systems in relation to the Company's financial reporting process and the Company'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 consolidated financial statements in accordance with IFRS; and
- The Audit Committee reviews draft annual and interim reports before recommending their publication to the Board. The Audit Committee discusses with the Chief Financial Officer and external auditors the significant accounting policies, estimates and judgements applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Company, does not consider it necessary at the current time.

UK Bribery Act

UKOG has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. The Company continues actively to promote good practice throughout the Company and has initiated a rolling programme of anti-bribery and corruption training for all relevant employees.

Relations with Shareholders

Communications with shareholders are considered important by the Directors. The primary contact with shareholders, investors and analysts is the Chief Executive. Other senior management, however, regularly speak to investors and analysts during the year.

Company circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the Company's progress and in accordance with AIM regulations.

The Company also maintains a website (www.ukogplc.com) which is regularly updated and contains a wide range of information about the Company.

DIRECTORS' REMUNERATION REPORT

This report explains our remuneration policy for Directors and sets out how decisions regarding Directors' pay for the period under review have been taken.

Directors' Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to attract, motivate and retain senior executives.

Executive Director remuneration currently consists of basic salary, pensions, annual bonus (based on annually set targets) and long-term incentives (to reward long term performance).

The Company seeks to strike an appropriate balance between fixed and performance-related reward so that the total remuneration package is structured to align a significant proportion to the achievement of performance targets, reinforcing a clear link between pay and performance. The performance targets for staff, senior executives and the Executive Directors are each aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between staff, Executive Directors and shareholders.

The Remuneration Committee will continue to review the Company's remuneration policy and make amendments, as and when necessary, to ensure it remains fit for purpose and continues to drive high levels of executive performance and remains both affordable and competitive in the market.

Annual Statement

During the year no annual cash bonus scheme was adopted, as the current remuneration was viewed as sufficient to attract, motivate and retain senior executives. At the end of July 2020 the Directors agreed to an interim salary cut of between 20% and 50% of their monthly salary; this was agreed due to the impact COVID-19 had on the Group's revenues due to a significant reduction in the price of oil. These interim salary cuts remained in place until March 2021 at which point previous salaries were reinstated.

During the year and as required under the Pensions Act of 2008 the Company implemented an automatic enrolment pension scheme and contributed up to 3% of Executive Directors qualifying earnings.

Remit of the Remuneration Committee

The remit of the Remuneration Committee is provided in the Corporate Governance section.

Share Price Movements During the Year

The Company's share price as at 30 September 2021 was £0.0014 per share. The share price range during the year was £0.0035 to £0.0012 (2020 - £0.0016 to £0.0115).

Current Arrangement in Financial Year (Audited)

Executive Directors are employed under rolling contracts with notice periods of 12 months or less from the Company. Non-Executive Directors are employed under rolling contracts with notice period of three months, under which they are not entitled to any pension, benefits or bonuses.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

During the years ended 30 September 2020 and 2021 the Directors occupied the following Board positions: Allen D Howard (Non-Executive Chairman), Stephen Sanderson (Chief Executive Officer), Kiran Morzaria (Finance Director), Nicholas Mardon Taylor (Non-Executive Director). The Directors' emoluments for the year were as follows:

		Year ended 30 September 2021					
		Salary	Bonus	Pension	Share Based Payments	Benefits in Kind	Total
Director	Board Position*	£'000	£'000	£'000	£'000	£'000	£'000
Nicholas Mardon Taylor	Non-Executive Director	44	-	-	-	-	44
Stephen Sanderson	Chief Executive	284	-	1	-	1	287
Allen D Howard	Non-Executive Chairman	48	-	-	-	-	48
Kiran Morzaria	Executive Director	92	-	1	-	-	93
Total Directors		468	-	2	-	1	471

		Year ended 30 September 2020					
		Salary	Bonus	Pension	Share Based Payments	Benefits in Kind	Total
Director	Board Position*	£'000	£'000	£'000	£'000	£'000	£'000
Nicholas Mardon Taylor	Non-Executive Director	49	-	-	-	-	49
Stephen Sanderson	Chief Executive	297	-	1	-	3	301
Allen D Howard	Non-Executive Chairman	54	-	-	-	-	54
Kiran Morzaria	Executive Director	115	-	-	-	-	115
Total Directors		515	-	1	-	3	519

*Board positions listed are the positions which were occupied during the financial year being reported. The Board was subsequently restructured with effect from 1 January 2022, as detailed within the Corporate Governance section.

As at 30 September 2021, the outstanding long-term incentives, in the form of options, held by the Directors who served during the period are set out in the table below.

	At 1 October 2020	Issued during the year	lapsed / exercised during the year	At 30 September 2021	Exercise price	Date from which exercisable	Expiry date
Share options	No. million	No. million	No. million	No. million	£		
Stephen Sanderson	25	-	-	25	0.0115	25/05/2017	24/05/2022
Stephen Sanderson	25	-	-	25	0.0130	27/09/2020	25/09/2024
Total	50	-	-	50			

	At 1 October 2020	Issued during the year	lapsed / exercised during the year	At 30 September 2021	Exercise price	Date from which exercisable	Expiry date
Share options	No. Million	No. million	No. million	No. million	£		
Kiran Morzaria	20.0	-	-	20.0	0.0115	25/05/2017	24/05/2022
Kiran Morzaria	6.5	-	-	6.5	0.0130	27/09/2020	25/09/2024
Total	26.5	-	-	26.5			

DIRECTORS' REMUNERATION REPORT (CONTINUED)

	At 1 October 2020	Issued during the year	lapsed / exercised during the year	At 30 September 2021	Exercise price	Date from which exercisable	Expiry date
Share options	No. Million	No. million	No. million	No. million	£		
Allen Howard	10	-	-	10	0.0115	25/05/2017	24/05/2022
Allen Howard	5	-	-	5	0.0130	27/09/2020	25/09/2024
Total	15	-	-	15			

	At 1 October 2020	Issued during the year	lapsed / exercised during the year	At 30 September 2021	Exercise price	Date from which exercisable	Expiry date
Share options	No. million	No. million	No. million	No. million	£		
Nicholas Mardon Taylor	4	-	-	4	0.0130	27/09/2020	25/09/2024
Total	4	-	-	4			

REPORT OF THE DIRECTORS

The Directors present their annual report together with the audited consolidated financial statements of the Group for the Year Ended 30 September 2021.

Business Review and Future Developments

A review of business activities in the year and future developments is outlined in the Statement From The Chairman (page 5), the Chief Executive's Statement (page 6) and the Operational Review (page 12).

Principal Activity and Business Review

The principal activity of the Group is exploring for, appraising and developing oil & gas assets.

Results and Dividends

Loss on ordinary activities of the Group after taxation amounted to £4,833,000 (2020: loss of £20,937,000). The Directors do not recommend the payment of a dividend (2020: £nil). The Company has no plans to adopt a dividend policy in the immediate future.

Principal Risks and Uncertainties

Information of the principal risks and uncertainties facing the Group is included in the Principal Risks and Uncertainties section of the Strategic Report.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments are trade receivables, trade payables, cash at bank, and borrowings. The main purpose of these financial instruments is to fund the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk and this is summarised below.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern'.

Key Performance Indicators ("KPI's")

KPI's adopted by the Group are detailed in the KPI's section of the Strategic Report.

Going Concern

The Directors note the losses and cash outflows that the Group has made for the year ended 30 September 2021. The Directors have prepared cash flow forecasts for the period to 31 March 2023, which take into account anticipated production and costs, the forward curve of Brent crude oil and external funding.

The Group closely monitors and manages its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, inter alia, management's best estimate of the Group's production and expenditure forecasts and future oil prices. The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

Notwithstanding the Company's current cash balance and minimal contractual expenditure commitments, the Board are cognisant of the potential impacts of COVID-19 or other possible unforeseen events outside of its control on the Group. Whilst the potential future impacts are unknown, the Board has considered the operational disruption that could be caused by factors such as national restrictions enforced in response to the COVID-19 pandemic, factoring in these potential impacts and reasonable mitigating actions to forecasts and sensitivity scenarios.

Taking into account anticipated production and costs, the forward curve of Brent crude oil and external funding, forecasts prepared demonstrate that the Group will have sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. The

REPORT OF THE DIRECTORS (CONTINUED)

Company has minimal contractual expenditure commitments and the Board considers that in conjunction with equity or debt financing, the present funds are sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

Events After the Reporting Period

Events after the Reporting Period are outlined in Note 24 to the Financial Statements.

Corporate Governance

Information in relation to the Corporate Governance of the Group is contained within the Corporate Governance Section of the Strategic Report.

Suppliers' Payment Policy

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions. Suppliers are typically paid within 30 days of issue of invoice.

Charitable Contributions

During the year the Group made charitable donations amounting to £Nil (2020 - £Nil).

Substantial Shareholdings

As at 06 January 2022, the Company had been notified of the following substantial shareholdings in its ordinary share capital:

Shareholder	Number of Ordinary Shares	Holding %
Hargreaves Lansdown (Nominees) Limited	2,148,165,647	13.23%
Interactive Investor Services Nominees Limited	1,731,921,508	10.67%
Hargreaves Lansdown (Nominees) Limited	1,451,439,204	8.94%
Barclays Direct Investing Nominees Limited	1,228,568,726	7.57%
Interactive Investor Services Nominees Limited	1,117,483,614	6.88%
Hargreaves Lansdown (Nominees) Limited	1,060,037,130	6.53%
HSDL Nominees Limited	1,039,533,166	6.40%
HSDL Nominees Limited	750,162,712	4.62%
HSBC Client Holdings Nominee (Uk) Limited	550,403,443	3.39%
Jim Nominees Limited	524,815,517	3.23%

Current Board & Directors Interests

Nicholas Mardon Taylor	Non-Executive Chairman
Stephen Sanderson	Chief Executive
Allen D Howard	Executive Director
Kiran Morzaria	Non-Executive Director

The directors hold options to purchase new ordinary shares in the Company, details of which are specified in the Remuneration Report on page 30 to 32. In addition, Stephen Sanderson holds 3,470,387 ordinary shares in the Company and Kiran Morzaria holds 4,508,178 ordinary shares in the Company.

Auditor

PKF Littlejohn LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint PKF Littlejohn LLP as auditor will be proposed at the forthcoming Annual General Meeting ("AGM").

Annual General Meeting

Notice of the forthcoming Annual General Meeting has been enclosed separately.

REPORT OF THE DIRECTORS (CONTINUED)

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRS's have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions. The Company's website is maintained in accordance with AIM Rule 26.

Statement as to Disclosure of Information to the Auditor

As at the date of this report the serving directors confirm that:

- So far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and
- They have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditor are aware of that information.

ON BEHALF OF THE BOARD

Stephen Sanderson
Director
24 March 2022

Opinion

We have audited the financial statements of UK Oil & Gas plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included a review of the group cash flow forecasts, and challenging the areas of management judgement and estimation uncertainty. Discussions with management surrounding the groups committed costs and assessment of those against current cash balances in a disaster scenario, to ensure the group have sufficient funds to continue to operate as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as a magnitude of misstatement that makes it probable that the economic decisions of a reasonable knowledgeable person, relying on the financial statements, would be changed or influenced. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce an

appropriately low level in the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Materiality for the group financial statements was set at £600,000 (2020: £788,000). This was calculated based in 1.5% of net assets for the year. Net assets was used as the benchmark for the basis of materiality being the key area of relevance to stakeholders in assessing the financial performance of the group in its early years of production. The same basis for the calculation of materiality for the parent company financial statements was used, however restricted to £599,999 (2020: £787,999), to ensure a level below that of group materiality as required by ISA (UK) 600.

We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the group and part company was set at £390,000 (2020: £472,800) and £389,999 (2020: £472,799) respectively, being 65% of materiality for the financial statements as a whole.

We agreed to report to those charged with governance all corrected and uncorrected misstatements we identified through our audit with a value in excess of £30,000 for both the group and parent company. We also agreed to report any other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures.

As part of our planning, we assessed all components of the group for their significance under ISA (UK) 600 in order to determine the scope of the work to be performed. Those entities of the group which were considered to be significant components, being UK Oil & Gas plc and Horse Hill Developments Limited, were subject to full scope audit procedures, and those considered to be material, being UKOG (137/246) Holdings Limited, UKOG (234) Limited and UKOG (37/246) Limited were subject to audit procedures on significant and identified risk areas only, in accordance with ISA (UK) 600 for group reporting purposes. Procedures were then performed to address the risks identified and for the most significant assessed risks of material misstatement, the procedures are outlined below in the key audit matters section of this report. The remaining components were subject to analytical review procedures.

We did not rely on the work of any component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Carrying value and correct classification of exploration and evaluation assets (Note 11) There is a risk that the assets are incorrectly valued or need to be impaired. As Horse Hill entered the production stage last year, there is a risk that the assets are incorrectly included as intangibles when they should be reclassified to Tangibles.	Our work in this area included: • Reviewing impairment workings prepared by management against the criteria per IFRS 6, and challenging the assumptions made thereto; • Vouching a sample of additions in the period to supporting documentation and ensure

they meet the capitalisation criteria per IFRS 6;

- Reviewing the effect of COVID-19 on the group and the potential profitability of said assets; and
- Vouched a sample of exploration and evaluation assets at the year end to supporting licences and ensuring they are valid

There are no key observations outside of the work performed above.

Carrying value of producing assets (Note 12)

There is a risk of material misstatement around the carrying value of PPE, whether any impairment is required and if the correct assets have been included within PPE compared to Exploration and Evaluation of Assets.

Our work in this area included:

- A review of management's net present value workings, and challenging key assumptions made including the discount rate, forecasted oil price and reserves estimates;
- Reviewing the effect of COVID-19 on the group and the potential profitability of said assets;
- Reviewing the unit of production method of depletion and performing a recalculation of the charge thereto;
- Verifying the mathematical accuracy of calculations prepared by management; and
- Physically verifying a sample of assets to support existence and correct classification.
- Impairment charges were process in respect of the carrying value of HHDL following the receipt of the Exodus reserves estimate report.

Key Observations:

The impairment assessment of the Horse Hill Developments Oil & Gas Properties took into consideration an oil price of \$91/barrel, being the spot rate at assessment. Forward curves provide significant differing estimates, and thus management have determined this to be the most appropriate for this assessment within these financial statements. If the oil price were to change, this will affect the value in use assessment of the assets and either increase or decrease the impairment charge processed.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group and parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from:
 - Companies Act 2006
 - IFRS
 - Employment Law
 - Bribery Act
 - Tax legislation
 - Health and Safety legislation
 - Environmental law
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:
 - enquiries of management
 - review of RNS announcements
 - review of board and other committee minutes
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, and the information disclosed in the Key Audit Matters section of this report, we did not identify any significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alistair Roberts (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
 Canary Wharf
 London E14 4HD

24 March 2022

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 SEPTEMBER 2021

	Notes	30 Sep 2021 £'000	30 Sep 2020 £'000
Revenue	6	1,562	908
Cost of sales			
Depletion, Depreciation and Amortisation		(684)	(1,367)
Other Cost of Sales		(1,067)	(1,171)
Gross loss		(189)	(1,630)
Operating expenses			
Administrative expenses		(2,098)	(1,755)
Impairment expense	12	(1,456)	(10,652)
Foreign exchange losses		(62)	(16)
Operating loss	6	(3,805)	(14,053)
Finance Cost	8	(89)	(286)
Exploration Write-off	11	(946)	(6,598)
Loss before taxation		(4,840)	(20,937)
Taxation	9	(43)	-
Retained loss for the year		(4,883)	(20,937)
Retained loss attributable to;			
Equity holders of the Parent		(4,492)	(20,937)
Non-Controlling Interests		(391)	-
		(4,883)	(20,937)

There are no other comprehensive income or expenses during the two reported periods to disclose.

All operations are continuing.

Earnings per share		Pence	Pence
Basic and diluted	10	(0.03)	(0.24)

The accompanying accounting policies and notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Exploration & evaluation assets	11	30,420	29,259
Decommissioning Asset	11	95	285
Oil & Gas properties	12	5,472	6,380
Property, Plant & Equipment	12	1,690	1,852
Total non-current assets		37,677	37,776
Current assets			
Inventory	14	2	1
Trade and other receivables	15	627	742
Cash and cash equivalents	16	4,727	1,634
Total current assets		5,356	2,378
Total Assets		43,033	40,154
Current liabilities			
Trade and other payables	17	(1,067)	(1,981)
Borrowings	18	(3,087)	(3,084)
Total current liabilities		(4,154)	(5,065)
Non-current Liabilities			
Provisions	19	(1,376)	(1,031)
Total non-current liabilities		(1,376)	(1,031)
Total liabilities		(5,530)	(6,096)
Net Assets		37,503	34,058
Equity			
Share capital	20	13,208	12,694
Share premium account		107,097	99,528
Share based payment reserve	21	2,056	1,811
Accumulated losses		(84,580)	(80,088)
		37,781	33,945
Non-controlling interest		(278)	113
Total shareholders' equity		37,503	34,058

These financial statements were approved by the Board of Directors on 24 March 2022 and are signed on its behalf by:

Stephen Sanderson
Director

Allen Howard
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2021**

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Exploration & evaluation assets	11	823	1,644
Investment in subsidiary companies	13	26,242	21,406
Property, Plant and Equipment	12	1,632	1,773
Total non-current assets		28,697	24,823
Current assets			
Trade and other receivables	15	308	546
Intercompany balances		21,727	26,690
Cash and cash equivalents	16	4,146	1,346
Total current assets		26,181	28,583
Total Assets		54,878	53,406
Current liabilities			
Trade and other payables	17	(330)	(1,419)
Total Current Liabilities		(330)	(1,419)
Total liabilities		(330)	(1,419)
Net Assets		54,548	51,986
Shareholders' Equity			
Share capital	20	13,208	12,694
Share premium account		107,097	99,528
Share based payment reserve	21	2,056	1,811
Accumulated losses		(67,813)	(62,046)
Total shareholders' equity		54,548	51,986

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company has not been separately presented in these accounts. The parent company loss for the year was £5,766,000 (2020: loss £15,378,000).

These financial statements were approved by the Board of Directors on 24 March 2022 and are signed on its behalf by:

Stephen Sanderson
Director

Allen Howard
Director

Registered number: 05299925

The accompanying accounting policies and notes form an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Accumulated losses £'000	Total £'000	Non Controlling Interests £'000	Total £'000
Balance at 1 October 2019	12,250	85,773	1,811	(59,153)	40,681	113	40,794
Loss for the year	-	-	-	(20,937)	(20,937)	-	(20,937)
Total comprehensive income	-	-	-	(20,937)	(20,937)	-	(20,937)
Issue of shares	444	14,240	-	-	14,684	-	14,684
Cost of share issue	-	(485)	-	-	(485)	-	(485)
Total transactions with owners	444	13,755	-	-	14,199	-	14,199
Balance at 30 September 2020	12,694	99,528	1,811	(80,088)	33,945	113	34,058
Loss for the year	-	-	-	(4,492)	(4,492)	(391)	(4,883)
Total comprehensive income	-	-	-	(4,492)	(4,492)	(391)	(4,883)
Issue of shares	507	8,231	-	-	8,738	-	8,738
Cost of share issue	-	(765)	245	-	(520)	-	(520)
Warrants exercised	7	103	-	-	110	-	110
Total transactions with owners	514	7,569	245	-	8,328	-	8,328
Balance at 30 September 2021	13,208	107,097	2,056	(84,580)	37,781	(278)	37,503

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 October 2019	12,250	85,773	1,811	(46,669)	53,165
Loss for the year	-	-	-	(15,378)	(15,378)
Total comprehensive income	-	-	-	(15,378)	(15,378)
Issue of shares	444	14,240	-	-	14,684
Cost of share issue	-	(485)	-	-	(485)
Total transactions with owners	444	13,755	-	-	14,199
Balance at 30 September 2020	12,694	99,528	1,811	(62,047)	51,986
Loss for the year	-	-	-	(5,766)	(5,766)
Total comprehensive income	-	-	-	(5,766)	(5,766)
Issue of shares	507	8,231	-	-	8,738
Cost of share issue	-	(765)	245	-	(520)
Warrants exercised	7	103	-	-	110
Total transactions with owners	514	7,569	245	-	8,328
Balance at 30 September 2021	13,208	107,097	2,056	(67,813)	54,548

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Loss before tax	(4,840)	(20,937)
Depletion & impairment	2,140	11,995
Exploration write-off	946	6,598
Cash movement on provisions	-	(8)
Increase in inventories	(1)	(1)
Decrease in trade & other receivables	115	437
Increase / (decrease) in trade & other payables	187	(1,142)
Finance cost	89	286
Taxation paid	(43)	-
Net cash outflow from operating activities	(1,407)	(2,773)
Cash flows from investing activities		
Expenditures on exploration & evaluation assets	(2,107)	(7,360)
Expenditures on oil & gas properties	(594)	(4)
Expenditures on plant, property & equipment	(17)	(371)
Net cash outflow from investing activities	(2,718)	(7,735)
Cash flows from financing activities		
Proceeds from issue of share capital	7,638	7,734
Share issue costs	(520)	(485)
Warrants exercised	110	-
Loan transaction fees	(10)	-
Repayments of convertible loan note	-	(1,825)
Convertible loan financing fees	-	(175)
Net cash inflow from financing activities	7,218	5,249
Net change in cash and cash equivalents	3,093	(5,258)
Cash and cash equivalents at beginning of the period	1,634	6,892
Cash and cash equivalents at end of the period	4,727	1,634

**COMPANY STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2021**

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss before tax	(5,766)	(15,378)
Depletion & impairment	4,163	14,226
Decrease / (increase) in trade & other receivables	239	(236)
Increase / (decrease) in trade & other payables	10	(111)
Interest income	(16)	(473)
Finance cost	10	175
Net cash (outflow) from operating activities	(1,360)	(1,797)
Cash flows from investing activities		
Expenditures on exploration & evaluation assets	-	(645)
Expenditures on property, plant & equipment	(4)	(324)
Loan advanced to subsidiary	(3,054)	(7,332)
Net cash (outflow) from investing activities	(3,058)	(8,302)
Cash flows from financing activities		
Proceeds from issue of share capital	7,638	7,734
Share issue costs	(520)	(485)
Warrants exercised	110	-
Loan transaction fees	(10)	-
Repayments of convertible loan note	-	(1,825)
Convertible loan financing fees	-	(175)
Net cash inflow from financing activities	7,218	5,294
Net change in cash and cash equivalents	2,800	(4,850)
Cash and cash equivalents at beginning of the period	1,346	6,196
Cash and cash equivalents at end of the period	4,146	1,346

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate Information

The consolidated financial statements of UK Oil & Gas Plc (the Company) and its subsidiaries (collectively, the Group), for the year ended 30 September 2021 were authorised for issue by the directors on 24 March 2022. UK Oil & Gas Plc (the Company & parent) is a public limited company incorporated and registered in the United Kingdom and listed on the Alternative Investment Market (AIM). The registered office is located at The Broadgate Towers, 20 Primrose Street, London EC2A 2EW.

The Group is principally engaged in oil production and oil & gas exploration and evaluation (see Note 4). Information on the Group's structure is provided in Note 13 and information on other related parties is provided in Note 25.

2. Principal Accounting Policies

a) Basis of preparation

The consolidated financial statements of the UK Oil & Gas Plc (the Company) and subsidiaries (the Group) have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ("IFRSs") as they apply to the Group for the year ended 30 September 2021 and with the Companies Act 2006.

The accounting policies have been applied consistently throughout the preparation of these financial statements, the financial report is presented in Pound Sterling (£) and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated. The consolidated financial statements provide comparative information in respect of the previous period.

Subsidiary Undertakings Exempt from Audit

UK Oil & Gas Plc has guaranteed the liabilities of the subsidiaries listed below under section 479A of the Companies Act 2006 in respect of the year ended 30 September 2021.

UKOG (234) Ltd - 07055133
UKOG (GB) Limited - 04050227
UKOG Solent Limited - 0500092
UKOG Weald Limited - 04881234
UKOG (137/246) Holdings Ltd - 09010542
UKOG (137/246) Ltd - 06807023
UK Oil & Gas Investments Ltd - 11252712
UKOG Turkey Ltd - 10212262
UK Geothermal Ltd - 13386906

New and Amended Standards and Interpretations

During the year, the Group adopted the following new and amended IFRSs for the first time for the reporting period commencing 1 October 2020:

- Amendments to IAS 1 and IAS 8: Definition of material
- Amendments to References to the Conceptual Framework in IFRS Standards

There is no material impact on the financial statements following the adoption of these new standards and interpretations.

New Standards and interpretations Not Yet Adopted

Certain new standards, interpretations and amendments to existing standards have been published that are effective for reporting periods starting 1 October 2021. These have not been early adopted by the Group and are not expected to have a material impact on the entity in the current or future reporting periods:

- Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16: Property Plant and Equipment
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- Annual Improvements to IFRS Standards 2018-2020 Cycle

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Principal Accounting Policies (continued)

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases – Covid 19 Related Rent Concessions

b) Going Concern

The Directors note the losses and cash outflows that the Group has made for the year ended 30 September 2021. The Directors have prepared cash flow forecasts for the period to 31 March 2023, which take into account anticipated production and costs, the forward curve of Brent crude oil and external funding.

The Group closely monitors and manages its liquidity risks. Cash flow forecasts for the Group are regularly produced based on, *inter alia*, management's best estimate of the Group's production and expenditure forecasts and future oil prices. The cost structure of the Group comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Group to operate within its available funding.

Notwithstanding the Company's current cash balance and minimal contractual expenditure commitments, the Board are cognisant of the potential impacts of COVID-19 or other possible unforeseen events outside of its control on the Group. Whilst the potential future impacts are unknown, the Board has considered the operational disruption that could be caused by factors such as national restrictions enforced in response to the COVID-19 pandemic, factoring in these potential impacts and reasonable mitigating actions to forecasts and sensitivity scenarios.

The Group's base case going concern model was run with average oil prices of \$82/bbl to March 2023. There is a high degree of uncertainty around these forward rates. Taking into account anticipated production and costs, the forward curve of Brent crude oil and external funding, these forecasts demonstrate that the Group will have sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Group remains a going concern. At 31 September 2021 the Company had cash and cash equivalents of £4,727,000 and borrowings of £3,087,000. These borrowings are due by the Company's subsidiary, Horse Hill Developments Ltd, to its shareholders. There is no repayment schedule associated with this loan and repayment is determined by the directors of Horse Hill Developments Ltd. The intent is to repay this loan from the free cash flow generated from the HH-1 well or any other further developments on the licence areas of Horse Hill Developments Ltd. The Company has minimal contractual expenditure commitments and the Board considers that in conjunction with equity or debt financing, the present funds are sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

c) Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intercompany transactions and balances between Group companies, including unrealised profits arising from them, are eliminated in full.

At 30 September 2021, the Group comprised the Company and entities controlled by UK Oil & Gas Plc (its subsidiaries) (note 13). No new subsidiaries were acquired during the year, and none were dissolved / struck off or liquidated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

d) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

Where settlement of any part of the consideration is deferred or contingent, the amounts payable in the future are recognised at their fair value at the acquisition date. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held of the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the difference is recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

e) Joint arrangements

Certain of the Group's licence interests are held jointly with others under arrangements whereby unincorporated and jointly controlled ventures are used to explore, evaluate and ultimately develop and produce from its oil & gas interests. The Group's share of assets, liabilities, income and expenditure of these joint operations, have been classified in the appropriate balance sheet and income statement headings, except where its share of such amounts remain the responsibility of another party in accordance with the terms of carried interests.

When the Group, acting as an operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

f) Revenue

Revenue comprises the invoiced value of goods and services supplied by the Group, excluding value added tax and trade discounts. Revenue is recognised when control passes to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. In the case of oil and petroleum products, this generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Revenue from the production of oil, from fields in which the Group has an interest with other producers, is recognised based on the Group's working interest and the terms of the relevant production sharing contracts. Differences between oil lifted and sold and the Group's share of production are not significant. Revenues from the sale of oil produced as a by-product of the evaluation or "testing" phase of a well are offset against the cost of the intangible asset that is being created. This can be seen by reference to Note 11.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

g) Non-current assets

Intangible Exploration & Evaluation Assets

The Group accounts for exploration and evaluation costs in accordance with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources as follows:

- Pre-licence costs (costs incurred prior to obtaining the legal rights to explore an area) are expensed immediately to the Income Statement.
- Exploration licence and leasehold land and property acquisition costs are capitalised in intangible assets.
- Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.
- Costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and consumables, drilling (including coring and sampling), evaluation of technical feasibility and commercial viability (including appraisal drilling and production testing).
- Revenues generated from the sale of hydrocarbons during this phase are offset against the cost of the intangible asset.

Exploration and evaluation assets are assessed for impairment at each reporting date, before reclassification and whenever facts and circumstances suggest that they may be impaired. If no future activity is planned, the licence has been relinquished or has expired, or where development is likely to proceed but there are indications that the exploration and evaluation asset costs are unlikely to be recovered in full either by development or through sale, the carrying value of the asset is written off to the Income Statement.

Property, Plant and Equipment - Oil & Gas Properties

Oil & gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of any associated finance lease is also included within property, plant and equipment.

Oil & gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

The Group's interests in oil & gas properties are assessed for indication so impairment including events or changes in circumstances which indicate that the carrying value of an asset may not be recoverable. Any impairment in value is charged to the Income Statement.

Other Property, Plant and Equipment

Other property, plant and equipment is stated at cost to the Group less accumulated depreciation. These assets are generally depreciated on a straight-line basis over their estimated useful lives, which is between 2 and 10 years depending on the type of asset.

Decommissioning Assets

A decommissioning asset is recognised in the appropriate category of the Group's non-current assets (intangible exploration and evaluation assets and property, plant and equipment) depending on the underlying accounting treatment for the operations or asset leading to the associated decommissioning provision. The asset is assessed for impairment as necessary and otherwise depleted on a straight-line basis over the estimated period to future removal of production facilities or site restoration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

h) Decommissioning Provisions

A provision for decommissioning is recognised where a liability for the removal of production facilities or site restoration exists.

i) Segmental information

An operating segment is a distinguishable component of the Group that is involved in oil production, oil exploration or related activities, within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company.

j) Financial Instruments

Financial Assets

Financial assets are divided into the following categories: loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired, and are recognised when the Group becomes party to contractual arrangements. Both loans and receivables and available for sale financial assets are initially recorded at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, most other receivables and cash and cash equivalents fall into this category of financial assets. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Cash and cash equivalents comprise cash on hand and short term deposits. Any interest earned is classified as interest income within finance income.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred, and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients.

A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial Liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

All financial liabilities initially recognised at fair value less transaction costs and thereafter carried at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Impairment of Financial Assets

At the end of each reporting period, a provision is made if there is sufficient evidence that a financial asset or group of financial assets has been impaired. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

k) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis. The cost of crude oil and refined products is the purchase cost, the cost of refining, including the appropriate proportion of depreciation, depletion and amortisation and overheads based on normal operating capacity, determined on a weighted average basis. The net realisable value of crude oil and refined products is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

l) Taxation

The tax charge includes both current and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be paid to or received from the tax authorities, calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profits or losses differ from the reported profit or loss before taxation in the Income Statement as it excludes items that are taxable or deductible in different periods, as well as items that are never deductible or taxable.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

m) Share-Based Payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions;
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability or sales growth targets, or remaining an employee of the entity over a specified time period; and,
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances, employees may provide services in advance of the grant date, and therefore the grant-date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

m) Share-Based Payments (continued)

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

n) Equity

Equity comprises the following:

- "Share capital" representing the nominal value of equity shares.
- "Share premium" representing the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Share based payment reserve" represents the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid.
- "Retained earnings" represents retained profits and (losses).

m) Foreign currencies

The consolidated financial statements are presented in UK pound sterling, the functional currency of the Group. Transactions in other currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise. Exchange differences on non-monetary items are recognised in other comprehensive income to the extent that they relate to a gain or loss on that non-monetary item taken to other comprehensive income, otherwise such gains and losses are recognised in the income statement. The Group and Company's functional currency and presentational currency is Sterling.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses during the reporting period, and reported amounts of assets and liabilities, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In particular, the Group has identified the following areas where significant judgements, estimates and assumptions are required, and where if actual results were to differ, this could materially affect the financial position of financial results reported in a future period. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Judgements

(i) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Significant accounting judgements, estimates and assumptions (continued)

(ii) Hydrocarbon reserve and resource estimates

The Group estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change.

The volume of proved and probable oil & gas reserves is an estimate that affects the unit of production depreciation of producing oil & gas property, plant and equipment as well as being a significant estimate affecting decommissioning provisions, impairment calculations and the valuation of oil & gas properties in business combinations. Contingent resources affect the valuation of exploration and exploration assets acquired in business combinations and the estimation of the recoverable value of those assets in impairment tests. Proved and probable reserves and contingent resources are estimated using standard recognised evaluation techniques. Estimates are reviewed at least annually and are regularly estimated by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers.

The current long-term Brent oil price assumption used in the estimation of reserves is US\$64/bbl. The carrying amount of oil & gas development and production assets at 30 September 2021 is shown in Note 12.

(iii) Recoverable value of intangible exploration and evaluation assets and goodwill

The Group has capitalised intangible exploration and evaluation assets in accordance with IFRS 6. Significant judgement is required to determine whether it continues to be appropriate to carry these costs on the balance sheet and whether the assets have been impaired.

The key areas in which management have applied judgement include the Group's intention to proceed with a future work programme for a prospect or licence, the likelihood of licence and planning permission renewal, plans for relinquishment, assessment of results from wells or geological or geophysical studies, and the assessment of whether the carrying value of the exploration and evaluation assets is unlikely to be recovered in full from successful development or by sale.

Goodwill is assessed in each reporting period to determine whether there is any impairment.

In both the above areas, the assessments include estimates and assumptions such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure, all of which are subject to risk and uncertainty. It is possible therefore that changes in these estimates may impact the recoverable values of goodwill and exploration and evaluation assets.

Details of the Group's intangible exploration and evaluation assets and goodwill are disclosed in Note 11 to the financial statements.

(iv) Recoverable value of property, plant and equipment

Management reviews the Group's reported property, plant and equipment each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which requires the use of key assumptions and judgements such as long-term oil prices, foreign exchange rates, discount rates, reserves, production profiles and capital expenditure, all of which are subject to risk and uncertainty.

Details of the Group's property, plant and equipment are disclosed in Note 12 to the financial statements.

(v) Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is periodically reviewed and is based on forecast prices and technology at the balance sheet date. Provision is made for the estimated cost using a discounted cash flow method and a risk free rate of return. Details of the Group's decommissioning provisions are disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Segmental Reporting

All of the Group's assets and operations are located in the United Kingdom and Turkey. For management purposes, the Group is organised into business units based on the main types of activities and has three reportable segments, as follows:

- Oil exploration and production: includes producing business activities
- Oil exploration and evaluation: includes non-producing activities.
- Head Office, corporate and administrative, including parent company activities.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

The accounting policies used by the Group in reporting segments internally are the same as those used in the financial statements.

Subject to further acquisitions and/or disposals, the Group expects to further review its segmental information during the forthcoming financial year, as it begins to see the full impact of its acquisitions and/or disposals.

Group	Oil production	Oil exploration & evaluation	Corporate & Administrative	Consolidated
Year ended 30 September 2021	£'000	£'000	£'000	£'000
Revenue				
External Customers	1,562	-	-	1,562
Total revenue	1,562	-	-	1,562
Results				
Depreciation, Depletion & Amortisation	(348)	(190)	(146)	(684)
Exploration and Production Write offs & Impairment	(1,456)	(946)	-	(2,402)
Finance costs	2	(81)	(10)	(89)
Loss before taxation	(1,716)	(1,375)	(1,749)	(4,840)
Taxation	-	(43)	-	(43)
Loss after taxation	(1,716)	(1,418)	(1,749)	(4,883)
Segment assets	5,200	5,331	32,502	43,033
Segment liabilities	(3,340)	(1,955)	(235)	(5,530)
Other disclosures:				
Capital expenditure (1)	594	2,107	17	2,718

- (1) Capital expenditure consists of capitalised exploration expenditure, development expenditure, additions to oil & gas properties and to other intangible assets including expenditure on assets from the acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Segment Reporting (continued)

Group	Oil production	Oil exploration & evaluation	Corporate & Administrative	Consolidated
Year ended 30 September 2020	£'000	£'000	£'000	£'000
Revenue				
External Customers	908	-	-	908
Total revenue	908	-	-	908
Results				
Depreciation, Depletion & Amortisation	(756)	(573)	(38)	(1,367)
Exploration and Production				
Write offs & Impairment	(10,652)	(6,598)	-	(17,250)
Finance costs	(111)	-	(175)	(286)
Profit/(loss) before & after taxation	(17,870)	(689)	(2,378)	(20,937)
Segment assets	10,011	4,641	25,502	40,154
Segment liabilities	(3,788)	(890)	(1,418)	(6,096)
Other disclosures:				
Goodwill on acquisition	-	-	-	-
Capital expenditure (1)	1,770	7,360	-	9,130

(1) Capital expenditure consists of capitalised exploration expenditure, development expenditure, additions to oil & gas properties and to other intangible assets including expenditure on assets from the acquisition of subsidiaries.

5. Operating Loss

Group	2021 £'000	2020 £'000
Operating (loss) is stated after charging:		
– Directors' remuneration – fees & salaries	471	515
– Employee Benefit Trust charge	7	7
– Auditors' remuneration		
Audit-related assurance services	62	56
Other compliance services	-	-
– Depletion of oil & gas properties	314	743

6. Revenue

The Group has recognised the following amounts relating to revenue in the statement of comprehensive income:

Group	2021 £'000	2020 £'000
Revenue from contracts with customers	1,562	908
	<u>1,562</u>	<u>908</u>

All revenue is derived from sales of oil from one geographic location and is recognised at a point in time.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Directors and Employees

The Company employed the services of an average of 14 employees in the year (2020: 13), of which an average of 4 (2020: 4) were Executive and Non-Executive Directors. Remuneration in respect of these employees was:

Group	2021 £'000	2020 £'000
Employment costs, including Directors, during the year:		
Wages and salaries	1,369	1,423
Social security costs	174	179
Employee pension costs	13	11
Benefits in kind	9	6
	<u>1,565</u>	<u>1,619</u>
Employee pension costs payable at the end of the year amounted to £2,000 (2020: £2,000).		
Average number of persons, including Executive Directors employed	No.	No.
Administration	8	7
Operations	6	6
	<u>14</u>	<u>13</u>
Directors' remuneration	£'000	£'000
Emoluments	471	519
	2021 £'000	2020 £'000
Stephen Sanderson	287	301
Kiran Morzaria	93	115
Allen Howard	48	54
Nicholas Mardon Taylor	44	49
Total Directors Emoluments	<u>471</u>	<u>519</u>

	Fees and salaries £'000	Bonuses £'000	Pension £'000	Benefits in Kind £'000	Share based payments (*) £'000	Total £'000
2021						
S Sanderson	284	-	1	1	-	287
K Morzaria	92	-	1	-	-	93
A Howard	48	-	-	-	-	48
N Mardon Taylor	44	-	-	-	-	44
	<u>468</u>	<u>-</u>	<u>2</u>	<u>1</u>	<u>-</u>	<u>471</u>
	Fees and salaries £'000	Bonuses £'000	Pension £'000	Benefits in Kind £'000	Share based payments (*) £'000	Total £'000
2020						
S Sanderson	297	-	1	3	-	301
K Morzaria	115	-	-	-	-	115
A Howard	54	-	-	-	-	54
N Mardon Taylor	49	-	-	-	-	49
	<u>515</u>	<u>-</u>	<u>1</u>	<u>3</u>	<u>-</u>	<u>519</u>

* Share based payments are non-cash remuneration by way of the issue of share options in the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Finance Costs

	2021 £'000	2020 £'000
Loan interest due to non-controlling interests	3	111
Unwind discount on decommissioning provision (note 19)	98	-
Change in estimate of decommissioning liability	(22)	23
Loan transaction fees	10	-
Convertible loan note fees	-	175
Finance Costs	89	309

9. Income Tax

There is no tax credit on the loss for the current or prior year. The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2021 £'000	2020 £'000
Loss for the year before tax	(4,840)	(19,041)
Tax rate 40% (30% for ring-fenced activities plus 10% ring fence supplement)	40%	40%
Expected tax credit	(1,936)	(7,616)
Tax adjustment for non-deductible expenditure	207	388
Tax impact of capital allowances	(8)	(10)
Adjustment in respect of prior periods	43	-
Impact of losses taxed at different rates	636	576
Tax impact of losses carried forward	1,101	6,584
Future income tax benefit not brought to account	-	78
Actual tax expense	43	-

The Group estimated carried forward tax losses are £10,799,000 (2020: £6,529,000), none of which are recognised as a deferred tax asset.

10. Earnings per Share

The calculation of the basic loss per share is calculated by dividing the consolidated loss attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2021 £'000	2020 £'000
Group		
Loss attributable to ordinary shareholders	(4,492)	(20,937)
	Number	Number
Weighted average number of ordinary shares for calculating basic loss per share	13,481,093,231	8,577,532,755
	Pence	Pence
Basic and diluted loss per share	(0.03)	(0.24)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Earnings per Share (continued)

As inclusion of the potential ordinary shares would result in a decrease in the earnings per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included. The potential amount of dilutive shares is 435,125,816, which represents outstanding options and warrants.

11. Intangible assets

	Exploration & evaluation costs £'000	Group Decommissioning Asset £'000	Goodwill £'000	Total £'000	Company Exploration & evaluation costs £'000
Cost & Net Book Value					
As at 1 October 2019	27,224	355	17,443	45,021	2,344
Reclassification	17,443	-	(17,443)	-	-
Additions	9,116	596	-	9,712	601
Revenues from sale of by-product	(1,755)	-	-	(1,755)	-
Transfers	(14,869)	(173)	-	(15,042)	-
Exploration Write offs & Amortisation	(7,899)	(494)	-	(8,392)	(1,302)
As at 30 September 2020	29,259	285	-	29,544	1,643
Additions	2,107	-	-	2,107	119
Exploration Write offs & Amortisation	(946)	(190)	-	(1,136)	(939)
As at 30 September 2021	30,420	95	-	30,515	823

Revenues from the sale of hydrocarbons produced as a by-product of testing and evaluation activities are offset against the costs of the intangible asset. These totalled £nil in the year (2020: £1,755,000).

In March 2020 the first Horse Hill well was put into production and as a result the carrying value of this well of £14.86 million was transferred from exploration & evaluation assets to oil & gas properties during the previous financial year.

The Directors have assessed the fair value of the exploration & evaluation assets as at 30 September 2021. An impairment review was carried out on the exploration & evaluation assets. Having taken time to consider, the Company has decided not to appeal the October 2021 decision by the Isle of Wight Council's Planning Committee to refuse consent for the appraisal and testing of the Arreton oil and gas discovery, and as such has written off the value of associated exploration & evaluation assets. No further impairment of exploration & evaluation assets was identified during this review.

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Additions during the year reflect the associated exploration and evaluation activities.

At this point the Company is still assessing the potential of the remaining assets and will continue to develop and evaluate these assets in the coming year. Since their acquisition dates there has been no further material changes to the Licence areas. The directors therefore consider that no further impairment is required at 30 September 2021.

Joint Operations

UKOG's wholly owned subsidiary UKOG Turkey Ltd signed a participation agreement and joint operating agreement with AME during the year, to take a 50% non-operated working interest in the 305 km² Resan M47-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b1, b2 licence in Turkey. Together with AME, the business is working towards finalising the design and delivery of a successful first appraisal well aimed at establishing the commerciality of the aerially extensive and as yet undeveloped Basur-Resan oil discovery contained within the licence.

12. Oil & Gas Properties

Group	Oil & gas properties 2021 £'000	Decommissioning Asset 2021 £'000	Property, plant & equipment 2021 £'000	Total 2021 £'000	Total 2020 £'000
Cost					
As at 1 October	16,568	193	2,180	18,941	2,134
Transfers	-	-	-	-	15,042
Additions	594	-	17	611	1,766
Change in estimate	-	267	-	267	-
As at 30 September	17,162	460	2,197	19,819	18,941
Depletion & impairment					
As at 1 October	(10,358)	(23)	(327)	(10,708)	(508)
Depletion charge	(314)	-	(179)	(493)	(850)
Impairment	(1,456)	-	-	(1,456)	(9,350)
As at 30 September	(12,128)	(23)	(506)	(12,657)	(10,709)
Carrying value					
As at 30 September	5,034	437	1,691	7,162	8,232

Impairment Review

The Directors have carried out an impairment review as at 30 September 2021. The Directors determined that the net present value of the HH-1 well was £3.63 million and therefore determined that HH-1 should be impaired by £1.46 million. The net present value utilised an internally generated depletion curve that was independently reviewed. Costs were based on current costs less any anticipated savings. A long-term Brent oil price of US\$91/bbl was used being the spot rate at the time of assessment, with a discount rate of 6.3% used being the weighted average costs of capital of Horse Hill Developments Ltd, the holding company of HH-1. Based on current production at Horndean no impairment was deemed necessary.

Company	Property, plant & equipment	
	2021 £'000	2020 £'000
Cost		
As at 1 October	1,815	116
Additions	4	1,699
As at 30 September	1,819	1,815
Depletion & impairment		
As at 1 October	(42)	(8)
Depletion charge	(145)	(26)
As at 30 September	(187)	(34)
Carrying value		
As at 30 September	1,632	1,773

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Investment in Subsidiaries

Company	2021 £'000	2020 £'000
Cost and net book amount		
At 1 October	21,406	26,206
Capital reorganisation of subsidiaries	7,915	-
Impairment	(3,079)	(4,800)
At 30 September	26,242	21,406

The Directors carried out an impairment review of the Company's Investment in its subsidiaries as at 30 September 2021. As a result the Directors determined to impair its investments in Horse Hill Developments Ltd, UKOG Solent Ltd and UKOG Weald Ltd by £2.65 million, £0.30 million and £0.13 million respectively. Further details in respect of the assumptions used for the impairment review of oil & gas properties within Horse Hill Developments Ltd have been outlined within Note 12.

The Company holds more than 50 per cent of the share capital of the following companies as at 30 September 2021:

Company	Country of Registration	Proportion held	Functional Currency	Nature of business
UKOG (GB) Limited	UK	100%	GB£	Oil production
UKOG Solent Limited	UK	100%	GB£	Oil exploration
UKOG Weald Limited	UK	100%	GB£	Oil exploration
UKOG (234) Limited	UK	100%	GB£	Oil exploration
Horse Hill Developments Ltd	UK	77.9%	GB£	Oil production
UKOG (137/246) Holdings Ltd	UK	100%	GB£	Holding Company
UKOG (137/246) Ltd	UK	100%	GB£	Oil exploration
UKOG (Turkey) Ltd	UK	100%	GB£	Oil exploration
UK Oil & Gas Investments Limited	UK	100%	GB£	Dormant
UK Geothermal Limited	UK	100%	GB£	Dormant

The registered address of each of these subsidiaries can be found on the website of Companies House.

All subsidiary undertakings are included in the consolidated financial statements. The proportion of the voting rights in the subsidiary undertaking held directly by the parent company do not differ from the proportion of the ordinary shares held. The following companies are taking an exception from the audit of the financial statements as per S479A of the Companies Act; UKOG (GB) Limited (04050227), UKOG Solent Limited (05000092), UKOG Weald Limited (04991234), UKOG (234) Ltd (07055133), UKOG (137/246) Holdings Ltd (09010542), UKOG (Turkey) Ltd (10212262), UK Oil & Gas Investments Limited (11252712), UK Geothermal Limited (13386906).

14. Inventory

Group	2021 £'000	2020 £'000
Inventories - Crude Oil	2	1
Total	2	1

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Trade and Other Receivables

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	44	19	22	9
Other debtors	268	442	47	356
Loans to subsidiary companies	-	-	21,727	26,690
Prepayments and accrued income	315	281	239	182
Total	627	742	22,035	27,236

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

16. Cash and Cash Equivalents

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4,727	1,634	4,146	1,346
Total	4,727	1,634	4,146	1,346

17. Trade and Other Payables

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Current trade and other payables				
Trade creditors	745	1,362	84	1,199
Other creditors	48	483	49	49
Accruals and deferred income	273	136	197	171
Total	1,067	1,981	330	1,419

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

18. Borrowings

	Group		Company	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Borrowings				
Loans payable to Non-Controlling Interests	3,087	3,084	-	-
Total	3,087	3,084	-	-

At 30 September 2021, the outstanding loan balances owed to HHDL's shareholders were; Alba Mineral Resources PLC (Alba) £2.52 million (2020: £2.52m), Doriemus PLC (Doremus) £0.57 million (2020: £0.57) and UK Oil & Gas Plc £16.59 million (2020: £16.03m). The loans are payable on determination by the Board of HHDL. The loans currently attract an interest rate equivalent to the Bank of England base rate, which was 0.1% during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Provisions - Decommissioning

Group	2021 £'000	2020 £'000
As at 1 October	1,031	427
Change of estimate	247	615
Release	-	(11)
Unwind discount	98	-
As at 30 September	1,376	1,031

The amount provided for at 30 September 2021 represents the Group's share of decommissioning liabilities in respect of the producing Horndean and Avington fields, the producing site at Horse Hill and the Broadford Bridge drilling site.

The Company makes full provision for the future cost of decommissioning oil production facilities and pipelines on a discounted basis upon the installation of those facilities. The decommissioning provision represents the present value of decommissioning costs relating to oil & gas properties.

These provisions have been created based on the Company's internal estimates. Assumptions used include an average group-wide discount rate of 10.0% and an annual inflation rate of 2.0% applied to future decommissioning costs. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil & gas prices, which are inherently uncertain.

20. Share Capital

Ordinary Shares	Number of ordinary shares	Nominal Value £	Total Value £'000
Issued at 30 September 2019	6,658,567,170	0.0001	666
On 2 December 2019, placing for cash at 0.85p per share	235,294,117	0.0001	24
On 02 January 2020, for acquisition at 0.91p per share	331,125,828	0.0001	33
On 01 April 2020, for acquisition at 0.39p per share	255,102,041	0.0001	25
On 30 April 2020, placing for cash at 0.20p per share	637,500,000	0.0001	64
On 3 June 2020, placing for cash at 0.20p per share	2,100,000,000	0.0001	210
On 24 June, warrant exercise at 0.20p per share	129,375,000	0.0001	13
On 08 July 2020, for acquisition at 0.20p per share	131,014,768	0.0001	13
For conversion of loan notes (at prices from 0.19p to 0.98p)	621,406,132	0.0001	62
Issued at 30 September 2020	11,099,385,057	0.0001	1,110
On 02 October 2020, placing for cash at 0.16p per share	1,374,999,993	0.0001	137
On 04 December 2020, warrant exercise at 0.16p per share	68,750,000	0.0001	7
On 11 February 2021, for acquisition at 0.20p per share	412,475,262	0.0001	41
On 25 May 2021, for acquisition at 0.13p per share	262,759,440	0.0001	26
On 05 July 2021, placing for cash at 0.18p per share	2,763,888,878	0.0001	276
On 27 July 2021, placing for cash at 0.18p per share	256,974,621	0.0001	26
Issued at 30 September 2021	16,239,233,251	0.0001	1,624

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Share Capital (continued)

Deferred shares

The Company has in existence at 30 September 2021 and at 30 September 2020, 1,158,385,352,229 deferred shares of 0.001p. These deferred shares do not carry voting rights.

Total Ordinary and Deferred Shares

The issued share capital as at 30 September 2021 is as follows:

	Number of shares	Nominal Value £	Total Value £'000
Ordinary shares	16,239,233,251	0.0001	1,624
Deferred shares	1,158,385,352,229	0.00001	11,584
			<u>13,208</u>

21. Share Based Payments

Share Options

No options were granted during the year (2020: nil).

As at 30 September 2021 the options in issue were:

Exercise price	Expiry date	Options in issue 30 September 2021
1.15p	24 May 2022	117,000,000
1.6p	12 April 2023	17,500,000
1.13p	25 September 2024	121,500,000
		<u>256,000,000</u>

No options were exercised, and no options were cancelled during the year (2020: none exercised, none cancelled). No options lapsed during the year (2020: 45,000,000).

Warrants

As of 30 September 2021, 179,125,816 warrants were in issue (2020: 40,931,372).

206,944,444 warrants were issued during the year (2020: 153,638,706). No warrants lapsed during the year (2020: nil). 68,750,000 warrants were exercised during the year (2020: 129,375,000 exercised).

Employee Benefit Trust

The Company established an employee benefit trust called the UK Oil & Gas Employee Benefit Trust (EBT) on 29 September 2014, to implement the use of the Company's existing share incentive plan over 10% of the Company's issued share capital from time to time in as efficient a manner as possible for the beneficiaries of that plan. The EBT is a discretionary trust for the benefit of directors, employees and consultants of the Company. The shares held in the EBT are intended to be used to satisfy future awards made by the Company's Remuneration Committee under the share incentive scheme.

The EBT did not subscribe to shares during the year to 30 September 2021 (2020: nil). The balance of ordinary shares held by the EBT on 30 September 2021 was 250,000,000 (2020: 250,000,000). Awards of Ordinary Shares to beneficiaries by the EBT will be subject to appropriate vesting and other performance conditions, in line with normal market practice, which will be set by the Remuneration Committee.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share Based Payments (continued)

Details of share options granted during the year to Directors, consultants & employees over the ordinary shares are as follows:

	At 1 October 2020 No.	Issued during the year No.	Lapsed / exercised during the year No.	At 30 September 2021 No.	Exercise price £	Date from which exercisable	Expiry date
Share options	Million	Million	Million	Million			
A Howard	10	-	-	10	0.0115	25/05/2017	24/05/2022
A Howard	5	-	-	5	0.0113	27/09/2019	25/09/2024
K Morzaria	20	-	-	20	0.0115	25/05/2017	24/05/2022
K Morzaria	6.5	-	-	6.5	0.0113	27/09/2019	25/09/2024
S Sanderson	25	-	-	25	0.0115	25/05/2017	24/05/2022
S Sanderson	25	-	-	25	0.0113	27/09/2019	25/09/2024
N Mardon							
Taylor	4	-	-	4	0.0113	27/09/2019	25/09/2024
	95.5	-	-	95.5			
Consultants	62	-	-	62	0.0115	25/05/2017	24/05/2022
Consultants & employees	17.5	-	-	17.5	0.0160	13/04/2018	12/04/2023
Consultants & employees	81	-	-	81	0.0113	27/09/2019	25/09/2024
	256	-	-	256			

The share price range during the year was £0.0035 to £0.0012 (2020 - £0.0016 to £0.0115).

The disclosure of Weighted Average Exercise Prices and a Weighted Average Contractual Life analysis is not viewed as informative because of the minimal variation of options currently in issue, and therefore has accordingly not been disclosed.

For those options granted where IFRS 2 "Share-Based Payment" is applicable, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	Risk free rate	Share price volatility	Expected life	Share price at date of grant
13 April 2018 (0.4p)	0.8%	128.9%	1.72 years	£0.015
13 April 2018 (1.6p)	0.9%	128.9%	5 years	£0.015
27 September 2019 (1.13p)	0.4%	63.13%	5 years	£0.011

Expected volatility was determined by calculating the historical volatility of the Company's share price for 12 months prior to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Company recognised total expenses of £nil (2020: £nil) relating to equity-settled share-based payment transactions during the year, and £nil (2020: £nil) was transferred via equity to retained earnings on the exercising or lapse of options during the year.

Details of warrants granted during the year to consultants over the ordinary shares are as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share Based Payments (continued)

	At 1 October 2020 No. Million	Issued during the year No. Million	Lapsed / exercised during the year No. Million	At 30 September 2021 No. Million	Exercise price £	Date from which exercisable	Expiry date
Warrants							
Consultants	17	-	-	17	0.0105	02/04/2019	02/04/2022
Consultants	5	-	-	5	0.0115	04/11/2019	04/11/2022
Consultants	12	-	-	12	0.0085	29/11/2019	29/11/2022
Consultants	8	-	-	8	0.0020	24/05/2020	24/05/2023
Consultants	-	69	(69)	-	0.0016	06/10/2020	06/10/2023
Consultants	-	138	-	138	0.0016	02/07/2021	01/07/2024
	41	207	(69)	179			

22. Financial Instruments and Risk Analysis

Financial Assets by Category

The categories of financial asset, all included initially measured at fair value and subsequently carried at amortised cost in the balance sheet and the headings in which they are included are as follows:

Current assets – Group	2021 £'000	2020 £'000
Inventory	2	1
Trade and other receivables	627	742
Cash and cash equivalents	4,727	1,634
	5,356	2,377
Current assets – Company	2021 £'000	2020 £'000
Trade and other receivables	308	546
Intercompany balances	21,727	26,690
Cash and cash equivalents	4,146	1,346
	26,181	28,583

Financial Liabilities by Category

The categories of financial liability all included at fair value and subsequently carried at amortised cost in the balance sheet and the headings in which they are included are as follows:

Current liabilities – Group	2021 £'000	2020 £'000
Trade and other payables	1,067	1,981
Borrowings	3,087	3,084
	4,154	5,065
Current liabilities – Company	2021 £'000	2020 £'000
Trade and other payables	(330)	(1,419)
	(330)	(1,419)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial Instruments and Risk Analysis (continued)

The group is exposed to market risk through its use of financial instruments and specifically to credit risk, and liquidity risk which result from both its operating and investing activities. The group's risk management is coordinated at its head office, in close co-operation with the board of Directors, and focuses on actively securing the group's short to medium term cash flows by minimising the exposure to financial markets.

Long term financial investments are managed to generate lasting returns. The group does not actively engage in the trading of financial assets for speculative purposes, nor does it write options. The most significant financial risks to which the group is exposed to are described below.

Interest Rate Sensitivity

The group is not substantially exposed to interest rate sensitivity, other than in relation to interest bearing bank accounts.

Credit Risk Analysis

The group's exposure to credit risk is limited to the carrying amount of trade receivables and cash at bank. The group continuously monitors defaults of customers and other counterparties, identified either individually or by Company, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used.

The group's policy is to deal only with creditworthy counterparties. Group management considers that trade receivables that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due. None of the group's financial assets are secured by collateral or other credit enhancements. The credit risk for liquid funds and other short-term financial assets is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Liquidity Risk Analysis

The majority of the Group's liabilities are contractually due within one year. The loan due from HHDL to Alba and Doriemus is payable on determination by the Board of HHDL.

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

Capital Management Policies

The group's capital management objectives are to:

- Ensure the group's ability to continue as a going concern; and
- Provide a return to shareholders
- To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure, to ensure an optimal capital structure, and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

Commodity Price Risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil & gas products it produces. The Group's policy is to manage these risks through the use of contract-based prices with customers.

Commodity Price Sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices. The analysis is based on the assumption that the crude oil price moves 10% resulting in a change of US\$ 9.30/bbl (2020: US\$

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Financial Instruments and Risk Analysis (continued)

6.84/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

Increase/decrease in crude oil prices	Effect on profit before tax for the year ended 30 September 2021 Increase/(Decrease)	Effect on profit before tax for the year ended 30 September 2020 Increase/(Decrease)
	£'000	£'000
Increase US\$ 9.30 /bbl (2020: US\$ 6.84/bbl)	253	98
Decrease US\$ 9.30 /bbl (2020: US\$ 6.84/bbl)	(253)	(98)

Currency Risk

The Group has no significant monetary assets or liabilities that are denominated in a foreign currency. The Group's exposed to currency risk, with the price of Brent Crude Oil being denominated in US\$. The current exposure is not seen as material, with the current level of revenue being generated therefrom. The Board will continue to monitor this risk as the operations and/or revenues increase.

23. Commitments & Contingent Liabilities

Ongoing exploration expenditure is required to maintain title to the Group's exploration permits. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group. As at 30 September 2021, the Group had no further material commitments (2020: none).

24. Events after the Reporting Date

Apart from the those disclosed in the Strategic Report which forms part of these Annual Report and Accounts, there are no events to report after the reporting date.

25. Related Party Transactions

Transactions with Related Parties

In February 2019 UK Oil & Gas Plc engaged Apex Completions, LLC (Apex) as a consultant to the Company. Allen Howard, UKOG's Executive Director, is a Director of and a shareholder in Apex and, as a result, the Agreement is considered a related party transaction. Apex was engaged to help the Company further develop its understanding of the Portland and Kimmeridge reservoirs. The Agreement provides for Apex to periodically invoice the Company for work carried out based upon the time spent by its personnel. During the year Apex charged consultancy fees of £nil (2020 – £82,000). The amounts due to Apex at the end of the year amounted to £nil (2020: £nil).

UK Oil & Gas Plc paid a subscription fee for membership with United Kingdom Onshore Oil & Gas (UKOOG) during the year. UKOOG represent the onshore oil and gas industry and wider supply chain and provides the Company with general industry advice and representation. Stephen Sanderson, UKOG's Chief Executive, is a Director of UKOOG and, as a result, the subscription fee for membership is considered a related party transaction. During the year the Company paid £30,000 for its membership with UKOOG (2020: £30,000). The amounts due to UKOOG at the end of the year amounted to £nil (2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. Related Party Transactions (continued)

Remuneration of Key Management Personnel

The remuneration of the directors, and other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS24 Related Party Disclosures. Further details in respect of the remuneration of the directors can be found within the Directors Remuneration Report on page 30.

	2021 £'000	2020 £'000
Short-term employee benefits	959	1,046
	959	1,046

26. Ultimate Controlling Party

In the opinion of the Directors there is no controlling party.

COMPANY INFORMATION

Company registration number	05299925
Registered office	The Broadgate Tower 8th Floor 20 Primrose Street London EC2A 2EW
Directors	Nicholas Mardon Taylor Stephen Sanderson Allen Howard Kiran Morzaria
Secretary	Kiran Morzaria
Auditors	PKF Littlejohn LLP Chartered Accountants <i>Registered Auditor</i> 15 Westferry Circus, Canary Wharf London, E14 4HD
Nominated Adviser	WH Ireland Limited 24 Martin Lane London, EC4R 0DR
Solicitors	Hill Dickinson The Broadgate Tower 8th Floor 20 Primrose Street London, EC2A 2EW
Registrars	Share Registrars Limited The Courtyard, 17 West Street Farnham, Surrey, GU9 7DR