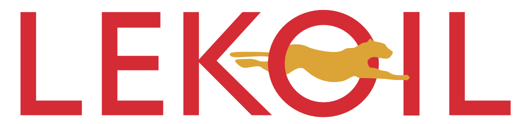

Annual Report and Financial Statements

For the year ended 31 December 2020

2020

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Chairman's Statement

Introduction

2020 was a difficult year for the Company. The year was book ended by the QIA loan fraud in early 2020 and the shareholder triggered Extraordinary General Meeting ("EGM") in January 2021. The challenge we have faced during 2020/2021 was to try to implement changes to governance against the backdrop of the Shareholders Agreement that was entered in to at IPO/Admission. The Shareholders Agreement severely limits the ability of the Company's Board to implement its strategy and change if Lekoil Nigeria does not agree. The Group has struggled for a number of years to create any shareholder value and this led to growing shareholder frustration during 2020 that culminated in the EGM where the Board of the Company was sent a very strong message by a large majority of shareholders. The EGM led to the appointment of new directors to the Board in early January 2021. This gave the Board a renewed focus on corporate governance but this was met with some resistance by the then current management of the Company and Lekoil Nigeria. In relatively quick time this led to the resignation of the then Chairman of the Company.

Many of the issues encountered in late 2020/2021 stem from the Shareholders Agreement with its limitations on what influence the Company has over the governance of the operations of Lekoil Nigeria and its subsidiaries. The Board is working to ensure that it uses all the tools available to it to protect shareholders interests and hold to account any individuals who have acted against shareholders' interests in the past. The Board will require some time to carry out the work to ascertain exactly what the legal position of Company is. The Company is also limited in terms of funds available to it so it will need to seek additional funding to be able to carry out this work.

The financial information that the Company is presenting today reflects a picture of the wider Lekoil Group consistent with past presentations. Further to the announcements made in September 2021, the Company does not currently have day-to-day operational control over, nor access to the day-to-day entity-level financial information relating to Lekoil Nigeria and its subsidiaries. As a result, I would like to stress that this Annual Report and Accounts needs to be read in that context.

The Board is currently working to present a standalone financial position of the Company (and its wholly owned subsidiaries) prior to its next fundraising so that shareholders and investors have a clear picture of the assets and liabilities of the Company and its wholly owned subsidiaries.
Looking forward, the Board envisages delivering the following:

- Presenting a clear and accurate picture of the financial current position of the Company and its wholly owned subsidiaries, as distinct from the wider Lekoil Group;
- Ensuring that the Company is fully financed so it can recover as much value as possible for its shareholders from the investments made to date; and
- Ensuring that the Company enforces its rights under the Shareholders Agreement, including the Company being represented on the Lekoil Nigeria board. That board representation will be with the aim of assisting in the efficient management of Lekoil Nigeria, streamlining the company to become a low-cost producer without the drag of large exploration assets that the Group has been unable to fund.

Whilst in the Boardroom the Company was undergoing significant change in 2020 and 2021, I would like to note that the majority of the employees within the Lekoil Group and its partners working in the assets continued their hard work without interruption. I'd like to thank those colleagues who were working at the Otakikpo field, who ensured that operations continued in a safe and secure manner despite the challenges COVID bought about. Thanks to their diligence our operations continued uninterrupted during the pandemic.

Financial review

In 2021, the Company commenced a formal review of the various intercompany and related party loan positions. Although this has not yet been finalised, the Directors expect the findings of that review will confirm, inter alia, that the amount owing to the Company (together with its wholly owned subsidiaries) from Lekoil Nigeria (as ultimate parent to the Lekoil Nigeria group which includes its own wholly owned subsidiaries) will exceed USD$300 million (as at 31 December 2020). Several amounts owing from related parties to the Company (together with its wholly owned subsidiaries) are currently passed due and the Company has initiated action to recover those amounts. In addition, the review will consider the likely recoverability of the loan amounts due and whether or not any balance might be impaired. In light of the current Board's decision to impair OPL310, the Board believes it is highly likely there will be the need to impair a number of loans related to the entities holding the exploration assets. The Company is aware that it and Lekoil Nigeria may not agree on the exact intercompany debt position.

This Annual Report and Accounts has been presented on a group consolidated basis, in line with the previous practice of the Company. The current Board of Directors note that given Lekoil Nigeria's position with respect to the Shareholder Agreement, investors and shareholders should consider all relevant factors including those noted above, when making

an investment decision and not place undue reliance only on the "consolidated" accounts. The Board is working on presenting a set of accounts of the Company and its wholly owned subsidiaries to provide a clearer picture of the Company's (and its wholly owned subsidiaries) assets and liabilities. Further to the announcements made in September 2021, the Board will be assessing the appropriate form of accounting for the Company during 2021 and will update its shareholders at the appropriate time.

In September 2021, the Company provided a corporate and operational update and announced the entry into a convertible facility agreement allowing the Company to draw down up to £200,000, primarily to fund legal costs and ongoing operational costs. The Company notes that Lekoil Nigeria has stated that it would no longer fund any of the costs of the Company. As such, whilst the Company has access to the funds under the convertible facility agreement, it remains in need of further funding (for the repayment of the convertible facility and working capital) and is looking at all possible options to achieve this, including means by which all shareholders can participate in the relevant funding mechanism.

Asset base

Otakikpo - producing asset
Despite the wider impact of COVID-19, operations at Otakikpo continued to run effectively. In 2020, production levels at Otakikpo averaged approximately gross 5,062 bopd, (2,025 bopd net to Lekoil).

In 2020, total production from Otakikpo was approximately 740,655 barrels net for the full year. The Group had equity crude sales proceeds of US$31.8 million from 839,341 barrels lifted during the year. Lekoil realised an average sales price of approximately US$37.9 per barrel.

OPL 310 - appraisal and exploration asset
During 2020 the Group engaged advisors to run a farm out process of Lekoil's share for OPL 310. This farm out process was completed without any offers being received during 2020.

As described in the Strategic Report, during 2020 and early 2021, the Group had extensive discussions and negotiations with Optimum Petroleum Development Company ("Optimum"), the operator of OPL 310, about the operation of the Cost and Revenue Sharing Agreement ("CRSA"). Optimum submitted a letter, announced on 24 February 2021, proposing the termination of the CRSA. The Group is seeking the appropriate legal advice and will engaged with Optimum to ensure that the appropriate steps outlined in the Agreement are followed. There is a material risk that this dispute will end up in litigation.

In light of the lack of interest during the farm out process, the inability of the Company to raise financing for the last two years to fund the next two development wells, the proximity to the end of the license and the ongoing legal dispute with Optimum, the Board has decided to take an impairment under IFRS 6 of US$107.5 million reducing the carrying value of the asset to US$10 million. The Board believes there remains some option value given the current high oil price environment.

OPL 276 - appraisal and exploration asset
The acquisition of the 45% participating interest in the Production Sharing Contract ('PSC") for OPL 276 is conditional upon, among other things, the extension of the term of the Licence and the PSC, obtaining the consent of the Nigerian National Petroleum Corporation ("NNPC") and obtaining the approval of the Minister of Petroleum Resources of the Federal Republic of Nigeria. The application for extension has been filed with the NNPC and awaits approval from both the NNPC and ultimately the Minister of Petroleum Resources. There can be no certainty that the extension will be granted and therefore access to the Licence and PSC could be lost.

OPL 325 - exploration asset
Terms for a PSC in relation to OPL 325 have been negotiated and agreed between the NNPC and the contractor parties which is made up of the National Petroleum Development Company ("NPDC") and Local Content Vehicles. Execution of the PSC was expected to occur in 2020 but was not completed. Subsequent to the execution of the PSC, the Group intends to farm-down a portion of its interest following a detailed prospect and lead risking study. There can be no certainty that the PSC will be executed and thus there is a risk that access to the PSC could be lost.

Corporate Structure and Board and Management update
During 2020 and 2021, the Company saw a significant change in the composition of the Board, details of which can be found in the Strategic Report.

A significant post balance sheet event was the termination of the Company's employment contract with its then CEO,

Mr. Olelekan Akinyanmi. Mr. Akinyanmi remains a significant shareholder of the Company and continues to be employed by Lekoil Nigeria. The Company is currently in dispute with Mr Akinyanmi over a number of issues, as previously disclosed to the market.

In September 2021, the Company provided a corporate and operational update and noted that it was in day-to-day dispute with Lekoil Nigeria about the implementation of the Shareholders Agreement. Whilst Lekoil Nigeria has stated that it will provide such financial information as the Company requires to comply with its reporting obligations, there can be no guarantee that this and other relevant information will be provided to the Company.

Pursuant to the Shareholders Agreement, the Company has a 40% equity interest in, and is entitled to 90% of any distributions (i.e., dividends, other distributions and any return of capital (whether following winding-up, reduction of capital or any other forms of return of capital) from, Lekoil Nigeria. The Shareholders Agreement also limits the Company's control over the day-to-day operations of Lekoil Nigeria and its subsidiaries. Furthermore, pursuant to the Shareholders Agreement, the Company has very little control over when distributions (if any) are paid. Notwithstanding this, the current Board is committed to running the Company in an efficient, cost-effective manner. It is also committed to protecting and recovering as much value for shareholders as possible from the assets of the Company. We look forward to engaging with all our shareholders to discuss those goals and we ask for your support to help us achieve them.

Outlook

The Company has faced considerable challenges in 2020 that have also extended into 2021. The current Board is committed to running the Company in an efficient, cost-effective manner. It is also committed to recovering as much value as possible for shareholders from the assets of the Company. Looking forward we have three clear objectives we will seek to achieve:

- Presenting a clear and accurate picture of the current financial position of the Company and its wholly owned subsidiaries, as distinct from the wider Lekoil Group;
- Ensuring that the Company is fully financed so it can implement its plan in order to recover as much value as possible for its shareholders from the investments made to date; and
- Ensuring that the Company enforces its rights under the Shareholders Agreement, including the Company being represented on the Lekoil Nigeria board. That board representation will be with the aim of assisting in the efficient management of Lekoil Nigeria, streamlining the company to become a low-cost producer without the drag of large exploration assets that the Group has been unable to fund.

We thank our shareholders for their support in 2021 whilst we pursue these objectives.

Anthony Hawkins, Interim Executive Chairman
15 October 2021

Strategic report

OPERATIONS REPORT AND ASSET SUMMARY

Otakikpo Marginal Field – Producing Asset

Background
Situated in a swamp area in OML 11, the Group farmed-in to Otakikpo Marginal Field ("Otakikpo") in May 2014. Otakikpo commenced commercial production in February 2017 and reached approximately gross 7,600 bopd (net with cost recovery barrels 6,688) in December of that year.

Status	Production
Participating interest	40.0%
Operator	Green Energy International Limited ("GEIL")
Gross 2P reserves	48.6 MMboe
P50 gross aggregate stock tank oil in place (STOIIP) prospective volumes	331.6 MMboe
Contract type	Marginal Field

* Participating interest of 40% is held through Lekoil Oil and Gas Investments Limited ("LOGL").

Overview
In 2020, production averaged gross 5,062 bopd with 2,025 bopd[1] net to Lekoil (2019: 5,305 bopd with 2,122 bopd[2] net to Lekoil) for the year and total production was approximately 740,655 barrels of oil (2019: 759,666 barrels of oil).

An updated Competent Person's Report ("CPR"), to support the next phase of development at Otakikpo, was released on 26 June 2019 detailing recoverable volumes expected within the field. The CPR, prepared by McDaniel Associates & Consultants Ltd. ("McDaniel"), focused on the discovered conventional oil accumulations only. McDaniel carried out a comprehensive review of the surface and subsurface data provided by the Otakikpo joint operations following the completion of the recent 3D seismic data that was acquired and interpreted in 2018.

Highlights from updated are:

- 48.6 million barrels gross 2P reserves (previous CPR in 2015 of 15 million barrels), of which 19.4 million barrels is net to Lekoil;
- 331.6 million barrels of gross aggregate stock tank oil in place (STOIIP) prospective volumes on a P50, unrisked basis, mean estimate (previous CPR 163.0 million barrels), of which 132.6 MMbbl is net to Lekoil; and
- 2P NPV10 of US$226 million, after income taxes, net to Lekoil .

For the next phase of development, targeting a gross production of 15,000 to 20,000 bopd (6,000 to 8,000 bopd net to Lekoil), the joint operations executed additional service agreements with Schlumberger which cover the comprehensive infrastructure upgrades and field management services in relation to the planned upstream drilling programme. The Group has been seeking funding for this development for the last two years and as of today has not been successful in raising funding. The Group is working to try and raise funding but currently cannot confirm if it will be able to do this and deliver the ramp up in production stated above.

The upstream drilling programme consists of the following:

- Phased drilling of up to seven new wells in Otakikpo with project capital expenditures ("capex") estimated at US$110.0 million, of which LOGL is expected to provide funding of US$44.0 million.
- LOGL expects to raise, according to its participating interest, its own portion of the required funding for the first two wells from a combination of offtake financing and cashflow from existing production. Funding for subsequent wells is expected to come from the cashflow generated by incremental production.
- Rig mobilisation is expected to occur as soon as the partners of the joint operations have both raised funding for the first two wells, according to their respective participating interest.

The joint operations entered into an infrastructure sharing and utilization agreement in respect of the production from the Otakikpo marginal field with Integrated Hydrocarbon Infrastructure Limited ("IHIL"), a special purpose company

[1] Before adjustment for downtime days.
[2] Before adjustment for downtime days.

incorporated and owned by GEIL to build, own, operate and maintain the shared infrastructure facilities, (the "ISUA").

Pursuant to the ISUA, IHIL will assume the role of facility operator (from its parent, GEIL) and will build, own, operate and maintain certain flowstations, pipeline facilities and terminal facilities to be used for the evacuation of crude oil produced from the Otakikpo marginal field. These facilities will be built outside the Otakikpo area with a view to handle Otakikpo and other fields within OML 11. IHIL will provide certain services to the Otakikpo joint operations such as measurement, sampling, treatment, transportation and storage of crude produced from the Otakikpo marginal field and injected into the facilities. LOGL will pay IHIL a fixed tariff for the use of the facilities. There are conditions to the ISUA becoming fully effective, including IHIL securing debt financing to develop the infrastructure facilities. Once fully effective, the ISUA will remain in place for an initial period of five years.

The joint operations also entered into a field management services agreement with Schlumberger in respect of the overall exploration, appraisal, evaluation, exploitation, development, production, and associated activities of the Otakikpo marginal field (the "FMSA"). The FMSA also manages the relationship between the parties in relation to certain services including the operation, management and, where applicable, decommissioning, of the fields and infrastructure. In accordance with the FMSA, GEIL, LOGL and Schlumberger will form a multidisciplinary project management team in which Schlumberger will act as project execution manager to provide oilfield services and project management services to assist in ramping up production and long-term field management. The joint operations will pay Schlumberger fees comprising of the cost related to the secondment of Schlumberger personnel to the Joint Project Management Team ("JPMT"), other specified costs and expenses incurred by Schlumberger, and a project implementation fee, for the duration of the agreement, in an amount consistent with a market margin on gross incremental production for the provision of the services to be provided by Schlumberger.

In accordance with the FMSA, the joint venture has also entered into an agreement with Schlumberger for the secondment of certain Schlumberger personnel to form part of the JPMT for the development of the Otakikpo marginal field and the implementation of the planned drilling programme (the "Secondment Agreement"). During the term of the Secondment Agreement, all Schlumberger secondees will remain employees of or contractors to a member of the Schlumberger Group. Subject to agreement between the joint operations parties, GEIL as the Operator will be responsible for paying Schlumberger monthly costs related to the secondment of Schlumberger personnel to the JPMT, such costs being reimbursable to GEIL by the joint operations. The various secondment rates are dependent on the secondment role that will be carried out.

To govern the provision of certain products and services for the upstream development of the Otakikpo marginal field, the joint operations has also entered into a master services agreement with Schlumberger for the provision of various well drilling and completion products and services to implement the planned upstream drilling programme. Such services exclude services or products relating to the development and management of the shared infrastructure.

The joint operations parties further agreed to allocate certain costs related to the processing and export of hydrocarbons between them which LOGL would otherwise be obliged to bear under the ISUA and FMSA, and to implement certain governance arrangements in relation to the management of the various agreements executed

Ogo Discovery and OPL 310 – Appraisal Asset and Exploration

Background
Lekoil originally commissioned a regional basin study and identified the Dahomey Basin block OPL 310 as a key target. The OPL 310 is located within the Cretaceous fairway that runs along the West African Transform Margin. The block extends from the shallow water continental shelf close by the City of Lagos, Nigeria into deeper water. The main prospects within the Licence area are in water depths ranging from 100 to 800 metres and are within proximity to the West Africa Gas Pipeline.

Status	Appraisal & Exploration
Participating interest	17.14% held through Mayfair Assets & Trust Limited ("Mayfair") *
AIOGNL role	Technical and Financial Partner
Operator	Optimum Petroleum Development Limited
P50 Gross Risked Prospective Resources	>774.0 MMboe
Contract type	Sole Risk
Expiry	August 2022

** Lekoil 310 Limited entered into a Share Purchase Agreement to acquire the entire issued share capital of Afren*

Investments Oil and Gas (Nigeria) Limited ("AIOGNL"). AIOGNL owns a 22.86% participating interest in OPL 310. However, pursuant to a ruling of the Federal High Court sitting in Lagos on 28 March 2019, the share acquisition transaction is inchoate and invalid given that Ministerial Consent to the transaction has not been obtained. As such, Lekoil 310 Limited has not acquired the shares of AIOGNL, which remains with Afren Nigeria Holdings Limited. Mayfair has negotiated a Cost and Revenue Sharing Agreement with Optimum that enables parties to continue work on OPL 310.

Overview

In the last year, we were dedicated to advancing plans for the Ogo appraisal drilling programme with particular focus on raising the requisite financing for the project.

On 2 January 2020, the Company announced that it had secured funding for the appraisal drilling and the initial development programme on the Ogo field through a loan agreement with the Qatar Investment Authority ("QIA"). However, the Company discovered on 13 January 2020 that the loan agreement was instead signed with certain individuals fraudulently purporting to represent the QIA. As such, there was no valid loan agreement. The Board established an independent committee to investigate the origination of the loan agreement and commenced steps to recover the funds fraudulently paid to an intermediary. The Company also conducted a review of the Company's wider corporate governance practices and procedures.

As part of the planned two-well appraisal programme with the objective of obtaining dynamic flow data from well testing while preserving the drilled wells as producers, a site survey was required for the evaluation of top-hole drilling, jack-up rig and potential platform foundation hazards and any seabed obstructions. Approval for the site survey was granted by the Department of Petroleum Resources ("DPR"), in accordance with provisions of the Petroleum (Drilling and Production) Regulations. On 9 January 2020, the marine vessel conducting the site survey arrived at location and commenced the operation. The site survey was successfully completed in the first quarter of this year without any reported personnel injuries or damage to the environment. All data acquisition objectives were met during the operations which were completed before the scheduled expiration of the approval received from the DPR. With the site survey completed, selection of the appropriate rig to commence appraisal drilling can be concluded.

On 21 January 2020, pursuant to the Cost and Revenue Sharing Agreement ("CRSA"), Lekoil was required to pay US$5.6 million to the Operator of OPL 310 Licence, Optimum Petroleum Development Company ("Optimum"). The payment represented a portion of Optimum's sunk costs. Optimum and Lekoil agreed for this payment and the balance of consent fees (US$4.0 million) which comes to a total of US$9.6 million to be deferred such that US$2.0 million and US$7.6 million are paid by the 20 March 2020 and 2 May 2020, respectively.

Following the payment of US$2.0 million to Optimum due in March 2020, a further agreement was obtained for a deferred payment schedule for the final payment due in May 2020 of US$7.6 million such that US$1.0 million was to be paid on or before 15 July 2020, US$2.0 million to be paid by 30 September 2020 and the balance of US$4.6 million by 30 November 2020. As announced on 15 July 2020, the Company confirmed the payment of US$1.0 million as agreed.

On 11 December 2020, the Company received a letter from Optimum communicating its enforcement of the default clause which specifies the conditions for establishing default contained within the CRSA. This letter was received as payments of US$6.6 million, to cover the portion of sunk costs and consent fees, had not been received by 30 November 2020. The Company continues to discuss with Optimum, a deferment of these payments as the Company intends to focus its financial and other resources in support of securing funding for the second phase of the Otakikpo development as well as the Ogo appraisal programme. The Company, working with Optimum, has identified and engaged an appropriate rig for the appraisal drilling where the service provider has accepted the result of the early performed site survey. To finance the appraisal programme, the Company has explored and is in constructive discussions with potential financiers to provide a combination of cost-effective vendor and alternative financing solutions.

Optimum submitted a letter, announced on 24 February 2021, proposing the termination of the CRSA. Mayfair is seeking the appropriate legal advice and has engaged with Optimum to ensure that the appropriate steps outlined in the Agreement are followed.

During 2020 the Group engaged an advisor to run a farm out process. This process did not result in any offer or expression of interest. As a result the Group cannot assume it will be able to raise the required funding to drill the two exploration wells. This, in combination with several other qualitative factors, has given rise to the US$107.5 million impairment adjustment in relation to this asset

OPL 310 expires in August 2022 if an appraisal well is not drilled prior to that time.

OPL 276 – Development Asset

Located in the eastern Niger Delta basin in the estuary of the Calabar River, within a transition zone, consisting of dry, flat land, freshwater rain forest swamps, mangrove swamps and beaches in Akwa Ibom State. The asset is partly onshore (land and swamp) and partly shallow marine (tidal river estuary) block, comprising 524 sq. km, of which approximately 250 sq.km is located offshore and 274 sq.km is located onshore. The Licence area is within 20 kilometres from three existing producing fields: Effiat-Abana, Stubb Creek and Uquo.

Status	Appraisal & Exploration
Participating interest	45%*
Contractor Partners	Newcross Petroleum Limited and Albright Waves Petroleum Development Limited (as the Local Content Vehicle)
Gross recoverable volumes	29 MMbbl of Oil and 333 Bcf of gas**
Contract type	Production Sharing Contract
Expiry	Process to extend the PSC in progress***

- *Participating interest is subject to completion of the transaction with Newcross Petroleum Limited. Participating interest of 45% in the Production Sharing Contract will be held through Lekoil 276 Limited, a wholly owned subsidiary of Lekoil Nigeria.*
- *Preliminary resource estimate by Newcross.*
- *The application for extension of the PSC and the transfer of the 45% participating interest require approval from both NNPC and ultimately the Minister of Petroleum Resources.*

Overview
In August 2019, Lekoil entered into an agreement with Newcross to acquire, subject to the receipt of the required consents, a 45% participating interest in the PSC in relation to the Oil Prospecting Licence 276.

The Licence was formerly operated by Shell Petroleum Development Corporation (“SPDC”) as OML 14 until 2004, and in 2006, it was signed as a PSC. The asset is covered by approximately 150 sq. km of 3D seismic, shot in 2008 by BGP Inc., a subsidiary of China National Petroleum Company (CNPC), as well as various 2D seismic surveys.

Four discoveries have previously been made in the Licence area (Uda, Okposo-Ease, Mbo and Davy Bank) with the preliminary resource estimates by Newcross, based on data from the four discoveries, reporting gross recoverable volumes of 29 million barrels of oil and 333 Bcf of gas, upside of 33 million barrels of oil and 476 Bcf of gas (recoverable).

Lekoil sees a clear opportunity for re-entering one or more of these discovery wells, with the potential for rapid monetisation of resources thanks to the proximity of existing export facilities. Lekoil intends to start facilitating this process by commissioning an independent Competent Persons Report.

The agreed acquisition from Newcross is for a total staged consideration of US$5.0 million, payable subject to the extension of the term of the Licence and the PSC, obtaining the approvals by the NNPC and the Minister of Petroleum Resources of the Federal Republic of Nigeria. Following this acquisition, the contractor parties will be Lekoil (45%), Newcross (45%) and Albright Waves Petroleum Development Limited (10%).

The consideration is payable as follows:

- US$750,000 to be held in escrow starting from the extension of the term of the Licence and to be released upon receipt of the Ministerial Approval;
- US$2,750,000 to be paid after the Ministerial Approval is obtained and upon occurrence of the conversion of the Licence to Oil Mining Lease (“OML”); and
- US$1,500,000 to be paid within three months after the receipt of first crude oil sale proceeds from continuous commercial production from the PSC

The costs associated with the PSC and attributable to both Newcross and Albright Waves Petroleum Development Limited (“Albright”) will be carried and recovered by Lekoil (through Lekoil 276 Limited) from crude oil sale proceeds of 80% and 70% of Newcross and Albright’s Cost Oil and Profit Oil, respectively.

OPL 325 – Exploration Asset

Background
OPL 325 was also identified as a target in Lekoil’s regional basin study covering the Dahomey Basin. The OPL 325 Licence area is situated in the offshore Dahomey Basin within the cretaceous wrench zone that straddles the western Niger

Delta and is located 50km south of OPL 310.

Status	Exploration
Participating interest	62%*
Partner	National Petroleum Development Company Ltd and Local Content Vehicle
Gross STOIIP unrisked prospective resources	5-6 billion Boe
Contract type	Production Sharing Contract
Expiry	PSC in progress**

* via Lekoil's majority stake in Ashbert Oil & Gas Limited, which holds 70% working interest in OPL 325 and is Operator.
** The PSC terms have been negotiated and the document awaits signatures. Until the PSC is issued and completely signed, we do not believe a right, power or interest in a petroleum asset exists as outlined in the original Letter of Award that would trigger a requirement for consent. Lekoil is prepared to address the consent requirements for OPL 325 when Ashbert either transfers interest in the PSC directly to Lekoil or farms down to a third party.

Overview

The Company had access to 3D seismic data covering over 800 sq km, and we are encouraged by the results of our current technical evaluation. In January 2018, we announced the completion of a thorough independent Technical Evaluation Report for OPL 325, which is available on our web site. The Report was compiled by independent oil and gas industry specialists Lumina Geophysical who carried out a geophysical evaluation of the 3D seismic data provided by Lekoil. The study prepared for Lekoil, confirmed their preliminary estimate of oil in place volumes of 5.7 billion Boe as an Unrisked Best Estimate case. Within the study, Lumina identified and reported on a total of eleven prospects and leads on the block. Focus was primarily on the Paleocene section of the block, generating new structural and stratigraphic maps using 3D pre-stack time migrated seismic data. These maps were used in a volumetric approach to assess potential resources in OPL 325.

Subsequent to the execution of the PSC, the Company intends to farm-down a portion of its interest following a detailed prospect and lead risking study.

Financial review

The Financial Statements and notes on pages 35 through 82 should be read in conjunction with this review which has been included to assist in the understanding of the Group's financial performance and position for the period ending 31 December 2020.

The Lekoil Group reports an average production volume of 2,025 bopd[3], net for the year ended 31 December 2020 (2019: 2,122 bopd, net). The challenges of the COVID-19 pandemic which significantly impacted the average crude oil price for the year, led to the significant rise in current liabilities as the Group faced low cash receipts from its crude sales to meet its obligations. Consequently, despite significant effort in reducing current liabilities in the prior year, current liabilities increased by over 38% in the current year. This is in spite of the high crude sales volume in 2020 relative to 2019.

In July 2020, the Group executed a Restructuring Offer Letter with its existing lenders, FBNQuest Merchant Bank ("FBNQuest") to restructure its existing secured interest-bearing term loans. The Restructuring Agreement significantly reduced the Groups near term quarterly amortisations thus providing flexibility and liquidity for the Company in light of the challenging macro-economic environment due to COVID-19.

The Group recorded a total comprehensive loss of US$119.3 million for the year ended 31 December 2020 (2019: loss of US$12.0 million). Total cash and bank balances at the end of the year were US$4.8 million with US$1.7 million recognised as restricted cash (2019: US$3.8 million with US$1.1 million recognised as restricted cash), with total outstanding debt financing net of cash (excluding restricted cash) decreased to US$11.1 million (2019: US$16.5 million).

In USD '000s	2020	2019	2018
Cash and cash balances	3,030	2,733	10,423
Outstanding debt financing less cash	11,123	16,465	10,062
Working Interest Revenue	31,790	42,027	48,687
Loss for the year	(119,300)	(12,033)	(7,783)
Loss per share	(0.22)	(0.02)	(0.02)
Cash flow generated from / (used in) operations	14,760	14,952	(1,569)

[3] Before adjustment for downtime days.

Production and Revenues
Total production from the Otakikpo marginal field for the year attributable to Lekoil was approximately 740,655 barrels (2019: 759,666 barrels). Total revenue for the year was US$32.9 million, down 24% from the previous year of US$42.0 million, despite the additional revenue of US$1.1 million (2019: nil) the Group earned from Third party crude handling. This decrease was as a result of lower average crude prices brought about by the adverse macro-economic environment due to COVID-19 pandemic, in spite of the significantly higher liftings in 2020. The Group's equity crude was 887,811 barrels for the year 2020 (2019: 677,788 barrels). The Group's realised oil price was US$35.8 per barrel for the year (2019: US$62.0 per barrel). The Group does not currently have oil price hedging in place apart from amounts required under the debt facilities.

Cost of sales, depreciation, impairments and administrative expenditure
Underlying cost of sales were US$19.6 million or US$26.5/bbl (2019: US$14.1 million or US$18.6/bbl). The increase in cost per barrel was largely due to the increase in lifting costs as a result of the higher volumes lifted in 2020. Depletion and amortisation costs on oil and gas assets were US$6.6 million or US$9.0/bbl (2019: US$6.2 million and US$8.2/bbl).

Operating expenses were US$5.8 million or US$7.9/bbl (2019: US$7.7 million and US$10.2/bbl). Operating expenses captures the Group's share of expenditure incurred on production operation support activities such as accommodation for field personal. This was higher in 2020 due to an increase in facility costs brought about by increased lifting costs.

Impairment charge of US$111.5 million was recognised during the year (2019: Nil). This follows from the write-down of the carrying value of OPL310 (US$107.5 million), given unsuccessful efforts to fundraise or farm-out the asset during 2020 and the resultant difficulties in the Group's ability to adhere to its commitments on the license prior to its expiry. Given the Directors believe failure to meet such obligations would likely mean an extension on the license would not be granted the asset has been impaired. In addition, the significant crash in oil price as a result of decline in oil demand due to the corona-virus pandemic. Consequently, the directors carried out an impairment assessment on the oil and gas assets and the assessment showed net recoverable value of US$29.6 million against the carrying value of oil and gas assets of US$33.6 million.

General and administrative expenses were US$16.3 million compared to US$21.4 million for the same period in 2019. The decrease in general & administrative expenses in 2020 was due to the Group's concerted efforts in bringing down costs in light of the adverse macro-economic environment during the year.

Capital investment
The Group's capital expenditure for the year was US$7.4 million (2019: US$18.0 million), focused largely on exploration activities in OPL 310 obligation of US$2.0 million, Optimum and Third party funded obligation of US$2.9 million and production facilities in the Otakikpo marginal field of US$2.4 million.

Taxes
As a Nigerian producing business, the Group is subject to the Petroleum Profit Tax Act of Nigeria (PPTA) and the Company Income Tax Act of Nigeria (CITA). Tax benefit for year was US$2.6 million. (2019: tax expense of $7.1 million.) The variance year on year is due to lower earnings and assessable profit including deferred tax expense credit in 2020 relative to 2019.

Loss for the year and loss per share
The Group recorded a total comprehensive loss of US$119.3 million for the year to 31 December 2020 (2019: loss of US$12.0 million) and a basic and diluted loss per share of approximately US$23 cents (2019: loss of US$2 cent).

Cash and bank balances
The Group had total cash and bank balances of US$4.8 million with US$1.7 million recognised as restricted cash as at 31 December 2020 (2019: US$3.8 million with US$1.1 million recognised as restricted cash). Restricted cash of US$1.7 million (2019: US$1.1 million), represents cash funding of the debt service reserve accounts of FBNQuest Merchant Bank loan and restricted cash on a bank guarantee for the MT Nox and Busy Snail contracts. Restricted cash has been reported as part of other assets.

Loans and borrowings
The Group had the following debt facilities in place at year end:

In US$'000	**Interest rate p.a.**	**2020**	**2019**
US$15.9 million FBNM Facility	10% + LIBOR	14,153	-

US$10 million FBNC Capital Dollar Facility	10% + LIBOR	-	2,957
US$8.55 million FBN MB Facility	10% + LIBOR	-	5,236
US$11.5 million FBN MB Facility	10% + LIBOR	-	11,005
Total		**14,153**	**19,198**
Less borrowings, current		(5,800)	(7,149)
Borrowings, non-current		**8,353**	**12,049**

Please refer to note 26 in the financial statements for a further breakdown.

Assets and liabilities
The Group's non-current assets decreased to US$98.3 million as at 31 December 2020 (US$206.1 million at 31 December 2019), reflecting depreciation, depletion and amortisation of oil and gas assets, and amortisation of deferred tax assets during the year which outweighed investments in Otakikpo marginal fields and exploration and evaluation expenditure in OPL 310. Current assets, which represent the Group's cash resources, other assets, other receivables and crude inventory, decreased significantly from US$11.4 million as at 31 December 2019 to US$8.9 million as at 31 December 2020. The decrease is a result of significant decrease in crude inventory and decrease in other receivables following from significant settlement of cash call receivable from joint operations partner as at 2020 year-end.

Current liabilities which consist of the loan facilities set out above due within twelve months, trade and other payables and income tax payable, significantly increased by 42% from US$28.8 million as at 31 December 2019 to US$41.1 million as at 31 December 2020. The increase was largely driven by 61% increase in trade payables in 2020 financial year. The challenges of the COVID-19 pandemic which significantly impacted the Group's cash resources led to the slow pace in settlement of trade payables.

Non-current liabilities which consist of portion of loan facilities due after twelve months and provisions for asset retirement obligation decreased from US$14.3 million as at 31 December 2019 to US$10.7 million as at 31 December 2020.

Dividend
The Directors did not recommend the payment of a dividend for the year ended 31 December 2020 (2019: Nil).

Accounting policies
The Group's significant accounting policies and details of the significant judgments and critical accounting estimates are disclosed within the notes to the financial statements.

Liquidity risk management and going concern
The Group closely monitors and manages its liquidity risk and ability to service debt as it falls due. Cash forecasts are regularly produced, and sensitivities run for different scenarios including (but not limited to) changes in production rates and commodity pricing, and cost overruns for approved projects.

At 31 December 2020, the Group had liquid resources of approximately US$3.0 million in the form of cash and bank balances available to meet capital, operating and administrative expenditure.

The Group executed a Restructuring Offer Letter with FBNQuest Merchant Bank ("FBNQuest") to significantly reduce the Groups near term quarterly amortisations and provide flexibility and liquidity for the Company.

The Group took significant steps including reduction in staff numbers by about 40% plus other measures to reduce overheads. This resulted into significant reduction in general and administrative expenses by about 33%.

The Directors have assessed the ability of the Group to continue as a going concern having prepared detailed cash, funding and liquidity forecast through to October 2022. The Directors believe that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the material uncertainty, the Directors' confidence in the Group's forecast and the mitigating actions available supports the preparation of the financial statements on a going concern basis. Details on the going concern disclosure are shown in Note 2.2 to the financial statements.

Business risk
Highlighted below are the company's principal risks which form part of the Group-wide risk register.

PRINCIPAL RISK FACTOR	RISK DETAIL	MITIGATION	TREND
Financial			
Oil Price volatility	Oil price volatility can lead to loss of value due to negative impact on revenue/margins and cashflow. Pricing is affected by global supply and demand and can be subject to significant fluctuations.	There is currently hedging in place as prescribed by our lenders, however it is minimal.	Steady Oil price volatility is a key risk for the company. There is no immediate plan to implement full hedge outside of the debt covenants.
Availability of capital	The Oil and Gas industry is capital intensive. Significant amounts of capital are required for Development of assets, and any proposed acquisitions. – Failure to debt finance projects could delay FID decisions. – The Group's business will require significant capital expenditure and the future expansion and development of its business could require future debt and equity financing. The future availability of such funding is not certain.	Continued engagement and further develop banking relationships. Transparency with shareholders and continue shareholder engagement.	High risk. The Group is seeking funding for planned development program in Otakikpo phase 2, OPL 310 and OPL 325.
Joint operations partnership and funding	Major operations and projects in the industry are frequently conducted in Joint operations. Operational alignment is not always present. This can cause delays in timing and/or cost overruns. Non-compliance with joint operations process and procedures could lead to rejection of joint operations costs and therefore cost recovery.	Regular joint operations engagement from both an operated and non-operated perspective. Due diligence and checks on all C&P processes for solvency, Anti-Bribery and Corruption controls. Monitor contractual performance. Monitor joint operations budgets for spend and overruns, AFE's are raised and reported against.	High and increasing The letter by Optimum on the termination of the Cost and Revenue Sharing Agreement (CRSA) points to a strained Joint operations partnership
Legislation and Compliance	Failure to comply with regulations from government institutions, commissions and/or agencies, which could potentially lead to reputational damage; withdrawal of support by shareholders, governments and/or lenders. Failure to understand the specific regulations that apply to Company's activities and the related rules, such as specifications, policies, standards or laws to follow to avoid penalties and/or litigation.	Implementing relevant Group policies such as Anti Bribery and Corruption Policy and code of conduct, and maintaining adequate records, procedures and protocols to ensure that Group is in compliance with applicable regulations. Maintaining staff awareness of Group policies and penalties for default through regular compliance trainings. All material information is released to the market on a	Steady

PRINCIPAL RISK FACTOR	RISK DETAIL	MITIGATION	TREND
		timely basis and in accordance with all applicable regulations.	
Operational			
Security & Geo-political risk	Risk of security and political instability that could adversely affect the company's business, financial condition and results of operations.	Adequate security for all intra and inter-field movements, proactive engagement with host communities via Informed Consultation and Participation (ICP) and regular monitoring of changes in geo-political landscape.	Steady
Health, safety and environmental risks	Risk of inadequate or ineffective SHES risk controls implementation, awareness or appreciation may result in harm to people and/or the environment, assets or company reputation. Due to the ongoing COVID-19 pandemic, risk to operations arising from key personnel potentially having to undergo periods of self-isolation and/or restrictions on travel such that operational uptime is reduced as well as other key business activities.	Strict compliance with SHES policy and regulatory requirements, positive safety culture driven by Leadership; risk management, continuous improvement &training, implementation of procedures, and a comprehensive oil spill and emergency response plan Measures in place to prevent the spread of COVID-19 virus, including confining and evacuating affected employees and contractors where necessary.	Decreasing The Group is taking measures to mitigate the broader public health risks associated with COVD-19 to its business and employees in line with recommendations of relevant health authorities.
Exploration and appraisal risk	Exploration and appraisal carries sub-surface risk that could impact the ability to increase reserves and/or replace production.	Deployment of technically experienced specialist team with a proven record of success. Adequate technical analysis of acquired data to assess and prioritise opportunities. Carry out Drill Stem Test (DST) in reservoirs.	Steady
Field operations risk	The prospect of loss resulting from inadequate or failed procedures, systems or policies. Employee errors. Systems failures.	Strict adherence to operating procedures, standards and guidelines	Steady

PRINCIPAL RISK FACTOR	RISK DETAIL	MITIGATION	TREND
Strategic			
Political risk	Nigeria has at times been exposed political, economic, and social uncertainties, generally in the form of terrorism, aimed at de-stabilising the country.	Lekoil regularly monitors and seeks to understand changes taking place in political and regulatory environments although it is often hard to forecast the timing and gravity of political events. When reviewing new positions/acquisitions we evaluate and compare the potential political risks within our portfolio.	High
Stakeholder Engagement risk	The failure to manage stakeholder relationships can lead to business interference, delays in projects, impact licences and prevent possible acquisitions of future licences.	Lekoil with its joint operations partner GEIL has signed a memorandum of understanding with its host community Ikuru with respect to the Otakikpo marginal field area. Lekoil maintains transparent and proactive relationships with regulators and joint operations partners. Lekoil works to the highest industry standards with regulators closely monitoring compliance with the Groups licences and obligations.	High
Bribery and Corruption risk	Bribery and corruption is a risk throughout the global oil industry.	Training on Anti-Bribery and Corruption occurs annually at the senior management level. Contracting and Procurement are kept up to date.	High. Training in Anti-Bribery and Corruption held for senior management.
Fraud risk	Fraud risk is prevalent within the oil and gas industry.	Whistleblowing policy is in place. Lekoil has an established finance management system to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This includes a delegation of authority in order to reasonably protect against risk of financial fraud in the Group.	High. Financial system was upgraded in 2019, with future plan to implement P2P fully automated process. The QIA matter in 2020 indicated potential for fraud risk

PRINCIPAL RISK FACTOR	RISK DETAIL	MITIGATION	TREND
Information security risk	Network and Perimeter security	Periodic firewall log reviews and firmware updates. Existence of a diverse intrusion detection systems and password policy enforcement. Implementation of a robust contingency and disaster recovery plan to minimise disruptions to IT infrastructure during system upgrades and changes.	Steady
New business development risk	Lekoil has potential high-impact exploration and appraisal prospects and endeavours to keep refreshing and replenishing its exploration, appraisal and production portfolio in Africa, specifically Nigeria. These opportunities may not be successful due to a lack less well-developed relationships with key stakeholders and the fact that competition in the Nigerian market is growing. This can drive the price of opportunities up. Along with oil price risk which may limit access to capital, there may also be development, production and exploration risk.	New business development is always analysing and reviewing opportunities to ensure they are the right ones for Lekoil. Executive committee review is in place to ensure deals are properly vetted and adequate due diligence done on new opportunities. This includes legal, finance and tax due diligence.	Work continues, and new opportunities continue to be reviewed.

This Strategic Report has been approved by the Board and signed, on its behalf, by:

Anthony Hawkins, Interim Executive Chairman
15 October 2021

Directors' report

The Directors submit their Annual Report on the affairs of the Group together with the financial statements and audit report for the year ended 31 December 2020. The remuneration report on pages 29 to 32 forms part of this Directors' report.

Principal activity
The principal activity of the Group is the exploration for, and production of oil and gas.

Domicile
The Parent Company, Lekoil Limited, is a public limited company and is registered in the Cayman Islands.

Results and Dividend
The Group loss for the year ended 2020 was US$119.3 million (2019: loss of US$12.0 million). The Directors have not recommended the payment of a dividend (2019: US$ Nil).

Directors and their interests
The Directors who served during the year are listed below. Their beneficial interests in the share capital of the Company as at 31 December 2020, were as follows:

	As at 31 December 2020 Number	As at 31 December 2019 Number
Sam Adegboyega*	1,160,000	1,160,000
Olalekan Akinyanmi	40,248,501	40,248,501
Gregory Eckersley** (and Family)	2,753,050	2,753,050
Aisha Muhammed-Oyebode	256,250	256,250
John van der Welle**	-	-
Hezekiah Adesola Oyinlola***	632,431	632,431
Thomas Schmitt***	-	-
Mark Simmonds	-	-
Anthony Hawkins	-	

* Lekoil announced the retirement from the Board of Directors of Sam Adegboyega on 25 September 2020.
** Lekoil announced the resignation of Gregory Eckersley and John van der Welle on 6 January 2020.
*** Lekoil announced the resignation of Hezekiah Adesola Oyinlola and Thomas Schmitt on 21 April 2020.

Substantial shareholders
As at 31 December 2020, the following Shareholders held 3% or more of the nominal value of the Company's shares carrying voting rights:

	Number of ordinary shares	% of share capital
Metallon Corporation	81,000,000	15.10
Zion SPC - Access Fund SP	74,377,015	13.86
Allan Gray Investment Management	48,947,765	9.12
Directors	40,504,751	7.55
IFM Independent Fund Management	26,987,000	5.03
Hadron Capital	24,525,000	4.57
UBS Wealth Management	18,872,609	3.52
RWC Partners	18,712,684	3.49
Hargreaves Lansdown, stockbrokers (EO)	16,362,634	3.05

Review of business and future developments
A review of the operations of the Group is contained on pages 6 to 16.

Financial risk management
The Group's risks to financial instruments are outlined and disclosed in the consolidated financial statements (see note

33).

Directors' indemnity and insurance
The Group provides indemnity to Directors in respect of liabilities incurred as a result of their office. However, neither the indemnity nor the insurance provides cover if the Director is proven to have acted dishonestly or fraudulently.

Director's loan
On 9 December 2020, the Company extended the term of the loan made to Mr. Akinyanmi until 9 December 2021 with the following terms: immediate payment of US$0.4 million, with the balance on the loan is settled by quarterly payments of interest and principal at a revised interest rate of 10% plus 3 months LIBOR ("Amended Loan Agreement"). The initial US$0.4 million was settled by Mr. Akinyanmi. Mr. Akinyanmi was due to make the second instalment payment of US$413,523 on or before 9 March 2021. As the Company had not received this payment, actions under the terms of the amended loan agreement were initiated such that a portion of the salary payable to Mr. Akinyanmi was applied towards the Loan, as agreed in the Amended Loan Agreement as a method of default recovery, until the repayment schedule is satisfied. As the Company considers the Loan to be in default, under the agreement, an additional interest of 4% per annum was applied to amounts in arrears under the agreed payment schedule. After the termination of Mr. Akinyanmi's executive contract with the Company in June 2021, those salary deductions ceased. Mr. Akinyamni was due to make the third instalment payment (US$404,052) on 9 June 2021 and the fourth instalment payment (US$ 394,581) on 9 September 2021. Neither of those payments were received and the Company has commenced legal proceedings to recover the amounts owed.

Corporate Advisors
On 20 November 2020, the Company's Nomad, Strand Hanson Limited, resigned as the Company's Nominated Adviser. The Company's shares were suspended from trading from 23 November 2020 until 22 December 2020. On 22 December 2020, the Company appointed SP Angel Corporate Finance LLP ("SP Angel") as its nominated adviser (and joint broker) with immediate effect.

On 31 December 2020, the Company's joint broker, Mirabaud Securities Limited ("Mirabaud"), resigned as its joint broker. On 13 January 2021, Tennyson Securities ("Tennyson") was appointed a joint broker of the Company. Tennyson was the new home of the primary team that left Mirabaud, providing continuity of the Company's broking relationship.

Post-reporting date events
All events that have occurred since the year end which require reporting have been disclosed in the consolidated financial statements (see note 34).

Health, safety and environment
The Group has an overriding commitment to health, safety, and environmental responsibility. The Group works closely with host governments and communities in the country in which it operates, together with its contractors and partners, to ensure internationally recognised standards are implemented and maintained along with compliance to local legislation.

The Group's activities are subject to the relevant environmental protection legislation. The Group closely monitors its activities to ensure to the best of its knowledge there is no potential for the breach of such regulations. There have been no breaches of these Acts recorded against the Group during the reporting period.

Financial instruments
Details of the use of financial instruments by the Group are contained in note 3.5 of the consolidated financial statements.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

Under the AIM Rules, the Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom. The Directors will not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare the consolidated financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these consolidated financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with IFRS. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Board and Committee meeting attendance during the year 2020

Attendance	Board	Remuneration Committee	Audit Committee
Sam Adegboyega	10		1
Olalekan Akinyanmi	19		
Aisha Muhammed-Oyebode	17	3	
Hezekiah Adesola Oyinlola*	7		4
Thomas Schmitt*	7	1	2
Mark Simmonds**	19	3	4
Anthony Hawkins**	19		4

** Lekoil announced the resignation of Hezekiah Adesola Oyinlola and Thomas Schmitt on 21 April 2020.*
*** Lekoil announced the addition of Rt. Hon. Mark Simmonds and Mr. Anthony Hawkins to the Board on 6 January 2020.*

Board members
The current Board is constituted by the following members:

Mr. Anthony Hawkins, Interim Executive Chairman
Mr. Hawkins is an English and Australian qualified lawyer of more than twenty years' experience, who has worked in both private practice and corporate roles. He is a senior energy lawyer, asset manager and commercial negotiator, predominately in oil and gas but also in power, LNG and renewables. Previously, Mr. Hawkins was Chief Executive Officer in addition to roles as Legal and M&A Director at Columbus Energy Resources plc as well as owning a consultancy firm. Mr. Hawkins is a member of the Association of International Petroleum Negotiators and was previously a member of the legal committee of Oil & Gas UK where he was instrumental in helping to develop the standard DES LNG Master Sale Agreement for the European Federation of Energy Traders.

Mr. Tom Richardson, Non-Executive Director
Mr. Richardson has over 20 years of experience across banking and oil & gas. Mr Richardson served as CFO of Nostrum Oil & Gas Plc a UK premium listed company. Prior to joining Nostrum in 2011, Mr Richardson has worked for ING, JP Morgan and NM Rothschild covering investment banking, capital markets and credit.

Mr. Marco D'Attanasio, Non-Executive Director
Mr D'Attanasio is a senior banker and investment manager with over 23 years of experience in banking, finance, technology and oil & gas. He is the Founder and Portfolio Manager for Hadron Capital LLP and Hadron Capital (Cayman) Limited, each company managing numerous Alternative Investment Funds and being FCA and CIMA regulated, respectively. With Hadron Capital LLP he is the winner of multiple performance-based awards. He is the co-founder of Cricklo Ltd, an online community of professionals active in transforming their enterprises into sustainable businesses and a NED with Argo Blockchain plc. Mr D'Attanasio has a degree in physics ("Laurea") from Pisa University and a PhD in Theoretical Physics from Parma University.

Mr. Alphonso Tindall, Non-Executive Director
Mr Tindall is a senior U.S. lawyer with over 40 years of experience in banking, finance and project development. He is currently Senior Counsel at Hardwick Law Firm, assisting in the strategy and execution of the management and growth

of the largest minority owned law firm in the United States. He is admitted to the Bar in Connecticut and New York and a member of the American Bar Association and holds various Board Memberships

Reconstitution of Board Committees
The Audit & Risk, Nominations and Remunerations Committees of the Board of Directors has the following directors as members and Chairperson:

Audit & Risk Committee

Name	Position
Anthony Hawkins	Chairperson
Marco D'Attanasio	Member
Thomas Richardson	Member
Alphonso Tindall	Member

Remuneration Committee

Name	Position
Alphonso Tindall	Chairperson
Anthony Hawkins	Member
Marco D'Attanasio	Member
Thomas Richardson	Member

Nomination Committee

Name	Position
Marco D'Attanasio	Chairman
Alphonso Tindall	Member
Anthony Hawkins	Member
Thomas Richardson	Member

Going Concern
The Directors have assessed the ability of the Group to continue as a going concern having prepared detailed cash, funding and liquidity forecast through to October 2022. The Directors believe that there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Notwithstanding the material uncertainty, the Directors' confidence in the Group's forecast and the mitigating actions available supports the preparation of the financial statements on a going concern basis. Details on the going concern disclosure are shown in Note 2.2 to the financial statements.

Corporate Governance Statement
The Company's Corporate Governance Statement is set out in the following section of the Annual Report.

This Director's Report has been approved by the Board and signed, on its behalf, by:

Anthony Hawkins, Interim Executive Chairman
15 October 2021

Corporate Governance Statement

The Company formally adopted the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA Code") and its replacement, the QCA Corporate Governance Code that was published in April 2018, in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. The report below demonstrates how the QCA Code has been applied by the Board. The Company recognises the importance of sound corporate governance commensurate with the size, corporate structure and nature of the Company, even though there is no applicable regime of corporate governance to which Directors of a Cayman Islands company must adhere to over and above the general fiduciary duties of care, diligence and skill imposed on such Directors under Cayman Islands law.

The Company updated its policies in line with the EU Market Abuse Regulation ("MAR") with effect from 3 July 2016.

The Company expects the Group to continue to implement the following internal policies in order to provide guidance on Corporate Governance issues. The Company notes it relies on the management of Lekoil Nigeria to enforce these policies and the Corporate Governance structure established at the Group level. These policies are reviewed periodically to ensure continued relevance:

- Related Party Transactions Policy
- Disclosure and Insider Trading Policy
- Share Dealing Code
- Whistleblowing Policy
- Anti-Bribery Policy
- Risk Management Policy
- Gifts and Hospitality Policy
- Code of Ethics
- Safety, Health, Environment and Security Policy

From June 2021 onwards, the Company has implemented these policies in a manner commensurate with the size and available resources.

Related Party Transaction Policy
The Related Party Policy outlines the procedure for identifying related parties and interests and regulates the disclosure and approval requirements for transactions with such parties ("Related Party Transactions") within the Group, its associates and affiliates. The Related Party Policy provides guidelines and procedures on dealing with Related Party transactions, including discussion with the Company's Nominated Adviser, and compels all employees and Directors of the Company to fully understand and adhere to their responsibilities and obligations in respect of such transactions.

Disclosure and Insider Trading Policy
The Company is required to comply with the AIM rules and regulations, MAR and the Financial Conduct Authority's Disclosure Guidance and Transparency Rules relating to the disclosure and control of inside information. The purpose of the Disclosure Policy is to help the Company comply with these rules on an ongoing basis by ensuring both timely and orderly communication of key information concerning the Company to shareholders, the stock market as a whole and to the press.

The Disclosure Policy provides varying authority levels and consultation requirements for information released to the public including shareholders, the press, brokers or others, as well as authority levels to issue communications in relation to the Company's affairs generally, including in particular major announcements such as the preliminary and half-year results and any announcements concerning major business developments.

In addition to disclosure regulations by the Company, the Insider Trading Policy places an overriding obligation on the Company and its Directors to manage "inside information" as stated in the policy both internally and externally, in order to prevent market abuse, insider dealing and similar offences by persons in possession of inside information.

Share Dealing Code
The Share Dealing Code applies to all employees, Directors, and persons "associated" with employees and Directors of the Company and sets out the rules governing the dealing in its shares and related securities by those persons. The Share Dealing Code is intended to serve as a guide to its employees about the various legal requirements relating to dealing in the Company's shares and related securities.

The fundamental principle is that as a matter of law no person should deal in the shares or securities of the Company

at any time when they are or may be regarded as privy to insider information.

Whistleblowing Policy
The objective of this policy is to support the Group's values by encouraging all employees to report the occurrence of any misconduct (irrespective of location) by employees, Directors or associates of the Group that affects the business of the Group; without fear of risk to themselves or any inhibition or victimization.

Anti-Bribery Policy
The purpose of this policy is to reinforce the Group's reputation for integrity and responsibility and its business principle of zero tolerance to bribery and corruption by providing a framework to guard and promote the Group's position in this regard.

This Policy applies not only to Directors or employees of the Group but also to agents, intermediaries, consultants, joint venture or other business partners and any other persons, organisations or bodies doing business with the Group.

Gifts and Hospitality Policy
The Company is committed to the highest standards of business ethics, fairness and transparency and has therefore adopted the Gifts and Hospitality Policy to set out the conditions under which gifts, hospitality and associated expenses may be made, received, offered, incurred or reimbursed in compliance related to the Company's policies, applicable laws and international best practice. In addition, the objective of the Gifts and Hospitality Policy includes: establishing what is acceptable and providing clear guidance with regards to the receipt or giving of gift items; ensuring our employees do not exploit their position for personal benefit; and to serve as part of the implementation strategy for the Anti-Bribery and Corruption Policy and other related corporate governance policies.

Risk Management Policy
The Company recognises that risk management and internal controls are key elements of good corporate governance. The Board has therefore adopted a Risk Management Policy (the Policy) which sets out the manner in which the Company identifies, assesses, manages and monitors the risk management programme for the Company and its subsidiaries.

The Policy's main objectives are to set down the risk management procedure for the Group by establishing a system to identify and assess the nature and extent of risks facing the Group; to ensure that identified risks are monitored and mitigated where possible; to ensure that identified risks are properly reported, both internally and externally; to define roles and responsibilities within the Group in relation to risk.

Code of Ethics
The Group is committed to the highest standards of ethical and professional conduct. The Code of Ethics (the "Code") provides basic guidelines for business practices, professional and personal conduct which each Director and employee is expected to adopt and uphold.

The Code also serves as the Group's creed to ensure transparency, accountability and openness in all its dealings and activities conducted to promote public trust and confidence in the Group amongst its staff and/or Directors.

Safety, Health, Environment and Security ("SHES") Policy
The Group is committed to understanding, managing, and reducing the environmental impact of its activities and implements internationally recognised environmental management systems to achieve this goal. The SHES Policy assists the Group in enforcing the health, safety and welfare of its employees in the workplace as well as ensuring the protection of its business partners and surrounding community at its sites of operations.

Website publication
The Company's Corporate Governance statement is published on its website. The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors.

Auditor
All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Business model and strategy

Information on our strategy and growth plans for each of the assets of the business are included and outlined in pages 6 to 16 of this Annual Report and Accounts for the year ended 31 December 2020 (the "2020 Annual Report"). The Company notes that the implementation of this strategy and growth plans depends on its execution by Lekoil Nigeria. As noted in the Chairman's Statement, the corporate structure of the Group gives the Company limited control over the day-to-day operations of Lekoil Nigeria and its subsidiaries. As such, the current Board is committed to running the Company in an efficient and cost- effective manner. It is also committed to protecting and recovering the investments that its shareholders have made in the Company and the Lekoil Group. That will the Company's priority in 2021. The continued application of the Company's business and governance model will allow it to pursue this strategy by allowing the Company to access capital markets, when required, to fund its operations.

Obligations to our stakeholders

We are committed to communicating openly with our shareholders to ensure that our strategy is clearly understood, and we take our responsibilities in the communities we operate in very seriously and care about our environment and value our employee's welfare highly. Details of our work in these areas, and of our business model, the key resources and relationships to the business and stakeholder feedback are contained in the Corporate Governance section of our website.

Review of risks

The Board is responsible for setting the Company's risk philosophy and appetite and approving the overall risk management policy. It is responsible for maintaining a sound system of internal control that supports the achievement of its goals and objectives.

The Board is also responsible for overseeing the establishment, implementation and review of the Company's risk management systems and, to this end, has delegated certain functions relating to risk to the Audit and Risk Committee and to management.

The Company has adopted a Risk Management Policy which identifies financial and internal controls; business continuity risks, corporate governance risks, security risks and health, safety and environment protection risks. It is intended that reporting is required from each functional group head or business unit leader and consists of quarterly management information reports assessing material changes within the risk profiles.

The Chief Financial Officer collates management risk reports and presents them to the Audit and Risk Committee, in the form of a Group-wide Risk Register, for consideration at least twice a year. The Audit and Risk Committee then reports on its activities and makes recommendations to the Board as appropriate.

Statements on the Company's and the Group's risk management and internal control systems and the principal risks and uncertainties facing the Group and steps taken to mitigate these risks are below.

The Company relies on Lekoil Nigeria to implement the Group Risk Management Policy.

Management framework

As at 31 December 2020, the Board comprised of a Non-Executive Chairman, six independent Non-Executive Directors and an Executive Director. In 2021, there was significant changes to the Board as set out on pages 19 and 20. The Company believes that its current composition is appropriate for the Company given its current corporate structure and market capitalisation. Each Board member brings a wealth of business leadership experience to foster the collective strength of the Board in setting the strategic goals of the Company and overseeing the effective performance of management in achieving these goals.

Under their appointment letters, Lekoil may call on the Directors to spend at least 20 days per year on Company business.

The attendance record of the Directors is provided on page 19 of this Annual Report.

Directors

We believe that our Board has the appropriate balance of skills, experience and capabilities required to direct the Company and the Group. Board diversity from various perspectives is considered an important matter by the Board and membership of our Board includes members from various backgrounds. These include sector-specific experience in the oil and gas industry, as well as more general finance, accounting and business management skills.

Details of the current Directors, their background and experience, is shown on page 19 of this Annual Report.

The Board is supported by the Audit and Remuneration Committees, the terms of reference of which can be found on our website. The Report of the Audit and Risk Committee is shown on pages 27 to 28 of this Annual Report, and the Report of the Remuneration Committee is shown on pages 29 to 32. These reports detail the work carried out by these committees during the year.

The advisers of the Company are listed on the AIM Rule 26 section of the website. Their roles are financial and nominated advisor("Nomad"), brokers to the Company and legal advice is sought as required.

The Company Secretary provides briefings to the Board on corporate governance matters, noted in particular the new rules under the New QCA Code, and organises trainings for the Directors which in the past have included training on the UK Bribery Act and Market Abuse Regulations. All Directors are expected to commit and take responsibility for their own development during their tenure.

The performance evaluation of the Chief Executive Officer and the Chief Financial Officer is carried out by our Remuneration Committee, using metrics set in the preceding year, to be achieved during the following year. These metrics essentially measure the extent to which the Executive Director is leading the organisation to accomplish its goals; whether they are leading the organisation to deliver results in the short- and longer-term; the extent of consistency of the Executive Director's leadership with our values and our beliefs about what skills they need to be effective; and the implications of the performance review in terms of the Executive Director's role, areas in which they should continue performing well, and areas in which they can improve.

Succession planning is regarded by the Board as vitally important in maintaining a 'strong bench' and the continued success of the business. Through regular reviews and management discussions, the company's future business leaders are identified, and personal development plans are put in place to harness their potential and plan for job growth and career progression. In practice, the Chairman and the Chief Executive lead on the Board nomination and appointment process. They consider the balance of skills, knowledge and experience on the Board and make appropriate recommendations for consideration by the whole Board. Each Board member is invited to meet with the candidate. This process has been used effectively for a number of years and has led the Board to remain of the view that it should continue to operate in this way rather than through a more formal nomination committee. Other senior appointments are made by the Chief Executive in discussion with the Chairman. We expect the Board evaluation process to evolve over time so that it becomes linked to succession.

From June 2021 onwards, the composition of the Board will reflect the size of the Company and the resources available to it.

Culture and reward
The emergence of the COVID-19 pandemic globally, has for the time being and in the interest of our staff wellbeing, necessitated a change in our work policies to a work from home model. This approach has not adversely affected productivity or standards of our work or interaction culture as video conferencing has been widely used and, by enlarge, led to a different (rather than diminished) culture. In operations, the work culture has needed to adapt to a different type of interaction. As the pandemic eases and people are able to return to a workplace more similar to pre-pandemic times, the Company will monitor how best to re-establish a positive working culture.

The Company seeks to reward its employees fairly given the Company's financial position and the state of the economy.

In Lekoil Nigeria, in order to create a more ethical organisational culture, it adopted a combination of the following practices:

1. **Role Models and Visibility:** Our senior management sets the standard as role models of acceptable behaviour for employees in the workplace. This behavioural standard when observed (by subordinates) sends a positive message for all employees.

2. **Communication of Ethical Expectations.** In order to reduce ethical ambiguities, we disseminate our organizational code of ethics on our corporate intranet and regularly send email refreshers to all employees. It states Lekoil's core values and the ethical rules that employees are expected to follow. Members of senior management are required to model ethical behaviours as outlined in the code of ethics.

3. **Ethics Training:** We periodically run seminars, workshops, and similar ethical training programmes which are used to reinforce the Company's standards of conduct, to clarify what practices are and are not permissible, and to

address possible ethical dilemmas.

4. **Visible Rewards & Sanctions:** Our performance appraisals of managers include a point-by-point evaluation of how his or her decisions measure up against the organization's code of ethics. The appraisals include the means taken to achieve goals as well as the ends themselves. Visible rewards to be awarded to staff who act ethically and just as importantly, unethical acts are sanctioned and documented.

5. **Provide Protective Mechanisms:** The Group provides formal mechanisms that allow employees to discuss ethical dilemmas and to report unethical behaviour without fear of reprimand. As result a whistle blowing policy for example, is in place and this allows staff to raise any concerns in confidence directly with the Chief Executive Officer, Chairman of the Audit Committee or the Company Secretary.

As outlined above, corporate social responsibility is very important to us as a business. Lekoil is committed to demonstrating leadership in stewardship of the environment, employee health and safety and social responsibility. Our responsibilities and the related regulations applicable to us are also set out on the corporate social responsibility section of the Lekoil website.

Board evaluation report

The Board conducted a performance evaluation (the "Evaluation") to review its efficiency and effectiveness in May 2020.

The Evaluation considered a broad range of issues grouped accordingly:

1.	***Board Composition***	*Number of Directors; ratio of Executive to Non-executive; selection process; qualification, industry expertise, diversity; integrity, credibility, trustworthiness, constructive conflict resolution; composition, size and efficiency of Committees[4].*
2.	***Process and procedures***	*Review, approval, monitoring of operating, financial, corporate strategies and objectives; adequacy of Board materials, duration and frequency of meetings; corporate governance awareness; communication, participation, proactiveness, balanced consideration of operational and strategic issues; engagement with senior management.*
3.	***Company and business comprehension***	*Understanding of the Company's operational and financial strategies, objectives and available alternatives, results; and critical risks, opportunities, competitive factors and trends affecting the Company's business and prospects; orientation for new directors.*

The Directors concluded the Evaluation with a self-assessment of their contributions to the Company. The Directors indicated that they have made adequate contributions to the Company; noting useful input made during the recent QIA investigation as well as in-depth technical know-how and a keen understanding of the Nigerian industry and operating environment. The opportunity for continuous learning through interaction amongst Directors of varying backgrounds and experience provides was also noted.

CATEGORY	RESULT	RECOMMENDATIONS
Board Composition	• The Directors were largely satisfied with the overall size and composition of the Board. • They strongly agreed that the Board demonstrates integrity, credibility, trustworthiness, active participation, and is able to handle conflict constructively, and address issues proactively. • They were also satisfied with the qualifications, and the process of selecting members of the Board; and strongly agreed that the Directors have the requisite industry knowledge and are adequately diverse in experience and background.	• Non-Executive to Executive Director ratio to be reviewed.
Process & Procedures	• The Directors indicated a high level of satisfaction with the frequency and the manner meetings are conducted in	• Process on the procedures for reviewing and

[4] There are two Board committees – Audit Committee and Remuneration Committee.

CATEGORY	RESULT	RECOMMENDATIONS
	terms of duration and time allocation between discussions and presentations. • Directors also confirmed that there is open communication, meaningful participation, and timely resolution of issues and the Board is effective in approving and monitoring corporate plans of the Company. • Adequately allot time and resources and enjoy effective communication with its committees and management. • The Directors further agreed that the Board respects the line between oversight and management; and promotes timely and effective disclosure, fiscal accountability, high standards of ethics and compliance. • The Directors agreed that the responsibilities of Audit and Remuneration committees are well defined, and both Committees perform their responsibilities effectively.	developing the Company's corporate governance structure and systems for managing material risks and reporting material violations of policies and law to be reviewed and (if necessary) updated more frequently; external support may be sought as required.
Company & Business Comprehension	• The Directors agreed that they demonstrate an understanding of the business of the Company, its competitive factors and risks that affect the Company's business along with critical threats and opportunities. • Most Directors strongly agreed that the Board is provided with sufficient information about principal operational, financial plans; financial results of the Company.	• Periodic training on updates on corporate governance and industry issues; periodic site visits and asset/facility inspection to be encouraged subject to adherence to applicable SHEs policies.

The Board has commenced implementation of some of the recommendations from the last Board Evaluation exercise as follows:

Review of Process and Procedures

The Board of Directors has mandated the Audit and Risk Committee, to undertake a review of the Company's existing governance procedures with a view to determining areas requiring improvement and to further make recommendations with regard to aid securing the requisite external support required to facilitate a review exercise. The Company notes that following the Board and management changes in 2021, the Company intends to update its application of the QCA Code, as set out on the Company's website, in Q4 2021.

Company and Business Comprehension

The Company's Nomad will provide the requisite corporate governance training for the Directors on an annual basis, while the Technical Department of the Company will organise refresher sessions for the Board in relation to the company's asset portfolio and their potential and status of the assets in relation to exploration and development . Directors will also (where possible) be taken on site visits to the Company assets and will be encouraged to participate in the Company Management and Staff retreats once restrictions on travel (necessitated by the COVID 19 Pandemic) are eased.

Extra-ordinary general meeting 2021

It is noted that on 8 January 2021, the Company held an EGM at which 20% or more of the votes were cast against the Board recommendation for a resolution, namely in the appointment of three (3) new Directors. The Company duly appointed the nominated directors to the Board.

Further information

The Corporate Governance section of our website sets out our approach to corporate governance, and the roles and responsibilities of the Chairman, Chief Executive and any other Directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups) are shown.

The roles and terms of reference of the Audit and Risk Committee and Remuneration Committee, and a formal written schedule of matters reserved for the Board are also shown on the website.

Previous annual reports and other corporate documents, including notices of all general meetings held in the last five years, are also available on the website.

Audit and Risk Committee Report

Composition
As at 31 December 2020, the Committee was composed of Anthony Hawkins as Chair, Samuel Adegboyega and Mark Simmonds all of which are independent, Non-Executive Directors and have significant recent and relevant financial experience. Following the reconstitution of the Board in 2021, the Committee is currently composed of Anthony Hawkins as Chair, Thomas Richardson, Marco D'Attanasio and Al Tindall, all of which have significant recent and relevant financial experience.

Role and Responsibilities
The Committee's terms of reference designate the role and responsibilities of the audit committee
These are available on Lekoil's website www.Lekoilplc.com

The main duties of the Committee are:
(a) To monitor in discussion with the auditors the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgements contained in them;

(b) To review the Company's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of independent Directors, or by the Board itself, to review the Company's internal control and risk management systems;

(c) To monitor and review the effectiveness of the Company's internal audit function and, where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board;

(d) To make recommendations to the Board, for it to be put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

(e) To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

The CEO and CFO and the external auditors may attend Committee meetings by invitation. Gloria Iroegbunam acted as Secretary to the Committee during the year. The Committee met 4 times in the 2020 year. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

2020 Financial reporting
The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee reviews accounting papers prepared by management providing details on the main financial reporting issues and judgements as well as assessments of the impact of potential new accounting standards. The Committee also reviews reports provided by the external auditor on the annual and interim results which highlight any observations from the work they have undertaken.

The following are the main key judgements and new accounting standards that were considered by the Committee in its review of the 2020 full year Financial Statements:

- Going Concern basis of accounting;
- The carrying value of the Otakikpo field and indicators of impairment;
- The carrying value of the OPL 310 asset and impairment indicators;
- Assessment of impairment indicators relating to the OPL 325 asset, and
- the impact of new accounting standards:
    - Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
    - COVID-19-Related Rent Concessions (Amendment to IFRS 16).
    - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
    - Reference to Conceptual Framework (Amendments to IFRS 3).
    - Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
    - IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Risk management and internal controls
The risk and control management framework of the Group is designed to manage rather than eliminate the risk of

failure to meet the Group's objectives and the system can only provide reasonable and not absolute assurances against material misstatement or loss. The Group faces a number of risks, the significant ones of which are set out in the section on Principal Risks and Uncertainties on pages 13 to 16.

The Group operates an ongoing process of identifying, evaluating and managing significant risks faced by the business. This process includes the following:

- defined organisation structure and appropriate delegation of authority;
- clear responsibility for management to maintain good financial control and the production and review of detailed, accurate and timely financial information;
- regular reports to the Board from Executive Directors, and
- Planned quarterly reviews of the Corporate Risk Register.

During the period, the Risk Management Policy developed in 2018 continued to be implemented. The Policy detailed the process for which risk is managed plus a procedure of review and reporting.

The Company's principal risks which form part of the Group-wide Risk Register are set out on pages 13 to 16

Internal Controls
The internal control framework is based on the Company's assessment of the risks it faces. The effectiveness of the internal control system is monitored by Executive management, and material exceptions are reported to the Committee. As part of this process the Audit Committee also discussed the role, need for and possible timing for an internal audit function. Various options and timing for such a function are currently being considered.

External auditor
Deloitte & Touche Nigeria were appointed auditors of the Group in July 2016. The Committee considers that its relationship with the auditors is working well and is satisfied with their independence, objectivity and effectiveness.

The Committee is responsible for ensuring there is a suitable policy for ensuring that non- audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity.

The Committee held private meetings with the auditors to review key items in their sphere of responsibility, as necessary. Considering the auditor's knowledge of the Group and experience, the Committee has recommended to the Board that the auditors are reappointed for the year ending 31 December 2021

Remuneration report

Scope of Report
The Remuneration Report sets out the Company's remuneration policy and, particularly, its approach for Directors. It also explains how the Company applies the principles of good corporate governance in relation to remuneration.

Composition and Role
As at 31 December 2020, the Remuneration Committee was composed of Aisha Muhammed-Oyebode as Chair and Mark Simmonds . Following the reconstitution of the Board in 2021, the Committee is currently composed of Thomas Richardson, Anthony Hawkins, Marco D'Attanasio and Al Tindall.

The members are all independent Non-Executive Directors of the Company, save that Anthony Hawkins is serving as Interim Executive Chairman. The Committee is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of Executive Directors, and the administration of the Company's share option and share award schemes. It is responsible for determining individual remuneration packages including, where appropriate, bonuses, incentives and share options. The Committee also engages the services of independent remuneration consultants to advise the company on remuneration for the Executive Directors.

Remuneration Policy
The Committee, in forming its policy on remuneration has given due consideration to the needs of the Company, Shareholders and best practice provisions set out in the QCA Code. The ongoing policy of the Committee is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality employees capable of achieving the Group's objectives and to incentivise them effectively, to deliver long-term shareholder value.

The goal of the Committee is to reward key employees using a value-based system which aligns with the performance of the Company, and to apply a remuneration policy that is guided by the broader principle that remuneration should be commensurate with that of comparable companies.

There are four main elements of the remuneration package:
- Base salary and non-executive remuneration;
- Employee benefits;
- Performance-related annual cash bonus; and
- Performance share plan

During 2020 and 2021, the Company had a pension scheme for the Executive Director (Mr. Akinyanmi), in which the Company will make a monthly pension contribution at a rate of 17.5% of the Executive Director's basic salary. There is no pension scheme for Non-Executive Directors.

Base salary and non-executive remuneration
The policy is to pay a fair and reasonable remuneration, considering comparable salaries and fees for similar roles in similar companies. Base salaries are reviewed annually by the Committee having regard to the performance of the Company, individual performance, market data, levels of increases applicable to other employees of the Company and economic conditions.

No changes to employees' salaries were made for 2020.

Employee Benefits
The Company's Directors and Officers are covered under a third-party indemnity insurance. It also provides Healthcare and Pension Plan arrangements for all its employees.

Performance-related annual cash bonus
The Group bonus performance measurement for the Executive Director and senior staff is based upon Group performance against operational, financial and other targets.

At the start of each year the Remuneration Committee specifies target and stretch objectives across several categories reflecting the Company's key operational, financial and strategic objectives for the CEO, CFO and other members of the senior management team, with associated weightings.

Payment of bonuses is however discretionary and subject to the Remuneration Committee's overall assessment of individual and Group performance.

For 2020, these objective categories were: Base Business, comprising Otakikpo production, OPL 310 progress, and SHES (35%); Financial, comprising funding, normalised net profit, and normalised cash flow (35%); Growth, comprising organic and inorganic (15%); External Relations, comprising partners, Government, and investors (10%); and organisational development, comprising personnel and processes (5%).

On an Operational front, the Company did not meet production, project and resource maturation targets set at the start of 2020. Production declined year on year from 759,666 barrels in 2019 to 740,655 barrels in 2020. However, the Company maintained its strong performance in SHES indexes. Some Financial targets were met such as reduction in general and administrative expenses by 33% plus restructuring and consolidation of existing secured interest-bearing term loans with FBNQuest.

Considering the low crude oil prices prevalent in 2020 and the attendant impact on the Company's share price, the Remuneration Committee has taken the view that there should be no award of bonuses in 2020.

For 2021, the annual bonus will operate by same objective categories as 2020. Overall, the Company will prioritise strengthening its financial position, operational efficiency; health, safety, and environment protection; securing funding for programmes on both Otakikpo field and OPL 310; effective portfolio management, profitable growth; staff competency assessment and actualisation, and effective external engagement.

Performance Share Plan

Share awards may be granted to the Company's employees and Directors by the Board, upon recommendation by the Remuneration Committee (except in the case of the Non-Executive Directors, where the Executive Director determine any awards).

There were awards made in 2020 to the following Non-Executive Directors. Anthony Hawkins received 250,000 options and Mortlock Simmonds received 250,000 options. These options were issued under the Non-Executive Director Share Plan ("Share Plan").

Five non-executive directors resigned from their positions as Non-Executive Directors from the Board in 2020. The exiting directors had been awarded options during their appointments. The Board approved that all options yet to vest as at the date of their respective exits will become exercisable and will not be deemed to have lapsed pursuant to the rules of the Share Plan.

The following table summarises the total gross remuneration of the Directors who served during the year ended 31 December 2020 (audited):

				Basic Salary or Fees			
US Dollars	**Cash US$'000**	**Shares US$'000**	**General Benefits US$'000**	**Performance Related Bonus US$'000**	**Vacation Pay US$'000**	**Total 2020 US$'000**	**Total 2019 US$'000**
Executive							
Lekan Akinyanmi (CEO)	805	157	141			1,103	1,249
Lisa Mitchell (CFO)	-	-	-	-	-	-	320
Greg Eckersley (Ag CFO)	-	-	-	-	-	-	175
Non-Executive							
Samuel Adegboyega	79	7				86	136
Aisha Muhammed-Oyebode	75	7				82	100
Greg Eckersley	63	6	-	-	-	69	62
John van der Welle	62	6	-	-	-	68	100
Hezekiah Adesola Oyinlola	38	6	-	-	-	44	100
Thomas Schmitt	38	4	-	-	-	42	90
Anthony Hawkins	100	1	-	-	-	101	-
Mortlock Simmonds	100	1	-	-	-	101	-
	1,360	**195**	**141**	**-**	**-**	**1,696**	**2,332**

The interests of the Directors, who were in office at the end of the financial year, in options over the shares of the Parent Company at 31 December 2019 are:

Director and Plan	Grant Date	Grant Price (GBP)	Vesting End Date	Outstanding Options at 31 December 2019	Lapse Date
Aisha Muhammed-Oyebode[5]					
Executive Stock Incentive Plan	2/19/2013	0.4900	2/19/2016	187,500	2/18/2023
NED Share Plan	12/23/2015	0.4000	12/23/2018	100,000	12/22/2025
NED Share Plan	10/4/2016	0.2113	10/4/2019	100,000	10/3/2026
NED Share Plan	6/28/2017	0.1592	6/28/2020	100,000	6/27/2027
NED Share Plan	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028
Gregory Eckersley[6]					
Executive Stock Incentive Plan	12/3/2010	0.4900	12/3/2013	750,000	12/2/2020
Executive Stock Incentive Plan	12/3/2011	0.4900	12/3/2014	412,500	12/2/2021
NED Share Plan	12/23/2015	0.4000	12/23/2018	100,000	12/22/2025
NED Share Plan	10/4/2016	0.2113	10/4/2019	100,000	10/3/2026
NED Share Plan	6/28/2017	0.1592	6/28/2020	100,000	6/27/2027
NED Share Plan	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028
Hezekiah Adesola Oyinlola[7]					
NED Share Plan	12/23/2015	0.4000	12/23/2018	100,000	12/22/2025
NED Share Plan	10/4/2016	0.2113	10/4/2019	100,000	10/3/2026
NED Share Plan	6/28/2017	0.1592	6/28/2020	100,000	6/27/2027
NED Share Plan	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028
John Van Der Welle[8]					
Executive Stock Incentive Plan	4/4/2013	0.4900	4/4/2016	187,500	4/3/2023
NED Share Plan	12/23/2015	0.4000	12/23/2018	100,000	12/22/2025
NED Share Plan	10/4/2016	0.2113	10/4/2019	100,000	10/3/2026
NED Share Plan	6/28/2017	0.1592	6/28/2020	100,000	6/27/2027
NED Share Plan	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028
Lisa Mitchell					
Long Term Incentive Plan	10/1/2017	0.1716	10/1/2020	-	12/28/2019
Long Term Incentive Plan	8/3/2018	0.1973	8/3/2021	-	12/28/2019
Olalekan Akinyanmi[9]					
Executive Stock Incentive Plan	12/3/2010	0.4900	12/3/2013	5,480,000	12/2/2020
Long Term Incentive Plan	12/23/2015	0.4000	12/23/2018	3,143,000	12/22/2025
Long Term Incentive Plan	10/4/2016	0.2113	10/4/2019	2,600,000	10/3/2022
Long Term Incentive Plan	6/28/2017	0.1592	6/28/2020	2,500,000	6/27/2027
Long Term Incentive Plan	8/3/2018	0.1973	8/3/2021	2,500,000	8/2/2028
Sam Adegboyega[10]					
Executive Stock Incentive Plan	12/3/2010	0.4900	12/3/2013	750,000	12/2/2020
NED Share Plan	12/23/2015	0.4000	12/23/2018	100,000	12/22/2025
NED Share Plan	10/4/2016	0.2113	10/4/2019	100,000	10/3/2026
NED Share Plan	6/28/2017	0.1592	6/28/2020	100,000	6/27/2027
NED Share Plan	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028

[5] Total options outstanding for Aisha Muhammed-Oyebode is 587,500 of which 387,500 options have vested.
[6] Total options outstanding for Gregory Eckersley is 1,562,500 of which 1,362,500 had vested at cessation date. The remaining 200,000 unvested options will not lapse but become exercisable according to the rules of the Share Plan.
[7] Total options outstanding for Hezekiah Adesola Oyinlola is 400,000 of which 200,000 options had vested at cessation date. The remaining 200,000 options shall become exercisable according to the rules of the Share Plan.
[8] Total options outstanding for John Van Der Welle is 587,500; 387,850 options had vested at the time of his exit. The remaining 200,000 options shall become exercisable according to the rules of the Share Plan.
[9] Total options outstanding for Lekan Akinyanmi has total options of 16,223,000 of which 11,223,000 have vested.
[10] Samuel Adegboyega has 1,150,000 options; 950,000 of which have vested.

Director and Plan	Grant Date	Grant Price (GBP)	Vesting End Date	Outstanding Options at 31 December 2019	Lapse Date
Thomas Schmitt					
NED Share Plan[11]	8/3/2018	0.1973	8/3/2021	100,000	8/2/2028
Mark Simmonds[12]					
NED Share Plan	10/30/2020	0.2113	10/30/2023	250,000	10/30/2030
Anthony Hawkins[13]					
NED Share Plan	10/30/2020	0.2113	10/30/2023	250,000	10/30/2030
Grand Total				**21,110,500**	

** The Group issued options with three different exercise prices $1, $3.75, and $7.50 in 2012. The share price was estimated based on recent arm's length share issues. On 17 May 2013, the issued options with exercise prices of $1.00 & $3.75 were cancelled and the issued options with exercise price of $7.50 were subdivided by a factor of ten in line with the Company's capital reorganisation which resulted in a share split of 10:1. The exercise price of the outstanding options was also subdivided by a factor of ten resulting in a reduction in exercise price from $7.50 to $0.75 and an increase in total number of option shares from 6,000,000 to 19,000,000. Effective 26 March 2014, the exercise price of the outstanding stock options was changed from US$0.75 to GB£0.49 using a conversion rate of US$1.53 to GB£1.00 and the existing stock option agreements have been amended to reflect the exercise price in GB£. Options granted in 2014 and 2015 were issued at an exercise price of GB£0.40 Options grated in 2016 were issued at an exercise price of GB£0.2113 while options granted in 2017 were issued at exercise prices of £0.1592 & £0.1716. Options granted in 2018 were issued at an exercise price of GB£0.1973. There were no share options exercised by the Directors during the year end 2019*

[11] At the time of exit as a non-executive director, all 100,000 options awarded to Thomas Schmitt were yet to vest. However, in line with Board approval these will not lapse but become exercisable in line with the rules of the Share plan.

[12] Mark Simmonds was awarded 250,000 shares on the 30th of October 2020 under the NED Share plan.

[13] Anthony Hawkins was awarded 250,000 shares on the 30th of October 2020 under the NED Share plan.

Independent Auditor's report
To the Shareholders of Lekoil Limited
Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Lekoil Limited and its subsidiaries (together referred to as "the Group") set out on pages 35 to 82 which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of Lekoil Limited and its subsidiaries. This is because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. Going Concern:

   The Group sustained a loss after tax of US$119.3 million for the financial year ended 31 December 2020 (2019: US$12 million) and have negative working capital of US$32.2 million in respect of the 2020 financial year end (2019: US$17.5 million). Note 2.2 discusses the material uncertainty related to the going concern basis of accounting.

   Subsequent to year end, there has been a breakdown in the relationship between the Board of Lekoil Limited and the Board of Lekoil Nigeria Limited. As disclosed in note 31, as at 31 December 2020, Lekoil holds a 40% ownership interest in Lekoil Nigeria Limited and is entitled to 90% of any distributions (i.e., dividends, other distributions and any return of capital (whether following winding-up, reduction of capital or any other forms of return of capital) from, Lekoil Nigeria Limited. On 01 April 2021, the Directors of Lekoil Nigeria Limited informed the Lekoil Limited Board that its Board would start operating and making decisions related to its operations as contained in the shareholders' agreement. The Board of Lekoil Nigeria Limited further stated that it would no longer fund any of the costs of Lekoil Limited and its subsidiaries, thereby limiting the ability of Lekoil Limited to access operational funds, Lekoil Oil and Gas Investments Limited a wholly-owned subsidiary of Lekoil Nigeria Limited is currently the only cash-generating unit of the Group.

   In addition, the Group forecasts that it will be able to operate within its contractual financial obligations considering the Group's ability to defer its creditors' payments over the next 12 months. However, included in the Group's account payables as at year end is US$6.6 million due to one of its Joint Operating partners, which the Group's management has deferred for 18 months in its cash flow forecast. The Group was not able to obtain approval from the Joint Operating Partner with respect to the 18 months deferment. There has been no evidence to support the assumption that the Joint Operating Partner will provide such a deferral and without such agreement by the Joint Operating partner, the Directors would have no reasonable alternative basis to continue as going concern.

   Consequently, and in the absence of any alternative evidence available to us, we were unable to form a view as to whether it is appropriate to prepare the consolidated financial statements using the going concern basis of accounting.

2. Impairment of Exploration and Evaluation asset

   As disclosed in note 17, the Board of Lekoil Limited has determined an impairment charge of US$107.5 million on Oil Prospecting License (OPL) 310 based on the Board assessment of the asset's value in use and recorded a topside adjustment in the consolidation of the subsidiary's account. This asset represented 72% of the group's net assets prior to the impairment and the impairment represents 90% of the loss for the year. We were not provided sufficient and appropriate audit evidence on how the Board arrived at its impairment value. As a result of the intra-group relationship matters discussed above in relation to going concern, we were also

unable to perform audit procedures on the assessment and additional impairment charge provided by the Directors.

As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect of this impairment to the value of Exploration and Evaluation assets and the resultant charge in the consolidated statement of profit or loss and other comprehensive income.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group'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 intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are independent of the Group in accordance with the requirements of the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Nigeria, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Folorunso Hunga, FCA-FRC/2013/ICAN/00000001709
for: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
15 October 2021

Consolidated statement of profit or loss and other comprehensive income or loss

	Notes	2020 USD'000	2019 USD'000
Revenue	8	32,923	42,027
Cost of sales	9	(19,639)	(14,133)
Gross profit		**13,284**	**27,894**
Operating expenses	10	(5,844)	(7,734)
Impairment loss	11	(111,489)	-
General and administrative expenses	12	(16,301)	(21,436)
Operating profit (loss)		**(120,350)**	**(1,276)**
Finance and other income	13	1,008	238
Finance expense	13	(2,566)	(3,877)
Net finance expense		**(1,558)**	**(3,639)**
Loss before income tax		**(121,908)**	**(4,915)**
Income tax benefit/ (expense)	14.4	2,608	(7,118)
Loss for the year		**(119,300)**	**(12,033)**
Other comprehensive income for the year, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(119,300)**	**(12,033)**
Attributable to:			
Owners of the Company		(108,048)	(11,578)
Non-controlling interests		(11,252)	(455)
		(119,300)	**(12,033)**
Loss per share:			
Basic loss per share ($)	15.1	**(0.22)**	**(0.02)**
Diluted loss per share ($)	15.2	**(0.22)**	**(0.02)**

The notes on pages 39 to 82 form an integral part of these financial statements.

Consolidated statement of financial position
As at 31 December 2020

Assets	Notes	2020 USD'000	2019 USD'000
Non-current assets			
Property, plant and equipment	16	27,008	35,242
Exploration and evaluation assets	17	26,329	131,832
Intangible assets	18	1,958	2,869
Deferred tax assets	14.3	17,456	13,580
Other assets	22	25,536	22,603
		98,287	**206,126**
Current assets			
Inventories	19	1,002	2,777
Trade receivables	20	1,133	-
Other receivables	21	1,663	4,283
Other assets	22	2,097	1,577
Cash and bank balances	23	3,030	2,733
		8,925	**11,370**
Total assets		**107,212**	**217,496**
Current liabilities			
Trade and other payables	24	33,079	20,563
Current tax payables	14.5	2,200	1,126
Loans and borrowings	26	5,800	7,149
		41,079	**28,838**
Non-current liabilities			
Provision for asset retirement obligation	25	2,390	2,265
Loans and borrowings	26	8,353	12,049
		10,743	**14,314**
Total liabilities		**51,822**	**43,152**
Net assets		**55,390**	**174,344**
Capital and reserves			
Share capital	27	27	27
Share premium	27	264,004	264,004
Accumulated deficit		(203,274)	(95,226)
Other reserves		22	22
Share based payment reserve		10,267	9,921
Equity attributable to owners of the Company		**71,046**	**178,748**
Non-controlling interests	28	**(15,656)**	**(4,404)**
Total equity		**55,390**	**174,344**

These consolidated financial statements were approved by the Board of Directors on 15 October 2021 and signed on its behalf by:

Anthony Hawkins, Interim Executive Chairman
15 October 2021

The notes on pages 39 to 82 form an integral part of these financial statements.

Consolidated statement of changes in equity

	Notes	Share capital US$'000	Share premium US$'000	Accumulated deficit US$'000	Other reserves US$'000	Share-based payments reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 January 2019		**27**	**264,004**	**(83,648)**	**22**	**8,849**	**189,254**	**(3,949)**	**185,305**
Total comprehensive income for the year									
Loss for the year		-	-	(11,578)	-	-	(11,578)	(455)	(12,033)
Transactions with owners of the Company									
Share-based payment- personnel expenses	29	-	-	-	-	1,072	1,072	-	1,072
Balance at 1 January 2020		**27**	**264,004**	**(95,226)**	**22**	**9,921**	**178,748**	**(4,404)**	**174,344**
Total comprehensive income for the year									
Loss for the year		-	-	(108,048)	-	-	(108,048)	(11,252)	(119,300)
Transactions with owners of the Company									
Share-based payment- personnel expenses	29	-	-	-	-	346	346	-	346
Balance at 31 December 2020		**27**	**264,004**	**(203,274)**	**22**	**10,267**	**71,046**	**(15,656)**	**55,390**

The notes below are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	2020 USD'000	2019 USD'000
Operating activities			
Loss for the year		(119,300)	(12,033)
Adjustments to loss for the year to net cash generated from/by operating activities:			
- Equity-settled share-based payment		346	1,072
- Impairment loss		111,489	-
- Finance cost		2,180	3,463
- Finance Income		(1,008)	-
- Revaluation adjustments for loans and borrowings		-	435
- Deferred tax	14.3	(3,876)	4,716
- Depreciation and amortization	16 & 18	7,589	8,917
Cash flow generated from operations before working capital adjustments		**(2,580)**	**6,570**
Changes in:			
Inventory	19	1,775	(1,138)
Trade and other payables	24	12,516	(791)
Other assets	22	(520)	2,287
Trade and other receivables		1,487	12,022
Income taxes	14	1,268	2,402
Cash generated from operations		**13,946**	**21,352**
Income taxes paid		(194)	(6,400)
Finance Income		1,008	-
Net cash generated from operating activities		**14,760**	**14,952**
Investing activities			
Acquisition of property, plant and equipment		(2,362)	(3,362)
Optimum funded and Afren asset		(2,933)	(13,032)
Acquisition of accounting software		(41)	(678)
Recoveries from pre-paid development costs		-	931
Acquisition of exploration and evaluation assets		(2,027)	(1,850)
Net cash used in investing activities		**(7,363)**	**(17,991)**
Financing activities			
Loan draw-down		4,350	11,500
Repayment of loan	26	(9,148)	(12,614)
Interest costs related to loan	26	(1,984)	(3,230)
Transaction costs related to loan	26	(318)	(307)
Net cash used in financing activities**		**(7,100)**	**(4,651)**
Increase/(decrease) in cash and bank balances		297	(7,690)
Cash and bank balances at 1 January		2,733	10,423
Cash and bank balances at 31 December		**3,030**	**2,733**

** Changes in liabilities arising from financing activities have been disclosed in note 26.
The notes below are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

Lekoil Limited (the "Company" or "Lekoil") is a company domiciled in the Cayman Islands with registration number WK- 248859. The address of the Company's registered office is c/o Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group's principal activity is exploration and production of oil and gas.

2. Basis of preparation

2.1. Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). The consolidated financial statements were authorised for issue by the Board of Directors on 15 October 2021.

The consolidated financial statements comprise:

- Consolidated statement of profit or loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows and
- Notes to the consolidated financial statements

2.2. Material uncertainty related to Going concern basis of accounting

These consolidated financial statements have been prepared on the going concern basis of accounting, which assumes that the Group will continue in operation for the foreseeable future and be able to realise its assets and discharge its liabilities and commitments in the normal course of business. There is however a material uncertainty that can cast significant doubt on the Group's ability to continue as a going concern which is discussed below.

The Directors of the Group draw the users' attention to the recurring losses after tax of US$119.3 million incurred in the current year (2019: US$12.0 million). The Group also has a negative working capital position of US$32.2 million (2019: US$17.5 million) and this is an indicator of a possible liquidity concern.

The Group closely monitors and carefully manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios but not limited to, changes in commodity prices and different production rates from the Group's producing asset. Cash forecasts have been prepared with the base case run using an average crude oil price US$67/bbl. for the periods covered by the Going concern model (i.e. 12 months from the signing date).

The Group is able to take mitigating actions to improve liquidity, including further reducing its operational costs; deferment of capital activities on OPL 310 and other capital projects until it has raised the required funds to execute them; to further renegotiate its debt obligation; and to raise additional funds if the need arise from either the equity or debt markets.

The Group has reached agreements on the deferral of re-payment terms of its current liabilities with certain of its creditors which alleviates cash flow requirements within the next 12 months. However, included in the account payable balance is an amount of US$6.6 million due to one of its joint operating partners which the Directors have deferred for 18 months in its cash flow forecast. The Group has not been able to conclude on negotiations with this joint operating partner to defer the payment for the next 18 months when the Group will be able to commence repayment of the liability. The Group also relies on the ability to manage the payment of taxes to the Nigerian government. This situation indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's base assumptions show that it will be able to operate within its contractual financial obligations taking into consideration the Group's ability to defer its creditors' payments, manage the payment of taxes and (if necessary) relinquish assets over the next 12 months. The Company is also limited in terms of funds available to it so it will need to seek additional funding to be able to carry out its work.

The Group continues to monitor its cash flow forecasts and would take mitigating actions in advance including further negotiations with creditors for the deferment of their payments and deferment of capital expenditure until it has raised the required funds to execute them.

Notwithstanding the material uncertainty, the Directors' confidence in the Group's cash forecast supports the preparation of the financial statements on a going concern basis.

2.3. Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments and share based payments which are measured at fair values.

2.4. Functional and presentation currency

These consolidated financial statements are presented in US Dollars which is the Company's functional currency. All amounts have been rounded to the nearest thousands of dollars (1,000), unless otherwise indicated.

2.5. Use of estimates and judgments

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2.5.1. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 2.2 – Going concern basis of accounting.
- Note 17 – Exploration and evaluation accounting judgment. The Group policy is to capitalise all expenditure incurred during the exploration and appraisal phase until the determination process has been completed or until such point as commercial reserves have been established. Exploration and evaluation assets are expected to be recouped in future through successful development and exploitation of the area of interest.
- Note 22 – The Group's assumption that Optimum funded obligation will not be fully recovered through successful development of OPL (Oil Prospecting License) 310.
- Note 22 – On the basis that the Group requires Ministerial Consent to take control of the OPL 310 oil mineral rights interest held by Afren Oil and Gas, the Group has not consolidated Afren Oil and Gas.
- Note 31 – The Group has applied relevant judgement in the consolidation of LEKOIL Nigeria Limited as supported by the standard and interpretation of the shareholder's agreement which has been disclosed alongside key judgements in note 31, given its less than 50% ownership interest but 90% economic interest in LEKOIL Nigeria Limited.

2.5.2. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the year ending 31 December 2020 is included in the following notes:

- Note 2.2 - Going concern. Key assumptions made, and judgment exercised by the Directors in preparing the Group's cash forecast.
- Note 14.3 – Recognised deferred tax assets. Availability of future taxable profit against which carry forward losses can be utilised.
- Note 11 – Impairment of oil and gas assets. Key assumptions underlying the impairment assessment relate to, amongst other things: the carrying value of exploration and appraisal assets, the potential that the Group will fail to meet its obligations under the license agreement, projected crude prices, estimated production and considerations around the applicable weighted average cost of capital (WACC).
- Note 25 - Provisions for asset retirement obligation. Key assumptions underlying the asset retirement obligation as at year end.
- Note 32.5 – Litigations and claims. Key assumptions about the likelihood and magnitude of future outflow

of economic resources arising from ongoing legal disputes. The Group does not expect any adverse judgement regarding these cases based on advice received from its solicitors.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

3.1. Basis of consolidation and Business combinations

3.1.1. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the

amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3.1.2. Business combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3.1.3. Interest in joint operations
A joint operation is a joint arrangement whereby the parties that have joint operation of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work programme and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the Group's joint arrangements. All the Group arrangements have been classified as joint operations addition, the Group has also its joint arrangement as a joint operations. Making this classification requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
    - The legal form of the separate vehicle.
    - The terms of the contractual arrangement; and
    - Other facts and circumstances, considered on a case-by-case basis.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

Otakikpo marginal field
The Otakikpo marginal field lies in a coastal swamp location in OML 11, adjacent to the shoreline in the south-eastern part of the Niger Delta.

The Group farmed-in to Otakikpo in May 2014 for the acquisition of 40 percent participating interest from Green Energy International Limited ("GEIL"), the operator of the field. The consideration paid to GEIL for the

acquisition of the interest comprised a signature bonus of US$7 million and a production bonus of US$ 4 million.

Commercial production commenced in February 2017 and the asset has been producing steadily till date.

OPL 310
OPL 310 is located in the Dahomey Basin on the West African Transform Margin. The block extends from the shallow water continental shelf close by the City of Lagos, into deeper water.

The Group farmed-in to OPL 310 in 2013 for a 17.14 percent participating interest but received the consent of the Minister of Petroleum Resources of Nigeria for the approval of the acquisition of the 17.14 participating interest on 9 June 2017.

The operator of the field is Optimum Petroleum Development Limited having 60 percent participating interest while the remaining 22.86 percent is held by Afren Investments Oil and Gas (Nigeria) Limited.

The Federal Government of Nigeria granted during the year, an extension of the asset's licence for additional 3 years effective 2 August 2019. The asset is at appraisal and exploration stage.

OPL 325
OPL 325 is located in the offshore Dahomey Basin within the wrench zone that straddles the western Niger Delta and is located 50km to the south of OPL 310.

Ashbert Oil and Gas Limited has 70 percent participating interest in the OPL 325. The other partners to OPL 325 are National Petroleum Development Company Limited (NPDC) that has 20 percent working interest and a Local content vehicle that has 10 percent working interest.

In October 2015, the Group entered into an agreement with Ashbert Limited to acquire, via Lekoil Exploration and Production Nigeria Limited, 88.57 percent of the issued share capital of Ashbert Oil and Gas Limited.

Ashbert Oil & Gas Limited was awarded the OPL 325 licence for an initial consideration of US$16.1 million, with other payments due at development milestones totalling US$24.1 million. The Production Sharing Contract is yet to be finalised.

3.2. Foreign currency

The US Dollar is the presentation and functional currency of the Group.

Transactions in foreign currencies are recorded at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated into functional currency at the exchange rate ruling at the balance sheet date, with a corresponding charge or credit to the profit or loss account.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income ("OCI"):

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- exchange differences on transactions entered to hedge foreign currency risks.

3.3. Revenue

3.3.1. Sale of crude

Revenue represents sales value of Group's share of liftings in the year. Revenue is recognised when or as the Group satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil usually coincides with title passing to the customer and the customer taking physical possession.

When, or as a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the Group expects to be entitled.

3.3.2. Costs of sales

Production expenditure, crude treatment and processing expenditure, crude evacuation and lifting expenditure, depreciation, depletion and amortisation of oil and gas assets and crude handling expenditure are reported as costs of sales. These costs are directly attributable costs in the production of revenue.

3.3.3. Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

3.3.4. Overlift and underlift

Lifting or offtake arrangements for oil and gas production in certain of the Group’s jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlement’s basis.

In respect of redeterminations, any adjustments to the Group’s net entitlement of future production are accounted for prospectively in the period in which the make-up oil is produced. Where the make-up period extends beyond the expected life of a field, an accrual is recognised for the expected shortfall.

3.3.5. Third party crude handling revenue

This represents revenue earned for storage, handling and exportation of crude for third party. Revenue is recognised when or as the Group satisfies a performance obligation for crude storage, handling and export of crude on behalf of third party and when the volume of the third-party crude can be reasonably estimated. The transaction charge out rate is pre-agreed with the Third party. Revenue is recognised at a point in time.

3.4. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

3.5. Financial instruments

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3.5.1. Financial assets

Financial assets are classified in the following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income (“FVTOCI”); and
- financial assets measured at FVTPL.

At initial recognition, a financial asset is measured at its fair value; at initial recognition, trade receivables that do not have a significant financing component are measured at their transaction price. After initial recognition, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost. For financial assets measured at amortised cost, interest income determined using the effective interest rate, foreign exchange differences and any impairment losses are recognised in the profit or loss account.

Conversely, financial assets that are debt instruments are measured at FVTOCI. In these cases: (i) interest income determined using the effective interest rate, foreign exchange differences and any impairment losses are recognised in the profit or loss account; (ii) changes in fair value of the instruments are recognised in equity, within other comprehensive income. The accumulated changes in fair value, recognised in the equity reserve related to other comprehensive income, is reclassified to the profit and loss account when the financial asset is derecognised.

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss account.

Impairment of financial assets
The Group assesses the expected credit losses associated with financial assets classified as measured at amortised cost at each balance sheet date. Expected credit losses ("ECL's") are measured based on the maximum contractual period over which the Group is exposed to credit risk. The measurement of ECL's is a function of the probability of default, loss event default and exposure at default. The ECL is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the Group expects to receive discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognised in the income statement.

ECL's are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL"). For trade receivables, the Group applies a simplified approach in calculating ECL's.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debts instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3.5.2. Financial liabilities and equity
Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is:
- contingent consideration of an acquirer in a business combination;
- it is designated as at FVTPL.

A financial liability is classified as held for trading if:
- it has been acquired principally for repurchasing it in the near term; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not:
- contingent consideration of an acquirer in a business combination;
- designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.6. Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and

equipment. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Motor vehicles	5 years
Furniture and fittings	5 years
Leasehold improvement	2 years
Leasehold asset	over the life of the mineral right
Computers, Communication & Household Equipment	4 years
Plant Machinery, Storage Tank & Others	4 years
Oil and gas assets	Unit of production method based on proved developed reserves

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7. Exploration and Evaluation (E&E) expenditures

Licence acquisition costs
Licence acquisition costs are capitalised as intangible E&E assets. These costs are reviewed on a continual basis by management to confirm that activity is planned and that the asset is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs are written off. Capitalised licence acquisition costs are measured at cost less accumulated amortisation and impairment losses. Costs incurred prior to having obtained the legal rights to explore an area are expensed directly as they are incurred.

Exploration expenditure
All exploration and appraisal costs are initially capitalised in well, field or specific exploration cost centres as appropriate pending future exploration work programmes and pending determination. All expenditure incurred during the various exploration and appraisal phase is capitalised until the determination process has been completed or until such point as commercial reserves have been established. Payments to acquire technical services and studies, seismic acquisition, exploratory drilling and testing, abandonment costs, directly attributable administrative expenses are all capitalised as exploration and evaluation assets. Capitalised exploration expenditure is measured at cost less impairment losses.

Treatment of E & E assets at conclusion of exploratory and appraisal activities
Exploration and evaluation assets are carried forward until the existence, or otherwise, of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment or intangible assets. If, however, commercial reserves have not been found, the capitalised costs are charged to expense after the conclusion

of the exploratory and appraisal activities. Exploration and evaluation costs are carried as assets and are not depreciated prior to the conclusion of exploratory and appraisal activities.

An E&E asset is assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such circumstances include the point at which a determination is made as to whether or not commercial reserves exist. Where the E&E asset concerned falls within the scope of an established full cost pool, the E&E asset is tested for impairment together with any other E&E assets and all development and production assets associated with that cost pool, as a single cash generating unit.

The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the E&E asset to be tested falls outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E asset concerned will be written off in full.

3.8. Development expenditure

Once the technical feasibility and commercial viability of extracting oil and gas resources are demonstrable, expenditure related to the development of oil and gas resources which are not tangible in nature are classified as intangible development expenditure. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses. Amortisation of development assets attributable to the participating interest is recognised in profit or loss using the unit-of-production method based on proved developed reserves.

3.9. Leases

The Group as lessee

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

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

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

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

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

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

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

case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3.10. Inventories

Inventories comprise of crude oil stock at period end and consumable materials.

Inventories are valued at the lower of cost and net realisable value. Cost of consumable materials is determined using the weighted average method and includes expenditures incurred in acquiring the stocks, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items where appropriate.

3.11. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Group expends resources or incurs liabilities on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes on systems, licences, signature bonus, intellectual property, market knowledge and trademarks.

The Group recognises an intangible asset if, and only if;

i. economic benefits that are attributable to the asset will flow to the entity; and
ii. the costs of the asset can be measured reliably.

The Group assesses the probability of future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Intangible assets are measured initially at cost.

Amortisation is calculated to write off the cost of the intangible asset less its estimated residual value using the straight-line basis over the estimated useful lives or using the units of production basis from the date that they are available for use. The estimated useful life and methods of amortisation of intangible assets for current and comparative years are as follows:

Type of asset	**Basis**
Mineral rights acquisition costs (signature bonus)	Amortised over the licence period.
Accounting software	Amortised over a useful life of three years.
Geological and geophysical software	Amortised over a useful life of five years.

3.12. Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount

because of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions
The grant-date fair value of equity-settled share-based payment awards granted to employees and others providing similar services is recognised as an employee expense and other general and administrative expense respectively, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based-payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Post-employment benefits
Defined contribution plan
A defined contribution plan is a post-employment benefit plan (pension fund) under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014, a subsidiary domiciled in Nigeria has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the subsidiary's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their gross salary to the fund monthly. The subsidiary's contribution is 10% of each employee's gross salary.

3.13. Provisions
A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group's Asset Retirement Obligation ("ARO") primarily represents the estimated present value of the amount the Group will incur to plug, abandon and remediate its areas of operation at the end of their productive lives, in accordance with applicable legislations. The Group determines the ARO on its oil and gas properties by calculating the present value of estimated cash flows related to the liability when the related facilities are installed or acquired.

Contingent liabilities
A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

3.14. Finance income, other Income and finance costs
Finance income comprises, where applicable, interest income on funds, dividend income, gains on the disposal of financial assets.,

Finance costs comprise, where applicable, interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, dividends on preference shares classified as liabilities. Cash payments relating to finance costs are recognized in cashflow from financing activities because they are costs of obtaining financial resources.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Other income comprises, foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.15. Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

3.16. Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group defines its producing assets as operating segments in accordance with IFRS 8 Operating Segments.

3.17. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporal differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the way the Group

expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.18. Prepaid assets

The prepaid assets recognised as a result of OPL 310 are released to the income statement on a unit of production method.

4. Measurement of fair values

Several of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation expert that has responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager of Commercial.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

Note 29- share-based payment arrangements
Note 33 - financial risk management and financial instruments

5. Adoption of new and revised International Financial Reporting Standards

5.1. New and amended IFRS Standards that are effective for the current year

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7.

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The amendments has no impact on the business operation of the Group.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease

In the current financial year, the Entity has applied the amendment to IFRS 16 (as issued by the IASB in May 2020) in advance of its effective date.

Impact on accounting for changes in lease payments applying the exemption. The Entity has applied the practical expedient retrospectively to all rent concessions that meet the conditions in IFRS 16:46B and has not restated prior period figures. There was no material impact to the business from application of the amendment to IFRS 16

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

The directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments will have an impact on The Entity's financial statements in future periods should such transactions arise. However, the Group did not early adopt the amendments.

Amendments to IFRS 3 *Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Entity of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted. However, the Group did not early adopt the amendments.

Amendments to IAS 1 and IAS 8 *Definition of material*

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

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

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

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted. The amendments have no impact on the business operation of the Group.

Amendments to References to the* Conceptual Framework in *IFRS Standards

Together with the revised Conceptual Framework, which became effective upon publication on 29 March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted. The amendments have no impact on the business operation of the Group.

5.2. New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17- Insurance Contracts
- IFRS 10 and IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 16 - Property, Plant and Equipment Proceeds before Intended Use
- Amendments to IAS 37- Onerous Contracts Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

IFRS 17 *Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It considers market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting

period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The newly revised standard has no impact on the business operation of the Group. Furthermore, the Group did not early adopt the new standard.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments will have an impact on the Company's financial statements in future periods should such transactions arise. However, the impact is not considered to be material.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The directors of the Company anticipate that the application of these amendments does not have any material impact on the Company's financial statements.

Amendments to IFRS 3 – Reference to the Conceptual Framework
The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. The directors of the Company anticipate that the application of these amendments will not have any material impact on the Company's financial statements in future periods should such transactions arise.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently,

an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The directors of the Company anticipate that the application of these amendments will not have any material impact on the Company's financial statements in future periods should such transactions arise.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The directors of the Company anticipate that the application of these amendments will not have any material impact on the Company's financial statements in future periods should such transactions arise.

Annual Improvements to IFRS Standards 2018–2020
The Annual Improvements include amendments to four Standards.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards**
  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1: D16(a).
  The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
- **IFRS 9 Financial Instruments**
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender,

including fees paid or received by either the entity or the lender on the other's behalf.
The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.
The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **IFRS 16 *Leases***
  The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.
- **IAS 41 Agriculture**
  The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.
  The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

6. Operating segments

The Group has a single class of business which is exploration, development and production of crude oil and natural gas. For management purposes, the Group is organised into geographical locations and has one reportable segment under IFRS 8 Operating Segment which is Nigeria. Other geographic locations within the group are classified within Other operating segments.

The Chief Operating Decision Maker (CODM) monitors the operating results of the production asset entities for of the consolidated group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on total profit or loss.

The accounting policies used by the Group in reporting segments internally are the same as those described in the significant accounting policies in Note 3.

The following is an analysis of the Group's revenue and results by reportable segment in 2020. Profit / (loss) for the year represents total profit or loss for the year after taxation. This is the measure reported to the Group's CODM for the purpose of resource allocation and assessment of segment performance.

	Nigeria 2020 US$'000	Other 2020 US$'000	Consolidated 2020 US$'000
Revenue	32,923	-	32,923
Loss for the year	(112,518)	(6,782)	(119,300)

	Nigeria 2019 US$'000	Other 2019 US$'000	Consolidated 2019 US$'000
Revenue	42,027	-	42,027
Loss for the year	(4,559)	(7,474)	(12,033)

Other segment information

	Nigeria 2020 US$'000	Other 2020 US$'000	Consolidated 2020 US$'000
Finance income	662	346	1,008
Finance expense	(2,542)	24	(2,566)
Impairment loss	(111,489)	-	(111,489)
Depreciation and amortisation	(7,589)	-	(7,589)
Income tax benefit	2,608	-	2,608

	Nigeria 2019 US$'000	Other 2019 US$'000	Consolidated 2019 US$'000
Finance income	238	-	238
Finance expense	(3,877)	-	(3,877)
Depreciation and amortisation	(8,917)	-	(8,917)
Income tax expense	(7,118)	-	(7,118)

Other segment information represents information included in the measure of segment profit or loss reviewed by the Group's CODM.

6.1. Geographical information

The Group's revenue from external customer and information about non-current assets excluding financial instruments, deferred tax assets and other financial assets are detailed below:

	Revenue		Non-current assets	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Nigeria	32,923	42,027	80,831	192,546
USA	-	-	-	-
Cayman Islands	-	-	-	-
	32,923	**42,027**	**80,831**	**192,546**

6.2. Information about major customer

The Group has a single customer which contributes 100 percent of the Group's revenue in 2020 and 2019. The Group's revenue from this customer is disclosed in note 8.

7. Capital Management

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital using a ratio of adjusted net debt to equity. For this purpose, adjusted net debt is defined as total liabilities less cash and bank balances.

The Group's net debt to equity ratio at the end of the reporting year was as follows:

	2020 US$'000	2019 US$'000
Total liabilities	51,822	43,152
Less: cash and bank balances	(3,030)	(2,733)
Net debt	48,792	40,419
Equity	55,390	174,344
Net debt to equity ratio	**0.88**	**0.23**

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

8. Revenue

	2020 US$'000	2019 US$'000
Crude proceeds	31,790	42,027
Third party crude handling revenue	1,133	-
	32,923	**42,027**

Crude proceeds of US$31.8 million represents the Group's share of crude oil sales from Otakikpo operation during the year, which is recognised as revenue ("equity crude"), (31 December 2019: US$42.0 million). The Group's equity crude was 887,811 barrels (31 December 2019: 677,788 barrels) out of which the Group lifted 839,341 barrels (31

December 2019: 634,407 barrels). The balance of 48,470 barrels (31 December 2019: 43,381 barrels) representing the Group's share of overriding royalty crude was lifted on its behalf by its joint operating partner GEIL based on an agreed lifting arrangement.

	2020		2019	
	Barrels	**US$'000**	**Barrels**	**US$'000**
Equity crude	887,811	31,790	677,788	42,027
Cost recovery crude	-	-	32,745	1,875
	887,811	**31,790**	**710,533**	**43,902**

The Group has a single customer Shell Western Supply and Trading Limited whom it executed a crude off take agreement with.

The Group earned revenue from Ubima Crude Handling Service Fee Agreement totalling US$1.1 million for storage, handling and exportation services provided to Ubima Joint operations. The Otakikpo joint operations processed 385,395 barrels of crude for Ubima Joint operations during the year.

9. Cost of sales

	2020 US$'000	2019 US$'000
Depletion	6,638	6,212
Crude handling, evacuation and production operation costs	7,237	6,011
Royalty expenses	2,689	3,146
Stock adjustments	3,039	(1,236)
Other expenses	36	-
	19,639	**14,133**

10. Operating expenses

	2020 USD'000	2019 USD'000
Field personnel costs	2,675	3,474
Community and security expenses	2,215	2,345
Field facility management costs	654	200
Gas flaring	242	331
Other operating costs	58	1,384
	5,844	**7,734**

11. Impairment loss

	2020 US$'000	2019 US$'000
Property, plant and equipment	3,726	-
Exploration and appraisal assets	107,530	-
Intangible assets	233	-
Charge for the period	**111,489**	**-**

As at 31 December 2020, the Company performed an impairment test for its cash-generating unit (Otakikpo marginal field) and estimated its recoverable value using a discounted cash flow method. Based on the test results with net recoverable value of US$29.6 million as against initial assets carrying value of US$33.6 million, the Company has recorded an impairment loss of c. US$4.0 million with respect to this asset.

The impairment loss was calculated by comparing the future discounted pre-tax cash flows expected to be derived from production of commercial reserves (the value-in-use) against the carrying value of the asset.

The net recoverable value of Otakikpo marginal field was determined based on the following assumptions:

- Cash-flows are based on internal model used for business plan and include future production, revenue, costs and capital expenditures
- Cash-flows are calculated for the period from 1 January 2021 to the end of license
- The discount rates are pre-tax and are calculated based on the weighted average cost of capital (WACC) for Lekoil Oil and Gas Investments Limited and market data. Directors have used two separate discount rates for

different future periods (46.9% for cash flow projections up to 2021 and 45.6% for cash flow projections for the remainder of the asset's life) due to the sensitivity of the value-in-use to the difference in risks in these periods.

- The Company based its cash flow projections on the following price deck determined based on internal and external analysis:

Year	2021	2022	2023	2024	2025	2026
Average oil price	US$52.0	US$48.4	US$46.8	US$45.7	US$45.6	US$45.5

In addition, the Company performed an impairment test on its exploration and appraisal assets. The result of this testing was an assessment of recoverable value of OPL 310, based on an estimate of the asset's remaining option value, to be approximately US $10 million which has resulted in an impairment charge of US $107.5 million.

During 2020, efforts to raise the development funding required, whether through farm-out or fundraise proved to be unsuccessful. The current Board considers Lekoil Nigeria, via its subsidiary Mayfair Assets and Trust Limited, would be unable to meet its commitments on the license prior to the expiry of the license in August 2022. Furthermore, it is expected that securing an extension would lie outside Lekoil Nigeria's or Mayfair Assets and Trust's control and with no evidence of funding the current Board was of the opinion the carrying value should be impaired given the risk of the license being lost.

12. General and administrative expenses

	Note	2020 US$'000	2019 US$'000
Personnel expenses	12.1	6,884	8,382
Legal and consultancy expenses		925	4,068
Rent and facility management expenses	12.2	776	1,650
Directors Fees	12.3	555	523
NDDC levy		509	363
Audit fees		363	356
IT and Telecommunication expenses		332	866
Travel expenses		230	1,020
Depreciation and amortization (Notes 16 and 18)	16 & 18	951	2,705
Other Expenses		4,776	1,503
		16,301	**21,436**

12.1. Personnel expenses

	2020 US$'000	2019 US$'000
Wages and salaries	6,296	6,859
Defined contribution pension expense	242	451
Equity settled share-based payment	346	1,072
	6,884	**8,382**

12.2. Operating leases

The Group leases office and residential facilities under short term cancellable leases. The Group discontinued the use of its office spaces in the current year as a large portion of its staff began working from home.

12.3. Key management personnel and Director compensation

In addition to their salaries, the Group also provides non-cash benefits to key management personnel, in the form of share-based payments.

Key management personnel and Director compensation comprised the following:

	2020 US$'000	2019 US$'000
Short-term benefits	1,501	1,890
Share-based payment	195	442
	1,696	**2,332**

Short-term benefits for key management personnel and Director compensation comprised the following:

	2020 US$'000	2019 US$'000
Salaries	946	1,367
Fees	555	523
	1,501	**1,890**

Details of Directors' remuneration (including the fair value of share-based payments) earned by each Director of the Company during the year have been disclosed below.

US Dollars	Cash US$'000	Shares US$'000	General Benefits US$'000	Basic Salary or Fees Performance Related Bonus US$'000	Vacation Pay US$'000	Total Emoluments 2020 US$'000	Total Emoluments 2019 US$'000
Executive							
Lekan Akinyanmi (CEO)	805	157	141			1,103	1,249
Lisa Mitchell (CFO)	-	-	-	-	-	-	320
Greg Eckersley (Ag CFO)	-	-	-	-	-	-	175
Non-Executive							
Samuel Adegboyega	79	7				86	136
Aisha Muhammed-Oyebode	75	7				82	100
Greg Eckersley	63	6	-	-	-	69	62
John van der Welle	62	6	-	-	-	68	100
Hezekiah Adesola Oyinlola	38	6	-	-	-	44	100
Thomas Schmitt	38	4	-	-	-	42	90
Anthony Hawkins	100	1	-	-	-	101	-
Mark Simmonds	100	1	-	-	-	101	-
	1,360	**195**	**141**	**-**	**-**	**1,696**	**2,332**

13. Finance income and costs

	2020 US$'000	2019 US$'000
Finance and other income (expenses)		
Other interest income (a)	75	113
Debt forgiveness	288	-
Other income/ (expenses)	645	125
	1,008	238
Other income/ (expense)		
Insurance claim and assets disposal income	52	-
Foreign exchange gain	1,042	125
Foreign exchange loss	(449)	-
	645	125
Finance costs		
Finance expenses	2,055	2,893
Other finance expenses	386	450
Accretion charge (note 25)	125	534
	2,566	3,877

13.1. Other interest income

Other interest income represents interest earned on short term deposits and call accounts transactions with the Group's bankers and interest on Director's loan.

13.2. Net foreign exchange gain

Net foreign exchange gain represents exchange differences resulting from the conversion of US$ amounts to

Nigerian Naira amounts, to meet obligations settled in Nigerian Naira and revaluation of Nigerian Naira balances to US$ at reporting periods.

13.3. Finance expenses

Finance costs consist largely of interest costs on third party loans during the year.

13.4. Other finance expenses

Other finance costs consist largely of crude hedge premiums expenses and crude early payment discount charges.

14. Taxes

14.1. Petroleum profit tax

The Group with its principal assets and operations in Nigeria is subject to the Petroleum Profit Tax Act of Nigeria ("PPTA"). The Group's Petroleum Profit Tax charge for the period is summarised below:

	2020	2019
	USD'000	USD'000
At 1 January	632	2,889
Charge for the year	1,074	1,995
Tertiary education tax	193	392
Payment for the year	(25)	(4,644)
At 31 December	**1,874**	**632**

14.2. Company income tax

Interest on recovered carried cost and technical fees earned on Otakikpo operations of the Group is subject to Company Income Tax Act of Nigeria ("CITA"). The Group's Company Income Tax charge for the year is summarised below:

	2020	2019
	USD'000	USD'000
At 1 January	494	2,235
Charge for the year	1	14
Tertiary education tax	-	1
Payment for the year	(169)	(1,756)
At 31 December	**326**	**494**

14.3. Deferred tax asset

The Group has an estimated deferred tax asset of US$139 million (2019: US$114.0 million), out of which the Group has recognised deferred tax assets of US17.5 million (2019: US$13.6 million); derived from the activities of its subsidiary Lekoil Oil and Gas Investments Limited. The Directors have assessed the future profitability of its operation in Otakikpo marginal field and have a reasonable expectation that the Group will make enough taxable profit from Lekoil Oil and Gas Investments Limited in the near future to utilise the deferred tax assets. There is no expiration period to utilize the deferred tax assets. The balance of US$120.5 million (2019: US$100.45 million) of unrecognised deferred tax assets relates to unutilised capital allowances and tax losses from other subsidiaries in which the Directors are not certain when there will be available taxable profit from the subsidiaries to utilise the deferred tax assets.

No deferred tax adjustment has been recorded in respect of the impaired asset OPL325.

	2020	2019
	US$'000	US$'000
Recognised deferred tax assets	17,456	13,580
Unrecognised deferred tax assets	120,518	100,440
	137,974	**114,020**

Deferred tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2020	**2019**	**2020**	**2019**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax liability				
Accumulated unrealised net exchange gain carried forward	(4,022)	(3,962)	60	95
	(4,022)	(3,962)	60	95
Deferred tax assets				
Property, plant and equipment	2,358	6,084	3,726	5,211
Unutilised capital allowances	18,775	11,062	(7,713)	(238)
Provision for assets retirement obligation	345	396	51	(352)
	21,478	17,542	(3,936)	4,621
Deferred tax expense			**(3,876)**	**4,716**
Deferred tax assets (net)	**17,456**	**13,580**		

14.4. Total income tax expense recognised in the year.

	2020	**2019**
	USD'000	**USD'000**
Petroleum profit tax	1,074	1,995
Company income tax	1	14
Tertiary education tax	193	393
Deferred tax charge	(3,876)	4,716
	(2,608)	**7,118**

14.5. Current tax liabilities

	2020	**2019**
	US$'000	**US$'000**
At 1 January	1,126	5,124
Charge for the year:		
Petroleum profit tax	1,074	1,995
Company income tax	1	14
Tertiary education tax	193	393
Payment	(194)	(6,400)
At 31 December	**2,200**	**1,126**

14.6. Reconciliation of tax expenses

The effect tax reconciliation has been computed based on the operating results of Lekoil Oil and Gas Investment Limited as the recognised tax expense in the consolidated financial statements originated from this entity's operations. This is because it is the only entity in the Group that has started production and lifting of crude oil.

	2020	**2019***
	US$'000	**US$'000**
Group Loss before tax	(121,908)	(4,915)
Less share of loss after tax from other entities except Lekoil Oil and Gas Investments Limited	120,145	15,497
Lekoil Oil and Gas Investments Limited (loss)/ profit before tax	(1,763)	10,582
Corporation tax charge calculated at 67.75%	(1,194)	7,169
Adjusted for the effects of:		

Investment and other income	(3)	(32)
Accretion expense (Unwinding of discount)	135	10
Donations & sponsorships	6	19
Gifts and awards	5	5
Gas flare Penalty	164	224
Public relations	8	67
Unrealised foreign currency loss	197	6,612
Unrealised foreign currency gain	(199)	(6,615)
Effect of Tertiary education tax on taxable profit	(127)	(257)
Income tax (benefit)/ expense	(1,008)	7,202
At the effective income tax rate of	57%	68%

* The prior year reconciliation has been restated to reflect the current tax charged in the reconciliation in accordance with IAS 12. 2019 signed financial statements effective tax rate was 67% while the updated method for the reconciliation tax rate is 68%.

15. Loss per share

15.1. Basic loss per share

The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020	2019
Loss attributable to ordinary shareholders (basic)	US$'000	US$'000
Loss for the year attributable to owners of the Company	119,300	11,578

Weighted-average number of ordinary shares (basic)	2020	2019
Issued ordinary shares	536,529,983	536,529,983
Weighted-average number of ordinary shares at 31 December	536,529,983	536,529,983

15.2. Diluted loss per share

The calculation of diluted loss per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Basic and diluted loss per share are equal as all options are anti- dilutive.

	2020	2019
Loss attributable to ordinary shareholders (diluted)	US$'000	US$'000
Loss for the year attributable to owners of the Company	119,300	11,578

Weighted-average number of ordinary shares (diluted)	2020	2019
Issued ordinary shares	536,529,983	536,529,983
Weighted-average number of ordinary shares at 31 December	536,529,983	536,529,983

Basic/diluted loss per share is calculated by dividing the loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
	US$'000	US$'000
Loss for the year attributable to ordinary shareholders (US$'000)	119,300	11,578
Weighted average number of ordinary shares ('000)	536,530	536,530
Basic/diluted loss per ordinary share (US$)	(0.22)	(0.02)

16. Property, Plant and Equipment

The movement on this account was as follows:

	Oil and Gas Assets US$'000	Motor Vehicles US$'000	Furniture & Fittings US$'000	Computers, Communication & Household Equipment US$'000	Plant, Machinery, Storage Tank & Others US$'000	Leasehold Improvement US$'000	Leasehol d asset US$’000	Total US$'000
Cost:								
At 1 January 2019	51,937	296	433	813	283	908	291	54,961
Additions	3,132	196	3	3	28	-	-	3,362
Changes to decommissioning estimate	(77)	-	-	-	-	-	-	(77)
At 1 January 2020	54,992	492	436	816	311	908	291	58,246
Additions	2,206	-	-	156	-	-		2,362
At 31 December 2020	**57,198**	**492**	**436**	**972**	**311**	**908**	**291**	**60,608**
Accumulated depreciation and impairment losses:								
At 1 January 2019	14,220	245	330	675	99	908	48	16,525
Charge for the year	6,212	50	60	89	58	-	10	6,479
At 1 January 2020	20,432	295	390	764	157	908	58	23,004
Charge for the year	6,638	56	34	59	71	-	12	6,870
Impairment loss (note 11)	3,726	-	-	-	-	-	-	3,726
At 31 December 2020	**30,796**	**351**	**424**	**823**	**228**	**908**	**70**	**33,600**
Carrying amounts:								
At 31 December 2019	**34,560**	**197**	**46**	**52**	**154**	**-**	**233**	**35,242**
At 31 December 2020	**26,402**	**141**	**12**	**149**	**83**	**-**	**221**	**27,008**

*The additions of US$2.4 million during the year (2019: US$3.4 million) consist largely of capital expenditure on production facilities in the Otakikpo marginal field.

Notes to the financial statements

17. Exploration and Evaluation (E&E) assets
E&E assets represents the Group's oil mineral rights acquisition and exploration costs.

The movement on the E&E assets account was as follows:

	USD'000	USD'000
Balance at 1 January	131,832	131,822
Additions during the year	2,027	1,850
E&E adjustments	(107,530)	(1,840)
Balance at 31 December	**26,329**	**131,832**

Additions during the year consists largely of US$2.0 million (2019: US$1.9 million) E&E expenditure in OPL310. Total expenditure incurred on OPL 310 from inception of the farm-in agreement to 31 December 2020 amounts to US$117.53 million, while the balance relates to OPL 325.

The Group revised its accrual in prior year due to reconciliation with vendors thus resulting in the reversal of accrued E&E expenditure of US$1.8 million in the current year.

OPL 310 was assessed for impairment by the Directors and it was concluded a US$107.5 million impairment charge was necessary. This was based upon management's assessment of the asset's value in use. It is expected that the Group will execute the planned work program during the Licence period and that the license will expire in August 2022.

18. Intangible Assets
The movement on the intangible assets account was as follows:

	Mineral Rights Acquisition Costs* US$'000	Geological and Geophysical Software	Accounting Software US$'000	Total US$'000
Costs				
At 1 January 2019	7,000	1,787	104	8,891
Additions during the year	400	-	278	678
At 1 January 2020	7,400	1,787	382	9,569
Additions during the year	-	-	41	41
At 31 December 2020	**7,400**	**1,787**	**423**	**9,610**
Accumulated amortization				
At 1 January 2019	2,545	1,646	71	4,262
Charge for the year	2,256	141	41	2,438
At 1 January 2019	4,801	1,787	112	6,700
Charge for the year	627	-	91	718
Impairment loss (note 11)	232	-	-	232
At 31 December 2020	**5,662**	**1,787**	**203**	**7,652**
Carrying amounts				
At 31 December 2019	**2,599**	**-**	**270**	**2,869**
At 31 December 2020	**1,738**	**-**	**220**	**1,958**

* Mineral rights acquisition costs represent the signature bonus for the Otakikpo marginal field amounting to US$7.0 million. A further $0.4 million being the Group share of renewal of Otakikpo Marginal Field Licence was paid in September 2019.

19. Inventories
Inventories consist of the Group's share of crude stock of US$1.0 million as at 31 December 2020 (2019: US$2.8 million).

20. Trade receivables

Trade receivables consist of the Group earning from Ubima Crude Handling Service Fee Agreement which were not settled as at year end.

	2020 US$'000	2019 US$'000
Third party crude handling receivable (Note 8)	1,133	-
	1,133	**-**

Management has assessed amounts receivable from Ubima for impairment and the expected credit loss (ECL) is deemed to be immaterial. This is because, the debtor – Ubima is also a party to the joint operations Lekoil has with Green Energy and they perform regular reconciliation to settle outstanding balances.

21. Other receivables

	2020 US$'000	2019 US$'000
Director's loan	1,512	1,778
Cash call receivable from joint operating partner- GEIL	-	2,367
Other receivables	136	136
Employee loans and advances	15	2
	1,663	**4,283**

The Director's loan represents the balance due on an unsecured loan of US$1,500,000 granted to Mr. Olalekan Akinyanmi on 9 December 2014. The loan had a three-year term and bore interest at a rate of four per cent per annum. In September 2017, the loan was extended for another 3 years to 9 December 2020 under the same terms and conditions.

The cash call receivable from Otakikpo joint operating partner (GEIL), represents GEIL's share of cash calls paid by the Group on their behalf.

On 9 December 2020, at the expiration of the extension, the Board further extended the loan for a year period with the following terms; immediate payment of US$0.4 million, while the balance on the loan is settled by quarterly payments of interest and principal at a revised interest rate of 10% plus 3 months LIBOR. The initial US$0.4 million was settled by the Director.

Furthermore, ECL was performed on Director's loan both in 2019 and 2020 and there are no indicators of a drop in the credit worthiness of the Director that would necessitate the recognition of ECL.

Post year end, the Lekoil has commenced legal action to recover amounts owed under this loan. Please refer Note 34 for further information.

22. Other assets

	2020 US$'000	2019 US$'000
Non-current		
Optimum funded asset	22,401	20,137
Afren asset	3,135	2,466
	25,536	22,603
Current		
Deposit receivable	1,720	1,090
Pre-paid rent	122	128
Pre-paid insurance	229	317
Others	26	42
	2,097	**1,577**

Optimum funded asset

In August 2019, the Group executed a legally binding Cost Revenue and Sharing Agreement with Optimum to progress appraisal and development program activities at the Ogo discovery. Prior to the agreement, there was a dispute about the legitimate owner of the 22.86 percent stake in OPL 310, as further discussed below.

The Optimum funded asset relates to the costs incurred on the field which Optimum, the other participating partner, should have borne. These costs consist of office costs and other general & administrative costs of Optimum (the Operator), Optimum's portion of government signature bonus renewal, operators' fees, and Optimum past cost comprising pre-drilling costs incurred by Optimum.
In line with the cost and revenue sharing agreement, the Group and Afren are thus expected to fund these costs that would have been borne by Optimum in the respective cost-sharing participation of the field in line with their respective sharing interest of 42.85% and 57.15%, respectively. The Optimum funded asset does not include any costs required to be borne by the Group in line with their participating interest and has been accounted for separately.

Therefore, this represents an asset that the Group has incurred costs in exchange for future production in the form of crude.

Afren asset:
The Group had in November 2015, executed a sale and purchase agreement with the Administrators of Afren Nigeria Holdings Limited and Afren Plc relating to the entire issued share capital of Afren Investment Oil & Gas (Nigeria) Limited as a prelude to acquiring Afren 22.86 per cent stake on the block. Following from lack of progress to establish its rights to the 22.86 per cent stake, the Group instituted a case against the Minister of Petroleum Resources and Optimum at the Federal High Court. As a result, development on the block was delayed, leading up to the expiration of the Licence in February 2019.

Consequent upon the expiration of the Licence, the Ministry of Petroleum Resources, through its letter in May 2019, mandated the parties to resolve their disagreement and withdraw the litigation in the Federal High Court or risk losing the extension of the Licence. Thereafter, the Group withdrew the ligation in May 2019, and finally reached an agreement with Optimum in August 2019.

As a fall out of the Group's inability to obtain ministerial consent for the purchase of Afren's interest in OPL 310 and subsequent out of court settlement, exploration and evaluation cost incurred by the Group on behalf of Afren has been recognised as an asset accordingly. The costs are fully recoverable in the future either through entitlement to the future production of crude or through purchase consideration made by the 22.86% successful participating interest partner.

Deposit receivable:
Represents cash set aside in a dedicated debt service reserve accounts with FBN Capital in conformity with the terms of the Notes issued and restricted cash on BG MT Nox & Busy Snail. For the Notes issued by FBN Capital, the bank required that an amount equal to the value of the first quarter amount of principal and interest due should be paid over to the bank and kept in a separate debt service reserve account with FNB Capital. This amount is used as collateral should Lekoil default on any of the payments due during the loan agreement. This amount is restricted in the manner that Lekoil has no access to the funds until the loan is settled. Therefore, the amount has been classified restricted cash within 'other assets' as Lekoil has the right to receive the cash at the end of the loan agreement should no default events occur.

23. Cash and bank balances

	2020 US$'000	2019 US$'000
Cash and bank balance	3,030	2,733

24. Trade and other payables

	2020 US$'000	2019 US$'000
Accounts payable	11,155	6,939
Accrued expenses	9,196	10,638
Crude overlift	1,264	-
Other statutory deductions	3,949	2,443
Non-Government Royalties Payable	622	522
Payroll payables	1,256	-
Carried costs payables	682	-

Other payables	-	21
Cash call payable	4,955	-
	33,079	**20,563**

Cash call payable relates to amount payable by the Group to its Joint Operator for cost incurred on its behalf.

25. Provisions for asset retirement obligation

The movement in the provision for asset retirement obligation account was as follows:

	2020 US$'000	2019 US$'000
At 1 January	2,265	1,808
Accretion charge	125	534
Effect of changes to decommissioning estimates	-	(77)
At 31 December	2,390	2,265

The Group has recognised a provision for Asset Retirement Obligation ("ARO") which represents the estimated present value of the amount the Group will incur to plug, abandon and remediate the Otakikpo operation at the end of its productive life, in accordance with applicable legislation. The provision has been estimated at a US inflation rate of 2% and discounted to present value at 8.24%. The provision recognised represents 40% of the net present value of the estimated total future cost as the Company's partner, GEIL is obligated to bear 60% of the cost.

In the prior year, the Group revised its estimate due to change in the economic life of the reserve type used as the basis for the determination of the decommissioning obligation from 2025 to 2026 as a result of the updated competent persons report (CPR) concluded in June 2019. The impact of this change in estimate has been affected in the table above.

A corresponding amount equivalent to the provision is recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements, reflecting management's best estimates.

The unwinding of the discount on the decommissioning is included as a finance cost. Changes in the estimated timing of decommissioning, or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment.

In prior year, the Group revised its estimate due to change in the economic life of the reserve type used as the basis for the determination of the decommissioning obligation from 2025 to 2026 as a result of the updated competent persons report (CPR) concluded in June 2019. The impact of this change in estimate has been made in the table above. Management estimates that the future decommissioning event will occur in 2026.

26. Loans and borrowings

The Group executed a Restructuring Offer Letter with its existing lenders, FBNQuest Merchant Bank ("FBNQuest") to restructure and consolidate all existing secured interest-bearing term loans with FBNQuest under the following terms:

- An extension of loan tenor with new term loan maturity date of 31 March 2024.
- Interest will be paid quarterly in arrears with the pricing remaining at LIBOR + 10.0%.
- Uneven quarterly term loan principal repayment.

During the year, the Group accessed advance payment from Shell Western Supply and Trading Limited ("Shell Western") of US$3.5 million against future crude lifting. The facility was fully repaid in November 2020.

The following is the outstanding balance of interest-bearing loans and borrowings as at the year-end:

	Interest rate p.a.	2020 US$'000	2019 US$'000

US$15.9 million FBNM Facility	10% + LIBOR	14,153	-
US$10 million FBNC Dollar Facility	10% + LIBOR	-	2,957
US$8.55 million FBNM Dollar Facility	10% + LIBOR	-	5,236
US$11.5 million FBNM Facility	10% + LIBOR	-	11,005
Total		**14,153**	**19,198**

Analysis of borrowing		
Current	5,800	7,149
Non-current	8,353	12,049

The movement in the loan account was as follows:

	2020 US$'000	**2019 US$'000**
At 1 January	19,198	20,485
Draw-down during the year	4,350	11,500
Effective interest during the year	2,055	2,929
Principal repayment during the year	(9,148)	(12,614)
Interest paid during the year	(1,984)	(3,230)
Fees paid during the year	(318)	(307)
Revaluation adjustments	-	435
At 31 December	14,153	19,198

Changes in liabilities arising from financing activities

		Cash changes			**Non-cash changes**	
	1-Jan-20 US$'000	**Drawn during the year US$'000**	**Principal repaid US$'000**	**Interest & fees paid US$'000**	**Effective interest US$'000**	**31-Dec-20 US$'000**
Loan due to others	19,198	4,350	(9,148)	(2,302)	2,055	14,153
Total liabilities from financing activities	19,198	4,350	(9,148)	(2,302)	2,055	14,153

27. Capital and reserves

Share capital

	2020 US$'000	**2019 US$'000**
Authorised	50	50
Issued, called up and fully paid	27	27
Total issued and called up share capital	27	27

	Number of shares 2020	**Number of shares 2019**
Authorised – par value US$0.00005	1,000,000,000	1,000,000,000
Issued, called up and fully paid – par value US$0.00005	536,529,983	536,529,983

The Group has one class of ordinary shares which carry no right to fixed income.

Share premium
Share premium represents the excess of amount received over the nominal value of the total issued share capital as at the reporting date.

	2020	**2019**

	US$'000	US$'000
Share premium	264,004	264,004

28. Non-controlling interest

	% of ownership	2020 US$'000	2019 US$'000
Lekoil Nigeria Limited	10	4,557	4,058
Lekoil Exploration and Production (Pty) Limited	20	346	346
		4,903	4,404

The following table summarises the information relating to each of the Group's subsidiaries, before any intra-group eliminations:

31 December 2020	Lekoil Nigeria Limited Group	Lekoil Exploration and Production (Pty) Limited	Intra -group eliminations	Total
NCI Percentage	**10%**	**20%**		
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current assets	99,836	-		-
Current assets	7,366	152	-	-
Non-current liabilities	(321,153)	(1,521)	-	-
Current liabilities	(70,565)	(361)	-	-
Net liabilities	**(284,516)**	**(1,730)**	**-**	**-**
Carrying amount of NCI	(28,452)	(346)	13,142	(15,656)
Revenue	32,923	-	-	-
Loss	(113,251)	-	-	-
Net finance cost	(30,457)	-	-	-
Income tax expense	2,608	-	-	-
Total comprehensive loss	**(141,100)**			
Loss allocated to NCI	(14,110)		2,858	(11,252)
OCI allocated to NCI	-	-	-	-
Cash flows from operating activities	16,491	-	-	16,491
Cash flows from investment activities	(7,363)	-	-	(7,363)
Cash flows from financing activities	(7,112)	-	-	(7,112)
Net increase in cash and bank balances	**2,016**	**-**	**-**	**2,016**

	% of ownership	2020 US$'000	2019 US$'000
Lekoil Nigeria Limited	10	(15,310)	4,058
Lekoil Exploration and Production (Pty) Limited	20	346	346
		(15,656)	4,404

31 December 2019	Lekoil Nigeria Limited Group	Lekoil Exploration and Production (Pty) Limited	Intra -group eliminations	Total
NCI Percentage	**10%**	**20%**		
	US$'000	**US$'000**	**US$'000**	**US$'000**
Non-current assets	207,675	-	-	-
Current assets	7,892	152	-	-
Non-current liabilities	(298,042)	(1,521)	-	-

Current liabilities	(61,137)	(361)	-	-
Net liabilities	**(143,612)**	**(1,730)**	**-**	**-**
Carrying amount of NCI	(14,361)	(346)	10,303	(4,404)
Revenue	42,027	-	-	-
Profit	6,301	-	-	-
Net finance cost	(33,917)	-	-	-
Income tax expense	(7,118)	-	-	-
Total comprehensive loss	**(34,734)**	**-**	**-**	**-**
Loss allocated to NCI	(3,473)	-	3,018	(455)
OCI allocated to NCI	-	-	-	-
Cash flows from operating activities	39,859	-	-	39,859
Cash flows from investment activities	(25,924)	-	-	(25,924)
Cash flows from financing activities	(14,831)	-	-	(14,831)
Net decrease in cash and bank balances	**(896)**	**-**	**-**	**(896)**

29. Share-based payment arrangements

At 31 December 2020, the Group had the following share-based payment arrangements:

Long Term Incentive Plan scheme (equity-settled)

The long-term incentive plan ("LTIP") was approved on 19 November 2014 and amended on 21 December 2015. The Group awarded 1,000,000 share options to the Chief Financial Officer on 30 October 2020 at 2.13pence. The strike price of the option was calculated using the trailing three-day average closing price prior to the grant date.

The existing options have the following performance conditions.

- No shares may be acquired, and the option will lapse in full if annual compound Total Shareholder Return ("TSR") is less than 10%
- 30% of the shares subject to the option may be acquired by exercise if annual compound TSR is 10%
- 100% of the shares subject to the option may be acquired by exercise if annual compound TSR is 20% or more
- The number of shares subject to the option which may be acquired on exercise will be determined on a straight-line basis between 30% and 100% if annual compound TSR is between 10% and 20%

	Weighted average exercise price US$	**Number of options**	**Weighted average exercise price US$**	**Number of options**
	2020		2019	
Outstanding at 1 January	0.33	31,221,750	0.53	34,666,750
Granted during the year	0.03	1,000,000	-	-
Forfeited during the year	0.33	(2,122,750)	0.19	(3,445,000)
Outstanding at 31 December	0.32	30,099,000	0.33	31,221,750

The options outstanding at 31 December 2020 had exercise prices in the range of US$0.03 to US$0.4 and a weighted average contractual life of 5.18 years (2019: 6.12 years).

Share option scheme (equity-settled)

The Group established a share option scheme available to Directors, key management personnel, employees and consultants providing employment-type services, which provides the opportunity to purchase shares in the Group. In accordance with the scheme, holders of vested options are entitled to purchase shares at prices of the shares established at the date of grant, during a period expiring on the tenth anniversary of the effective date i.e. grant date. The grant dates for awards were 3 December 2010, 1 June 2011, 1 November 2011, 4 June 2012, 19 February 2013, 7 April 2013, 17 May 2013 and 26 March 2014 based upon a shared understanding of the terms of the awards at that time. This share option scheme has been replaced by the LTIP scheme described above. As such, no new options were granted in 2020 under this scheme.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price US$	Number of options	Weighted average exercise price US$	Number of options
	2020		2019	
Outstanding at 1 January	0.46	16,555,000	0.46	16,555,000
Granted during the year	-	-	-	-
Forfeited during the year	0.46	(196, 875)	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	0.46	16,358,125	0.46	16,555,000
Exercisable at 31 December	0.46	16,358,125	0.46	16,555,000

The options outstanding at 31 December 2020 have a weighted average contractual life of 1.14 years (2019: 2.14 years).

Non-Executive Director Share Plan (equity-settled)
The Board established the Non-Executive Director share plan on 21 December 2015.

These stock options are not subject to any performance criteria and vest three years from the grant date, subject to successful completion of a three-year service period starting on the grant date. The options can be exercised over a seven-year period beginning on the expiry of the service period.

The Group awarded 250,000 share options each to two of its Non-Executive Directors, Mark Simmonds and Anthony Hawkins. The strike price of the option was calculated using the trailing three-day average closing price prior to the grant date.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price US$	Number of options	Weighted average exercise price US$	Number of options
	2020		2019	
Outstanding at 1 January	0.24	2,100,000	0.24	2,100,000
Granted during the year	0.03	500,000	-	-
Forfeited during the year	-	-	-	-
Outstanding at 31 December	0.20	2,600,000	0.24	2,100,000

The options outstanding at 31 December 2020 had a weighted average exercise price of 0.03 to 0.4 and a weighted average contractual life of 6.27 years (2019: 7.27 years).

Employee benefit expenses

	2020 US$'000	2019 US$'000
Non-Executive Director Share Plan (equity-settled)	37	64
Long Term Incentive Plan scheme (equity-settled)	309	1,008
Total expense recognised as employee costs	**346**	**1,072**

30. Related Party Transactions

The Group had transactions during the period with the following related parties:

Transactions with key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. These are the Directors of the Group.

- **Loans to key management personnel**

An unsecured loan of US$1,500,000 was granted to a Mr. Olalekan Akinyanmi on 9 December 2014. The loan had a three-year term and bears interest at a rate of four per cent per annum. Repayment was due at the end of the term. In September 2017, the loan was extended for another 3 years up to 9 December 2020 under the same terms and conditions.

On 9 December 2020, at the expiration of the extension, the Board further extended the loan for a year period with the following terms; immediate payment of US$0.4 million, while the balance on the loan is settled by quarterly payments of interest and principal at a revised interest rate of 10% plus 3 months LIBOR. The initial US$0.4 million was settled by the Director

At 31 December 2020, the balance outstanding was US$1,511,815 net of ECL provision (2019: US$1,778,373) and is included in 'Other receivables'. Interest income from the loan during the year amounted to US$74,548 (2019: US$ 70,000).

Post year end, Lekoil has commenced legal action to recover amounts owed under this loan. Please refer to Note 34 for further information.

- **Key management personnel transactions**
  The outstanding balance of US$0.3 million with former Director relating to well completion services rendered by SOWSCO Wells Services Nigeria Limited, was settled during the year.

- **Key management personnel compensation**
  Details of key management personnel compensation during the year have been disclosed in note 12.3.

- **Key management personnel and Director transactions**
  Directors of the Company control 7.55% (2019: 8.27%) of the voting shares of the Company.

Lekoil Limited has a Management & Technical Services Agreement with Lekoil Management Corporation ("LMC") under the terms of which LMC was appointed to provide management, corporate support and technical services. The remuneration to LMC includes reimbursement for charges and operating costs incurred by LMC.

31. Group entities

Significant subsidiaries

Country of incorporation		**Ownership interest**	
		2020	2019
Lekoil Nigeria Limited	Nigeria	40%	40%
Lekoil Exploration and Production (Pty) Limited	Namibia	80%	80%
Lekoil Management Corporation	USA	100%	100%
Lekoil 310 Limited	Cayman Islands	100%	100%
Lekoil Management Services	Cayman Islands	100%	100%

As at 31 December 2020, Lekoil held a 40% ownership interest in Lekoil Nigeria Limited and was entitled to 90% of any distributions (i.e., dividends, other distributions and any return of capital (whether following winding-up, reduction of capital or any other forms of return of capital) from, Lekoil Nigeria Limited based on the terms of agreements under which the entity was established.

The relevant activities of LEKOIL Nigeria Limited are the operation of, or investment in, oil and gas assets and interests, including a portfolio of exploration, appraisal of development and production assets and the funding of these activities. The relevant activities are directed through making decisions related to the following:

- Approval of the budget and business plan
- Entering into contracts that will ensure the operation or investment in oil and gas assets and interests, including the investment and divestment in these assets.
- Obtaining funding for the business, being the operation or investment in oil and gas assets.

Furthermore, the Board has further considered the ability of the investor to appoint or approve the investee key management personnel who can direct the relevant activities. The Board of LEKOIL, through its committee, reviews and fixes the compensation and bonus of other senior management staff of LEKOIL Nigeria Limited. As at 31 December 2020, the composition of the Board for both LEKOIL Nigeria Limited and LEKOIL Limited are very similar, with most directors on LEKOIL Board also on LEKOIL Nigeria Limited Board. More so, the key management personnel

are related parties of LEKOIL Nigeria Limited. LEKOIL Limited through the provision of intercompany loans funds a significant portion of LEKOIL Nigeria Limited's operations and guaranteed third-party loan approved by the Board of LEKOIL for the operations of the subsidiaries. LEKOIL, through its 90% economic interest (dividends, other distributions and any other form of return of capital) in LEKOIL Nigeria Limited is entitled to more than half of the variable returns of LEKOIL Nigeria Limited despite only having 40% equity interest and 37.5% voting power. Consequently, the Company consolidates LEKOIL Nigeria Limited.

Lekoil Nigeria Limited has ten wholly owned subsidiaries, namely: Mayfair Assets and Trust Limited, Lekoil Oil & Gas Investments Limited, Lekoil Exploration and Production Nigeria Limited, Lekoil Energy Nigeria Limited, Princeton Assets and Trust Limited, Lekgas Nigeria Limited, Lekpower Limited, Lekoil Supply and Trading Limited, Lekoil Oil and Gas Integrated Limited, and Lekoil 276 Limited (previously Lekoil 24 Limited). The results of these subsidiaries have been included in the consolidated financial results of Lekoil Nigeria Limited.

32. Financial Commitments and Contingencies

32.1. On 5 December 2014, the Green Energy International Limited/Lekoil Oil and Gas Investments Limited joint operation signed a Memorandum of Understanding ("MoU") with its host community, Ikuru with respect to the Otakikpo marginal field area. The key items of the MoU include the following:

- The joint operation will allocate 3% of its revenue from the Liquefied Petroleum Gas (LPG) produced from the field to the Ikuru Community in each financial year;
- The joint operation will allocate the sum of US$0.53 million (NGN 90 million) annually for sustainable community development activities.

Subsequent to year end in July 2021, the MOU was amended to 4% of the net revenue from the Liquefied Petroleum Gas (LPG) produced from the field in each financial year whenever the LPG plant begins production, and the allocation of the sum of US$0.34 million (N130 million) annually for sustainable community development activities to be determined by the host community and the joint operation.

32.2. In May 2015, the Company provided a corporate guarantee in favour of FBN Capital for the full sum of the loan notes issued by Lekoil Oil and Gas Investment Limited, a subsidiary of the Company.

32.3. In June 2018, the Company issued a corporate guarantee for the re-denomination of existing term loan facility of NGN2.3 billion availed to Lekoil Oil and Gas Investments Limited plus the refinancing of Sterling bank facility to an US$8.5 million term loan facility for funding Otakikpo operations.

32.4. Based on Cost Recovery and Sharing Agreement signed in August 2019, the Group has the following financial commitments on OPL 310 as at year end.

- The Group is bound to pay (a) 42.85 per cent of US$10m payable to the Nigerian Government on conversion of OPL 310 to an OML and (b) 42.85 per cent of US$10m to the Nigerian Government on reaching First Oil. The balance of the two US$10m payments will be made by the potential Funding Partner.
- The Group is bound to pay Optimum certain production prepayments from the proceeds of a continuous sale of crude oil produced from Ogo, such amounts being subject to 2P reserves or aggressive production milestones being achieved. The payments, once due, include a US$10m per year payment for five years following completion of a successful well (being a well capable of producing 5,000 BBL/d of Crude Oil).
- In addition, the Group will, subject to securing funding, cover 42.85 per cent of the capital expenditures and operating expenses of the Block to First Oil, being its 17.14 per cent pro rata of an aggregate 40 per cent participating interest held by it and the potential Funding Partner. The potential Funding Partner will cover the remaining 57.15 per cent of the capital expenditures.

32.5. Litigation and claims involving the Group are summarised below:

- **Guy-Us Safety and Environmental Engineering Ltd Vs. Afren Investment Oil & Gas Nig Ltd and Ors**, Suit No. LD/ADR/1517/2018

  Guy-Us Safety and Environmental Engineering Ltd (the "Claimant") is claiming against Afren Investment Oil & Gas Nigeria Limited ("AIOGNL") (Defendant) the sum of US$64,540 (N23, 398, 260) and interest, being outstanding sum relating to the contract for a two season baseline seabed survey (wet and dry) for OPL 310 offshore development Nigeria (the "Contract") performed between 2014 - 2015 before the acquisition of AIOGNL by Lekoil 310 Limited (the "Acquisition"). In addition, the Claimant also claims for:

- An Order that the Defendants shall pay to the Claimant forthwith the said sum of US$6,896 (N2,500,000) being attorney's fees; and
- An Order for the sum of US$13,792 (N5 Million) being general damages

The suit came up for hearing of our preliminary objection to the suit on January 7, 2020. The court room was not convenient resulting in its adjournment by the presiding judge to October 6, 2020. Unfortunately, the court was burnt during the ENDSARS protest last year. No date has been assigned to the matter. Meanwhile the court encouraged the parties to explore settlement out of court which we are not inclined, as an earlier court judgement had declared the purported merger of the 1st and 2nd defendant null as and void.

Management has assessed that an adverse judgment regarding the case is not probable.

- **Mr. Sotonye Boyle Vs. Lekoil Nigeria Limited**, Suit No. NICN/PHC/1372018.

The Claimant was employed by the Defendant (Lekoil Nigeria Limited) as an Offtake Supervisor. Upon termination of his employment by the Defendant, the Claimant instituted an action against the Defendant at the National Industrial Court of Nigeria, Port Harcourt Judicial Division seeking the following reliefs:

- An Order awarding damages of US$137,916 (N50,000,000) only against the Defendant for wrongful termination of employment
- An Order awarding damages of US$1,379 (N500,000) only against the Defendant being compensation for unfair labour practice.
- An Order of mandatory injunction compelling the Defendant to pay the Claimant his terminal benefits upon the wrongful termination of his employment as a permanent staff of the Defendant.

The matter came for trial on March 4, 2020 wherein the claimant opened and closed his case. It was adjourned to April 28th & 29th, 2020 for cross-examination and defence which could not hold due to the Covid-19 nationwide lockdown. The Group is in touch with the registrar of the court for a new date.

Management has assessed that an adverse judgment regarding the case is not probable .

- **Sir Lawrence E. Ereforokuma (JP) and Co Vs. Green Energy International Limited and Lekoil Oil and Gas Investments Limited**, Suit No. PHC/1972/2019.

The Claimants by Writ of Summons dated June 19, 2019 instituted an action against the Defendants at the High Court of Rivers State, Port Harcourt seeking for the following declarations:

- A declaration that the Claimants are the customary overlords or landlords of all the parcel of land known as Uko Efeek (Ozu Efere) and Otakikpo situates at Andoni mainland, west of the Imo River in Andoni Local Government Area of Rivers State of Nigeria, more particularly described in paragraph 4 of the Statement of Claim in this suit.
- A declaration that the occupation and drilling of crude oil and other mineral resources by the 1st Defendants at Otakikpo oil well 1, 2, and 3 on the parcel of land situates at Andoni mainland, Andoni Local Government Area of Rivers State of Nigeria without the consent of the Ereforokuma Arong Royal family of Ngo Town and Andoni is an act of trespass.
- The sum of N5,000,000 (Five Million Naira) only being general exemplary/aggravated damages for the unlawful trespass of the Defendants on the Claimant’s land in dispute.
- An Order of injunction restraining the Defendants whether by themselves, their agents, heirs or representatives or howsoever called from further trespassing on the Claimants land in dispute
- The sum of N5,000,000 (Five Million Naira) only as cost of this action.
- 10% Interest rate per annum on judgement sum from date of judgement till judgement debt is fully liquidated.

This suit was slated for Pre-Trial proceedings on the 11th of December, 2020. However, the Court did not sit as a two day holiday was declared in honour of late Justice Ogbuji. The matter was adjourned to the 10th of March 2021. However, the court did not sit on that date and a new date is yet to be set for the matter due to the recently concluded judiciary staff union of Nigeria (JUSUN) strike and impending court vacation.
Management has assessed that an adverse judgment regarding the case is not probable .

- **Uwensuyi-Edosomwan & Co Vs. Green Energy International Limited and Lekoil Oil and Gas Investments Limited**, Suit No. FHC/PH/CS/21/2020

  The claim was instituted by in March 2020 Mr. Dick Charles Mbaba and Mr. Ibibara Fredrick representing Ebukuma Community Fishermen in Otakikpo Marginal Field License Area against the Otakikpo joint operations Partners named as 2nd and 3rd Defendants. The Claimants alleged that the seismic operation awarded by the Otakikpo joint operations Partners and carried out without their approval.

  The claim seeks for the following reliefs:
  - Declaration that the commencement and conduct of seismic activities or seismic surveys by the Defendant in Ebukuma Community in Andoni Local Government Area of Rivers State without first obtaining the approval or permission as required under the Environment Impact Assessment Act, and or without the proper Environmental Impact Assessment study in Ebukuma Community being carried out by the Defendant before the approval or permission was obtained by the Defendant to embark on seismic activities or seismic surveys in Ebukuma Community is Unlawful, and amounts to gross violation of the Environment rights of the Claimants.
  - An Order of perpetual injunction restraining the Defendant, its agents, privies or howsoever described from relying upon or using any seismic survey report conducted in Ebukuma Community in Andoni Local Government Area of Rivers State in gross violations of the relevant provisions of Environment Impact Assessment Act.
  - An Order of perpetual injunction restraining the Defendants' agents, privies or howsoever described from conducting, continuing or further conduct of seismic activities or surveys in Ebukuma community in Andoni Local Government Area of Rivers State.

  An Order for the payment of the sum of US$1.6 million (N600 million) jointly and severally against the Defendants as exemplary and aggravated Damages.

  Otakikpo joint operations Partners intend to file Preliminary Objection seeking to strike out the originating summons on technical grounds. The suit was slated for 2nd November 2020, but the court did not sit as the Judge was not in town. The suit was therefore adjourned to 2nd February 2021; however, the court also did not sit, and a new date is yet to be set for the matter due to the recently concluded JUSUN strike and impending court vacation.

  Management has assessed that an adverse judgment regarding the case is not probable .

Other matters for which the Group is not a direct party have not been disclosed

Other than the matters disclosed above, there are no litigations or claims involving the Group as at 31 December 2020.

33. Financial risk management and financial instruments

Overview
The Group has exposure to the following risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in

which all employees understand their roles and obligations.

33.1. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from joint operating partners, employees and related parties.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In US Dollars	Notes	2020 US$'000	2019 US$'000
Cash and bank balances	23	3,030	2,733
Trade receivables	20	1,133	-
Other receivables	21	1,663	4,283

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, international energy companies or those with a track record of creditworthiness. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade receivables. There are no trade receivables as at year end.

In respect of other receivables, they consist largely of receivables from joint operating partners and Directors loans. Management has assessed that the receivable from GEIL is not impaired as the Group has agreed a repayment plan with GEIL whereby the Group pays less amount for its share of cash call obligation until the amount is fully received. Following the adoption of IFRS 9 in 2018, the Group has recognised an ECL provision for the full sum of the receivable due from Afren Investment Oil & Gas (Nigeria) Limited.

Cash and bank balances

The cash and bank balances of US$3.0 million (2019: US$2.7 million) are held with reputable financial institutions with very high credit ratings. The treasury manager monitors the financial position of the financial institutions on a periodic basis.

33.2. Liquidity risk

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted ave. effective int. rate	Less than 1-month US$'000	1-3 months US$'000	3 months to 1-year US$'000	1-5 years US$'000	5+ years US$'000	Total US$'000
Balance at 31 December 2020							
Non- interest bearing	n/a	-	15,726	5,637	-	-	21,363
Var. interest rate	13.36%						
Principal repayments		-	1,450	4,350	8,684	-	14,484
Interest repayments		-	365	876	942	-	2,183
		-	**17,541**	**10,863**	**9,626**	**-**	**38,030**
Balance at 31 December 2019							
Non- interest bearing	n/a	10,992	-	9,571	-	-	20,563
Variable interest rate	15.76%						
Principal repayments		-	1,700	5,444	12,139	-	19,283
Interest repayments		-	593	1,456	1,743	-	3,792
		10,992	**2,293**	**16,471**	**13,882**	**-**	**43,638**

33.3. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk

management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group manages market risks by monitoring market developments, forecasting and scenarios planning; and discussing issues regularly, and deploying mitigating actions where necessary. The Group's cash flow model anticipates different possible scenarios and proffers the action plans for each scenario including match inflows to outflows.

Currency risk
The Group is exposed to currency risk on bank balances, employee receivables and trade and other payables denominated in Nigerian Naira.

The summary of quantitative data about the Group's exposure to currency risks are as follows:

	Carrying amounts	
	2020	**2019**
	US$'000	**US$'000**
Trade and other receivables	16	2
Cash and bank balances	139	128
Trade and other payables	(1,238)	(103)
Net exposure	**(1,083)**	**27**

Sensitivity analysis
A 20 percent strengthening of the US Dollar against the following currencies at 31 December would have increased / (decreased) equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

		Foreign exchange rate risk			
		20%		**(-20%)**	
	Carrying Amount US$'000	Profit or loss US$'000	Other Movements in Equity US$'000	Profit or loss US$'000	Other Movements in Equity US$'000
31-Dec-20					
Financial Assets:					
Naira					
Cash and bank balances	139	28	-	(28)	-
Trade and other receivables	16	3	-	(3)	-
Impact on financial assets		31	-	(31)	-
Financial Liabilities:					
Naira					
Accounts payable	(1,238)	(248)	-	248	-
Impact on financial liabilities		(248)	-	248	-
Total increase (decrease)		(217)	-	217	-

		Foreign exchange rate risk			
		20%		(-20%)	
	Carrying Amount US$'000	Profit or loss US$'000	Other Movements in Equity US$'000	Profit or loss US$'000	Other Movements in Equity US$'000
31-Dec-19					
Financial Assets:					
Naira					
Cash and bank balances	128	27	-	(27)	-
Trade and other receivables	2	-	-	-	-
Impact on financial assets	-	27	-	(27)	-

Financial Liabilities:					
Naira					
Accounts payable	(103)	(21)	-	21	-
Impact on financial liabilities	-	(21)	-	21	-
Total increase (decrease)	-	6	-	(6)	-

The amounts shown represent the impact of foreign currency risk on the Group's consolidated profit or loss. The foreign exchange rate movements have been calculated on a symmetric basis. This method assumes that an increase or decrease in foreign exchange movement would result in the same amount and further assumes the currency is used as a stable denominator.

Fair values

Fair values vs carrying amounts

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value.

	Note	**Carrying amount**		**Fair value**	
				Level 2	**Level 2**
		2020	**2019**	**2020**	**2019**
		US$'000	**US$'000**	**US$'000**	**US$'000**
Financial liabilities measured at amortised costs					
Loans and borrowings	26	14,153	19,198	14,153	19,198
		14,153	19,198	14,153	19,198

Management assessed that the fair values of cash and short-term deposits, trade receivables, other receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of loans and borrowings above was calculated using the discounted cash flow method. 3-month Libor rate plus 10% was used for discounting future cash flows. However, the carrying amount and the fair value of loans and borrowings are the same because the rate of interest on loans and borrowings is not different from the market rate.

Notes to the financial statements

34. Events after the Reporting Date

On 8 January 2021, the Group held an Extraordinary General Meeting ('EGM'), following from the request for an EGM by Metallon Corporation Limited in December 2020. At the meeting, the shareholders voted and appointed Mr. Michael Ajukwu, Mr. Thomas Richardson and Mr. George Maxwell to the Board of Directors. Mr. Mark Simmonds, the Chairman of the Board, stepped down as chairman, and informed the Board of his intention to step down from the Board at the Company's next Annual General Meeting.

On 11 January 2021, the Group announced the appointment of Mr. Michael Ajukwu as Chairman of the Board, following the resignation of Mark Simmonds as Chairman.

On 24 February 2021, the Group announced it received a letter from Optimum Petroleum Development Company ("Optimum"), the Operator of the OPL 310 Licence, proposing to terminate the Cost and Revenue Sharing Agreement ("CRSA" or the "Agreement") executed for OPL 310. The relevant Group Company will engage with Optimum to ensure that the appropriate steps outlined in the Agreement are followed and is also seeking legal advice on the matter. Further updates to shareholders will be provided in due course.

On 10 March 2021, the Group announced that the Board of the Company has decided to apply a portion of the salary payable to Mr. Olalekan Akinyanmi, a director of the Company, towards the repayment of the loan provided to him by the Company (the "Loan") as contemplated within the amendment to the agreement as announced on 18 December 2020 (the "Amended Loan Agreement").

Under the terms of the Amended Loan Agreement, Mr. Akinyanmi was due to make the second instalment payment of US$413,523 on or before 9 March 2021. As the Company had not received this payment, actions under the terms of the amended loan agreement were initiated such that a portion of the salary payable to Mr. Akinyanmi was applied towards the Loan, as agreed in the Amended Loan Agreement as a method of default recovery, until the repayment schedule is satisfied. As the Company considers the Loan to be in default, under the agreement, an additional interest of 4% per annum was applied to amounts in arrears under the agreed payment schedule. After the termination of Mr. Akinyanmi's executive contract with the Company in June 2021, those salary deductions ceased. Mr. Akinyamni was due to make the third instalment payment (US$404,052) on 9 June 2021 and the fourth instalment payment (US$ 394,581) on 9 September 2021. Neither of those payments were received and the Company has commenced legal proceedings to recover the amounts owed.

On 15 April 2021, Mr. George Maxwell tendered his resignation from the Board, effective 30 April 2021.

On 20 April 2021, the Group announced changes to the Board of Directors, with Mr. Michael Ajukwu and Mr. Mark Simmonds resigning from the Board and Mr. Al Tindall and Dr. Marco D'Attanasio joining the Board as Non-Executive Directors. In announcing his resignation, Mr. Ajukwu noted that the existing governance regime apply to the Company and its group, in place since admission of the Company to AIM, had been reviewed with a view to enhancing governance and oversight. In his view, this was not currently possible due to a fundamental misalignment of objectives amongst the shareholders of Lekoil Nigeria Limited. Mr. Hawkins was made interim Chairman whilst a new Chairman is appointed by the Board.

On 3 June 2021, the Company announced the termination of the employment contract of its CEO, Mr. Olalekan Akinyanmi.

On 18 June 2021, the Company announced the resignation of Ms. Aisha Muhammed-Oyebode from the Board, with immediate effect, and noted the resignation of Mr. Akinyanmi from the Board.

On 1 September 2021, the Company notified the market that it had received a TR1 from Metallon Corporation that it no longer held any ordinary shares in the Company.

On 2 September 2021, the Company provided a corporate and operational update an announced the entry into a convertible facility agreement allowing the Company to draw down up to £200,000, primarily to fund legal costs and ongoing operational costs. The Company noted that it was in day-to-day dispute with Lekoil Nigeria about the day-to-day control of the Group and that Lekoil Nigeria had stated that it would no longer fund any of the costs of the Company. The Company noted that whilst it plans to enter into the convertible facility agreement, it remains in need

of further funding and is looking at all possible options to achieve this.

The Company, together with its wholly owned subsidiaries, has commenced a formal review of the various intercompany and related party loan positions. Several amounts owing from related parties to the Company (together with its wholly owned subsidiaries) are currently passed due and the Company has initiated action to recover those amounts. In addition, the review will consider the likely recoverability of the loan amounts due and whether or not any balance might be impaired.

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