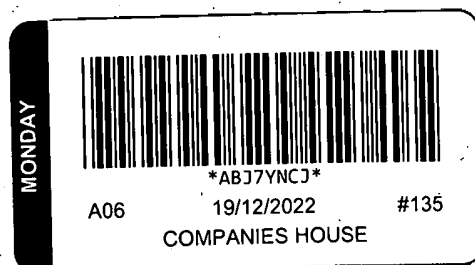


ORCADIAN ENERGY

Orcadian Energy PLC

REGISTERED NUMBER: 13298968

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022



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Chairman and CEO's Statement

The year ended 30 June 2022 has been remarkable for the shift in sentiment towards the oil and gas sector. A fortnight into our financial year on 15 July 2021, we listed the Company amidst growing concern about the future of the North Sea oil and gas sector as the UK approached COP26. Our assessment is that the nation's focus is now energy security and to deliver that, the country will need as much oil and gas as the UK continental shelf can produce, so that we have a secure transition to a lower emissions future.

Orcadian is here to do its part: we have conceived and detailed a development plan for the Pilot oilfield which we believe can open the door for the development of very significant volumes of already discovered viscous oil; we continue to seek a development partner that shares our vision and who has the financial and operational capacity to deliver the Pilot project; we have supported the North Sea Transition Authority's ("NSTA") electrification agenda and detailed an off-grid approach to electrification; and we have supported a wind farm developer with a "Letter of Intent" for Crown Estate Scotland's Innovation and Targeted Oil and Gas wind farm leasing round. We also intend to participate in the 33rd Seaward Licensing round.

Of all these activities the most critical to deliver value to shareholders is securing a development partner for the Pilot field. This has been a tumultuous year with much uncertainty around the UK's fiscal regime. We consider it has always been the case that the UK government has adjusted upstream energy taxes in response to market conditions, a tad quicker to raise rates than lower them, but responsive nonetheless. We believe such volatility has induced uncertainty and a degree of caution in making a commitment to spend large sums of capital on new developments. However, we also believe the structure of the Energy Profits Levy will massively encourage investment in new production so with that support confirmed in the Autumn Statement, we expect 2023 to be a better environment for our continuing farm-out process.

During 2022 we have made significant progress in defining the sub-surface opportunity. We have interpreted the newly reprocessed TGS owned seismic dataset and noted a 10% uplift to the developed area oil-in-place which could result in a similar uplift to proven, probable and possible reserves on Pilot when we next update the independent Competent Person's Report ("CPR"), expected to occur during 2023. We have also built multiple geological models to incorporate the range of heterogeneity we see as possible across the Pilot field, and we have built new full-field reservoir models which have been calibrated to the results of our polymer core flood experimental results. These models have been tested with both exciting upside, and difficult downside, possibilities for multiple parameters and from that work we have derived a statistical range of developed area recovery factors which is highly consistent with the range of recovery factors adopted by Sproule in the CPR. This convergence gives us great confidence in our latest range of reserve estimates as they have been arrived at from two entirely different routes: a stochastic reservoir simulation approach and by comparison with analogue fields.

We now intend to use these models to simplify and optimise our development plan. We firmly believe that polymer flooding is by far the best approach to both maximise recovery and minimise emissions. But as an example of how we might simplify the project, with the benefit of our more rigorous modelling approach we have determined that the economic benefit of incorporating low salinity water is diminished by the ability of recycled polymer to contribute to our target water viscosity. The operational simplicity, and capital cost reduction, available by deleting the low salinity plant may well outweigh the potential polymer cost savings.

Through the year we have conducted a number of market engagements and we received an excellent proposal for a Floating Production Storage and Offloading ("FPSO") redeployment candidate, which would provide the perfect donor vessel to upgrade to become the Pilot FPSO. However, we are conscious that the FPSO market is tightening and in parallel with continuing discussions with our preferred FPSO contractor, we intend to explore alternative concepts which we believe could significantly reduce upfront capital requirements.

As announced after the end of the period under review, we have also selected SLB (formerly Schlumberger) as our preferred well service contractor. SLB will provide subsurface petro-technical expertise, production technology, well and completions engineering resources to identify, design, and deploy the right subsurface, surface and wellbore technologies for Pilot. This alliance with SLB provides Orcadian with access to first class reservoir management and well construction capabilities, to work alongside Petrofac, our preferred well operator, and provide certainty to potential farm-in partners that the supply chain can deliver on the technologies required to make the best of Pilot.

In SLB, we believe we now have a global technology company driving energy innovation committed to making the Pilot project a success and we intend to work with SLB on project optimisation to explore opportunities to reduce well cost, facilities cost and to boost recovery as well as to minimise emissions.

We continue to project very low emissions from the Pilot development: expected Scope 1 emissions from the Pilot development are just 2.6 kgCO_{2e}/bbl, a performance which would place the Pilot development at the low end of the lowest 5% of global oil production. We believe refreshing the UK's stock of oil producing assets is critical to reducing the emissions associated with the UK's consumption of oil and gas. Absent new, clean production we are of the view that the UK will either have to keep old high emissions platforms producing or import oil from overseas, both of which will result in much higher emissions.

Our engagement with the North Sea Transition Authority has also been highly productive, in November 2021 we received a "Letter of No Objection" to our proposed development concept and we submitted a draft Field Development Plan in June of 2022. We were delighted that NSTA have agreed a twelve month extension to the Second Term of our P2244 licence in November 2022 and a one year extension to Phase A of P2320 in March 2022.

In August 2022, after the period under review, we also struck what we consider to be a very innovative commercial arrangement with TGS to access over 2,000 sq km of newly reprocessed, and to be reprocessed, 3D seismic, this reprocessing work is ongoing and we are targeting a launch of the Carra farm-out process, in partnership with Carrick Resources, just as soon as the doors close on the 33rd Round. This arrangement with TGS will also enable us to acquire new seismic over Elke and Narwhal subject to the Pilot project achieving FDP approval.

Financial Results

The financial results of the Group largely reflect the investment in progressing the Pilot field and the costs of completing the admission to AIM. The Group incurred a loss for the year to 30 June 2022 of £1,586,727 (30 June 2021 – loss of £296,338).

In the year to 30 June 2022 the loss mainly arose from salaries, consulting and professional fees along with general administration expenses, and expenses in connection to the transaction, costs associated with the admission process including Advisory and Consultancy Fees. These expenses have been met from the proceeds of the issue of shares.

Cash used in operations totalled £1,323,836 (30 June 2021 - £312,189). As at 30 June 2022, the Group had a cash balance of £271,439 (30 June 2021 - £179,556). At the date of this announcement, the Group's cash balance was £303,000. Self-evidently, the Group will need to source further funding in the near term. A further update will be provided in due course.

Oil Price Outlook

The oil price continues to be volatile, that is the one thing we can all rely upon. At the time of publication Brent was trading under \$80/bbl, having reached almost \$130/bbl just after Russia invaded Ukraine. The ramifications of this agonizing war are still unfolding and with the world teetering on the verge of a recession,

we consider that the immediate direction of the oil price is unclear. However, stepping back from the recent gyrations, it is clear that Anatole Kaletsky's assertion in 2015 that "\$50/bbl should be viewed as a probable ceiling for a much lower oil-price trading range, which may stretch all the way down toward \$20" was wrong. Of course he was right in that the oil price plumbed deeper depths than we could have imagined at the height of COVID, but in the long run we consider that \$50/bbl has emerged as more of a floor than a ceiling.

Where the ceiling lies is anyone's guess: gas prices have been as high as £8.75/therm, which in energy equivalent terms is over \$600/boe. The lesson that we believe one can take from that is that energy is essential and constraining the supply of energy is economically dangerous. Indeed it is our contention that, to achieve a secure transition to a low emissions world, governments should focus on reducing demand for carbon dioxide emitting fuels rather than trying to limit supply of new oil and gas. If supply is somehow constrained then we believe the transition will be painful indeed. If demand shrinks, prices will be low and the pain will be confined to oil and gas producers. But it seems politically much harder to exhort or compel reductions in demand, much easier to berate oil companies for producing the energy that powers civilisation. We remain convinced that between a somewhat hamstrung US shale business and a more cohesive OPEC+ group the supply demand balance will be maintained so that oil prices will be firm.

Notwithstanding the above, the oil price will be what the oil price will be. Our focus is on keeping the overall cost of the Pilot development as low as possible and thereby ensuring that potential partners are keen to participate in the project.

UK Oil and Gas Sector

On 7 April 2022, the Government published the British Energy Security Strategy which paved the way for the launch of the 33rd Licensing Round on 7 October 2022. We believe the Government's commitment to the oil and gas sector is now clear, energy security is recognised as a vital national interest, and we expect good support for progressing the key Pilot development project into production.

At the same time the industry suffered a blow to its cash flow in the form of the Energy Profits Levy. No one enjoys the prospect of a higher tax rate, but we consider the EPL has been well designed and we believe it will encourage producing oil and gas companies to invest in new projects. We would call on the government to be even-handed with non-producing companies and to offer tax credits to these companies. The Norwegians adopted this model in 2005 to encourage exploration, with great success. We believe a similar approach could unleash a wave of new developments on the UKCS.

Business Outlook

The key challenge for the Group remains our financial condition and the financing of the Pilot project. The value for all shareholders in achieving could be immense, shareholders can remain assured that the Board will leave no stone unturned in our quest for the right partners for Pilot.

J Darby

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Joseph Darby, Chairman, and Stephen Brown, CEO

15 December 2022

Board of Directors

Mr. Joseph Darby – Chairman and Non-Executive Director

Mr Darby is former Chief Executive of LASMO plc. He also worked for Shell Petroleum before becoming Managing Director of Thomson North Sea Ltd., and has held a number of senior roles in the oil & gas industry. Mr Darby is currently a Non-Executive director at Gulfsands Petroleum plc and was the senior independent director at Premier Oil plc for six years. He has held non-executive roles at Alkane Energy plc, Nordaq Energy plc, British Nuclear Fuels plc, Mowlem plc, Bowleven plc and Centurion Energy Inc. He was Chairman of Mowlem plc (2005-2006) and Faroe Petroleum plc (2003-2007) and an advisor to the board of Setanta Energy (2011-2013).

Mr. Stephen Brown – Chief Executive Officer and Director

Mr Brown is a Petroleum engineer with a commercial, project development and operational background. He has over forty years of experience with BP, Halliburton, Challenge Energy, Petrofac and Setanta Energy. Mr Brown led the Harding pre-project team for BP and was the first Andrew operations manager during the project execution phase. He is also founder of Challenge Energy (now part of SLR), Exile Resources (now Oando Energy Resources), Setanta Energy and Orcadian Energy.

Mr. Alan Hume – Chief Financial Officer and Director

Mr Hume is a highly experienced CFO with a diverse background in the oil and gas exploration and production sector as well as the broader energy market. He has held senior finance, commercial and operational roles in the oilfield services, engineering, construction and energy production sectors, and has significant experience with both private equity backed companies and publicly listed entities. Mr. Hume is a Fellow of the Chartered Institute of Management Accountants and has held previous positions at Halliburton, Brown & Root, Rockwater, Xtract Energy plc, Elko, Zenith Energy and Edison Mission Energy.

Mr. Timothy Feather – Non-Executive Director

Mr. Feather trained as a lawyer and now a Qualified Chartered Accountant with 30 years of experience in the financial industry. He is currently the Chief Financial Officer of Sumner Group Mining plc, and previously Business Development Director within the same Group. Previously he was Corporate Finance Director at WH Ireland where he was a Qualified Executive for AIM and acted as retained adviser for a portfolio of AIM quoted clients in a wide range of sectors including mining, oil and gas, healthcare and technology. He is a co-founder of Westhouse Securities, Mr. Feather also previously worked for Brown Shipley & Co. Limited, Henry Cooke Lumsden and Touche Ross (now Deloitte).

Mr Gregory Harding – Technical Director (will resign 31 December 2022)

Mr Harding is a Chartered Engineer with over thirty years of experience as a petroleum and reservoir engineer with broad oil and gas industry experience including offshore production operations, reservoir development planning, feasibility studies, asset evaluation and joint venture asset management. He has had held previous positions at BG, Gaffney Cline, Union Texas, Kerr McGee, Challenge Energy & Setanta Energy.

Mr. Christian Wilms – Non-Executive Director (Resigned 31 October 2022)

Mr. Wilms is Senior Vice-President Subsurface & Field Development MOL Group accountable for development projects, reserves and providing functional leadership to MOL's subsurface staff. Previously he spent 21 years with Shell International E&P in different technical and leadership roles covering various geographies including Netherlands, Nigeria, Qatar, USA and the UK. Mr. Wilms is experienced in complex field developments including water flooding and enhanced oil recovery including steam drive and polymers.

Director's Strategic Report for the Year Ended 30 June 2022

The Directors present their Strategic Report of Orcadian Energy Plc for the year ended 30 June 2022.

Objectives

The principal activity of Orcadian Energy Plc is managing oil and gas assets and through its subsidiary Orcadian Energy (CNS) Ltd the Group holds 100% interest in, and is operator (or licence administrator) of, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries and, P2482, which contains the Elke and Narwhal discoveries. In addition the Group has a 50% interest in P2516, which contains the Fynn Beaully and Fynn Andrew discoveries. Parkmead is licence administrator of this licence.

Strategy and Business Model

Orcadian's strategy is to secure discovered resources at low cost and to transform those resources into reserves and onto production. The Pilot field is our key asset. The field is well appraised and ready for development. Orcadian has selected, as the very best development concept, a polymer flood with two wellhead platforms, a dedicated FPSO, and a floating wind turbine. The next step is to secure development partners (oil and gas companies and an alliance of contractors) so that we can deliver a fully financed Field Development Plan ("FDP") to the NSTA.

To support the NSTA's Net Zero initiative we have significantly reduced process heat demands by including heat pumps in our process design and we have selected a floating wind turbine to provide power backed up by highly efficient gas fuelled reciprocating engines to ensure a continuous power supply.

The surrounding acreage is rich in resources and highly prospective with sixteen of the seventeen wells (and sidetracks) drilled on the Group's acreage having encountered oil. Following Admission the Group licensed a newly reprocessed seismic dataset from TGS and we have evaluated this new data to support both the progression of the Pilot development and the potential in the Bowhead, Titchwell and Thornham prospects which lie to the North of Pilot.

Operational review and outlook

A full review of the operations, financial position and outlook are set out in the Chairman's Statement.

Key Performance Indicators

Success for Orcadian will be a fully financed Pilot development project. That achievement will be the foundation for further development of the opportunities to deliver value from the other discoveries and prospects on the Group's acreage holdings.

In addition we continue to seek other opportunities to acquire discovered resources for which we can articulate profitable and attractive development plans. The 33rd round presents a number of opportunities which we will evaluate.

Principal Risks and uncertainties

The Group's performance is affected by a number of risks and uncertainties, which the Board monitor on an ongoing basis in order to identify, manage and minimise their possible impact. The principal business is the development and production of oil and gas assets. Set out below are the principal risks and uncertainties facing the Company:

Risk area	Description	Mitigation
<p>Funding risk (Pilot)</p>	<p>Development of Pilot will require the mobilisation of substantial capital and, especially given expectations that there may be a recession, there is a risk that the Group may not be in a position to fully finance the project by the end of the Second Term of the licence that now expires in November 2023.</p> <p>The pool of lending institutions for Oil & Gas projects may be diminished because of movements away from funding greenhouse gas emitting projects.</p> <p>There is a risk that the Group may not be able to raise the capital necessary to progress its projects towards final investment decision, and ultimately towards first oil production.</p>	<p>The Group maintains a good relationship with the NSTA and a high level of dialogue and the directors are confident that provided we continue to progress the project towards a FDP approval milestone that even if full finance is not in place by November 2023 that the OGA will grant an extension to the licence.</p> <p>The directors believe we are entering a period in which investors will have renewed appetite for development projects in stable jurisdictions like the UKCS and that ultimately the Company will be able to secure a development partner or equity finance.</p>
<p>Funding risk (other assets)</p>	<p>The Group has relatively modest work commitments on its licenses (refer to note 25), however, P2320, P2482 and P2516 are drill-or-drop licences and require commitment to drill a well by May 2023, July 2025 and November 2023 respectively.</p> <p>In the event that sufficient funding cannot be obtained and the work commitments not funded, there is a risk of the Company losing the licenses for failure to honour work commitments.</p>	<p>By May 2023, the Company has to demonstrate financial capacity to drill a well on the P2320 licence. The company is running a farm-out process on the Bowhead prospect and has agreed a non-binding Heads of Terms with Carrick on the Carra prospect.</p> <p>Should these processes not bear fruit, the Company has the option of either raising funds to drill a well by issuing new shares or letting the licence lapse. Losing this licence would not have a material effect on the total asset value within the Company and the Company would be in a good position to reapply for the acreage. Alternatively, the NSTA may grant a further extension of Phase A of the licence.</p>

Risk area	Description	Mitigation
Personnel	<p>Oil and gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability to the Group.</p> <p>The loss of key directors and key management personnel may have a negative impact on the Company's ability to execute its business strategy.</p>	<p>The Company has concluded a MoU with SLB which will enable the Company to access the significant sub-surface and well engineering capabilities of that organisation.</p> <p>The Company is currently in discussions with other contractors involved in oilfield development activities with a view to procuring the necessary personnel and equipment. These discussions are proving positive and the Company, in spite of an increasing level of development activity, feels confident that personnel and equipment will be available when it is required.</p> <p>The Company's ability to execute its business plan is dependent on the quality of its directors and key personnel. The Company ensures that its directors and key personnel collectively possess a diverse and extensively experienced skill set and seeks to retain its key staff by offering remuneration packages at competitive market place rates.</p>
Commodity price volatility	<p>Oil and gas prices are highly volatile, and lower oil and gas prices will negatively affect the Group's financial position, capital expenditures and results of operations.</p>	<p>The Company has yet to enter into production so near term price volatility has little effect on ongoing activities. The Company believes that the recent low level of investment in new exploration and development projects will lead to a scarcity of oil and with the post Covid ramp up of industrial activity, oil prices will remain above the breakeven lifting costs anticipated for the Companies main asset.</p>
Operational risk	<p>Oil and gas drilling is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect the Group.</p>	<p>The Company has prepared a very detailed budget for the Pilot oilfield development project which has been included in the CPR. The cost estimate was developed with input from leading industry specialists and fully validated during the CPR sign off process. Sufficient contingency has been included in the cost estimates.</p>

Risk area	Description	Mitigation
Environmental risk	Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.	The Group is has not yet entered into production however it hopes to in the foreseeable future. The Group will ensure that robust crisis management and emergency response processes are in place and tested against. The Group actively monitors the political, economic and social situation in areas where we do business, including business continuity plans tailored to pre-defined levels of alert.

Relations with Shareholders

The Directors believe they have acted in the way most likely to promote the success of the Group for the benefit of its members as a whole, as required by s172 of the Companies Act 2006.

The requirements of s172 are for the Directors to:

- Consider the likely consequences of any decision in the long term;
- Act fairly between the members of the Company;
- Maintain a reputation for high standards of business conduct;
- Consider the interests of the Company’s employees;
- Foster the Company’s relationships with suppliers, and others; and
- Consider the impact of the Company’s operations on the community and the environment.

The Group’s operation is the managing oil and gas assets. The Board has identified its key stakeholders as its customers, shareholders, employees and suppliers. The Board keeps itself apprised of its key stakeholders’ interests through a combination of both direct and indirect engagement, and the Board has regard to these interests when discharging its duties.

Careful consideration is given to the long term consequences of decision making. The Board has determined that the key to the Group’s success, and a prime strategic objective is to secure the finance necessary to develop its maiden project, known as the Pilot project, either through farm-out or creation of a contractor alliance to develop the field. The Group will also seek to mature its portfolio of prospective and contingent resources into reserves.

The Board considers the Group’s major stakeholders to include employees, suppliers, partners, loan holders and shareholders. When making decisions, consideration is given to the interest of each stakeholder group individually and collectively. Certain decisions require more weight attached to some stakeholders than others and while generally seeing the long-term interest of the shareholders as of primary importance, the Directors consider those interests are best served by having regard to the interests of the other key stakeholder groups and, in fact, to all the s172 considerations.

Given the size of the Group and the nature of its business, there are only a few employees however, the Board considers the Group’s employees essential to the success of the Group. The Board has identified personnel risk as being a key risk area facing the Group and has the following risk mitigation in place: The Group’s ability to execute its business plan is dependent on the quality of its directors and key personnel.

The Group ensures that its directors and key personnel collectively possess a diverse and extensively experienced skill set and seeks to retain its key staff by offering remuneration packages at competitive market place rates.

The Board ensures that the Group endeavours to maintain good relationships with its suppliers through contracting on standard business terms and paying promptly, within reasonable commercial terms. In addition to communicating through news announcements made available on the Company's website, and through regulated market announcements, the Group also engages in supplier face-to-face meetings, email and telephone conversations with key contacts.

As is stated in the Corporate Governance Report Principle 3, "The Board is very aware of its corporate, environmental and social responsibilities. In pursuing its business objectives Orcadian Energy plc is committed to delivering lasting benefit to the local communities and environments where we work as well as to our shareholders, employees and contractors." The Group strives to ensure that it operates in adherence to all applicable environmental and social and seeks to ensure that suppliers engaged by the Group conduct their business activities with the same diligence.

As is stated in the Corporate Governance Report Principle 8, "The Board strives to promote a corporate culture based on sound ethical values and behaviours. To that end, the Company has adopted a strict anti-corruption and whistle-blowing policy but the Directors are not aware of any event to date that might be considered to breach this policy. The Executive Directors ensure that external contractors are aware of, and comply with, this policy". The Board recognises its responsibility for setting and maintaining a high standard of behaviour and business conduct. There is no special treatment for any group of shareholders and all material information is disseminated through appropriate channels and available to all through the Company's corporate presentations, news releases and website as is described in more detail in the Corporate Governance Report Principle 2.

The application of the s172 requirements can be demonstrated in relation to some of the key decisions made during the year to 30 June 2022:

- Execution of the acquisition of Orcadian Energy (CNS (Ltd));
- Successfully completing a quotation on AIM, a market of the London Stock Exchange during the period on 15 July 2021;
- Participating in an OGA study initiative and being awarded £467,000 in grants;
- Allocation of the Group's capital in a way which the Directors' believe offers significant long term returns to shareholders, while also ensuring that the Group retains flexibility to continue to deploy capital towards growth;
- Adapting a rapid response to the working location restrictions arising from the Covid-19 pandemic, ensuring that the Group continued to deliver both the high level of service delivery without compromising the health and safety of individuals.

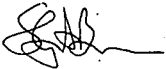
During the year to 30 June 2022, the Board assessed its current activities between the Board and its stakeholders, which demonstrated that the Board actively engages with its stakeholders and takes their various objectives into consideration when making decisions. Specifically, actions the Board has taken to engage with its stakeholders over the last twelve months include:

- Arranged meetings with certain stakeholders to provide them with updates on the Company's operational activities and other general corporate updates;

- Discussed feedback from investors' and analysts' meetings following the release of our annual and half-year announcements. We have an investor relations programme of meetings with existing and potential shareholders; and
- Establish a company culture and with the intention of enabling continuous improvement of company culture and morale as the Group continues to develop.

The Board believes that appropriate steps and considerations have been taken during the period so that each Director has an understanding of the various key stakeholders of the Company. The Board recognises its responsibility to contemplate all such stakeholder needs and concerns as part of its discussions, decision-making, and in the course of taking actions, and will continue to make stakeholder engagement a top priority in the coming years.

Approved on behalf of the board on 15 December 2022 by:



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Stephen Brown
Chief Executive Officer

CORPORATE GOVERNANCE

The directors recognise the importance of, and are committed to, high standards of corporate governance. Of the two widely recognised formal codes, the directors have decided to adhere to the Quoted Companies Alliance's Corporate ("QCA") Governance code. The Group's compliance with this code is summarised below and can be found in full on the Group's website at: <https://orcadian.energy/esg/governance/>.

Governance Report

Introduction

The Company recognises the importance of, and is committed to, high standards of Corporate Governance. The Company adopted the Quoted Company Alliance Corporate Governance Code (2018) ("the Code"). It is believed that the QCA Code provides the Group with the framework to help ensure that a strong level of governance is maintained, enabling the Group to embed the governance culture that exists within the organisation as part of building a successful and sustainable business for all its stakeholders.

There follows a short explanation of how the Group will apply key principles. The other principles are stated on the Company's website:

Principle 1 – Strategy

Establish a strategy and business model which promotes long-term value for shareholders

The Group's strategy is to identify discovered resources, preferably well appraised and most likely on the UKCS; to secure access to those resources; and to create a profitable field development plan which attracts finance either from oil industry partners or financial investors. Since Orcadian Energy (CNS) Limited was founded in March 2014 the company has been awarded a 100% interest in licences P2244, P2320 and P2482 and was also awarded a 50% interest in P2516. The P2244 licence contains a shallow viscous oil discovery known as the Pilot field which has audited 2P reserves of 79 MMbbl.

The Company has submitted a Concept Select report for the development of Pilot to the OGA. Key to the Company's success and a prime strategic objective is to secure the finance necessary to develop Pilot either through farm-out or creation of a contractor alliance to develop the field. The Group will also seek to mature its portfolio of prospective and contingent resources into reserves.

Principle 2 – Shareholder's needs and expectation

Seek to understand and meet shareholders' needs and expectations

The Company supports an open and transparent dialogue with shareholders with the aim of ensuring shareholders views on the performance of the Company are heard and shareholders needs and objectives are understood.

The AGM is a key part of the Company's investor relations strategy and shareholders are encouraged to participate, particularly private investors who have the opportunity to ask questions and raise issues, either formally during the meeting or informally with directors following conclusion of business.

Governance Report (continued)

Direct communication with shareholders is achieved primarily through the timely release of regulatory news, via a regulatory information service, which can be accessed through various channels, including the London Stock Exchange website and the Company website.

<https://www.londonstockexchange.com>

<https://orcadian.energy>

The Company has an on-going investor relations programme which includes individual meetings with institutional shareholders and analysts following the preliminary and half-year results including presentations to institutions as well as face to face, or virtual, briefings to for groups of shareholders. Ongoing shareholder communication is also conducted regularly throughout the year on an ad hoc basis. We will aim to answer as many questions as possible in these session.

If you wish to contact the Company, contact details are on our website at <https://orcadian.energy/contacts> details of the Company and the Company's advisors are included in all announcements released via RNS should shareholders wish to communicate with the Board. The Chairman and/or the Executive Director typically respond to shareholder queries directly (whilst maintaining diligence on Market Abuse Regulations restrictions on insider information and within the requirements of the AIM Rules for Companies) or through our Investor Relations advisers Tavistock Communications.

Principle 3 – Social responsibility

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

Orcadian Energy plc is committed to do the best for its employees, the communities in which we work, the environment that surrounds us, our partners and the governments that host us, as well as for our shareholders. We have established specific policies that will guide management in making good decisions when faced with the inevitable trade-offs and compromises that the real world demands. For certain matters we have standards that we will just not deviate from, for other issues we try our best to minimise risk and to maximise the benefit for all.

The Board is very aware of its corporate, environmental and social responsibilities. In pursuing its business objectives Orcadian Energy plc is committed to delivering lasting benefit to the local communities and environments where we work as well as to our shareholders, employees and contractors.

Principle 4 – Risk Management

Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board and the Risk Committee is responsible for setting the risk framework within which the Company operates and ensuring that suitable risk-management controls and reporting structures are in place throughout the Group.

Governance Report (continued)

The management of the business and the execution of the Company's strategy are subject to a number of risks. The Board ensures risks are mitigated as far as reasonably practicable by performing a detailed review of the issues pertaining to each significant decision. Significant decisions are reviewed by the Board having consulted the Company's professional third-party advisers (be they legal, financial or technical). The Board convenes on a regular basis, either by telephone or in person on a formal basis to discuss risk management.

The nature of the Group's operations will have particular risk management challenges, including, in particular, maintaining the health and safety of all staff and contractors working on site and ensuring that all drilling and related operations are carried out in an environmentally sound and safe manner. All health and safety measures are formalized, described in detailed manuals and explained in person to all people associated with the Group's operational activities. In addition, the Company will have appropriate insurances in place before commencing any of its planned technical work.

Principle 5 – Board Functioning

Maintain the Board as a well functioning, balanced team led by the Chairman

The Board meets formally in person and by telephone multiple times throughout the year and at least six times per year. The Board also holds regular informal project appraisal and strategy discussions, to examine operations, opportunities and assess risks.

The directors encourage a collaborative Board culture to ensure that each decision reached is always in the Company's and its shareholders' best interests and that any one individual opinion never dominates the decision making process. The Board seeks, so far as possible, to achieve decisions by consensus and all directors are encouraged to use their independent judgement and to challenge all matters whether strategic or operational.

The Board will maintain a balance of executives and non-executive directors. Currently there are three non-executives including the Non-Executive Chairman Joseph Darby and one Independent Non-Executive Tim Feather. There are no mandatory hours for directors to be available for Company business although the CEO is required to commit 100% of his working time (based on a 40 hour working week) to the Company. The non-executive directors are available for any Company business when it may arise.

The Board delegates certain decisions to an Audit Committee, the Remuneration Committee the Risk Committee and the Reserves Committee, details of these committees are included in page 16 to 18 of this Report.

Principle 6 – Board Capabilities

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

The Board currently consists of three Executive and two Non-executive directors. The Board has an appropriate balance of skills and expertise across the areas of resources, operations, finances and public markets. The Board membership will be reviewed periodically as the needs of the Group evolve.

Governance Report (continued)

The Directors biographical details can be found on page 5 of this Report.

Each director takes his continued professional and technical development seriously.

The Board ensures it is well advised and supported by utilising a range of external experts in various fields, and employs accountants, legal counsel, a Company Secretary and a Nominated Adviser and Broker, in accordance with the AIM rules.

Principle 7 – Code and Committees

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

The Company is required under the AIM Rules to comply with a recognised corporate governance code to be chosen by the Board. The Board recognises the importance of sound corporate governance and intends that the Company will comply with the provisions of the QCA Code. The Company discloses on its website how it complies with the QCA Code and, where it departs from the QCA Code, will explain the reasons for doing so.

The Board is comprised three executive directors and two non-executive directors. Of the non-executive directors Tim Feather is considered to be independent.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company has established properly constituted audit and AIM compliance, Audit, Risk, Reserve and Remuneration committees of the Board with formally delegated duties and responsibilities. Details of these committees are included in page 17 to 19 of this Report.

The Principle 8 – Culture

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

The Board strives to promote a corporate culture based on sound ethical values and behaviours. To that end, the Company has adopted a strict anti-corruption and whistle-blowing policy but the directors are not aware of any event to date that might be considered to breach this policy. The executive directors ensure that external contractors are aware of, and comply with, this policy.

The Company has also adopted a code for directors' and employees' dealings in securities, which is appropriate for a company whose securities are traded on AIM. The code is in accordance with the requirements of the Market Abuse Regulation that came into effect in 2016.

The Board is also aware that the tone and culture that it sets will greatly impact all aspects of the Company and the way that employees behave, as well as the achievement of corporate objectives. A significant part of the Company's activities is centred upon an open dialogue with shareholders, employees and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

Governance Report (continued)

The Principle 9 – Governance structure

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

AIM quoted companies are required to state which recognised corporate governance code they will follow from Admission, how they comply with such code and to explain reasons for any non-compliance. The Directors recognise the value and importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the recommendations set out in the QCA Code.

The Board

The Board will be responsible for the overall management of the Group including the formulation and approval of the Group's long term objectives and strategy, the approval of budgets, the oversight of Group operations, the maintenance of sound internal control and risk management systems and the implementation of Group strategy, policies and plans. While the Board may delegate specific responsibilities, there will be a formal schedule of matters specifically reserved for decision by the Board. Such reserved matters will include, amongst other things, approval of significant capital expenditure, material business contracts and major corporate transactions. The Board will meet regularly to review performance.

The QCA Code recommends at least two members of the Board comprise non-executive directors determined by the Board to be independent. The Board will comprise of two executive directors and two non-executive directors, of which one is independent and, as such, the Company complies with the requirements of the QCA Code in this regard.

The QCA Code recommends that the Board should appoint one of its independent non-executive Directors to be the Senior Independent Director. However, given the size and maturity of the Company it has been decided to defer the appointment of a Senior Independent Director. If shareholders have concerns over an issue that the normal channels of communication (through the Chairman, the Chief Executive Officer or the Chief Financial Officer) have failed to resolve or for which such channels of communication are inappropriate, they are invited to contact either of the Independent non-executives.

The Board has created four committees – Audit, Risk, Reserves and Remuneration Committees – each with written terms of reference and formally delegated duties which are outlined above.

The Principle 10 – Communication

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

The Company ensures a printed Annual Report is delivered to each shareholder, and also made available on the Company's website. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting and virtual or in person briefing as and when they are arranged. The outcome of all shareholder votes are disclosed in a clear and transparent manner via a RNS and on the Company's website, as required by the QCA Code.

Governance Report (continued)

Pursuant to its obligations under AIM Rule 26 of the AIM Rules, the Company includes information such as historical Annual Reports, Notices of General Meetings and RNS announcements on its website. The Company also lists contact details on its website, should shareholders wish to communicate with the Board.

The Company intends to include, where relevant, in its Annual Report, any matters of note arising from the Audit or Remuneration Committees.

Given the size of the Company, the Board is of the opinion that no formal communication structures are required at this time.

The Company is a small company with a modest resource base. The Company has a clear mandate to optimise the allocation of limited resources to support its development plans. As such, the Company strives to maintain a balance between conservation of limited resources and maintaining robust corporate governance practices. As the Company evolves, the Board is committed to enhancing the Company's corporate governance policies and practices deemed appropriate for the size and maturity of the organisation.

Set out below are the Company's corporate governance practices for the year ended 30 June 2022.

Committees

The Company has established audit, remuneration, reserves and risk committees.

Reserves Committee

The Reserves Committee periodically reviews and considers the Company's independent reserves evaluator or auditor and the Company's procedures for providing information to such evaluator or auditor. The key duties of the committee are:

- review the Company's procedures relating to the disclosure of information with respect to oil and gas activities;
- review the Company's procedures for providing information to the qualified reserves evaluator or auditor who reports on reserves data;
- meet with management and the qualified reserves evaluator or auditor to review the reserves data and the report of the qualified reserves evaluator or auditor and to determine whether any restrictions affect the ability of the qualified reserves evaluator or auditor to report on reserves data without reservation
- review and recommend to the Board for approval the filing of the any report on reserves data by the qualified reserves evaluator or auditor;
- review and recommend to the Board for approval the content and filing of Company Announcements on reserves data by the qualified reserves evaluator or auditor; and
- assist the Board in its compliance with legal and regulatory requirements.

Governance Report (continued)

The Reserves Committee is now comprised of Joe Darby, who acts as chairman of the committee and the CEO, Steve Brown. This appointment of chairman is kept under review as the Company develops and in light of any future non-executive Board appointments. The frequency and timing of the meetings will differ according to the needs of the Company.

Audit Committee

The Audit Committee has responsibility for, among other things, the monitoring of the integrity of the financial statements of the Company and its Enlarged Group and the involvement of the Group's auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of external audit and financial control is maintained, including considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors and advising on the appointment of external auditors. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee meets at least three times a year at the appropriate times in the financial reporting and audit cycle.

The members of the Audit Committee are Timothy Feather, who acts as chairman of the committee, and Joseph Darby.

The Group's external auditor is PKF Littlejohn LLP who have served as external auditor to the subsidiary and have audited the financial statements of the subsidiary for the year ended 30 June 2017 and all periods since. As the Company was incorporated within in March 2021 the audit has not as yet gone out to tender. The Audit Committee closely monitors the level of audit and non-audit services that they provide to the Company and Group.

Having assessed the performance, objectivity and independence of the auditors, the Committee will be recommending the reappointment of PKF Littlejohn LLP as auditors to the Company at the 2022 Annual General Meeting.

For the year to 30 June 2022 the committee considered the following key issues in relation to the Financial Statements:

Issue	Action
<ul style="list-style-type: none"> • Accounting policies 	<p>The Committee reviewed and discussed the significant accounting policies with management and the external auditor and reached the conclusion that each policy was appropriate to the Group.</p>
<ul style="list-style-type: none"> • Carrying value of investment in Orcadian Energy (CNS) Ltd and the carrying value of its intangible assets. 	<p>The Committee reviewed the impairment assessment report prepared by management and agreed that given the reasonable expectation that the Group will achieve its business objectives and that no impairment to the value of the investment in Orcadian Energy (CNS) Ltd, nor the value of the intangible assets in Orcadian Energy (CNS) Ltd was required as at 30 June 2022.</p>

Issue	Action
<ul style="list-style-type: none"> Going Concern review 	<p>The Committee considered the ability of the Group to operate as a Going Concern considering the cash flow forecast for the next 12 months and the Group's ability to raise additional funds in the market. It was determined by the Committee that, as the Group is reliant on further funds to be raised during the going concern period (i.e. next 12 months) to enable the group to meet its obligations as they fall due, so the directors acknowledge that a material uncertainty exists in relation to going concern.</p>
<ul style="list-style-type: none"> Review of audit and non-audit services and fees 	<p>The external auditor is not engaged by the Group to carry out any non-audit work in respect of which it might, in the future, be required to express an audit opinion.</p> <p>The Committee reviewed the fees charged for the provision of audit and non-audit services and determined that they were in line with fees charged to companies of similar size and stage of development. Non-audit services provided to the Group were transactional services connected with the listing on the AIM market and IPO, and an informal review of the Group's interim report. Refer to note 6 for further detail.</p> <p>The Committee considered and was satisfied the external auditor's assessment of its own independence.</p>

Risk Committee

The Company has established a Risk Committee that reviews the company's assessment of risks and makes recommendations to the Board on actions to minimise or mitigate risk. The Risk Committee meets at least once each year and has full access to the company's risk assessment.

The members of the Risk Committee are Joseph Darby who acts as chairman of the committee and Timothy Feather.

Remuneration Committee

The remuneration committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The committee also makes recommendations to the Board on proposals for the granting of share awards and other equity incentives pursuant to any share award scheme or equity incentive scheme in operation from time to time. The Remuneration Committee meets at least twice a year.

The members of the Remuneration Committee are Joseph Darby who acts as chairman of the committee and Timothy Feather.

Governance Report (continued)

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

The role of the Board - The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value.

To achieve this, the Board directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company. The Board has a formal schedule of matters reserved which is provided later in this report.

Board Meetings - The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During the year, the Board met on eleven occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

Matters reserved specifically for the Board - The Board has a formal schedule of matters reserved that can only be decided by the Board. The key matters reserved are the consideration and approval of;

- The Company's overall strategy;
- Financial statements and dividend policy;
- Management structure including succession planning, appointments and remuneration; material acquisitions and disposal, material contracts, major capital expenditure projects and budgets;
- Capital structure, debt and equity financing and other matters;
- Risk management and internal controls;
- The Company's corporate governance and compliance arrangements; and
- Corporate policies;

Summary of the Board's work in the year – During the year, the Board considered all relevant matters within its remit, but focused in particular on the establishment of the Company and the identification of a suitable investment opportunity for the Company to pursue.

Governance Report (continued)

Attendance at meetings (Company and subsidiary level):

	Number held and entitled to attend	Number attended
Joseph Darby	11	10
Stephen Brown	11	11
Alan Hume	11	11
Gregory Harding	11	10
Christian Wilms	11	11
Timothy Feather	11	11

The Board is pleased with the high level of attendance and participation of Directors at Board and committee meetings.

The Chairman sets the Board Agenda and ensures adequate time for discussion.

Non-executive Directors - The non-executive Directors bring a broad range of business and commercial experience to the Company and have a particular responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets.

Non-executive directors have a notice period of one month. The CEO has a notice period of 24 months and the CFO has a notice period of 12 months. The technical director Greg Harding's notice period was reduced from 12 months to 6 months after the year end. All directors appointments may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Other governance matters - All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary. The Company Secretary is Ben Harber. He is responsible for the Board complying with UK procedures.

Effectiveness

For the period under review the Board comprised of a Chief Executive Office, a Non-Executive Chairman, a Technical Director, a Chief Financial Officer and two independent non-executive Directors. Biographical details of the Board members are set out on page 5 of this report.

The Directors are of the view that the Board and its committees consist of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively.

Independence - The non-executive Directors bring a broad range of business and commercial experience to the Company. The Board considers two of the non-executive Directors to be independent in character and judgement.

Governance Report (continued)

Appointments – the Board is responsible for reviewing and the structure, size and composition of the Board and making recommendations to the board with regards to any required changes.

Commitments – All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction - All new Directors received an induction as soon as practical on joining the Board.

Conflict of interest - A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation – Orcadian Energy Plc has a policy of appraising Board performance annually. Having reviewed various approaches to Board appraisal, it has concluded that for a Company of its current scale, an internal process in which all Board members submit answers to a questionnaire that considers the functionality of the Board and its committees is most appropriate at this stage.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this report and as required other periodic financial and trading statements.

Internal controls

The Board of Directors reviews the effectiveness of the Company's system of internal controls in line with the requirement of the Code. The internal control system is designed to manage the risk of failure to achieve its business objectives. This covers internal financial and operational controls, compliances and risk management. The Company has necessary procedures in place for the year under review and up to the date of approval of the Annual Report and financial statements. The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company. The Directors carry out a risk assessment before signing up to any commitments.

J Darby

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Joseph Darby
Chairman and Non-Executive Director

15 December 2022

DIRECTOR'S REMUNERATION REPORT

The Company has an established remuneration committee. The Committee reviews the scale and structure of the Directors' fees, taking into account the interests of shareholders and the performance of the Company and directors.

The items included in this report are audited unless otherwise stated.

Statement of Orcadian Energy PLC's Policy on Directors' Remuneration by the Chairman of the Remuneration Committee

As Chairman of the Remuneration Committee I am pleased to introduce our Directors' Remuneration Report. One of the Remuneration Committee's aims is to provide clear, transparent remuneration reporting for our shareholders which adheres to the best practice corporate governance principles that are required for listed organisations.

A key focus of the Directors' Remuneration Policy is to align the interests of the Directors to the long-term interests of the shareholders and aims to support a high-performance culture with appropriate reward for superior performance, without creating incentives that will encourage excessive risk taking or unsustainable company performance. This is underpinned through the implementation and operation of incentive plans.

Key Activities of the Remuneration Committee

The key activities of the Remuneration Committee are:

- to determine and agree with the Board the framework or broad policy for the remuneration of the Company's chairman, chief executive, the executive directors, the company secretary and such other members of the executive management as it is designated to consider;
- in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the QCA Code (the "Code") and associated guidance. The objective of such policy shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;
- recommend and monitor the level and structure of remuneration for senior management;
- when setting remuneration policy for directors, review and have regard to the remuneration trends across the Company, and review the on-going appropriateness and relevance of the remuneration policy;
- obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, within any budgetary restraints imposed by the Board;
- be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee;

- approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors, company secretary and other designated senior executives and the performance targets to be used;
- ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- oversee any major changes in employee benefits structures throughout the Company.

Members

The Remuneration Committee comprises the following independent Non-Executive Directors:

Name	Position	Date of appointment
Joseph Darby	Chairman	15 July 21
Timothy Feather	Member	15 July 21
Christian Wilms (until 31 st October 2022, at which point he resigned)	Member	15 July 21

Remuneration Components

The Company remunerates directors in line with best market practice in the industry in which it operates. The components of Director remuneration that are considered by the Board for the remuneration of directors in future years are likely to consist of:

- Base salaries
- Pension and other benefits
- Annual bonus
- Share incentive arrangements

The Executive Director has entered into a service agreement with the Company and the Non-Executive Directors have entered into letters of appointment with the Company.

All such contracts impose certain restrictions as regards the use of confidential information and intellectual property and the Executive Director's service contract imposes restrictive covenants which apply following the termination of the agreement.

Other Matters

The Company does not currently have any annual or long-term incentive schemes or any other scheme interests in place for any of the Directors.

The Company has established a workplace pension scheme but it does not presently have any employees qualifying under the auto-enrolment pension rules who have not opted out of the scheme. It does not currently pay pension amounts in relation to Directors' remuneration. The Company has not paid out any excess retirement benefits to any Directors or past Directors. The Company has not paid any compensation to past Directors.

Recruitment Policy

Base salary levels will take into account market data for the relevant role, internal relativities, their individual experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Board may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

Payment for Loss of Office

The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There is no agreement between the Company and its Executive Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Service Agreements and Letters of Appointment

The Executive Director's service agreement had an initial term of two years and may subsequently be terminated by the Company or the Executive Director as stated in the table below:

Name	Date of service agreement	Notice period by Company (months)	Notice period by Director (months)
Stephen Brown	1 July 2021	24	12
Greg Harding	1 July 2021	12	6
Alan Hume	1 July 2021	12	12

The Non-Executive Directors of the Company do not have service contracts but are appointed by letters of appointment. Each Non-Executive Director's term of office runs for an initial period of one year unless terminated earlier upon written notice or upon their resignations.

The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at any Annual General Meeting at which the Non-Executive Directors stand for re-election.

The details of each Non-Executive Director's current term are set out below:

Name	Date of service agreement	Current term (years)	Notice period by Company (months)	Notice period by Director (months)	Date of resignation
Joseph Darby	1 April 2021	3	1	1	-
Christian Wilms	1 May 2021	3	1	1	31 Oct 2022
Timothy Feather	1 May 2021	3	1	1	-

Executive Directors' Remuneration

The table below sets out the remuneration received by each Executive Director for the years ended 30 June 2022 and 2021. Mr. Stephen Brown was the highest paid Director:

Executive Directors	Basic salary 2022 £	Pension 2022 £	Share based payments 2022 £	Other 2022 £	Total 2022 £
Stephen Brown	275,000	-	-	-	275,000
Greg Harding	120,000	-	-	-	120,000
Alan Hume	200,000	-	-	-	200,000
Total	595,000	-	-	-	595,000

Executive Directors	Basic salary 2021 £	Pension 2021 £	Share based payments 2021 £	Other 2021 £	Total 2021 £
Stephen Brown	150,000	-	-	-	150,000
Greg Harding	19,000	-	-	-	19,000
Alan Hume	112,500	-	-	-	112,500
Total	281,500	-	-	-	281,500

Non-Executive Directors' Remuneration

The table below sets out the remuneration received by each Non-Executive Director during the years ended 30 June 2022 and 2021:

	Basic salary 2022 £	Pension 2022 £	Share based payments 2022 £	Other 2022 £	Total 2022 £
Joseph Darby	45,000	-	-	-	45,000
Christian Wilms	62,500	-	-	-	62,500
Timothy Feather	30,000	-	-	-	30,000
Total	137,500	-	-	-	137,500

	Basic salary 2021 £	Pension 2021 £	Share based payments 2021 £	Other 2021 £	Total 2021 £
Joseph Darby	5,625	-	-	-	5,625
Christian Wilms	7,500	-	-	-	7,500
Timothy Feather	2,500	-	-	-	2,500
Total	15,625	-	-	-	15,625

J Darby

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 Joseph Darby
 Director & Remuneration Committee Chairman

15 December 2022

DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2022

The Directors present their report and the financial statements for Orcadian Energy PLC ("the Company") for the year ended 30 June 2022.

Principal activities

The Company evaluates and manages oil and gas assets and holds a 100% interest in, and is licence administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries and P2482 which contains the Elke and Narwhal discoveries. The Group also has a 50% working interest in P2516, which contains the Fynn discoveries. P2516 is administered by the Parkmead Group and covers blocks 14/20g and 15/16g, which lie midway between the Piper and Claymore fields, 180 kms due East of Wick.

Review of business and financial performance

A full review of the operations, financial position and outlook are set out in the Chairman's Statement.

Subsequent Events

Refer to note 26 for details on events subsequent to balance date.

Results and dividend

The Group's loss for the year ended 30 June 2022 was £1,586,727 (2021: £296,338).

The directors do not recommend the payment of a dividend (2021: £nil).

Balance Sheet

At 30 June 2022 the Company had a cash balance of £271,439 (2021: £179,556) and total assets of £4,634,082 (2021: £2,048,561).

Financial Risk Management

The company has a limited cash balance, which is held at Barclays, a bank with an A rating. Financial risk management policies are set out in note 24.

Policy and practice on payment of creditors

It is the Company's policy to settle all amounts owing to creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Directors

The directors who have held office up to the date of the approval of these financial statements were:

	Date appointed
Joseph Darby	8 June 2021
Stephen Brown	29 March 2021
Gregory Harding	8 June 2021
Alan Hume	29 March 2021
Christian Wilms (resigned 31 Oct 2022)	8 June 2021
Timothy Feather	8 June 2021

DIRECTORS' REPORT (CONTINUED)

The directors of the Company have a pre-existing connection with the business for the Group, with the majority of the Directors of the Company also having served as directors of the wholly owned subsidiary Orcadian Energy (CNS) Ltd. The directors of Orcadian Energy (CNS) Ltd as at reporting date are as follows:

	Date appointed
Joseph Darby	19 June 2018
Stephen Brown	24 March 2014
Gregory Harding	17 April 2014
Alan Hume	19 June 2018
Christian Wilms (resigned 31 October 2022)	1 October 2019
Julia Cane-Honeysett	1 May 2015

Directors' share interests

The number of ordinary shares of the Company in which the Directors were beneficially interested at 30 June 2022 was:

	30 June 2022		30 June 2021	
Joseph Darby	420,000	0.66%	420,000	0.80%
Stephen Brown*	29,164,683	45.74%	29,164,683	55.87%
Gregory Harding	8,191,680	12.85%	8,191,680	15.69%
Alan Hume	3,808,389	5.97%	3,326,247	6.37%
Christian Wilms	420,000	0.66%	420,000	0.80%
Timothy Feather	-	-	-	-

*14,739,495 shares are held by Julia Cane-Honeysett, the spouse of Mr. Brown.

Political donations

The Group made no political donations during the year (2021: £nil).

Charitable donations

There were no charitable donations made by the Group in the year under review (2021: £nil).

DIRECTORS' REPORT (CONTINUED)

Going concern

The financial statements have been prepared on a going concern basis. The Group is not yet revenue generating and an operating loss has been reported. The Group has historically been reliant on raising finance, both debt and equity, to enable it to meet its obligations as they fall due.

The Directors have reviewed a detailed forecast based on the funds expected to be raised and forecasted expenditure, including all required spend to meet licence requirements. This forecast has been stress tested by management in reaching their going concern conclusion. Having made due and careful enquiry, the Directors acknowledge that funds will need to be raised within the next 12 months to enable the Group to meet its obligations as they fall due, however, the Directors are confident that the required funds will successfully be raised through the equity market to fund its operations over the next 12 months.

The Directors, therefore, have made an informed judgement, at the time of approving financial statements, that the Group is a going concern but they acknowledge that the dependence on raising further funds during the next 12 months represents a material uncertainty. The Auditors have made reference to going concern by way of a material uncertainty.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

This report was approved and authorised for issue by the Board on 15 December 2022 and signed on its behalf by

AD Hume

BOX SIGN 18024794-418P001

Alan Hume
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and UK-adopted International Accounting Standards (UK-IASs). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business;

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

The Directors are responsible for ensuring that they meet their responsibilities under the AIM rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTOR'S OF ORCADIAN
ENERGY PLC

Opinion

We have audited the financial statements of Orcadian Energy Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cashflows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2022 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.3 in the financial statements, which indicates that the group incurred a net loss of £1,586,727 during the year ended 30 June 2022 and that the group and company are reliant on raising finance in the next 12 months in order to fund forecasted expenditure over this period. As stated in note 2.3, these events or conditions, along with the other matters as set forth in note 2.3, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and the parent company's ability to continue to adopt the

going concern basis of accounting included reviewing and challenging cashflow forecasts, and related key assumptions, prepared by management covering the going concern period, discussing their strategies regarding future fund raises and assessing the likelihood of the required funds being successfully raised by considering the funds required and the group and company's ability to raise such funds.

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. We also determine a level of performance materiality which we use to assess the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In determining our overall audit strategy, we assessed the level of uncorrected misstatements that would be material for the financial statements as a whole.

Materiality for the consolidated financial statements was set as £73,000 (2021: £39,000) based upon gross assets. Materiality has been based upon gross assets due to the group still being in the exploration phase and thus the key balance of interest is the capitalised exploration costs. Performance materiality and the triviality threshold for the consolidated financial statements were set at £51,100 (2021: £27,300) and £3,650 (2021: £1,950) respectively due to our accumulated knowledge in respect of the group and the assessed level of risk.

Materiality for the parent company was set as £72,000 (2021: £1,000) based upon gross assets. Gross assets was considered to be an appropriate basis due to the fact that the parent company only holds two assets and incurred no expenditure in the year. Performance materiality and the triviality threshold for the company were set at £50,400 (2021: £700) and £3,600 (2021: £50) respectively due to our accumulated knowledge in respect of the Company and the assessed level of risk.

We also agreed to report any other differences below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

In designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, such as the recoverable value of the capitalised exploration expenditure within the group and the recoverable value of the parent company's investment in the subsidiary. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

A full scope audit was performed on the complete financial information of both components of the group by us.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
<p>Carrying value and capitalisation of intangible assets</p> <p>As at 30 June 2022 and 30 June 2021 the carrying value of intangible assets totalled £3,303,400 and £1,814,615, respectively. The intangible assets relate to capitalised exploration and evaluation costs.</p> <p>Whether costs that have been capitalised fall within the scope of IFRS 6 <i>Exploration for and evaluation of mineral resources</i> is considered to be a key audit matter given the materiality of the overall balance and the judgement required in respect of their capitalisation.</p> <p>The carrying value of these assets is considered to be a key audit matter due to the level of estimation and judgement required by management in assessing whether or not these material assets are required.</p> <p>See note 13 for disclosure of the additions to capitalised exploration costs.</p> <p>See note 3 for the disclosure in respect of estimation of the recoverable value of these intangible assets.</p>	<p>Our work in this area included but was not limited to:</p> <ul style="list-style-type: none"> • Testing a sample of additions to ensure costs capitalised meet the requirements detailed within the scope of IFRS 6; • Reviewing costs expensed during the year to identify any costs that should have been capitalised under IFRS 6; • Obtaining confirmation that the group has good title to the applicable exploration licences held, including any licences renewed during the year; • Reviewing management's consideration of impairment and considering whether there are any indicators of impairment as per IFRS 6; and • Considering the appropriateness of the amortisation policy and ensuring that the amortisation charge for the year is correct.
<p>Carrying value of investment in the subsidiary</p>	<p>Our work in this area included but was not limited to:</p> <ul style="list-style-type: none"> • Verifying ownership of investments held;
<p>As at 30 June 2022 and 30 June 2021 the carrying value of investment in the subsidiary totalled £3,968,844 and £52,202 respectively. The investment in the subsidiary relates to the initial cost of investment and subsequent amounts advanced to the subsidiary which have been capitalised.</p>	

<p>There is a risk that the investment in the subsidiary is materially misstated as additions in the year may have been inappropriately capitalised or may be impaired at the year-end.</p> <p>The carrying value of the investment is considered to be a key audit matter due to the material nature of the balance and the level of management estimation and judgement required by management in assessing whether the investment is impaired.</p> <p>See note 3 for the disclosure in respect of estimation of the recoverable value of the investment in the subsidiary. See note 16 for disclosure of the additions to the investment in the subsidiary in the year.</p>	<ul style="list-style-type: none"> • Obtaining and reviewing the impairment assessment prepared by management and any supporting workings and challenging all key inputs and estimates included therein; and • Obtaining a list of additions in the year. Vouching all additions to bank and discussing with management to understand the rationale for capitalising these advances. Considering whether these advances are eligible to be capitalised.
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Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report⁸. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- We obtained an understanding of the group and parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent company in this regard to be those arising from UK Company Law, local environmental laws, rules applicable to issuers of the AIM Market, Disclosure and Transparency Rules and UK-adopted international accounting standards.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included, but were not limited to:

- Discussion with management regarding compliance with laws and regulations by the parent company and the subsidiary;
 - Reviewing board minutes;
 - A review of legal expenses incurred in the year; and
 - Review of regulatory new announcements made post year-end.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the recoverable value of the capitalised exploration expenditure and the investment in subsidiaries were areas susceptible to fraud and we addressed this by challenging the assumptions and judgements made by management when auditing these significant accounting estimates.
 - As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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

Joseph Archer

BOX SIGN

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Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

15 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
	Note	£	£
Revenue		-	-
Administrative expenses	5	(1,694,576)	(258,909)
Operating Loss		<u>(1,694,576)</u>	<u>(258,909)</u>
Finance costs	9	(41,869)	(44,349)
Other income	7	466,667	3,000
Listing costs		(316,949)	(76,500)
Loss before tax		<u>(1,586,727)</u>	<u>(376,758)</u>
Taxation	10	-	80,420
Loss for the year		<u>(1,586,727)</u>	<u>(296,338)</u>
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Other comprehensive income		-	-
Total comprehensive income		<u>(1,586,727)</u>	<u>(296,338)</u>
Earnings per share (basic and diluted) - pence	11	(2.51)	(1.34)

All operations are continuing.

The notes on pages 47 to 71 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	2022 £	2021 £
Non-current assets			
Property, plant and equipment	12	3,414	1,842
Intangible assets	13	3,303,400	1,814,615
		<u>3,306,814</u>	<u>1,816,457</u>
Current assets			
Trade and other receivables	14	1,055,829	88,548
Cash and cash equivalents	15	271,439	179,556
		<u>1,327,268</u>	<u>268,104</u>
Total assets		<u>4,634,082</u>	<u>2,084,561</u>
Non-current liabilities			
Borrowings	17	(956,184)	(762,686)
		<u>(956,184)</u>	<u>(762,686)</u>
Current liabilities			
Trade and other payables	18	(553,509)	(328,601)
Borrowings	17	-	(1,100,000)
		<u>(553,509)</u>	<u>(1,428,601)</u>
Total liabilities		<u>(1,509,693)</u>	<u>(2,191,287)</u>
Net assets / (liabilities)		<u>3,124,389</u>	<u>(106,726)</u>
Equity			
Ordinary share capital	19	63,755	52,202
Share premium reserve	19	3,890,089	-
Share warrants reserve	19	15,000	-
Shares to be issued	20	901,200	-
Other reserve	4	(38,848)	(38,848)
Retained earnings		(1,706,807)	(120,080)
Total equity		<u>3,124,389</u>	<u>(106,726)</u>

The consolidated Financial Statements of Orcadian Energy PLC were approved by the Board of Directors and authorised for issue on 15 December 2022.

Signed on behalf of the Board of Directors by:

AD Hume

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Alan Hume
Director

The notes on pages 47 to 71 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Note	2022 £	2021 £
Non-current assets			
Investment in subsidiary	16	3,968,844	52,202
		<u>3,968,844</u>	<u>52,202</u>
Current assets			
Trade and other receivables	14	1,000,000	-
Cash and cash equivalents	15	-	-
		<u>-</u>	<u>-</u>
Total assets		<u>4,968,844</u>	<u>52,202</u>
Non-current liabilities			
Borrowings	17	-	-
		<u>-</u>	<u>-</u>
Current liabilities			
Trade and other payables	18	98,800	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Total liabilities		<u>-</u>	<u>-</u>
Net assets		<u>4,870,044</u>	<u>52,202</u>
Equity			
Ordinary share capital	19	63,755	52,202
Share premium reserve	19	3,890,089	-
Share warrants reserve	19	15,000	-
Shares to be issued	20	901,200	-
Retained earnings		-	-
		<u>-</u>	<u>-</u>
Total equity		<u>4,870,044</u>	<u>52,202</u>

Orcadian Energy PLC, company number 13298968, has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to Orcadian Energy PLC for the year to 30 June 2022 was £nil (2021: £nil) as all costs within the group are borne by the subsidiary.

The Financial Statements were approved by the Board of Directors and authorised for issue on 15 December 2022.

Signed on behalf of the Board of Directors by:

AD Hume

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Alan Hume
Director

The notes on pages 47 to 71 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

Note	Ordinary Share capital £	Share premium reserve £	Share warrants reserve £	Shares to be issued £	Other reserve £	Retained earnings £	Total £
Balance as at 1 July 2020	17,401	563,561	-	-	-	(391,350)	189,612
Loss for the year and total comprehensive income	-	-	-	-	-	(296,338)	(296,338)
Bonus issue of shares	19 34,801	(34,801)	-	-	-	-	-
Issue of shares	19 52,202	-	-	-	(52,202)	-	-
Transfer to other reserve	4 (52,202)	(528,760)	-	-	13,354	567,608	-
Balance as at 30 June 2021	52,202	-	-	-	(38,848)	(120,080)	(106,726)
Loss for the year and total comprehensive income	-	-	-	-	-	(1,586,727)	(1,586,727)
Issue of shares	19 7,625	3,042,375	-	-	-	-	3,050,000
Conversion of loans	17 3,928	1,096,072	-	-	-	-	1,100,000
Shares to be issued – 30 June 2022 placing	20 -	-	-	901,200	-	-	901,200
Issue of warrants	19 -	(15,000)	15,000	-	-	-	-
Share issue costs	19 -	(233,358)	-	-	-	-	(233,358)
Balance as at 30 June 2022	63,755	3,890,089	15,000	901,200	(38,848)	(1,706,807)	3,124,389

Refer to note 19 for a description of the nature and purpose of each reserve within equity.

The notes on pages 47 to 71 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2022

	Note	Ordinary Share capital £	Share premium reserve £	Share warrants reserve £	Shares to be issued £	Retained earnings £	Total £
Balance as at Incorporation 29 March 2021		-	-	-	-	-	-
Loss for the period and total comprehensive income		-	-	-	-	-	-
Issue of shares upon acquisition of subsidiary	19	52,202	-	-	-	-	52,202
Balance as at 30 June 2021		52,202	-	-	-	-	52,202
Loss for the year and total comprehensive income		-	-	-	-	-	-
Issue of shares	19	7,625	3,042,375	-	-	-	3,050,000
Conversion of loans	17	3,928	1,096,072	-	-	-	1,100,000
Shares to be issued – 30 June 2022 placing	20	-	-	-	901,200	-	901,200
Issue of warrants	19	-	(15,000)	15,000	-	-	-
Share issue costs	19	-	(233,358)	-	-	-	(233,358)
Balance as at 30 June 2022		63,755	3,890,089	15,000	901,200	-	4,870,044

Refer to note 19 for a description of the nature and purpose of each reserve within equity.

The notes on pages 47 to 71 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

		2022	2021
	Note	£	£
Cash flows from operating activities			
Loss before tax for the year		(1,586,727)	(376,758)
Adjustments for:			
Depreciation	12	674	217
Unrealised foreign exchange loss / (gain)	5	151,629	(129,511)
Decrease / (increase) trade and other receivables	14	32,720	(10,409)
(Decrease) / Increase in trade and other payables	18	36,000	79,504
Finance costs in the year	9	41,869	44,349
Cash generated from operations		<u>(1,323,836)</u>	<u>(392,608)</u>
Income taxes received		-	80,420
Net cash flows from operating activities		<u>(1,323,836)</u>	<u>(312,188)</u>
Investing activities			
Purchases of property, plant and equipment	14	(2,246)	(1,952)
Purchases of exploration and evaluation assets	13	(1,348,677)	(530,818)
Net cash used in investing activities		<u>(1,350,923)</u>	<u>(532,770)</u>
Financing activities			
Proceeds from issue of ordinary share capital	19	3,000,000	-
Share issue costs paid	19	(233,358)	-
Proceeds from issue of convertible loan notes	17	-	1,100,000
Repayment of convertible loan notes	17	-	(100,000)
Interest paid		-	(6,804)
Net cash provided by financing activities		<u>2,766,642</u>	<u>993,196</u>
Net increase in cash and cash equivalents		91,883	148,238
Cash and cash equivalents at beginning of period	15	179,556	31,318
Cash and cash equivalents and end of period	15	<u>271,439</u>	<u>179,556</u>

Significant non-cash transactions in the year to 30 June 2022:

During the year £50,000 of third party supplier invoices were settled through the issue of 125,000 Ordinary shares at 40 pence each.

During the year convertible loans totalling £1,100,000 were settled in full through the issue of 3,928,572 Ordinary shares (Refer to note 17).

The notes on pages 47 to 71 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2022

		2022	2021
	Note	£	£
Cash flows from operating activities			
Loss for the year			-
Adjustments for:			
Depreciation	12		-
Decrease in trade and other receivables	4		-
Increase in trade and other payables	18		-
Finance costs in the year			-
Cash generated from operations			-
Income taxes paid			-
Net cash flows from operating activities			-
Investing activities			
Funds advanced to subsidiary	16	(2,776,642)	-
Purchases of exploration and evaluation assets	13		-
Net cash used in investing activities		(2,776,642)	-
Financing activities			
Proceeds from issue of ordinary share capital	19	3,000,000	-
Share issue costs paid	19	(233,358)	-
Net cash provided by financing activities		2,776,642	-
Net increase in cash and cash equivalents			-
Cash and cash equivalents at beginning of period	15		-
Cash and cash equivalents and end of period	15		-

No cash was held by the Company during the year to 30 June 2022

The notes on pages 47 to 71 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Orcadian Energy PLC (the “Company”) is a public limited company which is domiciled and incorporated in England and Wales under the Companies Act 2006 with the registered number 13298968. The Company’s registered office is 6th floor, 60 Gracechurch Street, London, EC3V 0HR, and its ordinary shares are admitted to trading on AIM, a market of the London Stock Exchange.

The principal activity of the Group is managing oil and gas assets and the Group holds a 100% interest in, and is licence administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries and P2482 which contains the Elke and Narwhal discoveries. The Group also has a 50% working interest in P2516, which contains the Fynn discoveries. P2516 is administered by the Parkmead Group and covers blocks 14/20g and 15/16g, which lie midway between the Piper and Claymore fields.

The financial statements presented for Group are for the year ended 30 June 2022 and these have been shown alongside figures for the year ended 30 June 2021 for comparative purposes.

2. Summary of significant accounting policies

The principal accounting principles applied in the preparation of these financial statements are set out below. These principles have been consistently applied to all years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared on a going concern basis using the historical cost convention and in accordance with the UK-Adopted International Accounting Standards, and in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention unless otherwise stated.

2.2. Consolidation and acquisitions

The financial statements consolidate the financial information of the Group and companies controlled by the Group (its subsidiaries) at each reporting date. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity, has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The results of subsidiaries acquired or sold are included in the financial information from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the results of acquired subsidiaries to bring their accounting policies into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies.

The Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange, on 15 July 2021. In connection with the admission to AIM, in the financial year to 30 June 2021, the Group undertook a Group reorganisation of its corporate structure which resulted in the Company becoming the ultimate holding company of the Group. Prior to the reorganisation there was no ultimate holding company as Orcadian Energy (CNS) Ltd ("CNS") was a standalone entity. The transaction was accounted for as a capital reorganisation rather than a reverse acquisition since it did not meet the definition of a business combination under IFRS 3. In a capital reorganisation, the consolidated financial statements of the Group reflect the predecessor carrying amounts of CNS with comparative information of CNS presented for all periods since no substantive economic changes have occurred. The difference arising on acquisition has been accounted for with the recognition of a merger reserve on the balance sheet following the reorganisation of the share capital of the Group at the point of completion of the transaction.

2.3. Going concern

The financial statements have been prepared on a going concern basis. The Group is not yet revenue generating and an operating loss has been reported. The Group has historically been reliant on raising finance, both debt and equity, to enable it to meet its obligations as they fall due.

The Directors have reviewed a detailed forecast based on the funds expected to be raised and forecasted expenditure, including all required spend to meet licence requirements. This forecast has been stress tested by management in reaching their going concern conclusion. Having made due and careful enquiry, the Directors acknowledge that funds will need to be raised within the next 12 months to enable the Group to meet its obligations as they fall due, however, the Directors are confident that the required funds will successfully be raised through the equity market to fund its operations over the next 12 months.

The Directors, therefore, have made an informed judgement, at the time of approving financial statements, that the Group is a going concern but they acknowledge that the dependence on raising further funds during the next 12 months represents a material uncertainty.

2.4. Changes in accounting policies

2.4.1. New standards, amendments to standards and interpretations

i) New and amended standards adopted by the Group

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period ended 30 June 2022 but did not result in any material changes to the financial statements of the Group.

Of the other IFRS and IFRIC amendments, none are expected to have a material effect on the future Group Financial Statements.

ii) New and amended standards not yet adopted by the Group

The Directors do not believe that the implementation of new standards, amended standards and interpretations issued but not yet effective and have not been early adopted early will have a material impact once implemented in future periods

2.5. Foreign currency

2.5.1. Functional and presentation currency

Items in the company's financial statements are measured in the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is Pounds sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £.

2.5.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs.' All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains.'

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measured at fair value are included in other comprehensive income.

2.6. Other income

Grants are accounted for under the accruals model. Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure, in accordance with the attached conditions.

2.7. Taxation

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business

combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

R&D tax credits are recognised through the Consolidated Statement of Comprehensive Income upon receipt of funds.

2.8. Leases

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

2.9. Intangible assets

Exploration and evaluation expenditures (E&E)

The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

All licence acquisitions, exploration and evaluation costs are capitalised, a share of administration costs is capitalised insofar as they relate to exploration, evaluation and development activities. These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. If a project is deemed commercial all of the attributable costs are transferred into Property, Plant and Equipment. These costs are then depreciated from the commencement of production on a unit of production basis.

2.10. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. This includes consideration of the IFRS 6 impairment indicators for any intangible exploration and evaluation assets capitalised as intangible costs. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.11. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Property, plant and equipment – 3 years straight line.

All assets are subject to annual impairment reviews.

2.12. Financial Instruments

2.12.1 Initial recognition

A financial asset or financial liability is recognised in the statement of financial position of the Group when it arises or when the Group becomes part of the contractual terms of the financial instrument.

2.12.2 Classification

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- (1) the asset is held within a business model whose objective is to collect contractual cash flows; and
- (2) the contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate Method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

There were no financial assets measured at fair value as at 30 June 2022, or 30 June 2021.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest rate method include current borrowings and trade and other payables that are short term in nature. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included as finance costs in profit or loss. Trade payables other payables are non-interest bearing and are stated at amortised cost using the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

2.12.3. Derecognition

A financial asset is derecognised when:

- (1) the rights to receive cash flows from the asset have expired, or
- (2) the Group has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.12.4 Impairment

The Group recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Group expects to receive. Regarding trade receivables, the Group applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses over its lifetime without monitoring changes in credit risk. To measure expected credit losses, trade receivables and contract assets have been Grouped based on shared risk characteristics.

2.13. Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

2.14. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

2.15. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Share premium

Share premium account represents the excess of the issue price over the par value on shares issued. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17. Shares to be issued

Shares to be issued qualifies as equity as it satisfies the fix rule under IAS 32, whereby subscription agreements for Ordinary shares ("the Obligation") represents a contract that will be settled by the Company delivering a fixed number of its Ordinary shares in exchange for a fixed

amount of cash. When the Obligation arises the net value of share subscriptions to be received is recognised as an equity reserve, net of costs, with a corresponding receivable being recognised as an asset, and costs recorded as an accrued expense. Upon issue of the Ordinary shares, the Shares to be issued reserve is transferred to Share capital and Share premium. The receivable is discharged upon receipt of cash subscriptions from shareholders, and the accrued expense discharged upon payment to third party suppliers.

2.18. Trade payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

2.19. Convertible loan notes and borrowings

Convertible loan notes classified as financial liabilities and borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, loans are measured at the amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

2.20. Finance income and finance costs

Finance income comprises interest income on bank funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.21. Earnings per share

Basic Earnings per share is calculated as profit attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2.22. Operating segments

The Chief Operating Decision Maker (CODM) is considered to be the Board of Directors. They consider that the Group operates in a single segment, that of oil and gas exploration, appraisal and development, in a single geographical location, the North Sea of the United Kingdom. As a result, the financial information of the single segment is the same as set out in the statement of comprehensive income, statement of financial position, statement of Changes in Equity and Statement of Cashflows.

2.23. Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of

disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements. Advances that are made to the subsidiary that are not expected to be repaid in the short term are capitalised by the Company. All advances made for the year have been capitalised.

2.24. Share-based payments

The fair value of services received in exchange for the grant of share warrants is recognised as an expense in share premium or profit or loss, in accordance with the nature of the service provided. A corresponding increase is recognised in equity.

3. Significant accounting estimates and judgements, estimates and assumptions

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

Recoverable value of intangible assets (refer to note 13)

As at 30 June 2022, the Group held oil and gas exploration and evaluation intangible assets of £3,303,399 (2021: £1,814,615). The carrying values of intangible assets are assessed for indications of impairment, as set out in IFRS 6, on an annual basis. As part of this impairment assessment, the recoverable value of the intangible assets is required to be estimated.

When estimating the recoverable value of the intangibles Management consider the proved, probably and potential resources per the latest CPR (<https://orcadian.energy/wp-content/uploads/2021/07/110650.Orcadian.FinalReport.pdf>), likely production costs and the forecasted oil prices.

As a result of the budget exploration costs, the licenses being valid and the assessed recoverable value of the intangibles being in excess of the carrying value, Management do not consider that any intangible assets are impaired as at 30 June 2022.

These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the assessment of impairment indicators.

There was only one critical judgement identified, apart from those involving estimations (which are dealt with separately above) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Fair value of share based payments

The Company has made awards of broker warrants over its unissued share capital in connection with the Initial Public Offering completed on 15 July 2021.

The valuation of these options involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. The key judgement involved the determination of an appropriate level of volatility, which has been estimated based on the average historic volatility of the share prices of a selection of three peer companies for a period equal to the expected term from the grant date. Further detail on the assumptions has been described in more detail in note 19 to these Group Financial Statements.

4. Group reorganisation under common control

The acquisition in the year ended 30 June 2021 met the definition of a group reorganisation due to the Company and the subsidiary being under common control at the date of acquisition. As a result, and since Orcadian Energy Plc did not meet the definition of a business per IFRS 3, the acquisition fell outside of the scope of IFRS 3 and the predecessor value method was used to account for the acquisition.

These consolidated financial statements represent a continuation of the consolidated financial statements of Orcadian Energy (CNS) Ltd and include:

- a. The assets and liabilities of Orcadian Energy (CNS) Ltd at their pre-acquisition carrying amounts and the results for both periods; and
- b. The assets and liabilities of the Company as at 11 May 2021 and its results from 11 May to 30 June 2021.

On 11 May 2021, the Company issued 52,201,601 shares entire issued share capital of Orcadian Energy (CNS) Ltd.

The net assets of Orcadian Energy (CNS) Ltd at the date of acquisition was as follows:

Property Plant & Equipment	£ 1,357
Intangible Assets	1,719,292
Current Assets	447,425
Current Liabilities	(284,745)
Non-Current Liabilities	(1,869,975)
Net assets	13,354

The reserve that arose from the acquisition is made up as follows:

	Year ended 30 June 2021
As at start of year	£
Cost of the investment in Orcadian Energy (CNS) Ltd	52,202
Less: net assets of Orcadian Energy (CNS) Ltd at acquisition	(13,354)
As at end of year	38,848

5. Administrative expenses

	2022	2021
	£	£
Office costs, rates and services	21,925	18,672
Wages and salaries*	384,750	128,125
Consultants and advisers	783,454	56,113
Audit fees (note 6)	27,500	38,090
Insurance	33,504	44,466
Other expenses	181,402	65,234
National Insurance	105,241	35,594
Foreign Exchange	156,126	(127,603)
Depreciation	674	217
	<u>1,694,576</u>	<u>258,909</u>

*refer to note 13 for details on wages and salaries capitalised to intangible assets.

6. Auditor's Remuneration

During the year, the Company obtained the following services from the Company's auditors and its associates:

	2022	2021
	£	£
Audit of the financial statements	27,500	25,000
Transaction services	15,000	50,000
Informal interim review	1,750	-
	<u>44,250</u>	<u>75,000</u>

7. Other Income

	2022	2021
	£	£
OGA grant	466,667	-
Consulting fees	-	3,000
Other Income	<u>466,667</u>	<u>3,000</u>

In December 2021 Orcadian was awarded a grant of £466,667 by the OGA (now NSTA) to evaluate an alternative concept for the electrification of key producing oil and gas fields in the Central Graben area of the North Sea. All attached conditions in respect of the grant were met during the year and therefore this income has been recognised in full as the underlying costs have been incurred in the year.

The Company did not record any consultancy revenue during the year. In the year to 30 June 2021 the Company undertook a minor consulting role during the year for which it billed £3,000.

8. Staff numbers and costs

	Group 2022	Group 2021
	£	£
Staff costs (including directors)		
Wages and salaries	790,000	308,925
Social security costs	105,241	35,594
	<u>895,241</u>	<u>344,519</u>

Refer to the Directors Remuneration Report for further information on Director wages and salaries.

Wages and salaries includes £405,250 that was capitalised to the value of the intangible asset (2021: £180,800) (refer to note 13).

No pension benefits are provided for any Directors (2021: £nil).

The average number of persons (including directors) employed by the Company during the year was:

Group and Company	2022	2021
Management and Administration	<u>6</u>	<u>5</u>
	<u>6</u>	<u>5</u>

9. Finance costs

	2022	2021
	£	£
Interest paid	41,869	44,349
	<u>41,869</u>	<u>44,349</u>

10. Taxation

Analysis of charge for the year:

	2022	2021
	£	£
Current income tax charge	–	–
R&D tax credits	–	80,420
Deferred tax charge	–	–
Total taxation credit/(charge)	<u>–</u>	<u>80,420</u>

Taxation reconciliation

The below table reconciles the tax charge for the year to the theoretical charge based on the result for the year and the corporation tax rate.

	2022	2021
	£	£
Loss before income tax	(1,586,727)	(296,338)
Tax at the applicable rate of 19% (2021: 19%)	(301,478)	(56,304)
Effects of:		
R&D tax credits	–	80,420
Expenses not deducted for tax purposes	1,333	–
Unutilised tax losses	300,145	56,304
Total income tax credit / (expense)	<u>–</u>	<u>80,420</u>

As at 30 June 2022, the Group had potential deferred tax assets not recognised in respect of unused tax losses of £439,912 (2021: £139,767) which is due to uncertainty over the availability of future taxable profits to offset these losses against.

11. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the loss for the year for continuing operations for the Company by the weighted average number of ordinary shares in issue during the year.

There is no difference between the basic and diluted earnings per share as the Group recorded a loss for the year, and where a loss is recorded the basic and diluted loss is the same. Refer to note 19 for details on details of warrants on issue as at 30 June 2022 that would have a dilutive effect on earnings per share.

	2022	2021
	£	£
Loss for the purposes of basic earnings per share being net loss attributable to the owners	(1,586,727)	(296,338)
Weighted average number of Ordinary Shares	63,278,315	22,167,804
Loss per share - pence	(2.51p)	(1.34p)

The weighted average number of shares is adjusted for the impact of the acquisition as follows:

- Prior to the acquisition, the number of shares is based on Orcadian Energy (CNS) Ltd, adjusted using the share exchange ratio arising on the acquisition; and
- From the date of the acquisition, the number of shares is based on the Company.

13. Intangible assets

	Oil and gas exploration assets £
Cost	
As at 30 June 2020	1,283,797
Additions	530,818
As at 30 June 2021	1,814,615
Additions	1,488,785
As at 30 June 2022	3,303,400

Wages and salaries totalling £405,250 (2021: £180,800) were capitalised during the year (refer to note 8).

The carrying value of the prospecting and exploration rights is supported by the estimated resource and current market values as contained in the Competent Person's Report date 1 April 2021 which was prepared by Sproule B.V.

<https://orcadian.energy/wp-content/uploads/2021/07/110650.Orcadian.FinalReport.pdf>

14. Trade and other receivables

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
VAT receivable	55,829	50,925	-	-
Other receivables	1,000,000	-	1,000,000	-
Prepayments relating to the issue of equity	-	13,500	-	-
Prepayments other	-	24,123	-	-
	1,055,829	88,548	1,000,000	-

Other receivables of £1,000,000 represents the gross value of share subscriptions receivable as at reporting date pursuant to a share placement that was announced on 30 June 2022 but for which shares were not formally issued until post-reporting date, in July 2022. There were £98,800 of share issue costs which have been accrued for as at 30 June 2022 in respect of this placing. (Refer to notes 2.17, 20 and 26 for further detail).

The fair value of other receivables is the same as their carrying values as stated above.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company does not hold any collateral as security.

15. Cash and cash equivalents

Group	2022	2021
	£	£
Cash at bank and in hand	271,439	179,556
	<u>271,439</u>	<u>179,556</u>

There is no material difference between the fair value of cash and cash equivalents and their book value.

16. Investment in subsidiary

Name	Address of the registered office	Nature of business	Proportion of ordinary shares held directly by parent (%)
Orcadian Energy (CNS) Ltd	6 th floor, 60 Gracechurch Street, London, EC3V 0HR	Managing oil and gas assets	100

The acquisition of Orcadian Energy (CNS) Ltd took place on 11 May 2021. Refer to note 4 for further details.

As at 30 June 2021	£	52,202
Additions		3,916,642
As at 30 June 2022		<u>3,968,844</u>

The additions during the year were advances to enable the subsidiary to continue work on the oil and gas exploration assets owned directly by the subsidiary. These costs have been capitalised rather than treated as an intercompany loan as they represent capital contributions and hence increase in value of the parent's investment.

17. Borrowings

	2022			
	Convertible loan note 2020 £	STASCO Loan £	Convertible loan note 2021 £	Total £
As at 30 June 2021	380,000	762,686	720,000	1,862,686
Conversion in to ordinary shares	(380,000)	-	(720,000)	(1,100,000)
Interest accrued	-	41,869	-	41,869
Effect of foreign exchange	-	151,629	-	151,629
As at 30 June 2022	-	956,184	-	956,184

The STASCO loan was entered in to on 22 July 2019. The total loan facility was US\$1,000,000 which has been fully drawn down. The term of the loan facility is 4 years and is subject to interest at LIBOR plus 5% which is accrued quarterly. The total interest charge for the year was US\$57,118 (£41,869 (2021: \$53,885 (£39,045))), and a £151,629 unrealised foreign exchange loss (2021: gain of £129,511) was incurred in the year in respect of this loan.

On 15 July 2021, all Convertible Loan Notes (“CLNs”) were converted in to ordinary shares at a price of 28 pence each, which was a 30% discount to the fundraise price. In total 3,928,572 ordinary shares were issued in full discharge of the CLNs. No interest was paid on the CLNs as they were converted in to ordinary shares.

	2021			
	Convertible loan note 2020 £	STASCO Loan £	Convertible loan note 2021 £	Total £
As at 30 June 2020	100,000	853,152	-	953,152
Convertible loan note issues	380,000	-	720,000	1,100,000
Convertible loan note repayments	(100,000)	-	-	(100,000)
Interest accrued	-	39,045	-	39,045
Effect of foreign exchange	-	(129,511)	-	(129,511)
As at 30 June 2021	380,000	762,686	720,000	1,862,686

Between July and December 2020 the Company issued £380,000 of convertible loan notes. In January 2021 £100,000 of convertible loan notes were repaid in cash and a further CLN for £100,000 was issued to a further lender. The term for these CLNs was three years with an interest rate of 12% per annum if they were redeemed. If conversion to Ordinary Shares no interest is applied. (Refer to note 21 for details of CLNs outstanding from Directors as at 30 June 2021, that were settled for Ordinary shares during the year to 30 June 2022.)

In March 2021 the Company issued £705,000 of convertible loan notes, and in June 2021 the Company issued £15,000 of convertible loan notes. These CLN's had a term of one year and a zero interest rate.

On 15 July 2021, all CLNs were converted in to ordinary shares at a price of 28 pence each, which was a 30% discount to the fundraise price. In total 3,928,572 ordinary shares were issued in full

discharge of the CLNs. No interest was paid on the CLNs as they were converted in to ordinary shares.

18. Trade and other payables – due within one year

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Trade payables	184,636	35,443	-	-
Accruals	334,631	276,133	98,800	-
Other creditor	34,242	17,025	-	-
	<u>553,509</u>	<u>328,601</u>	<u>98,800</u>	<u>-</u>

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

19. Ordinary share capital and share premium

Group	Number of shares	Ordinary share capital £	Share premium £
Issued			
As at 30 June 2020	17,400,534	17,401	563,561
Transfer between reserves	-	34,801	(34,801)
Issued capital of Company at acquisition	1	-	-
Issue of shares upon acquisition of subsidiary	52,201,601	52,202	-
Transfer of Orcadian Energy (CNS) Ltd paid up capital to reverse acquisition reserve	(17,400,534)	(52,202)	(528,760)
As at 30 June 2021	<u>52,201,601</u>	<u>52,202</u>	<u>-</u>
Issue of shares	7,625,000	7,625	3,042,375
Share issue costs	-	-	(233,358)
Value of warrants issued	-	-	(15,000)
Conversion of loans	3,928,572	3,928	1,096,072
As at 30 June 2022	<u>63,755,174</u>	<u>63,755</u>	<u>3,890,089</u>

The issued capital of the Group for the period 1 July 2020 to 11 May 2021 is that of Orcadian Energy (CNS) Ltd. Upon completion of the acquisition the share capital of Orcadian Energy (CNS) Ltd was transferred to the Acquisition reserve (Refer to note 4) and the share capital of Orcadian Energy PLC was brought to account.

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

Company

	Number of shares	Share capital £	Share premium £
Issued			
Balance as at Incorporation 29 March 2021	1	-	-
Issue of shares upon acquisition of subsidiary	52,201,601	52,202	-
As at 30 June 2021	52,202,602	52,202	-
Issue of shares	7,625,000	7,625	3,042,375
Share issue costs	-	-	(233,358)
Value of warrants issued	-	-	(15,000)
Conversion of loans	3,928,572	3,928	1,096,072
As at 30 June 2022	63,755,174	63,755	3,890,089

On 15 July 2021 the Company placed 7,500,000 New Ordinary Shares (“the Raise”) at 40p each to raise gross proceeds of £3,000,000, and also issued 125,000 new shares at 40p each to a supplier in part payment of an outstanding bill.

On 15 July all Convertible Loan Notes (“CLNs”) were converted in to ordinary shares at a price of 28 pence each. In total 3,928,572 ordinary shares were issued in full discharge of the CLNs (Refer to Note 17).

On 11 May 2021, the Company issued 52,202,601 new ordinary shares of £0.001 each at nominal value for the acquisition of 100% of the issued capital of Orcadian Energy (CNS) Ltd pursuant to a share swap arrangement (Refer to Note 4).

On 29 March 2021, the Company issued one new ordinary shares of £0.001 upon incorporation.

Share warrants

On 15 July 2021 the Company issued 75,000 broker warrants in connection with the Raise. These warrants are fully vested, have an exercise price of 40p and are exercisable for a period of three years.

The fair value of warrants is valued using the Black-Scholes pricing model. A fair value charge of £15,000 has been applied as a direct deduction to the Share Premium Reserve.

The inputs into the Black-Scholes pricing model are as follows:

Grant date	15 Jul 2022
Exercise price	40.0 pence
Expected life	3 years
Expected volatility	77.32%
Risk free rate of interest	0.0242%
Dividend yield	Nil
Fair value of option	20.0 pence

Volatility has been estimated based on the average historic volatility of the share prices of a selection of three peer companies for a period equal to the expected term from the grant date.

Nature and purpose of equity and reserves

Equity and Reserve	Description and purpose
Ordinary share capital	Represents the nominal value of shares issued
Share premium reserve	Amount subscribed for share capital in excess of nominal value
Share warrants reserve	Value of warrants issued
Shares to be issued	Value of shares to be issued where share subscription agreements have been executed and the share placement completing post-reporting date.
Other reserve	Reserve created in accordance with the acquisition of Orcadian Energy (CNS) Ltd on 11 May, 2021 (Refer to Note 4)
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

20. Shares to be issued

The Shares to be issued represents the issue of 2,857,143 shares at 35 pence each that completed post-reporting date, on 6 July 2022. The value of the Shares to be issued reserve reflects the gross proceeds of the share placement of £1,000,000, less £98,800 of share issue costs which have been accrued for at 30 June 2022. Upon completion the value of Shares to be issued will be re-allocated to Share capital and Share premium (Refer to note 2.17 for the Group's accounting policy for Shares to be issued, and refer to note 26).

21. Related parties**21.1 Transactions with related parties**

The Company had the following related party transactions:

- (1) The Company makes use of an office at 70 Claremont Road which is currently provided to the Company by Mrs Julia Cane-Honeysett and Mr Stephen Brown at a rental of £1,000 per calendar month. The company pays for the services and business rates associated with the property.

21.2 Loans to/from related parties

During the year, several Directors and shareholders provided funds to the Company as a working capital injection.

The following balances are outstanding at the end of the reporting period in relation to these transactions:

	Amount due (to)/from related parties
	£
As at 30 June 2021	(135,000)
Conversion in to ordinary shares	135,000
As at 30 June 2022	-

As at 30 June 2021 the Company had issued convertible loan notes (CLNs²) from Company Directors Alan Hume totalling £135,000. These CLNs were converted in to 482,142 ordinary shares on 15 July 2021 at 28 pence per share.

21.3. Key management personnel

Directors of the Company are considered to be key management personnel. The remuneration of the Directors has been set out in note 8.

22. Ultimate controlling party

The Directors consider Stephen Brown and Julia Cane-Honeysett to be the ultimate controlling parties given their combined holding of 43.78% of the issued capital of the Company.

23. Financial instruments

The Company holds the following financial instruments:

Financial assets

	Group 2022	Group 2021	Company 2022	Company 2021
	£	£	£	£
Financial assets at amortised cost:				
Other receivables	1,000,000	-	1,000,000	-
Other financial assets at amortised cost	-	-	-	-
Cash and cash equivalents	271,439	179,556	-	-
	1,271,439	179,556	1,000,000	-

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities

Group

	2022	2021
	£	£
Financial liabilities at amortised cost:		
Trade payables	184,636	35,443
Borrowings – non-current	956,184	762,686
	1,140,820	798,129

Group	2022	2021
Financial liabilities at fair value through profit and loss	£	£
Borrowings	-	1,100,000
	-	1,100,000

24. Financial risk management

24.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive management team.

a) Market risk

The Group is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Group does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Statements at the present time. The Directors will continue to assess the effect of movements in market risks on the Group's financial operations and initiate suitable risk management measures where necessary.

b) Credit risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Group periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash with institutions which have a minimum credit rating of 'A'.

c) Liquidity risk

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

The following table summarizes the Group's significant remaining contractual maturities for financial liabilities at 30 June 2022, and 30 June 2021.

Contractual maturity analysis as at 30 June 2022

	Less than 12 Months £	1 – 5 Years £	Total £
Accounts payable	184,636	-	184,636
Accrued liabilities	334,631	-	334,631
Other creditor	34,242	-	34,242
STASCO Loan	-	956,184	956,184
	553,509	956,184	1,509,693

There were no contractual liabilities with maturity of greater than 5 years as at 30 June 2022.

Contractual maturity analysis as at 30 June 2021

	Less than 12 months £	1 – 5 years £	Total £
Accounts payable	35,443	-	35,443
Accrued liabilities	276,133	-	293,158
Other creditor	17,025	-	17,025
STASCO Loan	-	762,686	762,686
	328,601	762,686	1,091,287

There were no contractual liabilities with maturity of greater than 5 years as at 30 June 2021.

d) Foreign exchange risk

Foreign exchange risk arises where the Group has financial assets and liabilities in a different currency to the functional currency of the Group. Where this arises the Group will be exposed to gains and losses that arise on movements in the base currency of the financial asset/liability and the functional currency of the Group. For the year ended 30 June 2022, the Group's borrowings were denominated in US Dollars and thus is exposed to gains and losses arising on the value of the US Dollar relative to Pound Sterling (Refer to note 17).

24.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to enable the Group to continue its exploration and development of oil and gas resources. In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets to reduce debts.

The Group defines capital based on the total equity and reserves of the Group. The Group monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

25. Commitments

The Group has entered into the following non-cancellable commitments in respect of exploration licences:

	2022	2021
	£	£
Due within one year	246,498	197,771
Later than one year but not later than five years	1,360,821	112,729
Total commitments	<u>1,607,319</u>	<u>310,500</u>

26. Events after the reporting period

On 6 July 2022, the Company completed a share placement raising £1,000,000 before costs through the issue of 2,857,143 Ordinary shares at 35 pence per share. Total costs of the share issue were £98,800.

On 15 November 2022 the Company announced that it had been awarded a one year extension to the second term of the P2244 licence. That licence will now expire at the end of November 2023.

On the 28 November 2022, the Company signed a Memorandum Of Understanding with SLB, formerly known as Schlumberger, for the provision of core services on the wells of the Company's Pilot project.