Lekoil Limited

Annual Report and Financial statements

For the year ended 31 December 2021

Company No. CWK-248859

Company information

Directors	Anthony Hawkins (Non-Executive Director) Tom Richardson (Non-Executive Director) *(appointed 8/1/21)* Marco D'Attanasio (Non-Executive Director) *(appointed 20/4/21)* Alphonso Tindall (Non-Executive Director) *(appointed 20/4/21)* Pade Durotoye (Non-Executive Director) (appointed 22/11/21) (Non-Executive Chairman) (appointed 9/6/22) Dr. Adeoye Adefulu (Non-Executive Chairman Director) *(appointed 22/11/21)* Guy Oxnard (Executive Director) (appointed 9 June 2022) Dipo Sofolo (Non-Executive Director) (*appointed 9 June 2022*)
Company registration number	Cayman Islands, CWK-248859
Registered office	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Auditor	Bright Grahame Murray Emperor's Gate 114a Cromwell Road Kensington London SW7 4AG
Corporate Adviser	First Sentinal Corporate Finance Limited 72 Charlotte Street London, W1T 4QQ
Broker	Tennyson Securities 65 Petty France London SW1H 9EU
Website	www.lekoilplc.com

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Chairman's statement

I hereby present the financial statements for the year to 31 December 2021 for Lekoil Limited and an update on its current position.

2021 was a year of change for the Company, one in which the integrity of the corporate structure established at the Company's foundation and the integrity of those entrusted to implement it, were tested and (in some cases) found wanting.

This Chairman's statement seeks to summarise the events that led to the schism between the Company and Lekoil Nigeria, explain why the Board has acted as it has and provide guidance as to how the Company intends to uphold proper corporate governance in the face of a determined action by Lekoil Nigeria to frustrate the proper operations of the Company. These actions of the Board being focussed towards allowing the Company to recover its investments and protect its shareholders from further value destruction.

Summary of Events during 2021

2020 began with the QIA loan fraud and ended with the shareholder triggered Extraordinary General Meeting ("EGM") in January 2021, at which shareholders were asked to approve the appointment of 3 new directors to the Board. This corporate governance failure and shareholder activism, respectively, were a precursor to the conscious decision by Lekoil Nigeria (in April 2021) to sever itself from the Lekoil Cayman group and for Mr. Akinyanmi, the then CEO of the Company, to align himself with Lekoil Nigeria.

An early manifestation of this split in the Group structure was seen in the efforts by Mr. Akinyanmi and Ms. Aisha Muhammed Oyebode (Non-executive director) to defeat the EGM resolutions, despite clear indications that the Company's shareholders were going to approve the resolutions by large majorities. Indeed, the EGM resolutions were duly passed with large majorities.

In February 2021, the Company received notification from Optimum Petroleum Development Company ("Optimum"), the operator of the OPL 310 Licence, that it has terminated the Cost and Revenue Sharing Agreement ("CRSA") executed for OPL 310.

In March 2021, the Company's then CEO, Mr. Akinyanmi, defaulted on a scheduled instalment payment of a loan that was sanctioned by the Company to himself as CEO, (the "CEO Loan") (despite the CEO Loan repayment date having been extended and rescheduled in December 2020). Mr. Akinyanmi has defaulted on each subsequent scheduled loan repayment.

The appointment of the new directors to the Board in early January 2021 gave the Board a renewed focus on corporate governance but this was met with resistance by the then current management of the Company (led by Mr. Akinyanmi) and by Lekoil Nigeria.

In April 2021, the Company received a notification from Lekoil Nigeria that it would no longer support the consolidated group structure. In particular, it would no longer fund the operations of the Company and would not act on decisions taken at the Company's Board unless Lekoil Nigeria consented to the same. As previously noted by the Company, the Shareholders Agreement between the Company and Lekoil Nigeria, entered in to at IPO/Admission, severely limits the ability of the Company's Board to implement its strategy for the broader group if Lekoil Nigeria does not agree with that strategy.

This action by Lekoil Nigeria led, in April 2021, to the resignation of Mr. Michael Ajukwu (the then Chairman of the Company) who considered that an enhanced governance and oversight regime was not possible due to a fundamental misalignment of objectives amongst the shareholders of Lekoil Nigeria (i.e., between the Company and the management of Lekoil Nigeria). The Company's previous Chairman, Mr. Mark Simmonds, also resigned at this time (having intended to step down at the Company's next annual general meeting).

Chairman's statement

The importance of the actions of Lekoil Nigeria in April 2021 cannot be understated. It was not a foregone conclusion that Lekoil Nigeria would act in the manner it did. The management of Lekoil Nigeria could have accepted that in receiving the benefit of the consolidated corporate structure (in essence, in benefiting from the Company raising over US$260m in equity capital that was subsequently lent to the Lekoil Nigeria group as inter-company loans) it had a responsibility to accept the oversight of the Company on group operations. Instead, the management of Lekoil Nigeria chose to enforce a corporate structure that avoids any real scrutiny of their activities and ignores the faith put in them by the investors in the Company.

Earlier in April 2021, the Company reluctantly accepted the resignation of Mr. George Maxwell from the Board given his acceptance of a new executive role with another oil & gas company.

As previously foreshadowed, one of the consequences of the actions of Lekoil Nigeria in April 2021 is the need for the Company to present standalone financial reporting. The financial accounts presented in this Annual Report are the first set of standalone financial accounts for the Company. In preparing standalone financial accounts, there is a risk of false comparisons with prior years given that financial statements of prior years' use consolidated financial information. Shareholders and investors should take this into account when comparing the financial report for the year ended 2021 with prior years.

In June 2021, the Company terminated the employment contract of its CEO, Mr. Olalekan Akinyanmi, due to corporate governance breaches. One of those breaches involved Mr. Akinyanmi entering into (in December 2020) a new employment contract with Lekoil Nigeria (this constituted a conflict of interest under his employment contract with the Company).

In June 2021, Ms. Aisha Muhammed-Oyebode resigned as a Non-Executive Director of the Company and Mr Edward During resigned as the CFO of the Company, each continuing to work for Lekoil Nigeria.

In the second half of 2021, the Company had negligible cash resources for its ongoing day to day administrative costs. This was a consequence of the decision by Lekoil Nigeria not to fund the day to day operations of the Company, as it had done in the past. Therefore, in September 2021, the Company entered into a Convertible Facility Agreement ("CFA") with various lenders that allowed it to draw down up to £200,000, primarily to fund legal costs and to cover ongoing operational costs. The CFA was intended to provide bridge finance to the Company whilst it identified the best path to monetize its assets and create shareholder value. It was expected that the repayment of the CFA would come from either a capital raise in Q4 2021 or the recovery of the CEO Loan from Mr. Akinyamni.

In early September 2021, the Company commenced legal proceedings to recover the repayment of the CEO Loan. In late September 2021, Mr. Akinyanmi commenced proceeds in New Jersey claiming, amongst other things, breach of contract in the termination his employment contract.

On 1 October 2021, the Company's shares were suspended from trading due to the late publication of the Company's Annual Report and Accounts for the year ended 31 December 2020 (the "2020 Annual Report"). The 2020 Annual Report was subsequently published on 18 October 2020 but the Company's shares remained suspended until such time as it clarified, for the purposes of the AIM Rules, its relationship with its operating subsidiary (i.e., with Lekoil Nigeria). It became apparent to the Company during Q4 2021 and into 2022 that the actions of Lekoil Nigeria (including releasing RNS's about the operations of the Lekoil Nigeria group without prior notification to the Company) made it very difficult for the Company to maintain its AIM listing. The Company formally wrote to Lekoil Nigeria (in 2021 and 2022) asking for their co-operation so that the Company could comply with its listing rules obligations and advising them that their actions had the potential to jeopardise the continued listing of the Company. Lekoil Nigeria declined to provide the co-operation or provide the assurance required.

In October 2021, the Company implemented a Contractor Shares Arrangement ("CSA"), whereby service providers and directors ("Contractors") who provide goods, services or loans to the Company would be paid in the Company's ordinary shares (the "Contractor Shares") rather than cash.

Chairman's statement

In November 2021, the Company was pleased to appoint Mr. Olapade Durotoye and Dr. Adeoye Adefulu as Non-Executive Directors of the Company.

In December 2021, the Company held its Annual General Meeting with all resolutions of the AGM being duly passed.

In December 2021, the Company was the recipient of a number of hostile actions by Mr. Akinyanmi and/or Lekoil Nigeria. Those actions continued into 2022 and consist of: (i) an offer to purchase the shares of the Company (December 2021), which the Board recommended that shareholders not accept; (ii) litigation by Mr. Akinyanmi in the Cayman Islands to stop: (a) the issuance of shares pursuant to CFA 1 and the contractor shares scheme (January 2022); and (b) the issuance of shares pursuant to CFA 2 and the option agreement to sell the Mayfair Loan (March 2022); (iii) an offer by Lekoil Nigeria to purchase the OPL 310 Loan (April 2022); (iv) litigation by Lekoil Nigeria in Nigeria to stop the issuance of shares pursuant to CFA 1 and CFA 2 and the sale of the OPL 310 Loan (April 2022). The Company will defend each of these claims.

In the course of the litigation it has become clear that Lekoil Nigeria has been funding the private legal actions of Mr. Akinyanmi, including the defence against the recovery of the CEO Loan amount. The Company will seek to hold the board of Lekoil Nigeria accountable for the use of company funds to fund the private actions of Mr. Akinyanmi.

The financial information that the Company is presenting for the year ended 31 December 2021 (“**Annual Accounts**”) is the Company’s first set of standalone accounts, unconsolidated from the Lekoil Nigeria group. Prior to these Annual Accounts, the Company presented consolidated group accounts, including Lekoil Nigeria and its subsidiaries. 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 such, it would be inappropriate to present consolidated accounts as has been done in the past.

Summary of Events during 2022 (year to date)

In January 2022, Mr. Akinyanmi commenced a legal action in the Cayman Islands, challenging the validity of two resolutions which were duly passed at the Company's Annual General Meeting held on 21 December 2021.

In February 2022 the Company entered into a convertible facility agreement with Savannah Energy Investments Limited (“CFA 2” and “Savannah”) whereby Savannah would support the Company by providing a £0.9 million loan to the Company. The Company has also signed an Option Agreement with Savannah granting it, subject to approval of the Company's shareholders at an extraordinary general meeting (the "Savannah EGM"), an option to be assigned the intercompany debt owed to the Company by Mayfair Assets & Trusts Limited (the "Mayfair Loan"). A US$1 million payment is payable by Savannah to the Company upon such assignment.

Prior to agreeing the Savannah transaction, the Board was aware that the transaction had received the support of the Company's major institutional shareholders, representing approximately 42% of the Company's then current issued share capital. This shareholder support for the Savannah transaction puts into context the subsequent actions of Mr. Akinyanmi and Lekoil Nigeria in seeking to overturn the Savannah transaction and the CFA transaction.

In early March 2022, the Company was successful in discharging the ex-parte injunction of Mr. Akinyanmi that sought to restrain the issue of shares by the Company. The Company subsequently issued the relevant shares under CFA 1 and CFA 2.

In April 2022, Lekoil Nigeria offered to purchase the Mayfair Loan and to repay the outstanding amount under CFA 2. Neither offer was capable of acceptance by the Company as it would have caused it to be in breach of written legally binding obligations to Savannah. The Company noted at the time of the offer that Lekoil Nigeria had chosen to conduct the negotiation process by way of public announcement

Chairman's statement

rather than private dialogue with the Company and that the offer should not be seen as a serious attempt to provide an alternative to the Company and its shareholders but as an attempt to muddy the waters prior to the Savannah EGM. On 8 April 2022, at the Savannah EGM, our shareholders duly approved the Option Agreement entered into with Savannah and also authorised the Directors to issue a certain number of additional ordinary shares in the Company.

In Q1 2022, the Company continued its English court litigation to recover the CEO Loan from Mr. Akinyanmi, with the outstanding amount being circa US$1.5 million. Unfortunately, the Company was denied jurisdiction to do so by the English court. Similarly, Mr. Akinyanmi was denied jurisdiction in the New Jersey court to bring a claim related to the termination of his employment by the Company. The net result of these litigations is that the Company expects to pursue the recovery of the CEO Loan via a debt recovery procedure in New Jersey and the Company expects Mr. Akinyanmi to commence arbitration in the UK related to the termination of his employment contract.

On 15 March 2022, Lekoil Nigeria suspended its offer to purchase shares in the Company. As at 28 February 2022, Lekoil Nigeria held 11.35% of the then issued share capital of the Company. As at the date hereof, the Company has not received any more recent notifications from Lekoil Nigeria as to its shareholding in the Company.

In early April 2022, Lekoil Nigeria (along with various of its subsidiaries) notified the Company of an ex-parte injunction granted by the Federal Court of Nigeria, Lagos Division, to restrain various actions of the Company. The Company has challenged the jurisdiction of the Nigerian court to make such an order and the matter is proceeding through the courts.

In April 2022, the Company noted that Lekoil Nigeria had announced the spud of the Otakikpo-4 well as part of the Phase 2 development of Otakikpo. The Company received no further information about this from Lekoil Nigeria.

On 18 May 2022, the Company's ordinary shares were admitted to trading on the Access segment of the AQSE Growth Market operated by the Aquis Stock Exchange (AQSE).

The Company noted at the time of the admission to AQSE that the Board is of the view that the Company's primary activity now is the recovery of its investment through litigation against the Lekoil Nigeria group and Mr. Akinyanmi and that this characterisation will allow the Company to fulfil its disclosure obligations to the AQSE market, noting that a successful recovery of the intercompany debts due to the Company will be the primary source of value for shareholders (with minimal value attributable to the day-to-day operational activities of Lekoil Nigeria).

This characterisation of the Company, as a litigation vehicle with minimal value attributable to the shareholding in Lekoil Nigeria, is implicit to and reflected in the financial accounts presented for the year ended 31 December 2021.

On 27 May 2022, the Company held an extraordinary general meeting at which shareholders approved the appointment of Bright Grahame Murray as the Company's auditors.

On 9 June 2022, the Company announced that Mr. Olapade Durotoye was the new Non-Executive Chairman of the Company, that Mr. Guy Oxnard had become the Company's Executive Director and that Mr. Dipo Sofola had been appointed a Non-Executive Director. The Company expects that Mr. Anthony Hawkins and Mr. Al Tindall will step down from the Board effective 30 June 2022.

Chairman's statement

Financial review

In 2021, the Company commenced a formal review of the various intercompany and related party loan positions (noting that Lekoil Nigeria may no longer qualify as a related party and that the term "intercompany loans" refers to their historic characterisation). As set out in the financial statements for the year ended 31 December 2021, the Company has impaired four of the intercompany loans (as set out in the table below).

Debtor	***Amount due to the Company as at 30 June 2021 (unaudited)***	***Amount due to the Company as at 31 December 2021***	***Reason for impairment or amendment***
Lekoil Nigeria - across two loans due by January 2026 and February 2029	USD $41.6 million	USD $49.3 million	Not applicable
Lekoil Oil & Gas Investments by February 2024 (i.e. Otakikpo)	USD $19.8 million	USD $12.9 million	Reflecting repayments and/or the likelihood of recoverability given the likely need to litigate to recover the sums due
Mayfair Assets & Trust Limited by May 2023 (i.e., OPL 310)	USD $253.0 million	USD $1 million	Reflecting Option Agreement with Savannah
Ashbert Oil & Gas Limited by September 2022 (i.e., OPL 325)	USD $35.5 million	USD $38.5 million	Not applicable

As previously stated by the Company, it is aware that Lekoil Nigeria is unlikely to agree on the exact intercompany debt position and the Company emphasises that it expects it will have to commence litigation to recover the intercompany loans and that the recovery of the intercompany loan amounts cannot be guaranteed to be successful either due to a failure to win the relevant litigation and/or an ability to effectively enforce a judgment.

As stated above, the Company attributes minimal value to the day-to-day operational activities of Lekoil Nigeria and, as such, has impaired its valuation of the equity investment in Lekoil Nigeria to nil value.

Asset base

As stated above, the Company's asset base now primarily consists of the intercompany receivables, the amount owing under the CEO Loan and its rights under the Option Agreement.

Corporate Structure and Board and Management update

During 2021, the Company saw a significant change in the composition of the Board, details of which are set out above. Most notably, the Company terminated the employment contract with its then CEO, Mr. Akinyanmi for corporate governance breaches.

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. Those disputes continue to the date hereof, including Lekoil Nigeria rejecting the appointment of the Company's nominees to the board of Lekoil Nigeria. As the Company has stated previously, the Shareholders Agreement 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.

Chairman's statement

Outlook

The Company faced considerable challenges in 2021, largely bought about by the actions of Lekoil Nigeria, but the Board was committed to running the Company in an ethical, efficient and cost-effective manner. The Company continues to focus on recovering as much value as possible for shareholders from the assets of the Company.

In face of the hostile litigation by Lekoil Nigeria and Mr. Akinyanmi's refusal to repay the CEO loan, the financial position of the Company remains fragile and depends on the receipt of the monies under the Option Agreement, the recovery of the CEO Loan and/or equity funding from shareholders.

Looking forward we will strive to 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.

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

Anthony Hawkins Interim Executive Chairman 3 June 2021 to 9 June 2022	Olapade Durotoye Non-Executive Chairman From 9 June 2022

30 June 2022

Strategic Report

PRINCIPAL ACTIVITY, FINANCIAL REVIEW, OPERATIONS REPORT AND ASSET SUMMARY

PRINCIPAL ACTIVITY
The Company is an exempted limited liability company incorporated and registered in the Cayman Islands on 3 December 2010.

The Company is an AQSE listed litigation company, seeking to recover its equity and “inter-company” debt investments made in a Nigerian company (Lekoil Nigeria Limited (“Lekoil Nigeria”)) and a loan made to its previous Chief Executive Officer. These accounts are for the company only on the basis of the Principal accounting policy for 'Consolidation' included in Note 1.

FINANCIAL REVIEW

Financial overview and performance
The Company reported a loss of $237,164,000 for the year ended 31 December 2021. The loss was primarily as a consequence of the impairment of the Company’s investment in subsidiaries (Note 11) and intercompany receivables (Note 12).

Net assets of the Company at the year end were $133,699,000. Cash balances as at the year end were $50,000.

OPERATIONS REPORT AND ASSET SUMMARY

As set out in the Chairman’s statement, the actions of Lekoil Nigeria in 2021 required the Company to move to acting as a standalone entity. The Company operated with one interim Executive Chairman from June 2021 to December 2021, with the main activities of the Company being the establishment of standalone operations, the raising of finance to fund the Company’s day to day operations and the commencement of litigation to recover the CEO Loan.

As a corollary of that, the financial accounts presented in this Annual Report are the first set of standalone financial accounts for the Company. In preparing standalone financial accounts, there is a risk of false comparisons with prior years given that financial statements of prior years’ use consolidated financial information. Shareholders and investors should take this into account when comparing the financial report for the year ended 2021 with prior years.

Strategy

The Company’s strategy is twofold: to pursue via litigation or negotiated settlement the (i) recovery and/or monetisation of all of the Company’s existing assets, including its 40% legal and 90% economic interest in Lekoil Nigeria, and (ii) the repayment or recovery (via litigation or negotiated settlement) of loans made to Lekoil Nigeria and its subsidiaries and a loan made to Mr. Lekan Akinyanmi, in his capacity as the former CEO of the Company.

Portfolio Companies

As at 31 December 2021, the Company held an interest in the following companies:

- Lekoil Nigeria Limited (40% legal interest, 90% economic interest) is a Nigeria incorporated oil and gas exploration and production company with a focus on Nigeria and West Africa
- Lekoil Management Corp (100%) is a Delaware incorporated company that provides intra group banking services to the Company but with no material activities
- Lekoil Management Services Ltd (100%) is a Cayman Island incorporated company with no material activities
- Lekoil 310 Ltd (100%) is a Cayman Island incorporated company with no material activities
- Princeton Assets and Trust Pte Limited (100%) is a Singapore Island incorporated company with no material activities
- Lekoil Exploration and Production (Pty) Limited (80% interest) is a Namibia company with no material activities.

Strategic Report

Given: (i) the inability of the Company to control the day-to-day operational activities of Lekoil Nigeria and/or the distributions made by Lekoil Nigeria; and (ii) the current disputes between the Company and Lekoil Nigeria, the Company sees little likelihood of the Company realising its investment in Lekoil Nigeria and as such, has impaired its valuation of the equity investment in Lekoil Nigeria to nil value.

Assets

The Company's asset base now primarily consists of its 40% non-controlling shareholding in Lekoil Nigeria, various "intercompany" receivables, the amount owing to the Company under the CEO Loan and its rights under the Option Agreement.

Intercompany receivables

Debtor	***Amount due to the Company as at 30 June 2021 (unaudited)***	***Amount due to the Company as at 31 December 2021***	***Reason for impairment or amendment***
Lekoil Nigeria - across two loans due by January 2026 and February 2029	USD $41.6 million	USD $49.3 million	Not applicable
Lekoil Oil & Gas Investments by February 2024 (i.e. Otakikpo)	USD $19.8 million	USD $12.9 million	Reflecting the likelihood of recoverability given the likely need to litigate to recover the sums due
Mayfair Assets & Trust Limited by May 2023 (i.e., OPL 310)	USD $253.0 million	USD $1 million	Reflecting Option Agreement with Savannah
Ashbert Oil & Gas Limited by September 2022 (i.e., OPL 325)	USD $35.5 million	USD $38.5 million	Not applicable

The Company is aware that Lekoil Nigeria Limited is unlikely to agree on the exact intercompany debt position and the Company emphasises that it expects it will have to commence litigation to recover the intercompany loans and that the recovery of the intercompany loan amounts cannot be guaranteed to be successful either due to a failure to win the relevant litigation and/or an ability to effectively enforce a judgment or because the Company does not have the financial resources to pursue the recovery of the intercompany debts.

CEO 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 outstanding CEO 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 CEO 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.

Strategic Report

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$404,052) on 9 June 2021, the fourth instalment payment (US$ 394,581) on

9 September 2021 and the fifth instalment payment (US$ 385,636) on 9 December 2021. None of those payments were received and the Company has commenced legal proceedings to recover the amounts owed.

Option Agreement

In February 2022, the Company entered into a convertible facility agreement with Savannah Energy Investments Limited ("CFA 2" and "Savannah") whereby Savannah would support the Company by providing a £0.9 million loan to the Company. The Company has also signed an Option Agreement with Savannah granting it, subject to approval of the Company's shareholders at an extraordinary general meeting (the "Savannah EGM"), an option to be assigned the intercompany debt owed to the Company by Mayfair Assets & Trusts Limited (the "Mayfair Loan"). A US$1 million payment is payable by Savannah to the Company upon such assignment.

The Savannah EGM was held on 8 April 2022 and the Company's shareholders approved the entry into of the Option Agreement.

The Company notes that there is no guarantee that Savannah will exercise its rights under the Option Agreement nor that Lekoil Nigeria (and/or Mr. Akinyanmi) will not seek to challenge or injunct the operation of the Option Agreement (including by way of a Court process in Nigeria).

Equity shareholding in Lekoil Nigeria

The Company holds a 40% ownership interest in Lekoil Nigeria 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. On 01 April 2021, the Directors of Lekoil Nigeria informed the Company that its board would start operating and making decisions related to its operations as contained in the shareholders' agreement between, amongst others, the Company and Lekoil Nigeria. The board of Lekoil Nigeria further stated that it would no longer fund any of the costs of the Company and its subsidiaries, thereby limiting the ability of the Company to access operational funds.

Given: (i) the inability of the Company to control the day-to-day operational activities of Lekoil Nigeria and/or the distributions made by Lekoil Nigeria; and (ii) the current disputes between the Company and Lekoil Nigeria (and its CEO), the Company sees little likelihood of the Company realising its investment in Lekoil Nigeria and as such, has impaired its valuation of the equity investment in Lekoil Nigeria to nil value.

Principal risks and uncertainties

The management of the business and the nature of the Company's strategy are subject to a number of risks. The directors have set out below the principal risks facing the business.

Going concern

The assessment of the going concern risk has been detailed in the Directors' Report.

Market risk

The success of the business is reliant on executing its strategy and having sufficient resources (including management) to do so effectively.

Strategic Report

Liquidity risk

The Company manages its cash requirements to ensure that it has sufficient resources to meet the operating needs of the business. Cash flow risk is managed by ensuring that sufficient funds are available to meet obligations to required payments to creditors.

Historically, the Company has either raised equity capital or obtained debt finance (namely via Lekoil Oil & Gas Investments Limited) to fund group activities. The latter option in no longer available to the Company given Lekoil Nigeria's actions. More recently, the Company has used convertible debt facilities, a contractor shares scheme and payment of directors' fees in shares to manage its cash flow. Once the Company's shares are trading on AQSE, as is the Board's expectation, the Company retains the ability to raise capital by way of an open offer or rights issue. There is no guarantee that these measures will be sufficient to ensure the Company has the liquidity it needs to pursue its strategy, noting the aggressive litigation strategy of Lekoil Nigeria, which necessitates the Company having to spend its limited cash resources defending what the Company believe are litigations with little merit and/or an ulterior motive.

Credit risk

The Company's principal financial assets are bank balances, cash and trade and other receivables.

The Company's credit risk is primarily attributable to receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The amounts presented in the statement of financial position are net of these allowances for doubtful receivables.

The Company believes that the credit risk on its liquid funds is limited because the financial institution with which the Company banks holds the Company's money in 'safeguarded funds'.

This strategic report was approved by the board on 30 June 2022 and signed on its behalf.

Anthony Hawkins Interim Executive Chairman 3 June 2021 to 9 June 2022	Olapade Durotoye Non-Executive Chairman From 9 June 2022

Report of the Directors

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

RESULTS FOR THE YEAR

The Company has made a loss of $237.1 million (2020: loss of US$20.7 million).

DIVIDENDS

The Directors are unable to recommend the payment of a dividend (2020: Nil).

ACCOUNTING POLICIES

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

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year are listed below.

Name	Period as a Director of the Company
Mark Simmonds	1 January 2021 to 20 April 2021
Ms. Aisha Muhammed-Oyebode	1 January 2021 to 18 June 2021
Olalekan Akinyanmi	1 January 2021 to 18 June 2021
Anthony Hawkins	1 January 2021 to 31 December 2021
Tom Richardson	8 January 2021 to 31 December 2021
George Maxwell	8 January 2021 to 15 April 2021
Michael Ajukwu	8 January 2021 to 20 April 2021
Marco D'Attanasio	21 April 2021 to 31 December 2021
Al Tindall	21 April 2021 to 31 December 2021
Olapade Durotoye	22 November 2021 to 31 December 2021
Adeoye Adefulu	22 November 2021 to 31 December 2021

As at 31 December 2021, none of the then current Directors of the Company had any legal or beneficial interest in the share capital of the Company other than as follows:

Director's Name	Beneficial Interest held via	Number of ordinary shares held by legal or beneficial owner at 31 December 2021	Percentage of Company's issued share capital held by legal or beneficial owner at 31 December 2021
Marco D'Attanasio	Hadron Master Fund	25,025,000	4.6%

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law and the Company's Articles of Association require the directors to prepare financial statements for each financial year using International Financial Reporting Standards (as adopted by the European Union (IFRSs)). Under company law the directors must not approve the financial statements unless they are satisfied

Report of the Directors

that they give a true and fair view of the state of affairs and profit or loss of the company and Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- in so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors individually have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

GOING CONCERN

The Directors have assessed the ability of the Company to continue as a going concern having prepared detailed cash, funding and liquidity forecast through to December 2023. The Directors believe that there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, including the effect on the Company of the litigation instigated by Lekoil Nigeria and Mr Akinyanmi. Notwithstanding the material uncertainty, the Directors have prepared the financial statements on a going concern basis. Details on the going concern disclosure are shown in the financial statements.

CORPORATE ADVISORS

The Company's nominated adviser (and joint broker) during 2021 was SP Angel Corporate Finance LLP ("SP Angel"). From 13 January 2021, the Company also engaged Tennyson Securities as its joint broker. In November 2021, the Company announced that it would be appointing a new auditor for the financial year ended 31 December 2021 and subsequently it appointed Bright Grahame Murray.

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. The Company provided directors and officers insurance for its directors for the financial year ended 31 December 2021.

POST-REPORTING DATE EVENTS

All events that have occurred since the year end which require reporting have been disclosed in the financial statements and/or the Chairman's Statement.

HEALTH, SAFETY AND ENVIRONMENT

The Company is committed to fulfil its health, safety, and environmental responsibility. The Company has limited operational activities outside of office based activities. There have been no known breaches of HSE or environmental laws during the reporting period.

Report of the Directors

FINANCIAL INSTRUMENTS

Details of the use of any financial instruments by the Company are contained in the financial statements.

The Company is aware that one of its subsidiaries, Lekoil Management Corp, entered into a Covid related loan via Berkshire Bank. The Company has not been able to verify the repayment of the loan and continues to investigate the matter.

INDICATION OF FUTURE DEVELOPMENTS

The details of the future developments of the Company are given in the Strategic Report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The details of financial risk management are given in the Strategic Report.

BOARD AND COMMITTEE MEETING ATTENDANCE DURING THE YEAR 2021*

Attendance	Board	Nominations Committee	Remuneration Committee	Audit Committee
Mark Simmonds	10	-	-	1
Ms. Aisha Muhammed-Oyebode	14	2	3	-
Olalekan Akinyanmi	12	-	-	-
Anthony Hawkins	32	3	4	7
Tom Richardson	29	3	4	7
George Maxwell	9	2	2	1
Michael Ajukwu	-	-	-	-
Marco D'Attanasio	20	1	1	5
Al Tindall	19	1	1	6
Olapade Durotoye	-	-	-	-
Adeoye Adefulu	-	-	-	-
Michael Ajukwu	10	-	-	-

* *Includes written resolutions*

BOARD MEMBERS

The current Board is constituted by the following members:

Mr. Olapade Durotoye, Non-Executive Chairman
Pade Durotoye is the Chief Executive Officer and Founder of West Titan Energy. He has over 32 years of management experience across the value chain of the oil and gas Industry internationally.

He began his career with Schlumberger Oilfield Services where he worked in various Management capacities in Field Operations, Operations Management, Line (Country) Management, Human Resources Management and Business Development for close to 20 years in 8 countries in Africa, Europe and Asia.

He served as the MD/CEO of Ocean and Oil Holdings Group, a principal investment and advisory services group, where advised on and in some cases led the company's Management and Technical Services advisory contract with Oando. He was a core member of Oando's Group Leadership Council and a key part of the company's Upstream Diversification Strategy & Execution Team that acquired oilfield assets and drilling rigs.

Report of the Directors

Pade served as Managing Director/CEO of Oando Energy Resources (OER), a position he held for over 8 years. In his capacity as MD/CEO, he led the team that delivered on the acquisition of the Nigerian upstream oil and gas business of ConocoPhillips in 2014, making OER Nigeria's leading Indigenous Independent Oil Company by production with over 40,000boepd of oil and gas and 16 participating Licenses in Nigeria and the Gulf of Guinea. He proceeded to join Nigerdock FZE as Managing Director/CEO, where he served for a year to strategically direct the organization.

Pade has a deep knowledge of the oil and gas sector and is passionate about resolving value traps in in the industry. He holds a BSc. Electronics and Engineering from the University of Ife (now Obafemi Awolowo University) and is a member of several professional bodies and associations which include the Society of Petroleum Engineers, the Nigeria Society of Engineers, and the Institute of Directors.

Mr. Guy Oxnard, Executive Director
Mr Guy Oxnard is a common law qualified upstream and midstream oil & gas lawyer with experience on four continents, including Africa. As a General Counsel, Executive Manager, Company Secretary and Head of Compliance he has specialised in the structuring, financing and management of transborder pipeline projects, with particular interest in joint venture governance. He also is experienced in M&A and litigation management. Prior to joining Lekoil, Mr Oxnard worked with Tullow Oil plc, Trans Adriatic Pipeline AG, Apache Energy Corp and law firm Herbert Smith Freehills.

Mr. Dipo Sofola, Non-Executive Director
Mr. Dipo Sofola is a senior oil and gas executive with over a decade of energy experience, focused on energy commercialization and business development in the Nigerian oil and gas sector. Mr. Sofola is a Business Development Manager for Savannah Energy, where he leads on significant strategic projects, in line with Savannah Energy’s objective of delivering impactful and transformative energy projects on the African continent. Previously, Mr. Sofola was a Senior Commercial Advisor at Seven Energy (now Savannah Entergy), leading on commercial transactions. He has also previously worked as a Business Development analyst with multinational telecommunications group, Etisalat in Nigeria. Mr. Sofola holds a BA (Hons) in Business Finance from University of Durham and an MSc in Project and Enterprise Management from University College London.

Mr. Anthony Hawkins, Non-Executive Director
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.

Report of the Directors

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

BOARD COMMITTEES

As at 1 July 2022, the Audit & Risk, Nominations and Remunerations Committees of the Board of Directors will have the following directors as members and Chairperson:

Audit & Risk Committee

Name	Position
Tom Richardson	Member
Marco D'Attanasio	Member
Dipo Sofola	Member

Remuneration Committee

Name	Position
Pade Durotoye	Chairperson
Guy Oxnard	Member
Adeoye Adefulu	Member

Nomination Committee

Name	Position
Pade Durotoye	Chairman
Tom Richardson	Member
Dipo Sofola	Member
Adeoye Adefulu	Member

This report was approved by the board on 30 June 2022 and signed on its behalf.

Anthony Hawkins
Interim Executive Chairman
3 June 2021 to 9 June 2022

Olapade Durotoye
Non-Executive Chairman
From 9 June 2022

Corporate Governance Statement

The Company has 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. The Company’s application of the QCA Code is set out on its website (www.lekoilplc.com) and is updated from time to time.

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 will continue to implement the following internal policies in order to provide guidance on Corporate Governance issues. These policies as the same as those summarised in the Company’s Annual Report for the year ended 31 December 2020. The Company notes that it has no control over whether Lekoil Nigeria implements these policies. 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. In the course of preparing this Annual Report and Accounts, the Board has noted the need to review the Corporate Governance framework and its practical implementation given the changes in 2021 and also the need to undertake, in due course, a Board evaluation report. The Company will undertake that those reviews in the second half of 2022.

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 is included in the Strategic Report set out above.

Obligations to our stakeholders
We are committed to communicating openly with our shareholders and stakeholders to ensure that our strategy, our financial position and the effects of those on our stakeholder is clearly understood.

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 appropriate for a company of its size and resources.

Management framework

As at 31 December 2021, the Board comprised of an Executive Chairman and five Non-Executive Directors (three of whom were independent). In 2021, there was significant changes to the Board. The Company believes that its current composition is appropriate for the Company given its current corporate structure and financial resources. 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, the Company may call on the Directors to spend at least 20 days per year on Company business.

The attendance record of the Directors is set out above.

Directors

We believe that our Board has the appropriate balance of skills, experience and capabilities required to direct the Company. These include sector-specific experience in the oil and gas industry, as well as more general finance, accounting and business management skills.

The Board is supported by the Audit and Remuneration Committees, the terms of reference of which can be found on our website.

Succession planning is managed through regular reviews and management discussions. From June 2021 onwards, the composition of the Board will reflect the size of the Company and the resources available to it.

Reward

The Company manages its activities via the Board of Directors and one executive director. The Company's non-excutive directors have agreed to be paid in the Company's ordinary shares for their remuneration

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 Company's website www.lekoilplc.com.

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

Audit and Risk Committee Report

Composition

As at 31 December 2021, the Committee was composed of Anthony Hawkins as Chair, Tom Richardson, Al Tindall and Marco D'Attanasio, with Mr Hawkins and Mr Tindall acting as independent directors. All of the directors have relevant financial experience.

Role and Responsibilities

The Audit Committee's terms of reference designate the role and responsibilities of the audit committee These are available on the Company's website www.lekoilplc.com

The Audit Committee met 7 times in the 2021 year.

2021 Financial reporting

The following are the main key judgements and new accounting standards that were considered by the Committee in its review of the 2021 full year Financial Statements:

- Going Concern basis of accounting;
- Assessment of impairment of its 40% equity investment in Lekoil Nigeria;
- Assessment of impairment of the inter-company receivables with Lekoil Nigeria and its subsidiaries and the CEO Loan;
- Assessment of impairment of its equity investment in its subsidiaries and any inter-company receivables due from those subsidiaries;
- Consolidation of Company accounts with the Lekoil Nigeria group; and
- the impact of new accounting standards.

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 the Board, and material exceptions are reported to the Committee. The Company does not consider it appropriate, given its size and complexity, to have an internal audit function.

External auditor

Bright Grahame Murray were appointed auditors of the Company's in May 2021. The Committee has recommended to the Board that the auditors are reappointed for the year ending 31 December 2022. Bright Grahame Murray has expressed a willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the next Annual General Meeting of the company.

Remuneration report

Composition and Role

As at 31 December 2021, the remuneration committee (the "Remuneration Committee") was composed of Al Tindall as Chair and Thomas Richardson, Anthony Hawkins and Marco D'Attanasio.

Mr Tindall and Mr Hawkins are independent directors of the Company, save that Anthony Hawkins is serving as Interim Executive Chairman. The Remuneration Committee is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of Executive Director(s), 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.

Remuneration Policy

The Remuneration 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.

Until June 2021, the Company had a pension scheme for the Executive Director (Mr. Akinyanmi). There is no pension scheme for Non-Executive Directors.

In the second half of 2021, the Company agreed with its then current directors to pay all compensation due for services in 2021 in Company shares rather than cash, with the conversion price of the compensation in excess of the Company's share price at the time of its suspension in September 2021. Payment of that compensation was deferred until the occurrence of certain events, with no payments made in 2021.

Performance Share Plan

There were no share awards in 2021.

Options

There were no share awards in 2021.

The interests of the Directors, who were in office at the end of the financial year, in options over the shares of the Company at 31 December 2021are:

Director and Plan	Grant Date	Grant Price (GBP)	Vesting End Date	Outstanding Options at 31 December 2021	Lapse Date
Anthony Hawkins[1]					
NED Share Plan	10/30/2020	0.2113	10/30/2023	250,000	10/30/2030
Grand Total				**250,000**	

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

Independent auditor’s report to the members of Lekoil Limited

Disclaimer of opinion

We were engaged to audit the financial statements of Lekoil Limited for the year ended 31 December 2021 which comprise of the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom International Financial Reporting Standards (IFRSs).

We do not express an opinion on the accompanying financial statements of the company Lekoil Limited. 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 financial statements.

Basis for disclaimer of opinion

Going concern

In April 2021, the Board of Lekoil Nigeria notified the Board of Lekoil Limited that it will no longer fund the operations of the company. In September 2021, in order to cover some ongoing operational costs, the company entered into Convertible Facility Agreement ("CFA") with Hadron Master Fund, TDR Enterprises Ltd and a non-related third party amounting to US$237,000. Subsequent to the year end, the company entered into another CFA with Savannah Energy Investments Limited amounting to US$1.19 million with an option to acquire by way of assignment a loan from Lekoil Cayman to Mayfair Assets & Trust Limited. In March 2022, both loans were converted into fully paid ordinary shares of the company.

Although cash flow forecasts prepared to 31 December 2023 indicate that the company will have adequate resources to continue in operational existence for the next 12 months, there is no certainty that Savannah Energy Investments Limited will exercise the option and provide the company $1m by 31 December 2022. The forecasts also assume that the loan from former CEO Mr Akinyanmi in the sum of $1.65 million will be recovered in the next 12 months. There is material uncertainty concerning recoverability of this loan which is now subject to legal proceedings.

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 financial statements using the going concern basis as set out in note 2 to the financial statements.

Valuation and recoverability of intercompany receivable

As explained in note 12 to the financial statements, the company conducted a formal review of various related intercompany loans and a total of US$133.5 million is estimated to be due to the company. We were unable to confirm or verify by alternative means the intercompany receivable included in the statement of financial position at a total amount of US$133.5 million as at 31 December 2021. Furthermore, we were unable to obtain evidence as to the recoverability of these intercompany loans. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded intercompany receivable, and the elements making up the statement of comprehensive income and the statement of financial position.

Independent auditor’s report to the members of Lekoil Limited

Recoverability of loan from former CEO

As set out in note 12 to the financial statements a balance outstanding of US$1.65 million at 31 December 2021 is due to the company from a former CEO and is now subject to litigation by both parties. We were unable to obtain sufficient appropriate evidence as to the recoverability of this balance and consequently, we were unable to determine whether any adjustments might have been found necessary in respect of this receivable, and the elements making up the statement of comprehensive income and the statement of financial position.

Comparative information

We were appointed as auditors to the company on 27 May 2022. We were unable to satisfy ourselves by alternative means whether the comparative information for the previous accounting period is correctly stated and the potential impact on the corresponding figures in the current financial year. Furthermore, certain comparative information is not available and has not been disclosed in the financial statements.

Share based payments

We have been unable to satisfy ourselves concerning the disclosures in relation to long term incentive plan scheme, Share option scheme and Non-Executive Director share plan as set out in Note 16 of the financial statements. Furthermore, we were unable to satisfy ourselves on the carrying value of the share based reserve of US$10.25 million.

Exemption from preparing consolidated financial statements

These financial statements do not meet the criteria for exemption from preparing consolidated financial statements and therefore do not comply with requirements of IFRS 10 as set out in note 1 c.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company’s financial statements in accordance with International Standards on Auditing (UK) 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 these financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Independent auditor’s report to the members of Lekoil Limited

Use of our report

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

Ahsan Miraj
Senior Statutory Auditor
For and on behalf of Bright Grahame Murray
Emperor’s Gate
114a Cromwell Road
Kensington
London
SW7 4AG
Date: 30 June 2022

Statement of comprehensive income

	Note	2021 $000 Continuing Operations	2021 $000 Total	2020 $000 Continuing Operations	2020 $000 Total
OTHER OPERATING INCOME					
Cost of sales		-	-	-	-
Gross (loss)		-	-	-	-
Impairment of investments	11	**(7,396)**	**(7,396)**	-	-
Impairment of intercompany receivables	12	**(232,411)**	**(232,411)**	-	-
Administrative expenses					
Recurring administrative costs		**(418)**	**(418)**	(47,371)	(47,371)
OPERATING LOSS	3	**(240,225)**	**(240,225)**	(47,371)	(47,371)
Finance income	6	**3,061**	**3,061**	26,674	26,674
Finance cost	7	-	-	-	-
PROFIT/(LOSS) FROM CONTINUING ACTIVITIES BEFORE TAXATION		**(237,164)**	**(237,164)**	(20,697)	(20,697)
Tax expense	8	-	-	-	-
LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(237,164)**	**(237,164)**	(20,697)	(20,697)
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(237,164)**	**(237,164)**	(20,697)	(20,697)
Loss per share - basic	9	**(0.44)**	**(0.44)**	(0.038)	(0.038)
Loss per share – diluted	9	**(0.44)**	**(0.44)**	(0.038)	(0.038)

Statement of financial position

	Note	2021 $000	2020 $000
NON CURRENT ASSETS			
Investments	11	**-**	7,396
		-	7,396
CURRENT ASSETS			
Trade and other receivables	12	**135,174**	382,115
Cash and cash equivalents		**50**	-
TOTAL CURRENT ASSETS		**135,224**	382,115
TOTAL ASSETS		**135,224**	389,511
EQUITY			
Share capital	15	**27**	27
Share premium account		**264,004**	264,004
Share based payment reserve		**10,259**	10,173
Retained earnings		**(140,591)**	96,573
TOTAL EQUITY		**133,699**	370,777
CURRENT LIABILITIES			
Trade and other payables	13	**1,525**	18,734
TOTAL CURRENT LIABILITIES		**1,525**	18,734
TOTAL LIABILITIES		**1,525**	18,734
TOTAL EQUITY AND LIABILITIES		**135,224**	389,511

These financial statements were approved by the directors on 30 June 2022 and are signed on their behalf by:

Anthony Hawkins
Interim Executive Chairman
3 June 2021 to 9 June 2022

Olapade Durotoye
Non-Executive Chairman
From 9 June 2022

Statement of changes in equity

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2020	27	264,004	10,173	117,270	391,474
Loss for the year	-	-	-	(20,697)	(20,697)
Total comprehensive income	27	264,004	10,173	96,573	370,777
Transactions with owners:					
Total transactions with owners	-	-	-	-	-
At 31 December 2020	27	264,004	10,173	96,573	370,777

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	$000	$000	$000	$000	$000
At 1 January 2021	27	264,004	10,173	96,573	370,777
Loss for the year	-	-	-	(237,164)	(237,164)
Total comprehensive income	27	264,004	10,173	(140,591)	133,613
Transactions with owners:	-	-	86	-	86
Total transactions with owners	-	-	86	-	86
At 31 December 2021	27	264,004	10,259	(140,591)	133,699

Statement of cash flows

	Note	**2021 $000**	2020 $000
CASH FLOWS USED IN OPERATING ACTIVITIES	17	**(187)**	-
INVESTING ACTIVITIES			
Loans received		**237**	-
CASH FLOWS FROM INVESTING ACTIVITIES		**237**	-
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**50**	-
Cash and cash equivalents brought forward		**-**	-
CASH AND CASH EQUIVALENTS CARRIED FORWARD	19	**50**	-

Notes to the financial statements

1. ACCOUNTING POLICIES

a. General Information

Lekoil Limited ("the Company") is a company incorporated and domiciled in the Cayman Islands. The address of the registered office is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town,Grand Cayman KY1-9008,Cayman Islands , These financial statements are prepared in US dollars, because that is the currency of the primary economic environment in which the Company operates. The review of the business is contained within the Strategic Report on page 10.

b. Basis of preparation of financial statements

The financial statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards ('IFRSs'), IFRIC interpretations as adopted by the EU.

The financial statements have been prepared under the historical cost convention except for financial instruments and share based payments which are measured at fair value. Monetary amounts in these financial statements are rounded to the nearest $000.

As at 31 December 2021 the Company had cash balances of $50,000. The Directors have prepared a cash flow forecast for the coming 12 months which demonstrates the ability for the Company to actively pursue its stated strategy. Accordingly the Directors consider it appropriate to continue to prepare the financial statements of the Company on a going concern basis.

c. Basis of consolidation

The financial statements incorporate the financial statements of the company made up to 31 December each year. Control is achieved where the company has the power to govern the financial statements and operating policies of an investee entity so as to obtain benefits from its activities.

Consolidated financial statements for the entity have not been prepared on the basis that the relevant accounting records for the company's subsidiaries are not available without disproportionate expense or undue delay, compared to the value to the members if the subsidiaries were included. This is a permitted reason for excluding subsidiaries results from group accounts.

This exemption is not permitted as a justification for excluding subsidiaries from group accounts under IFRS 10. The company has significantly reduced central overheads in the year and does not have reliable information on the position to and at 31 December 2021 (for the subsidiaries noted above) and as a result do not have the funds and time to correct this position and therefore reluctantly has had to prepare accounts that do not comply with IFRS 10.

Therefore there are no subsidiaries to include in the consolidated accounts and these financial statements show only the result of the company.

d. Segment reporting

In identifying its operating segments management generally follows the Company's service lines, which represent the main products and services provided by the Company.

Management consider that all activities undertaken by the Company are from one operating segment. The on-going sole activity of the Company, being the pursuit of acquisition opportunities have been allocated to one continuing operating segment.

The measurement policies the Company uses for segment reporting under IFRS 8 are the same asthose used in its financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

e. Taxation

Under current laws of the Cayman Islands, there is no income, estate, transfer, sales or other Cayman Islands taxes payable by the Company and management believes the Company is not liable for tax in any other jurisdiction. Accordingly no tax charges or tax liabilities are reflected in the financial statements.

f. Investments

Subsidiary Undertakings
Investments in subsidiaries are valued at cost less provision for impairment.

g. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

The equity investment is measured at fair value with gains and losses recognised in other comprehensive income and reported within the available for sale financial asset reserve within equity, except for impairment losses, which are recognised in profit or loss, An assessment for impairment is undertaken at least at each balance sheet date. Reversals of impairment losses are not recognised in profit or loss and any subsequent increase in fair value is recognised in other comprehensive income.

When the asset is disposed of or determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss.

h. Impairment

An impairment test of assets is performed whenever events and circumstances indicate that the carrying value of the asset may exceed its recoverable amount. The carrying amounts of the Company's assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

i. Financial assets and liabilities

Financial assets and liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(i) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against trade and other receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

(ii) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iii) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. A financial liability is any liability which gives rise to a contractual obligation to deliver cash or another financial asset to another entity.

(iv) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, net of direct issue costs and subsequently at amortised cost using the effective interest rate method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest rate method.

(v) Convertible loan notes containing embedded derivatives

The Company may issue convertible loan notes which carry an option for the issuer to convert the liability into a variable number of equity shares.

Contracts which result in the entity delivering a variable number of its own equity instruments are classed as financial liabilities.

The conversion option is an embedded derivative and is carried at fair value through profit and loss.
The convertible loan is also classified as a financial liability. It is recorded initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

When shares are issued in consideration for extinguishment of debt any difference between the face value of the loan notes and the fair value of shares issued is recognised in profit and loss.

(vi) Convertible loan notes accounted for as compound instruments

The Company may issue convertible loan notes which carry an option for the issuer to convert the liability into a fixed number of equity shares.

Contracts which result in the entity delivering a fixed number of its own equity instruments are classed as compound instruments, containing both a financial liability and an equity instrument.

Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

No gain or loss arises from initially recognising the components of the instrument separately.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

(vii) Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

(viii) Equity instruments

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

Share warrants

The Company has issued share warrants which have been accounted for as equity instruments as the substance of the contractual arrangement is such that the warrants evidence a residual interest in the assets of the Company after deducting all liabilities.

(ix) Held for trading financial assets

Assets held in this category are measured at fair value with gains or losses recognised in profit or loss. The fair value of financial assets in this category are determined with reference to active market transactions.

j. Equity and reserves

(i) Share capital

Share capital represents the nominal value of shares that have been issued.

(ii) Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, to the extent there is a premium on that issue, net of any related income tax benefits.

(iii) Equity-settled share based payment

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in profit and loss with a corresponding credit to equity reserve.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Notes to the financial statements

1. ACCOUNTING POLICIES (continued)

k. Exceptional items

The Company identified and reports material, non-recurring costs and income as exceptional items separately from underlying operating expenses and income. Exceptional items may include impairment charges and acquisition costs.

l. Key estimates and judgements

The directors have identified the following as key judgements in the preparation of the Company accounts:

- assessment of recoverability of intercompany receivables (Note 12)
- assessment of going concern (Note 2)

m. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following new and amended Standards and Interpretations have been issued and are effective for the current financial period of the Company.

- Other amendments

In the current year, the company has applied a number of amendments to Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. These have not had any material impact on the amounts reported for the current and prior years.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

- Narrow scope amendments to IFRS3, IAS16 and IAS37 (effective for periods commencing on or after 1 January 2022)
- Annual improvements to IFRS standards 2018-2020 (effective for periods commencing on or after 1 January 2022)
- Amendments to IAS 1: Classification of liabilities as current or non-current (effective for periods commencing on or after 1 January 2023)
- Amendments to IAS 8: Definition of accounting estimates (effective for periods commencing on or after 1 January 2023)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the company. The company does not intend to apply any of these pronouncements early.

2. GOING CONCERN

The Directors have assessed the ability of the Company to continue as a going concern having prepared detailed cash, funding and liquidity forecast through to December 2023. The Directors believe that there is a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, including the effect on the Company of the litigation instigated by Lekoil Nigeria and Mr Akinyanmi. Notwithstanding the material uncertainty, the Directors have prepared the financial statements on a going concern basis.

Notes to the financial statements

3. OPERATING LOSS

Operating loss is stated after charging:

	2021	2020
	$000	$000
Impairment of investments	**7,396**	-
Impairment of intercompany receivables	**232,411**	-
Fees payable to the company's auditor :		
- for the audit of the financial statements	**51**	-

4. STAFF COSTS

Staff costs, being amounts payable to key management personnel, were as follows:

	2021	2020
	$000	$000
Wages and salaries	**295**	555
	295	555

The average monthly number of employees during the year, including directors was as follows:

	No.	No.
Directors	**6**	6

5. DIRECTORS' REMUNERATION

Directors' emoluments were as follows:

Director	**2021 Salary and total emoluments $000**	**2020 Salary and total emoluments $000**
T Hawkins	143	-
A Tindall	63	-
T Richardson	26	-
A Adefulu	4	-
M D'Attanasio	19	-
P Durotoye	4	-
A Oyebode* (resigned 18/6/21)	35	-
Total	295	-

The directors agreed to accrue fees for the period from June 2021 to December 2021 .

No retirement benefits were accruing to directors at 31 December 2021 (2020: £nil).The directors received £nil (2020: £nil) in respect of share based payments.

Notes to the financial statements

6. FINANCE INCOME

	2021 $000	2020 $000
Interest on intercompany loan	**3,061**	26,674
	3,061	26,674

7. FINANCE COST

	2021 $000	2020 $000
Total interest expense for financial liabilities	**-**	-
	-	-

8. TAX EXPENSE

As per accounting policy 1 (e) under current laws of the Cayman Islands, there is no income, estate, transfer, sales or other Cayman Islands taxes payable by the Company and management believes the Company is not liable for tax in any other jurisdiction. Accordingly no tax charges or tax liabilities are reflected in the financial statements.

9. (LOSS)/EARNINGS PER SHARE

Basic earnings per ordinary share for the year is based on the loss of $237,164,000 (2020: loss:$20,697,000) and a weighted average of 536,779,983 (2020: 536,779,983) ordinary shares.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares. Items included in the calculation are options and warrants for ordinary shares.

The effect of conversion of all potential dilutive ordinary shares would have an anti-dilutive effect on earnings per share and therefore they have not been incorporated in the diluted earnings per share calculation. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease profit per share or increase loss per share.

10. SEGMENT REPORTING

Management currently considers that the Company has one operating segment as described in accounting policy 1(c). Segment information can be analysed as follows for the reporting periods under review.

	Investment strategy 2021 Continuing operations $000	**Total 2021 $000**	Investment strategy 2020 Continuing operations $000	Total 2020 $000
Segment operating profit/(loss)	**(237,164)**	**(237,164)**	(20,697)	(20,697)
Segment assets	**135,224**	**135,224**	389,511	389,511

Notes to the financial statements

11. INVESTMENTS

Company investment in subsidiaries - Shares in Company undertakings

Non-current	**2021 $000**	2020 $000
At 1 January	**7,396**	7,396
Impairment	**(7,396)**	-
At 31 December	**-**	7,396

Subsidiaries are listed in Note 21.

The Directors have assessed the carrying value of its investments in its subsidiaries as part of its formal review of its various intercompany and related party loan positions (Note 12). As set out in the Chairman's Statement and Strategic Report the Company has been moved to act as a standalone entity. Accordingly it has written down the value of the shares in Company undertakings to nil.

12. TRADE AND OTHER RECEIVABLES

	2021 $000	2020 $000
Current		
Other receivables	**1,647**	7,224
Intercompany receivable	**133,527**	374,891
	135,174	382,115

An unsecured loan of US$1,500,000 was granted to a Director 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's maturity date was extended by 3 years to 9 December 2020 under the same terms and conditions. On 9 December 2020, at the expiration of the extension, the Board approved a final extension to loan for 12 months conditional on the adherence to the following repayment 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-month LIBOR. The initial US$0.4 million was settled by the Director although no other settlements were made and the loan is in default and accruing interest at a rate of LIBOR plus 14 per cent on the default amount. At year end, the balance outstanding was US$1,646,696.

In 2021, the Company commenced a formal review of all the various intercompany and related party loan positions (noting in particular that Lekoil Nigeria may no longer qualify as a related party and that the term "intercompany loans" refers to their historic characterisation). It is aware that Lekoil Nigeria is unlikely to agree on the exact intercompany debt position and the Company emphasise that it expects it will have to commence litigation to recover the intercompany loans and that the recovery of the intercompany loan amounts cannot be guaranteed to be successful either due to a failure to win the relevant litigation and/or an ability to effectively enforce a judgment. The Company attributes minimal value to the day-to-day operational activities of Lekoil Nigeria and, as such, has impaired its valuation of the equity investment in Lekoil Nigeria to nil value.

Notes to the financial statements

13. TRADE AND OTHER PAYABLES

	2021	2020
	$000	$000
Current		
Trade payables	**1,019**	502
Other payables	**237**	17,404
Accruals	**269**	828
	1,525	18,734

The carrying values are considered to be a reasonable approximation to fair value.

14. BORROWINGS

	2021	2020
	$000	$000
Current		
Short term loans	**237**	-

On 2nd September 2021, Lekoil Limited announced it entered into a Convertible Facility Agreement ("CFA") with Hadron Master Fund, TDR Enterprises Ltd (a company controlled by Tom Richardson) and a non-related third party (together "the Lenders") to allow it access GBP200,000 for working capital purposes for a 6-month period. Hadron will provide GBP100,000 while TDR Enterprises Ltd and the third party will provide up to GBP50,000 each. The purpose of the facility is for the payment of corporate costs (regulatory and compliance and legal fees) and for general corporate purposes as approved by the Board of Directors. There is the option to convert the facility in the event of non-payment and expiration of term to ordinary shares of the Group at the conservation price of 0.5 pence. Interest rate as at 10% per annum.

15. SHARE CAPITAL

	2021	2020
	$	$
Authorised, Allotted, called up and fully paid		
Ordinary shares		
Beginning of the year	**26,839**	26,839
New Shares issued	**-**	-
As at 31 December (536,779,983) ordinary shares of $0.00005 (2020: 536,779,583 ordinary shares of $0.00005 each)	**26,839**	26,839

The authorised share capital is 1,000,000,000 shares at par value of $0.00005 each

Notes to the financial statements

16. SHARE-BASED PAYMENTS

At 31 December 2021, 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 no share options under the plan in the year (2020: 1,000,000 share options issued on 30 October 2020 at 2.13pence).

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
	2021		2020	
Outstanding at 1 January	0.32	30,099,000	0.33	31,221,750
Granted during the year	-	-	0.03	1,000,000
Forfeited during the year	0.33	(9,992,500)	0.33	(2,122,750)
Outstanding at 31 December	0.32	20,106,500	0.32	30,099,000

The options outstanding at 31 December 2021 had exercise prices in the range of US$0.03 to US$0.4 and a weighted average contractual life of 4.18 years (2020: 5.18 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 2021 under this scheme.

Notes to the financial statements

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
	2021		2020	
Outstanding at 1 January	0.46	16,358,125	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	16,358,125
Exercisable at 31 December	0.46	16,358,125	0.46	16,358,125

The options outstanding at 31 December 2021 have a weighted average contractual life of 0.14 years (2019: 1.14 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 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
	2021		2020	
Outstanding at 1 January	0.20	2,600,000	0.24	2,100,000
Granted during the year	-	-	0.03	500,000
Forfeited during the year	-	(2,350,000)	-	-
Outstanding at 31 December	0.03	250,000	0.20	2,600,000

The options outstanding at 31 December 2021 had a weighted average exercise price of $0.03 and a weighted average contractual life of 5.27 years (2020: 6.27 years).

Employee benefit expenses

	2021 US$'000	2020 US$'000
Non-Executive Director Share Plan (equity-settled)	-	37
Long Term Incentive Plan scheme (equity-settled)	-	309
Total expense recognised as employee costs	-	346

Notes to the financial statements

17. RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

	2021 $000	2020 $000
Loss for the year	**(237,164)**	(20,697)
Impairment	**7,396**	-
Decrease/(increase) in receivables	**246,790**	-
Increase/(decrease) in payables	**(17,209)**	20,697
Net cash used in continuing operations	**(187)**	-
Net cash outflow used in operations	**(187)**	-

18. FINANCIAL INSTRUMENTS

The carrying amounts presented in the statement of financial position relate to the following categories of assets and liabilities:

Company	**2021 $000**	2020 $000
Financial assets		
Loans and receivables:		
Trade and other receivables	**135,174**	382,115
Cash and cash equivalents	**50**	-
	135,224	382,115
Financial liabilities		
Financial liabilities measured at amortised cost:		
Current:		
Loans	**237**	-
Trade and other payables	**1,288**	18,734
	1,525	**18,734**

The carrying values of the Company's financial assets and liabilities approximate to their fair values.

Financial assets comprise cash and cash equivalents, trade and other receivables and exclude prepayments.

The financial liabilities are all short-term liabilities and due on demand or within agreed contractual terms.

Risk management
The board is charged with managing the various risk exposures, including those which arose through holding the following financial instruments which apply to both the Company and the Company:

(a) Capital risk management
The Company manages its capital to ensure that all the companies within the Company will be able to continue as a going concern while maximising the return to equity holders, through optimisation of debt equity balance. The capital structure of the Company includes debt, consisting of borrowings, cash and cash equivalents and equity attributable to the equity holders of the parent. Where necessary additional loans are provided to the Company to ensure liquidity at critical times.

Notes to the financial statements

Capital for the reporting period under review is summarised as follows:

	2021 **$000**	2020 $000
Total equity	**133,699**	370,777
Borrowings	**237**	-
Cash and cash equivalents	**50**	-
Capital	**133,986**	370,777

(b) Interest rate risk
The Company is exposed to interest rate risk as it has borrowings and cash and cash equivalent balances that are subject to variable interest rates. The Company does not enter into hedging transactions for the purposes of minimising its exposure to interest rate risk, but manages its exposure by monitoring the levels of interest payable and receivable on a regular basis.

At 31 December 2021 amounts on short term deposits totalled $50,000 (2020: $-). Loans receivables and loan notes are contracted at a fixed rate of interest.

(c) Liquidity rate risk
The Company's approach to liquidity risk is to ensure that sufficient liquidity is available to meet foreseeable requirements, by having adequate reserves, banking and borrowing facilities and by investing funds securely and profitably. The board further manages its exposure to liquidity risk by ensuring that cash flow forecasts and budgets are produced annually and monitored on a regular basis. All trade payables and borrowings have a maturity date of within one year.

(d) Credit rate risk
Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Company. The Company manages the exposure to this risk by carrying out credit verification procedures on all clients and monitoring receivable balances on an ongoing basis. The Company's receivable balance principally comprises amounts due from other Company companies for financing purposes.

19. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

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

Loans and transactions with key management personnel

An unsecured loan of US$1,500,000 granted to a Director 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's maturity date was extended by 3 years to 9 December 2020 under the same terms and conditions. On 9 December 2020, at the expiration of the extension, the Board approved a final extension to loan for 12 months conditional on the adherence to the following repayment 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-month LIBOR. The initial US$0.4 million was settled by the Director although no other settlements were made and the loan is in default and accruing interest at a rate of LIBOR plus 14 per cent on the default amount. At year end, the balance outstanding was US$1,646,696 and is included in 'Other receivables'.
On 2 September 2021, the Company entered into a Convertible Facility Agreement ("CFA") with Hadron Master Fund ("Hadron") (a company associated with Marco D'Attanasio), TDR Enterprises Ltd (a

Notes to the financial statements

company controlled by Tom Richardson) and a non-related third party (together "the Lenders") to allow it to access up to £200,000 for working capital purposes. The key terms of the CFA were: (i) Amount: an amount of up to £200,000 in total, with Hadron providing up to £100,000 and each of TDR Enterprises Ltd and the third party providing up to £50,000 each; (ii) Use of proceeds: for payment of corporate costs (regulatory and compliance and legal fees) and for general corporate purposes as approved by the Board and the Lenders; (iii) Availability: £100,000 available immediately, with £100,000 available after 1 October 2021. (iv) Term: 6 months. (v) Repayment: Principal and interest to be repaid from proceeds of capital raise and/or monies recovered from CEO Loan. Repayment immediately due on a change of control of the Company. No conversion before expiry of the Term. (vi) Conversion right: In the event of non-payment at the expiry of the Term, Lenders have the option to convert the outstanding amounts into ordinary shares of the Company at the Conversion Price of 0.5 pence. (vii) Interest Rate: 10% per annum. (viii) Shareholder approval/Security for Repayment: Approval at Company's AGM. In the event shareholder approval was not obtained, the Lenders would have been be entitled to an assignment by way of security of the CEO Loan.

Tom Richardson is a non-executive director of the Company, controls TDR Enterprises Ltd and is the CEO of Metallon Corporation. Metallon was previously the Company's largest shareholder but no longer owns any of the ordinary shares of the Company. Hadron Master Fund is an affiliate of Hadron Capital, which owns 4.66% of the ordinary shares of the Company. Marco D'Attansio is a non-executive director of the Company and the Chief Investment Officer of Hadron Capital. Given that Tom Richardson and Marco D'Attansio were (at the time of entry into the CFA) non-executive directors of the Company and given Hadron's shareholding in the Company, the entry into the CFA with these parties was deemed to be a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies ("AIM Rules"). For the purposes of the AIM Rules, the independent directors of the Company, having consulted with the Company's Nominated Adviser, SP Angel, considered that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

Anthony Hawkins, whilst the Interim Executive Chairman of the Company, made a number of interest free loans to the Company to pay its day to day administrative costs. Those loans have been repaid by the Company.

20. ULTIMATE CONTROLLING PARTY

As at 31 December 2021 and 31 December 2020 there is no single ultimate controlling party.

Notes to the financial statements

21. PRINCIPAL SUBSIDIARIES

Company name	Country	Ownership interest
Lekoil Nigeria Limited	Nigeria	40%
Lekoil Exploration and Production (Pty) Limited	Namibia	80%
Lekoil Management Corporation	USA	100%
Lekoil 310 Limited	Cayman	100%
Princeton Assets and Trust Pte Limited	Singapore	100%
Lekoil Management Services	Cayman	100%

22. POST BALANCE SHEET EVENTS

In January 2022, Mr. Akinyanmi commenced a legal action in the Cayman Islands, challenging the validity of two resolutions which were duly passed at the Company's Annual General Meeting held on 21 December 2021.

In February 2022 the Company entered into a convertible facility agreement with Savannah Energy Investments Limited (“CFA 2” and “Savannah”) whereby Savannah would support the Company by providing a £0.9 million loan to the Company. The Company has also signed an Option Agreement with Savannah granting it, subject to approval of the Company's shareholders at an extraordinary general meeting (the "Savannah EGM"), an option to be assigned the intercompany debt owed to the Company by Mayfair Assets & Trusts Limited (the "Mayfair Loan"). A US$1 million payment is payable by Savannah to the Company upon such assignment.

Prior to agreeing the Savannah transaction, the Board was aware that the transaction had received the support of the Company's major institutional shareholders, representing approximately 42% of the Company's then current issued share capital. This shareholder support for the Savannah transaction puts into context the subsequent actions of Mr. Akinyanmi and Lekoil Nigeria in seeking to overturn the Savannah transaction and the CFA transaction.

In early March 2022, the Company was successful in discharging the ex-parte injunction of Mr. Akinyanmi that sought to restrain the issue of shares by the Company. The Company subsequently issued the relevant shares under CFA 1 and CFA 2.

In April 2022, Lekoil Nigeria offered to purchase the Mayfair Loan and to repay the outstanding amount under CFA 2. Neither offer was capable of acceptance by the Company as it would have caused it to be in breach of written legally binding obligations to Savannah. The Company noted at the time of the offer that Lekoil Nigeria had chosen to conduct the negotiation process by way of public announcement rather than private dialogue with the Company and that the offer should not be seen as a serious attempt to provide an alternative to the Company and its shareholders but as an attempt to muddy the waters prior to the Savannah EGM. On 8 April 2022, at the Savannah EGM, our shareholders duly approved the Option Agreement entered into with Savannah and also authorised the Directors to issue a certain number of additional ordinary shares in the Company.

Notes to the financial statements

In Q1 2022, the Company continued its English court litigation to recover the CEO loan from Mr. Akinyanmi, with the outstanding amount being circa US$1.5 million. Unfortunately, the Company was denied jurisdiction to do so by the English court. Similarly, Mr. Akinyanmi was denied jurisdiction in the New Jersey court to bring a claim related to the termination of his employment by the Company. The net result of these litigations is that the Company expects to pursue the recovery of the CEO loan via a debt recovery procedure in New Jersey and the Company expects Mr. Akinyanmi to commence arbitration in the UK related to the termination of his employment contract.

On 15 March 2022, Lekoil Nigeria suspended its offer to purchase shares in the Company. As at 28 February 2022, Lekoil Nigeria held 11.35% of the then issued share capital of the Company. As at the date hereof, the Company has not received any more recent notifications from Lekoil Nigeria as to its shareholding in the Company.

In early April 2022, Lekoil Nigeria (along with various of its subsidiaries) notified the Company of an ex-parte injunction granted by the Federal Court of Nigeria, Lagos Division, to restrain various actions of the Company. The Company has challenged the jurisdiction of the Nigerian court to make such an order and the matter is proceeding through the courts.

In April 2022, the Company noted that Lekoil Nigeria had announced the spud of the Otakikpo-4 well as part of the Phase 2 development of Otakikpo. The Company received no further information about this from Lekoil Nigeria.

On 18 May 2022, the Company’s ordinary shares were admitted to trading on the Access segment of the AQSE Growth Market operated by the Aquis Stock Exchange (AQSE).

The Company noted at the time of the admission to AQSE that the Board is of the view that the Company's primary activity now is the recovery of its investment through litigation against the Lekoil Nigeria group and Mr. Akinyanmi and that this characterisation will allow the Company to fulfil its disclosure obligations to the AQSE market, noting that a successful recovery of the intercompany debts due to the Company will be the primary source of value for shareholders (with minimal value attributable to the day-to-day operational activities of Lekoil Nigeria).

This characterisation of the Company, as a litigation vehicle with minimal value attributable to the shareholding in Lekoil Nigeria, is implicit to and reflected in the financial accounts presented for the year ended 31 December 2021.

On 27 May 2022, the Company held an extraordinary general meeting at which shareholders approved the appointment of Bright Grahame Murray as the Company's auditors.

On 9 June 2022, the Company announced that Mr. Olapade Durotoye was the new Non-Executive Chairman of the Company, that Mr. Guy Oxnard had become the Company’s Executive Director and that Mr. Dipo Sofola had been appointed a Non-Executive Director. The appointments are part of a managed succession planning in which Mr. Anthony Hawkins and Mr. Al Tindall will each cease being Directors of the Company as of 30 June 2022. Mr. Hawkins has served as a Non-Executive Director of the Company since January 2020 and as the Interim Executive Chairman since June 2021. Mr Tindall has been a Non-Executive Director of the Company since April 2021.