Cap Energy Plc

Annual Report for the year ended 31 December 2020

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Chief Executive Statement

Creating Value for Our Stakeholders and Contributing Towards the Guinea-Bissau and Senegal Economies.

After much dedication and persistence, and as reported in the 2019 Annual Report CAP reached an important milestone during 2020 by acquiring the entire stakes of Trace Atlantic Oil Limited in Blocks 1 and 5B, Guinea-Bissau. This material development builds on CAP's strategic acquisition of Trace's operated stake in the Djiffere licence, offshore Senegal, which was completed in 2018. CAP is now Operator of all three licences in its portfolio, a noteworthy achievement which has tremendously increased shareholder value and the Company's ability to realise the full potential of its portfolio.

CAP is committed to pursuing its exploration activities in Guinea-Bissau and Senegal, namely by drilling an exploration well in offshore Block 5B, Guinea-Bissau, and in the Djiffere block offshore Senegal and acquiring a 3D survey in Block1, Guinea-Bissau.

The Company continues to execute its operations with the utmost dedication towards health, safety and environment whilst equally undertaking a disciplined capital allocation approach.

Energy Industry

These favourable developments have, however, taken place at a challenging time for the oil industry, when the world economy is facing a slowdown due to Covid-19 and events in Ukraine. Whilst we cannot predict the future, we remain committed to the challenges ahead and are determined to achieve our goals. We intend to take advantage of the low-cost environment to acquire seismic and reduced drilling costs that have materialised despite the recent increase in the oil price and some signs of industry inflationary pressure. The Board will continue to adhere to the Company's strategy and remain focused on creating more value for our stakeholders by de-risking our portfolio and upgrading our resources. Covid-19 has however meant that the ability to undertake work in both jurisdictions has not been possible. The licences have been held in care and maintenance with a request to extend the period of the licences for a similar period to the duration of Covid-19 which is anticipated to be a few years. Senegal recently confirmed the extension of the Djiffere licence.

Board Changes

Pierantonio Tassini, who has been with the Company for over eight years, decided to step down as a director in June 2020 but will maintain his role as Chief Operating Officer. He has made an enormous contribution to the Board during the eight years we have worked together, and I would like to take this opportunity to thank him for his directorship.

Forging Ahead

Finally, I wish to thank our stakeholders for their ongoing support during the year. Our job remains to create more value as we progress into 2023 and beyond. I also wish to thank our partners Petroguin and Petrosen for their continuous support.

Lina Haidar
Chief Executive

3 February 2023

Strategic report for the year ended 31 December 2020

The Directors present their strategic report on the Group, for the year ended 31 December 2020.

Financial Results

The Group is in a purely exploration phase and therefore no revenues were generated during the year (2019: £nil). There was a loss attributable to shareholders of the Company of £2,509,000 (2019: loss £1,176,000). The increase in losses is due to higher operating costs.

At the end of the year, the Group had cash balances of £3,000 (2019: £25,000).

Going concern

The operations of the Group are currently being financed from loans from certain Directors and shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from certain Directors and shareholders.

The Group, which held cash balances of £3,000 at 31 December 2020, has obtained confirmation that the Directors will not seek repayment of their loan account balances totaling £8,363,000 until the Company is in a position to settle its liabilities as they fall due and has funding plans in place for further capital to meet the Group's planned activities.

As disclosed in Notes 10 and 13 the Group holds interests in two oil and gas exploration licences offshore Guinea-Bissau and one oil and gas exploration licence offshore Senegal.

COVID-19 impact

The Covid pandemic has in one sense been advantageous to the Group. The recent increase in the oil price has not reversed the sharp reduction in the cost of both drilling and seismic acquisition experienced prior to Covid and Cap has, and will continue to take advantage of that situation. There however been some recent signs of inflationary pressure emerging in the industry. Nevertheless, Covid has also made access to capital more difficult and travel restrictions have had the effect of delaying negotiations with partners.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Board believes that the Group will be able to raise, as required, sufficient cash to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Principal activities

The Group's principal activity is the exploration for oil and gas in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying operations. The Group holds an 85.7% interest of the shares of Sphere Petroleum Corporation, a British Virgin Islands (BVI) registered company that holds interests in two explorations licences in the Republic of Guinea-Bissau, as described in the Strategic Review below. Cap Energy's interests in Block 1 and Block

5B were officially gazetted by the Government of Guinea-Bissau on 19th February 2013. Petroguin, the Guinea-Bissau national oil company, is a carried partner during the exploration period.

Block 1 (Corvina / 4,800 Km^2) and Block 5B (Becuda / 5,500 Km^2) are located offshore Guinea-Bissau in the productive Mauritania-Senegal-Guinea-Bissau-Conakry (MSGBC) Basin.

In February 2014, Cap Energy Plc through its wholly owned subsidiary Sencap Limited acquired a 49% equity stake in TAOL Senegal (Djiffere) Limited (a subsidiary of Trace Atlantic Oil Limited), which had a 90% interest in the Djiffere Offshore Licence and is the Licence Operator. Sencap acquired the remaining 51% interest in TAOL Senegal (Djiffere) Limited in November 2018. The Block Djiffere Offshore licence area covers 4,459 Km^2 in the shallow waters of the Senegal (Mauritania-Senegal-Gambia-Bissau-Conakry) Basin. Below is a summary of the Group's interests and partners in the three exploration blocks as at the date of this report:

Guinea-Bissau	**Block 1, (Corvina)**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Cap Energy (operator)	76%	100%
		Petroguin *(NOC)*	20%	-
		SPQSC *	4%	-
Guinea-Bissau	**Block 5B, (Bcouda)**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Cap Energy (operator)	85.5%	100%
		Petroguin *(NOC)*	10%	-
		SPQSC *	4.5%	-
Senegal	**Block Djiffere**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Cap Energy (operator)	90 %	100%
		Petrosen *(NOC)*	10%	-

*Minority shareholder in Sphere Petroleum Corporation and carried during first and second exploration periods (2D and 3D surveys), Cap Energy is the 100% shareholder of TAOL Guinea- Bissau (Becuda) Ltd and TAOL Guinea-Bissau (Corvina) Ltd and is therefore the effective operator.

The Board is convinced of the potential for significant shareholders' value generation in sub-Saharan African exploration & production and is committed to materially expanding its asset base and activity in the region and evidenced by the acquisition of the entire stake of Trace Atlantic Oil Limited in Blocks 1 and 5B, Guinea-Bissau during the year to 31 December 2020 as detailed in note 13.

Review of the business

The Group's activities are now all controlled by the Company, following the acquisition in 2020 year of Trace Atlantic's interests in Blocks 1 and 5B offshore Guinea-Bissau. Having operatorship over those two blocks, coupled with the previously acquired control over the Djiffere Block, offshore Senegal, the Board believes will be a game-changer for the Company. Cap Energy now controls one Block in a highly prospective area offshore Senegal, with nearby discoveries, and two seismically interesting Blocks offshore Guinea-Bissau. The Company is therefore able to have discussions from a much more focused negotiating position with prospective partners.

Meanwhile, the Group's relationships with government oil companies in both Senegal and Guinea-Bissau continue to develop, leading to a far more incisive perspective on potential mutually beneficial opportunities.

Senegal

The Djiffere block is adjacent to the highly prospective Rufisque, Sangomar and Sangomar Deep blocks which contain the SNE-1 and FAN-1 2014 oil discoveries and the subsequent successful appraisal and exploration wells (Bellatrix-1) as announced by Cairn Energy.

In June 2015, the Company announced the results of an independent interpretation by Gas Mediterraneo & Petrolio of 3,750km 2D seismic data over Djiffere. This modern 2D seismic was acquired during 2014 by the operator and well ties were made to the nearest oil discoveries. Several structural leads and prospects were mapped on the block. The largest prospect is the Antelope structure, a multi-layered three-way rollover against a fault, whose main layer is estimated to contain prospective resources of 189 mmbo (Pmean recoverable) in Campanian sands and with a total estimate at all layers of 220 mmbo (Pmean recoverable). 10 more prospects or leads have been identified, with estimated prospective resources (Pmean recoverable) varying between 4 and 94 mmbo, for a total aggregate of 367 mmbo.

We plan to acquire a 3D survey over our shallow water concession and/ or drill a well in Senegal (Djiffere) . This new survey or drilling a well will allow us to capitalise on our investments through either a sale or a farm-out of our interests in this concession.

Guinea Bissau

Guinea-Bissau, Block 5B has been and continues to be of significant interest for Cap Energy, with the largest prospects in the Company's portfolio which combined or individually have billion-barrel recoverable prospective resource potential. Two of these prospects are analogues to the Cairn Energy SNE-1 and FAN-1 exploration success in Senegal. Guinea-Bissau Block 1 is under technical consideration. Whilst it has significant on block prospective resources this is over numerous prospects smaller in size and spread over a wide area compared to either Block 5B or Senegal.

During 2016 the interpretation of 2,673 Km^2 of 3D seismic was completed which identified leads and prospects in the platform and basin.

In 2017, we reported that we had started a process to farm-down our interests in Block 5B in Guinea-Bissau. Several companies are in discussion with us and we will keep shareholders updated with developments as appropriate.

In cooperation with the Guinea-Bissau government, in 2017 we achieved an amelioration of the fiscal terms which has enhanced the economic performance of Blocks 1 and 5B and further reinforces our views as to the commercial attractiveness of these licences. In May 2018, the government issued a decree extending the duration of Stage 2 of Block 5B by 2 years. This brought the date for committing to drill an exploration well to April 7, 2020 and time until April 6, 2022 for drilling an exploration well. For block 1 these deadlines are February 4, 2020 and February 3, 2022, but for this block before drilling it is foreseen to acquire a 3D survey, for which we have received quotations from several contractors.

Key performance indicators (KPIs)

The Directors consider that the KPIs are:

i) A well-funded business;
ii) To carry out the work required on the various assets to identify viable pre-drill oil and gas exploration opportunities; and
iii) Ultimately for the opportunities to be drilled.

The achievement of these KPIs during 2020 were delayed due to the restrictions imposed by the COVID-19 pandemic.

Next steps

With today's continued challenging environment due to world events and the interest shown in the West Africa region, Cap Energy has used this to its advantage by focusing on its existing assets and benefiting from the still prevalent lower seismic and drilling costs with the intent of farming-out one or more of its interests. Cap is still confident of soon entering a phase where the previous years of hard work in gathering and interpreting data will be tested with the drill bit.

Principal Risks and Risk Management

Exploration is an inherently extremely risky business:

- Even the most promising prospects can have failures for many reasons, such as:
    - Hydrocarbons may not be found if there are errors in the underlying geological assumptions or analysis.
    - Hydrocarbons may have been present, but escaped due to unexpected geological events, such as the seal breaking.
    - The reservoir may not flow at commercially viable rates of flow.
    - The drilling may encounter technical problems which make it impossible or too expensive to reach the target.

- The Company may take on commitments for which it then cannot find adequate funding. Although the Company can then potentially sell all or part of its assets:
    - There is no guarantee it can find a buyer.
    - Even if it does find a buyer, the transaction may take too long and the Company's cash resources may become exhausted.

The Company's risk mitigation strategies include the following:

- The Company will not normally undertake financial responsibility for drilling. The strategy is to build seismic knowledge on each Block to the point where a financially significant number of drillable prospects have been worked up – and then sell or farm out a stake of the interest with a carry for at least one well.

- The Directors have particularly good contacts at the ministerial level and excellent local knowledge to inform decisions as to where to seek assets.

- Secure the support of several key private shareholders, and actively pursuing other sources of funding.

- The Group adheres to all current health and safety standards as recommended by the competent worldwide standard – setting organisations and to the UK's Anti-Bribery legislation. It also requires its employees and third-party contractors to confirm in writing their adherence.

Directors' section 172 statement

The following disclosure describes how the Directors have had regard to the matters set out in section 172 and forms the Directors' statement required under section 414 of The Companies Act 2006. This reporting requirement is made in accordance with the new corporate governance requirements identified in The Companies (Miscellaneous Reporting) Regulations 2018, which apply to company reporting on financial years starting on or after 1 January 2019.

The matters set out in section 172(1) (a) to (f) are that a Director must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a. the likely consequences of any decision in the long term;
b. the interests of the Company's employees;
c. the need to foster the Company's business relationships with suppliers, customers and others;
d. the impact of the Company's operations on the community and the environment;
e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
f. the need to act fairly between members of the Company.

The analysis is divided into two sections, the first to address Stakeholder engagement, which provides information on stakeholders, issues and methods of engagement. The second section addresses principal decisions made by the Board and focuses on how the regard for stakeholders influenced decision making.

Section 1: Stakeholder mapping and engagement activities within the reporting period

The Company continuously interacts with a variety of stakeholders important to its success, such as equity investors, joint venture partners, employees, government bodies and the local community. The Company works within the limitations of what can be disclosed to the various stakeholders with regards to maintaining confidentiality of market and/or commercially sensitive information.

Who are the key stakeholder groups	**Why** is it important to engage this group of stakeholders	**How** did Cap Energy engage with the stakeholder group	**What** resulted from the engagement
Equity investors and equity partners The Group's activities are now all controlled by the Company, following the acquisition by the end of June 2020 of Trace Atlantic's interests in Blocks 1 and 5B offshore Guinea-Bissau. As such, existing equity investors and potential investment partners are important stakeholders.	Access to capital is of vital importance to the long-term success of the business to enable value generation in sub-Saharan African exploration & production and is committed to materially expanding its asset base and activity in the region. Equity partner involvement is vital to the success of the development of these projects, without which the Company cannot create value for its shareholders. The Company seeks to promote an investor base that is interested in a long term holding in the Company and will support the Company in achieving its strategic objectives.	The key mechanisms of engagement included: **Substantial shareholders** • Each of the directors are significant shareholders in the Company; • The other existing substantial shareholders have regular meetings with the CEO. **Prospective and existing investors** • The AGM and Annual and Interim Reports; • One on one investor meetings with the CEO; • Access to the Company's advisers; • Regular news and project updates on the Company's website; • Site visits for potential cornerstone investors.	The Company engaged with investors on topics of strategy, governance, project updates and performance. The CEO presented at a number of one on one meetings. At the Company's AGM all resolutions were duly passed with at least 90 per cent. votes in favour demonstrating broad shareholder support.
Employees The Company has 5 employees, including its Directors. All of the directors and employees are resident outside of the UK.	The Company's long-term success is predicated on the commitment of its workforce to its vision and the demonstration of its values on a daily basis.	• The Company maintains an open line of communication between its employees, senior management and the Board. • The CEO reports regularly to the Board. • Senior management regularly visit the operations and engage with its employees through one on one meetings.	The Board met with management to discuss the long term remuneration strategy. Meetings were held with staff to provide project updates and ongoing business objectives.

Governmental bodies The Company is impacted by national, regional and local governmental organisations in Senegal and Guinea-Bissau.	The Group's relationships with governmental departments in both Senegal and Guinea-Bissau are vital to develop its projects and farm-out opportunities. The Board is convinced of the potential for significant shareholders' value generation in sub-Saharan African exploration & production and is committed to materially expanding its asset base and activity in the region.	The Company provides general corporate presentations regarding project development as part of ongoing stakeholder engagement with the Senegalese and Guinea-Bissau governments, and local municipal governments. The Company maintained its good relations with the respective government bodies and frequently communicated progress. The Company engages with the relevant departments of the each government in order to progress the development of each project.	Meetings have been held with various representatives of the national, regional and local government bodies, to discuss ongoing compliance and other regulatory matters. The Group's relationships with government oil companies in both Senegal and Guinea-Bissau continue to develop, leading to a far more incisive perspective on potential mutually beneficial opportunities As described above, in cooperation with the Guinea-Bissau government, we achieved improved fiscal terms which has enhanced the economic performance of Blocks 1 and 5B and further reinforces our views as to the commercial attractiveness of these licences. The government also extended the duration of Stage 2 of Block 5B by 2 years.
Community The local communities adjacent to the Company's projects in Senegal and Guinea-Bissau.	The community provides social licence to operate. The Company needs to engage with the local community to build trust in order to obtain acceptance for future development plans. Community engagement will inform better understanding and decision making. The local communities will provide employees to each project and contractors during construction and operation. The Company will have a social and economic impact on the local communities. The Company is committed to ensuring sustainable growth, minimising adverse impacts. The Company will engage these stakeholders as appropriate.	• The Company has identified all key stakeholders within the local community in the reporting period; • The Company has open dialogue with the local government and community leaders regarding project development; • The Company has existing CSR policies and management structure at corporate level. The Company will expand on these policies and structures at a local project level as the Company moves into construction and then production.	The Company has ongoing engagements with the local community as part its sustainability initiatives. Stakeholder identification has enabled the Company to ensure that representatives of all stakeholder groups may participate in the community engagement programme. A more formalised community engagement programme will commence as each project develops.
Suppliers During the construction phase, the Company will be using key suppliers under commercial engineering contracts to design, construct and equip each project, all of whom are	Cap Energy's contractors and suppliers are fundamental to ensuring that the Company can construct the project on time and within budget.	• Management continue to work closely with appointed contractors, consultants and suppliers to finalise their contracts and end deliverables;	See page 5 of the strategic report for latest on progress on drilling exploration work. Smaller local vendors were engaged at a broader level to better align with company objectives.

reputable and established vendors. At a local level, the Company has also partnered with a number of smaller companies, some of whom are independent or family run businesses.	Using quality suppliers ensures that as a business, the high performance targets can be met.	• One on one meetings between management and suppliers; • Vendor site visits and facility audits to ensure supplier is able to meet requirements; • Contact with procurement department and accounts payable.	

Section 2: Principal decisions by the board

Principal decisions are defined as both those that have long-term strategic impact and are material to the Group, but also those that are significant to key stakeholder groups. In making the following principal decision, the Board considered the outcome from its stakeholder engagement, the need to maintain a reputation for high standards of business conduct and the need to act fairly between the members of the Company.

As noted above, CAP reached an important milestone by acquiring the entire stakes of Trace Atlantic Oil Limited in Blocks 1 and 5B, Guinea-Bissau.

The decision is aligned with the business model set out in the Company strategy, which is to invest in high quality assets in the sub-Saharan Africa oil and gas market.

In making the above decision, the Directors believe that they have considered all relevant stakeholders, potential impact and conflicts, the Company's business model and its long-term strategic objectives, and have acted accordingly to promote the success of the Company for the benefit of its members as a whole.

Signed by order of the board

Lina Haidar
Chief Executive Officer

3 February 2023

Directors' report for the year ended 31 December 2020

The Directors present their report on the Company and its subsidiaries, Sphere Petroleum Corporation, Omcap Limited, Sencap Limited and TAOL Senegal (Djiffere) Limited (the "Group") together with the audited financial statements for the year ended 31 December 2020.

The Company is registered in England as a public company limited by shares. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform.

Results and dividends

The results for the Group for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements. The Directors do not recommend the payment of a final dividend (year ended 31 December 2019: £nil).

Business review and future developments

A full review of the business is to be found in the Strategic Review above.

Political and charitable contributions

The Group has not made any political or charitable contributions.

Financial risk management

Details of the Group's exposure to a variety of financial risks and management programme that seeks to limit the adverse effects on the financial performance of the Group are set out in Note 20 to the consolidated financial statements.

Directors

The Directors who served the Company during the year or have been appointed thereafter are shown below:

- Lina Haidar, Chief Executive Officer
- Pierantonio Tassini, Chief Operating Officer (resigned 7 June 2020)
- Alexander Haly, Non-Executive Director
- Guy Hustinx, Non-Executive Director

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Lina Haidar will retire by rotation and being eligible, will offer herself for re-election.

Directors' remuneration

The salaries and fees paid or accrued to the Directors during the year ended 31 December 2020 were as follows:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Lina Haidar	520	156
Pierantonio Tassini	310	120
Alexander Haly	300	60
Guy Hustinx	196	36
	1,326	**372**

Post balance sheet events

Due to COVID-19 the Company has applied for a 2 year extension to all its Blocks in both Senegal and Guinea-Bissau. It is CAP's understanding that this is viewed favourably and is now waiting on the formal approval by the respective authorities. Senegal recently confirmed the extension of the Djiffere licence and expects to hear from Guinea-Bissau in the first half of 2023.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined based on work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Directors' responsibilities statement in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report and Strategic report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Crowe U.K. LLP be re-appointed will be made at the Annual General Meeting.

Annual General Meeting

A notice of the Annual General Meeting will be issued separately.

Signed by order of the board

Lina Haidar
Chief Executive

3 February 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAP ENERGY PLC

Opinion

We have audited the financial statements of Cap Energy Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2020;
- the Group and Parent Company statements financial position as at 31 December 2020;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 regarding the Company's ability to continue as a going concern.

The future operations of the Company are dependent on raising additional funding to cover both working capital and the operational needs of the Group's exploration activities and further funding is required to meet these needs, as described in note 2. The Board believes that the Company will be able to raise the required finance, however, this indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were not to continue as a going concern.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the company, 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 Directors' responsibilities statement set out on pages 11 and 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 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 however the primary responsibility for the prevention and detection of fraud lies with management and those charged with governance of the company.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and the procedures in place for ensuring compliance. The most significant identified were the Companies Act 2006 local legislation in the territories the group operates. Our work included, reviewing board minutes.
- As part of our audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimate or judgement, including impairment, this included specific testing of journal transactions, both at the year end and throughout the year.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

J. C

John Charlton
Senior Statutory Auditor, For and on behalf of **Crowe U.K. LLP,** Statutory Auditor, London

3 February 2023

Cap Energy Plc
Consolidated statement of comprehensive income
Year ended 31 December 2020

	Note	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Other income		1	-
Administrative expenses		(1,880)	(597)
Operating loss		(1,879)	(597)
Finance costs	5	(643)	(580)
Loss before taxation	6	(2,522)	(1,177)
Income tax expense	8	-	-
Loss for the year		(2,522)	(1,177)
Loss from continuing operations			
Attributable to:			
- Owners of the parent		(2,509)	(1,176)
- Non-controlling interests		(13)	(1)
		(2,522)	(1,177)
Loss per share attributable to owners of the Parent:			
Basic and diluted (pence)	9	(8.14)	(3.82)
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		(676)	177
Total comprehensive loss for the year		(3,198)	(1,000)
Attributable to:			
- Owners of the parent		(3,185)	(999)
- Non-controlling interests		(13)	(1)
		(3,198)	(1,000)

The notes on pages 20 to 40 form an integral part of these consolidated financial statements.

Cap Energy Plc
Consolidated statement of financial position
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		-	1
Right of use assets	11	31	72
Intangible assets	10	9,439	9,907
		9,470	9,980
CURRENT ASSETS			
Other receivables, deposits and prepayments	14	331	88
Cash and cash equivalents		3	25
		334	113
TOTAL ASSETS		**9,804**	**10,093**
EQUITY AND LIABILITIES			
Share capital	15	1,540	1,540
Share premium account	16	4,226	4,226
EBT reserve	16	38	38
Foreign currency translation reserve		(764)	(88)
Accumulated losses		(10,114)	(7,605)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		(5,074)	(1,889)
Non-controlling interests		196	209
Total equity		(4,878)	(1,680)
CURRENT LIABILITIES			
Trade payables		466	244
Amounts due to directors	19	8,363	7,820
Amounts due to shareholders	17	6	6
Lease liabilities	18	39	49
Accruals and deferred income		4,146	1,953
Contingent consideration	12	1,662	1,662
		14,682	11,734
NON-CURRENT LIABILITIES			
Lease liabilities	18	-	39
TOTAL LIABILITIES		14,682	11,773
TOTAL EQUITY AND LIABILITIES		**9,804**	**10,093**

The notes on pages 20 to 40 form an integral part of these consolidated financial statements. The consolidated financial statements were authorised for issue by the board of Directors on 03 February 2023 and were signed on its behalf.

Lina Haidar

Chief Executive Officer

Cap Energy Plc
Consolidated statement of changes in equity
Year ended 31 December 2020

	Share capital £'000	Share premium £'000	EBT reserve £'000	Foreign currency exchange reserve £'000	Accumul-ulated losses £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2019	1,538	4,147	38	(265)	(6,429)	(971)	210	(761)
Loss for the year	-	-	-	-	(1,176)	(1,176)	(1)	(1,177)
Exchange differences on translating foreign subsidiaries	-	-	-	177	-	177	-	177
Transactions with owners:								
Issue of ordinary shares	2	79	-	-	-	81	-	81
Balance at 31 December 2019	**1,540**	**4,226**	**38**	**(88)**	**(7,605)**	**(1,889)**	**209**	**(1,680)**
Loss for the year	-	-	-	-	(2,509)	(2,509)	(13)	(2,522)
Exchange differences on translating foreign subsidiaries	-	-	-	(676)	-	(676)	-	(676)
Balance at 31 December 2020	**1,540**	**4,226**	**38**	**(764)**	**(10,114)**	**(5,074)**	**196**	**(4,878)**

The notes on pages 20 to 40 form an integral part of these consolidated financial statements.

Cap Energy PLC
Consolidated cash flows year ended 31 December 2020

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
Cash flows from operating activities		
Loss before taxation	(2,522)	(1,177)
Adjustments for:		
Depreciation of plant and equipment	-	1
Depreciation of right of use assets	41	42
Interest charges	638	580
Operating cash flow before working capital changes	(1,843)	(554)
(Increase) in trade and other receivables	(105)	(5)
Increase / (decrease) in trade and other payables	222	(80)
Increase in accruals and deferred income	1,849	471
	123	(168)
Interest charges	(638)	(580)
Net cash flow used in operating activities	(515)	(748)
Cash flow used in investing activities		
Funds used in exploration and evaluation	-	(229)
Cash flow used in investing activities	-	(229)
Cash flows from financing activities		
Increase in amounts due to Directors	542	945
Issue of share capital	-	81
Repayment of finance leases	(49)	(45)
Net cash flow from financing activities	493	981
(Decrease) / increase in cash and cash equivalents	(22)	4
Cash and cash equivalents at beginning of the year	25	21
Cash and cash equivalents at end of the year	**3**	**25**

The notes on pages 20 to 40 form an integral part of these consolidated financial statements.

Cap Energy Plc

Notes to the consolidated financial statements for the year ended 31 December 2020

1. General information

Cap Energy Plc is an independent upstream oil and gas company focused on the exploration, production and development of conventional oil and gas assets in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

The Company is domiciled in England and incorporated and registered in England and Wales. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform. The address of its registered office is 2nd Floor, 20 Berkeley Square, London, W1J 6EQ. The registered number of the Company is 05351398.

The Consolidated Financial Statements of Cap Energy Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 03 February 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of Cap Energy Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Consolidated Financial Statements of the Group are presented in Pounds Sterling, which is the presentation currency for the Group, and figures have been rounded to the nearest thousand. The functional currency of each of the Group entities is the local currency of each individual entity.

(b) Going concern

The operations of the Group are currently being financed from loans from certain Directors and shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from certain Directors and shareholders.

The Group held cash balances of £3,000 at 31 December 2020 and had net current liabilities of £14,348,000 including amounts owed to Directors of £8,363,000. The Group has obtained confirmation that the Directors will not seek repayment of their loan account balances totaling

£8,363,000 until the Company is in a position to settle its liabilities as they fall due and has funding plans in place for further capital to meet the Group's planned activities.

As disclosed in Notes 10 and 13 the Group holds interests in two oil and gas exploration licences in offshore Guinea-Bissau and one oil and gas exploration licence offshore Senegal.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Company's assessment of the COVID-19 pandemic is detailed above in the strategic report and review of the business.

The Board believes that the Group will be able to raise, as required, sufficient cash to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis. In making its assessment the Board of the company has sought and received the support from its key Directors to provide ongoing financial commitments for 15 months from 01 February 2023.The financial statements have, therefore, been prepared on the going concern basis.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

(c) New standards and interpretations

New standards, interpretations and amendments effective from 1 January 2020

Adopted

- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19-Related Rent Concessions
- Amendments to IAS 1 and IAS 8: Disclosure Initiative - Definition of Materiality

The Group has considered the above new standards and amendments and has concluded that, they are either not relevant to the Group or they do not have a significant impact on the Group's consolidated financial statements.

New standards, interpretations and amendments not yet effective for the current period

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The most significant of these are as follows:

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IFRS 3 References to Conceptual Framework

Management is currently assessing the impact of these new standards on the Group.

(d) Basis of consolidation

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for under the acquisition method. Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements.

The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The Company includes the assets and liabilities of the Employee Benefit Trust (EBT) within its Statement of Financial Position. In the event of the winding up of the Company, neither the shareholders nor creditors would be entitled to the assets of the EBT.

Company shares held by the EBT are deducted from the shareholders' funds and classified as 'Own Shares' until such time as they are sold or vest unconditionally to participating employees. All such shares were sold during the year ended 31 December 2014.

(e) Oil and gas exploration and evaluation expenditure

All exploration and evaluation costs incurred or acquired on the acquisition of a subsidiary are accumulated in respect of each identifiable project area. These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts). Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

(f) Impairment of oil and gas exploration and evaluation assets

The carrying value of unevaluated areas is assessed at least annually or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

(g) Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset. As at 31 December 2019, no provisions were deemed necessary.

(h) Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) Foreign operations

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at the average rate of exchange. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss. Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(i) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow. An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(j) Employee benefits

(i) *Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

The Group does not currently make provision for post-employment benefits by way of pension plans or similar arrangements.

(k) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(l) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the date of issue. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21 to the Consolidated Financial Statements.

The fair value determined at the date of issue of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

(m) Leases

All leases are accounted for by recognising a right of use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Identifying Leases

The Group accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

a) There is an identified asset;
b) The Group obtains substantially all the economic benefits from use of the asset; and
c) The Group has the right to direct use of the asset.

In determining whether the Group obtains substantially all the economic benefits from use of the asset, the Group considers only the economic benefits that arise use of the asset, not those incidental to legal ownership or other potential benefits.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

The discount rate is the rate implicit in the lease, if readily determinable. If not, the Company's incremental borrowing rate is used which the Company has assessed to be 8%. The Group currently has no third party borrowings and consequently there is no available interest rate to use as the basis for this calculation. Additionally, the Company has been loss-making for several years. Accordingly, the Directors have assumed that the most likely source of borrowings would be from the Directors, who have historically made such funds available at an interest rate of 8%.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right of use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Nature of leasing activities (in the capacity as lessee)

The Group leases its head office.

(n) Right of use assets

A right of use asset is recognised at the commencement date of a lease. The right of use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right of use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right of use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(n) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised. 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.
All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

Going concern

The financial statements have been prepared on a going concern basis as the Directors have assessed the Company's ability to continue in operational existence for the foreseeable future. The operations of the Company and Group are currently being financed from funds which the Company has raised from private placings of its shares and by loans from certain of its Directors.

The Company and Group are reliant on the continuing support from its existing shareholders and Directors. The financial statements do not include the adjustments that would result if the Company were not to continue as a going concern.

Impairment of capitalised exploration and evaluation expenditure and recoverability of inter-company balances

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact on the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable. This in turn is directly dependent on the future recoverability of capitalised exploration and evaluation expenditure.

4. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors of the Company) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The Group's business involves exploring for hydrocarbon liquids and gas. As at 31 December 2020, there are two reportable operating segments: Africa and Head Office. Intangible assets and operating assets and liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies.

In compliance with IFRS 8 'Operating Segments' the following tables reconcile the operational loss for the year of each reportable segment with the consolidated figures presented in these Financial Statements, with comparatives for the year ended 31 December 2019, and the net assets together with comparative figures as at 31 December 2019. The Group's loss before tax and equity attributable to owners of the parent are detailed below.

	Africa	**Head Office**	**Total**
	£'000	**£'000**	**£'000**
31 December 2020			
Loss before tax	(202)	(2,320)	(2,522)
Equity attributable to owners of parent	9,427	(14,501)	(5,074)
31 December 2019			
Loss before tax	(30)	(1,147)	(1,177)
Equity attributable to owners of parent	9,718	(11,607)	(1,889)

5. Finance costs

	31 Dec 2020 £'000	31 Dec 2019 £'000
On loans from Directors	638	571
Finance leases	5	9
	643	580

6. Loss before taxation

Loss before taxation is arrived at after charging: -

	31 Dec 2020 £'000	31 Dec 2019 £'000
Depreciation of plant and equipment	-	1
Fees payable to the Company's auditor for the audit of the Company's annual accounts	15	18
Directors' remuneration	1,326	372
Staff costs (including Directors):		
- salaries, allowances and bonuses	1,736	454
- social security costs	-	-
Rental of office	-	-
Variable rent – rent uplift*	-	75

*: The Group has made an accrual for £75,000 in respect of a variation to the lease of its head office arising from an additional rent review.

7. Staff costs

	31 Dec 2020 No.	31 Dec 2019 No.
The average monthly number of employees was:	5	5

	31 Dec 2020 £'000	31 Dec 2019 £'000
Aggregate remuneration (including Directors):		
Wages and salaries	1,326	454
Social security costs	-	-
	1,326	454

8. Income tax

The Group has made no provision for taxation as the Group has not yet generated any taxable income. A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Loss before taxation	(2,522)	(1,177)
Tax calculated at statutory tax rates applicable to results in the respective countries	(444)	(224)
Tax effects of: -		
Depreciation less capital allowances	-	1
Disallowable items	-	-
Unrelieved tax losses	444	223
Income tax expense for the financial year	-	-

The weighted average statutory applicable tax rate was 18% (2019: 19%).

The Group has tax losses of approximately £7.5 million (year ended 31 December 2019: £6.3 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits.

A deferred tax asset in respect of these losses has not been established as the Group has not yet generated any revenues and the Directors have therefore assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain.

9. Loss per share

Basic loss per share is calculated by dividing the loss after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. The calculation of loss per share is based on the following:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Loss after tax from continuing operations attributable to owners of the Group:	(2,509)	(1,176)
Weighted average number of shares:		
Basic and diluted	30,809,719	30,778,731

10. Intangible assets

	Exploration and evaluation expenditure £'000
Cost	
At 1 January 2019	9,496
Additions	229
Foreign currency translation differences	182
At 31 December 2019	9,907
Net amounts recognised on acquisition of TAOL Guinea Bissau (Becuda) Ltd (Note 13)	169
Net amounts recognized on acquisition of TAOL Guinea Bissau (Corvina) Ltd (Note 13)	57
Foreign currency translation differences	(694)
At 31 December 2019	9,439
Accumulated amortisation	
At 1 January 2019	-
Charge for the year	-
At 31 December 2019	-
Charge for the year	-
At 31 December 2020	-
Net Book Value	
At 31 December 2020	9,439
At 31 December 2019	9,907

At 31 December 2020, the aggregate capitalised Exploration and Evaluation ("E&E") costs in relation to the Group's Guinea Bissau and Senegal licences was £9,439,000 (2018: £9,907,000). These amounts have not been impaired because commercial reserves have not yet been established or the determination process has not been completed.

In accordance with IFRS 6, the Directors have assessed whether any indication of impairment exists in respect of those intangible assets. In their opinion, based on a review of the expiry dates of licences and the likelihood of their renewal, available funds and the intention to continue exploration and evaluation, no indications of impairment were identified. Further details of the exploration activities are included within the Chief Executive Statement and Strategic Report.

11. Right of use assets

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Land and buildings cost – right of use asset:		
Balance brought forward	290	-
On adoption of IFRS 16 on 1 January 2019	-	290
Less: Accumulated depreciation		
Balance brought forward	(218)	-
On adoption of IFRS 16 on 1 January 2019	-	(176)
Depreciation charged for the year	(41)	(42)
Net book value	31	72

The Group leases its offices in the UK under a seven-year agreement, which expired in September 2021.

12. Subsidiaries of the Group

As at the date of these financial statements, the Company's subsidiaries, all of which are private companies limited by shares, are as follows:

Subsidiaries	Registered office	Class of shares	% holding
Sphere Petroleum Corporation BVI	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	85.7%
Sencap Limited	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	100%
Omcap Limited	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	100%
TAOL Senegal (Djiffere) Limited	Vanterpool Plaza, 2nd Floor, Wickhams Cay I, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	100%

TAOL Guinea Bissau (Corvina) Limited	Tortola Pier Park, Building 1, 2nd Floor Wickhams Cay I Road Town, Tortola, British Virgin Islands	Ordinary	100%
TAOL Guinea Bissau (Becuda) Limited	Tortola Pier Park, Building 1, 2nd Floor Wickhams Cay I Road Town, Tortola, British Virgin Islands	Ordinary	100%

Contingent consideration

On 12 November 2018, Sencap completed the purchase of the remaining 51 per cent interest in TAOL Djiffere not already owned from TAOL for a consideration of US$1. As part of the agreement, Sencap agreed, in relation to future transactions related to the Djiffere Concession it or the Group receives payment for in respect of the proceeds of a commercial discovery or for all or part of sunk costs incurred under the Exploration and Production Sharing Agreement which TAOL Djiffere signed with the Republic of Senegal and Petrosen dated 26 April 2013 for the Djiffere offshore concession, to share part of the payment with TAOL, capped at 50% of the cumulative capital costs at Completion plus any payments made by TAOL after Completion. The Directors estimated such consideration to be £1,662,000 and made provision for this amount as contingent consideration payable.

The accounting reference date of the subsidiaries is co-terminous with that of the Company.

13. Acquisition of subsidiaries

TAOL Guinea Bissau (Corvina) Ltd

On 16 February 2020, the Company acquired from Trace Atlantic Oil Ltd ("TAOL") a 100% interest in TAOL Guinea Bissau (Corvina) Ltd., the operator and 52% shareholder of the exploration concession for Block 1, offshore Guinea Bissau, for a consideration of $1 payable in cash, giving the Group an effective 80% interest in the Block and a 100% cost interest and operatorship.

The following table summarises the consideration paid for TAOL Guinea Bissau (Corvina) Ltd, the fair value of assets acquired, and liabilities assumed at the acquisition date.

	Fair value
Consideration	**£'000**
Cash paid to TAOL shareholders	-*
Total consideration	**-**
Recognised amounts of identifiable assets acquired and liabilities assumed	
Exploration and evaluation assets	57
Receivables and accrued income	46
Liabilities as adjusted for terms of the SPA	(133)
Total identifiable net assets	**(30)**
Excess of identifiable net assets over consideration paid	**(30)**

*:$1

In making the purchase, the Company has assessed whether it has acquired assets or a business in accordance with IFRS 3 Business Combinations.

The Company has opted to apply the simplified assessment process for the acquisition (the 'concentration test'). In particular, the Company considers that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. Accordingly, the acquired set of activities and assets was determined not to be a business.

TAOL Guinea Bissau (Becuda) Ltd

On 26 June 2020, the Company acquired 100% of TAOL Guinea Bissau (Becuda) Ltd., the operator and 58.5% shareholder of the exploration concession for Block 5B, offshore Guinea Bissau, giving the Group an effective 90% interest in the Block and a 100% cost interest and operatorship.

The following table summarises the consideration paid for TAOL Guinea Bissau (Becuda) Ltd, the fair value of assets acquired, and liabilities assumed at the acquisition date.

	Fair value
Consideration	**£'000**
Cash paid to TAOL shareholders	-*
Total consideration	-
Recognised amounts of identifiable assets acquired and liabilities assumed	
Exploration and evaluation assets	169
Receivables and accrued income	91
Liabilities as adjusted for terms of the SPA	(260)
Total identifiable net assets	-
Excess of identifiable net assets over consideration paid	-

*:$1

In making the purchase, the Company has assessed whether it has acquired assets or a business in accordance with IFRS 3 Business Combinations.

The Company has opted to apply the simplified assessment process for the acquisition (the 'concentration test'). In particular, the Company considers that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. Accordingly, the acquired set of activities and assets was determined not to be a business.

In both transactions the company has agreed to pay to the sellers a capped portion of any consideration received in a future transaction in respect of historic costs incurred on the acquired concessions. No provision has been in respect of this as it is dependent on a future event and therefore there is no current obligation.

14. Other receivables, deposits and prepayments

	31 Dec 2020 £'000	**31 Dec 2019 £'000**
Sundry receivables	98	62
Prepayments and accrued income	233	26
	331	88

The fair value of sundry receivables approximates their carrying amount, as the impact of discounting is not significant. The sundry receivables are not impaired and are not past due.

15. Share capital

The allotted, called-up and fully paid share capital of the Company is as follows:-

	31 Dec 2020 £'000	31 Dec 2019 £'000
Allotted, and called-up:		
Ordinary shares of £0.05 each	1,540	1,540

The Board is authorised to allot and issue shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate number of equity securities not to exceed 100% of the Company's issued ordinary share capital on a fully-diluted basis. No shares were issued during the year ended 31 December 2020.

A reconciliation of the number of Ordinary share capital in issue is set out below:

	31 Dec 2020 No.	31 Dec 2019 No.
As at 1 January:	30,809,719	30,769,179
Issue of shares of £0.05 each	-	40,540
As at 31 December	30,809,719	30,809,719

16. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32 "Financial Instruments: Presentation", certain of the assets and liabilities were included in the Company's and Group's Statement of Financial Position resulting in the inclusion of £132 in respect of 25,654 ordinary shares in the Company held by the EBT ("Own Shares"). These shares were disposed of in December 2014 and the gain of £38,148 recognised in the EBT reserve.

The foreign exchange translation reserve comprises all foreign currency differences arising from the translation of the assets, liabilities and equity of the entities included in these consolidated financial statements from their functional currencies to the presentational currency.

17. Amounts due to shareholders

	31 Dec 2020 £'000	31 Dec 2019 £'000
Current		
Non-trade balances	6	6

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

18. Lease liabilities

	Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000
In respect of right of use assets		
Balance brought forward	88	-
Recognised on adoption of IFRS 16 on 1 January 2019	-	133
Repayments during the period	(49)	(45)
Lease liabilities at end of year	39	88

	As at 31 Dec 2020 £'000	As at 31 Dec 2019 £'000
Maturity		
Current	39	49
Non-current	-	39
Total lease liabilities	39	88

19. Related party disclosures

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Group and other related parties are disclosed below.

Directors' remuneration, interests and transactions

The remuneration of the senior Executive Management Committee members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

Year ended 31 December 2020	Salary or fees £'000	Other £'000	Total £'000
Lina Haidar	520	-	520
Pierantonio Tassini	310	-	310
Alexander Haly	300	-	300
Guy Hustinx	196	-	196
	1,326	-	1,326

Year ended 31 December 2019	Salary or fees £'000	Other £'000	Total £'000
Lina Haidar	156	-	156
Pierantonio Tassini	120	-	120
Alexander Haly	60	-	60
Guy Hustinx	36	-	36
	372	-	372

Directors' emoluments and benefits are stated for the Directors of Cap Energy Plc only. The amounts shown were recognised as an expense during the year.

Total social security costs related to Directors during the year was £nil (2019: £nil).

There were no other short-term or long-term benefits, post-employment benefits or termination benefits paid to Directors in either of the years ended 31 December 2020 or 31 December 2019.

Transactions with key management personnel

Amounts due to Directors

	31 Dec 2020 £'000	31 Dec 2019 £'000
Amounts due to Directors (including interest)	8,363	7,820

The amounts owing to Directors are unsecured, bear interest at 8% per annum and are repayable on demand. The amounts owing are to be settled in cash. During the year ended 31 December 2020, interest charged on Directors' loans amounted to £638,000 (2019: £571,000).

Ultimate controlling party

The ultimate controlling party of the Company is Global Energy Trade Limited, a private company incorporated in the British Virgin Islands owned jointly by Lina Haidar and Alex Haly one third to two thirds respectively. Each Director therefore has a beneficial interest in Global Energy Trade Limited.

20. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling.

The currencies giving rise to this risk are primarily the United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of year were as follows:-

31 December 2020	United States Dollar £'000	Other £'000	Total £'000
Financial assets	-	-	-
Financial liabilities	(8,554)	-	(8,554)

31 December 2019	United States Dollar £'000	Other £'000	Total £'000
Financial assets	8	-	8
Financial liabilities	(6,392)	-	(6,392)

Foreign currency risk sensitivity analysis

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant:-

	31 December 2020 Increase/ (Decrease) £'000	31 December 2019 Increase/ (Decrease) £'000
Effects on profit after taxation/equity		
United States Dollar		
- strengthened by 10%	(855)	(638)
- weakened by 10%	855	638

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities.

The Group's policy is to obtain the most favourable interest rates available on fixed interest rate terms. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

As the interest rates on the Group's borrowings are fixed, the Directors consider that the Group is not exposed to material interest rate risk.

(ii) Credit risk

The Group does not have any perceived credit risks on its trade and other receivables.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The maturity profile of the financial liabilities of the Group is short term, all amounts falling due within 12 months.

(b) Capital risk management

The Group defines capital as the total equity of the Group. The Group's objectives when managing capital are to safeguard the its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. It also ensures that distributions to shareholders do not exceed working capital requirements.

The Group has no external debt finance and is not subject to any external capital requirements.

(c) Classification of financial instruments

	31 Dec 2020 £'000	31 Dec 2019 £'000
Financial assets		
At amortised cost		
Sundry receivables	331	62
Cash and cash equivalents	3	25
	334	87
Financial liabilities		
At amortised cost		
Trade payables	466	244
Lease liabilities	39	88
Amounts due to shareholders	6	6
Amount owing to Directors	8,363	7,820
Accruals and deferred income	4,146	1,953
Contingent consideration	1,648	1,662
	14,668	11,773

(d) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Group had no financial assets or liabilities carried at fair values at the end of each reporting date.

21. Share-based payment transactions

The Group's share-based payment arrangements are summarised below.

The Cap Energy Employee Benefit Trust

The Company has established an Employee Benefit Trust, which in due course may be used to provide appropriate share-based incentives to senior management of the Company. The EBT's shareholding of 25,654 Ordinary Shares in the Company was sold in December 2014 for a consideration of £38,281. A gain on disposal of these shares of £38,148 has been recognised within the EBT reserve.

22. Net debt

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	3	25
Borrowings repayable within one year:		
Loans from Directors	(8,363)	(7,820)
Loans from shareholders	(6)	(6)
Lease liabilities	(39)	(88)
Net debt	(8,405)	(7,889)

	Cash £'000	Borrowings due within one year £'000	Borrowings due after more than one year £'000	Total £'000
Balance at 1 January 2019	21	(6,881)	-	(6,860)
Recognition of lease liabilities under IFRS 16	-	(45)	(88)	(133)
Cash flows	4	(623)	49	(570)
Interest accrued	-	(571)	-	(571)
Foreign exchange differences	-	245	-	245
	4	(994)	(39)	(1,029)
Balance at 31 December 2019	**25**	**(7,875)**	**(39)**	**(7,889)**
Cash flows	(22)	(95)	39	(78)
Interest accrued	-	(638)	-	(638)
Foreign exchange differences	-	200	-	200
	(22)	(533)	39	(516)
Balance at 31 December 2020	**3**	**(8,408)**	**-**	**(8,405)**

23. Subsequent events

Due to COVID-19 the Company has applied for a 2 year extension to all its Blocks in both Senegal and Guinea-Bissau. It is CAP's understanding that this is viewed favourably and is now waiting on the formal approval by the respective authorities. Senegal recently confirmed the extension of the Djiffere licence.

Cap Energy Plc
Company Balance Sheet **Registered number: 05351398**
As at 31 December 2020

	Note	**31 Dec 2020 £'000**	**31 Dec 2019 £'000**
ASSETS			
FIXED ASSETS			
Tangible assets		-	1
Investment in subsidiaries	4	9,312	9,240
		9,312	9,241
CURRENT ASSETS			
Debtors	5	156	88
Cash and bank balances		1	23
		157	111
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(12,277)	(9,833)
Net current liabilities		(12,120)	(9,722)
NET (LIABILITIES) / ASSETS		**(2,808)**	**(481)**
CAPITAL AND RESERVES			
Share capital	6	1,540	1,540
Share premium account		4,226	4,226
EBT reserve		38	38
Accumulated losses		(8,612)	(6,285)
		(2,808)	**(481)**

The loss for the financial year dealt with in the financial statements of the parent company was £2,327,000 (2019: £1,151,000).

The notes on pages 43 to 47 form an integral part of these financial statements.

The financial statements on pages 41 to 47 were authorised for issue by the board of Directors on 03 February 2023 and were signed on its behalf.

Lina Haidar

Chief Executive Officer

Cap Energy Plc
Company Statement of Changes in Equity
For the year ended 31 December 2020

	Share capital £'000	Share premium £'000	EBT reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2019	1,538	4,147	38	(5,134)	589
Loss for the year	-	-	-	(1,151)	(1,151)
Transactions with owners:					
Issue of share capital	2	79	-	-	81
	2	79	-	-	81
Balance at 31 December 2019	**1,540**	**4,226**	**38**	**(6,285)**	**(481)**
Loss for the year	-	-	-	(2,327)	(2,327)
Balance at 31 December 2020	**1,540**	**4,226**	**38**	**(8,612)**	**(2,808)**

The notes on pages 43 to 47 form an integral part of these financial statements.

Notes to the Company financial statements for the year ended 31 December 2020

1. General information

The Company is domiciled in England and incorporated and registered in England and Wales. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform. The address of its registered office is 2nd Floor, 20 Berkeley Square, London, W1J 6EQ. The registered number of the Company is 05351398.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The Directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the financial statements on a going concern basis notwithstanding that the Company has not yet earned any revenue. The Company is reliant on the continuing support from its shareholders and Directors and has funding plans in place for further capital to meet the Company's planned activities. This is more fully described in Note 2 (b) to the Consolidated Financial Statements.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the year ended 31 December 2019 is £2,327,000 (year ended 31 December 2019: loss of £1,151,000). Auditor's remuneration is disclosed in Note 6 to the Consolidated Financial Statements.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments

(b) Fixed asset investments

Fixed asset investments are carried at cost less any provision for impairment.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(d) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(e) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

(f) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the date of issue. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21 to the Consolidated Financial Statements.

The fair value determined at the date of issue of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

The proceeds of the issue of share warrants are credited directly to equity.

3. Segment reporting

The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries. The Directors consider this to constitute one reportable segment.

Notes to the Company financial statements for the year ended 31 December 2020

4. Fixed asset investments

Investments and long-term loans in subsidiary undertakings	Investments £'000	Long term loans £'000	31 Dec 2020 Total £'000	31 Dec 2019 Total £'000
Cost				
Brought forward	1,162	8,078	9,240	8,996
Additions	-	72	72	244
Carried forward	1,162	8,150	9,312	9,240

Details of the Company's subsidiaries as at 31 December 2020 are set out in Note 12 to the Consolidated Financial Statements. Long term loans represent amounts owed by Sphere Petroleum Corporation and Sencap Limited, are unsecured and are interest free. The Directors do not intend to recall the loan for the foreseeable future.

5. Debtors

	31 Dec 2020 £'000	31 Dec 2019 £'000
Other debtors	98	62
Prepayments and accrued income	58	26
	156	88

6. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 15 to the consolidated financial statements.

The ordinary shares of the Company carry one vote per share and an equal right to receive any dividend declared.

7. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The EBT reserve arises from the inclusion of £132 in respect of 25,654 ordinary shares in the Company held by the EBT ("Own Shares"). These shares were disposed of in December 2014 and the gain of £38,148 recognised in the EBT reserve. The EBT reserve is non-distributable.

8. Creditors: amounts falling due within one year

	31 Dec 2020 £'000	31 Dec 2019 £'000
Trade creditors	276	54
Shareholder loans	6	6
Amounts due to Directors	8,363	7,820
Accruals and deferred income	3,632	1,953
	12,277	9,833

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

The amounts owing to Directors are unsecured, bear interest at 8% per annum and are repayable on demand. The amounts owing are to be settled in cash.

During the year ended 31 December 2020, interest charged on Directors' loans amounted to £638,000 (2019: £571,000).

9. Related party transactions

The only key management personnel of the Company are the Directors. Details of their remuneration and other related party transactions are contained in the Note 19 to the Consolidated Financial Statements.

In addition, the Company advanced amounts to its subsidiaries during the year, summarised as follows:

	31 Dec 2020 £'000	31 Dec 2019 £'000
Opening amount due from subsidiaries	8,078	7,834
Amounts advanced in the year	72	244
Closing amount due from subsidiaries	8,150	8,078

10. Share based payments

Details of the Company's Employee Benefits Trust are contained in Note 21 to the Consolidated Financial Statements.

Cap Energy Plc

Notes to the Company financial statements for the year ended 31 December 2020

11. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 Dec 2020 Land and buildings £'000	At 31 Dec 2019 Land and buildings £'000
Operating leases which expire:		
Within one year	42	54
Years two to five	-	42
Aggregate amounts payable	42	96

12. Subsequent events

Due to COVID-19 the Company has applied for a 2 year extension to all its Blocks in both Senegal and Guinea-Bissau. It is CAP's understanding that this is viewed favourably and is now waiting on the formal approval by the respective authorities. Senegal recently confirmed the extension of the Djiffere licence.

Company information

Directors
Lina Haidar, Chief Executive Officer
Alexander Haly, Non-Executive Director
Guy Hustinx, Non-Executive Director

Company secretary
Chanelle George

Company number
05351398

Registered address
2nd Floor,
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Independent auditors
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Chartered Accountants and Statutory Auditors
55 Ludgate Hill
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Elder House
St. Georges Business Park
Brooklands Road
Weybridge KT13 0TS

CAP ENERGY

Crowe U.K. LLP
55 Ludgate Hill
London
EC4M 7JW

Dear Sirs

We provide this letter in connection with your audit of the financial statements of CAP Energy Plc and its subsidiaries for the year ended 31 December 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the company and group as at 31 December 2020 and of the results of its operations for the year then ended in accordance International Financial Reporting Standards ("IFRS") for the group and UK Generally Accepted Accounting Practice ("UK GAAP") for the company. A list of all group companies covered by this letter is attached in Appendix 1.

We confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that, to the best of our knowledge and belief, we can properly make each of the following representations to you.

1. We have fulfilled our responsibility for the fair presentation of the financial statements in accordance with IFRS for group level and UK GAAP for company level.

2. We acknowledge as directors our responsibility for making accurate representations to you and for the financial statements of the company and group.

3. We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect fraud and errors.

4. We confirm that in respect of each group company, we have received confirmation from every director, who was a director, at the time of the approval of the financial statements that:
(a) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information and
(b) that so far as they are aware there is no relevant audit information of which you are unaware.

5. We have provided you with all accounting records and relevant information, and granted you unrestricted access to persons within the entity, for the purposes of your audit.

6. All the transactions undertaken by the company and group have been properly reflected and recorded in the accounting records or other information provided to you.

7. We have considered the adjustments in Appendix 2, proposed by you. We confirm that, in our judgement, these adjustments are appropriate given the information available to us. We further confirm that these adjustments have been made to the financial statements.

8. We confirm that we do not wish to adjust the financial statements for the actual errors set out in Appendix 3, as we believe that the errors are immaterial, both individually and in aggregate, to the financial statements as a whole. We confirm that we are not aware of any non-trivial unadjusted differences to the financial statements other than the adjustments in Appendix 3.

9. We are not aware of any actual or possible litigation or claims against the company and group whose effects should be considered when preparing the financial statements.

10. There have been no events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements. Should any material events occur which may necessitate revision of the figures in the financial statements, or inclusion in a note thereto, we will advise you accordingly.

11. We confirm that we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We are not aware of any fraud or suspected fraud affecting the company and group involving management, those charged with governance or employees who have a significant role in internal control or who could have a material effect on the financial statements.

13. We are not aware of any allegations by employees, former employees, analysts, regulators or others of fraud, or suspected fraud, affecting the company and group financial statements.

14. We confirm that we are not aware of any known or suspected instances of non-compliance with those laws and regulations which provide a legal framework within which the company and group conducts its business.

15. We confirm that complete information has been provided to you regarding the identification of related parties and that we are not aware of any significant transactions with related parties other than the matters that have been appropriately and adequately disclosed.

16. We confirm we have appropriately accounted for and disclosed related party relationships and transactions in accordance with the requirements of applicable accounting standards.

17. We confirm that, having considered our expectations and intention for at least the next twelve months and availability of working paper, the company and group are a going concern:
(a) We confirm our expectation of raising additional finance to cover both the operational and working capital needs;
(b) The Directors will not demand repayment of their loan account balances;
(c) We are not aware of any events, conditions or business risks beyond the period of assessment that might cast doubt on the company's and group's ability to continue as a going concern.

18. In respect of accounting estimates and judgements, we confirm our belief that the significant assumptions used are reasonable.

19. There are no liabilities or contingent liabilities or guarantees that we have given to third parties other than those that are disclosed in the financial statements.

20. In the event that we publish the directors' report, independent auditor's report and financial statements electronically, we acknowledge our responsibility for ensuring that controls over the maintenance and integrity of the entity's website are adequate for this purpose.

21. We confirm the company and group has reviewed the PAYE/NI amounts due to HMRC in respect of the Directors' and staff salaries and adequate amounts have been accrued within the financial statements.

22. We confirm that tax related to short term employment in Senegal has no material effect to 31 December 2020 financial statements.

23. We confirm that the likelihood of deferred consideration for TAOL Senegal (Djiffere) Limited is 50% and it has been reflected within the financial statements.

24. We confirm that the £1.2m bonus accrued at 31 December 2020 relates to the year then ended, on the basis that bonuses are discretionary, and the decision to pay the bonus was made during the year, crystallising the liability. Therefore, it is correct to recognise the bonus expense within the results for the year ending 31 December 2020.

25. We confirm that we are of the opinion that extensions will be granted for the expired licenses being Guinea-Bissau Block 1 (Corvina) and Guinea-Bissau Block 5B (Becuda).

26. We confirm that the amounts due to the directors at 31 December 2020 is a complete and accurate balance of the monies due.

Yours faithfully,

Lina Haidar, Director
Director
Signed for on behalf of the Board

Date: 3 February 2023

Appendix 1 – List of Group Companies

1. Sphere Petroleum Corporation BVI
2. Sencap Limited
3. Omcap Limited
4. TAOL Senegal (Djiffere) Limited
5. TAOL Guinea-Bissau (Becuda) Limited
6. TAOL Guinea-Bissau (Corvina) Limited

Appendix 2 – Corrected misstatements

None.

Appendix 3 – Uncorrected misstatements

Description	Adjustment to profit o/s (u/s)	Assets o/s (u/s)	Liabilities o/s (u/s)	Opening reserves o/s (u/s)
CAP - Understatement of employees salary	38,000		- 38,000	
CAP - Reclassify directors bonus from payroll to directors remuneration				
CAP - Accrual of employees share entitlement	30,000		- 30,000	
CAP - Understatement of directors remuneration	37,990		- 37,990	
CAP - Correction of FX movement and expenses for directors loans	- 53,033		53,033	
Corvina - Understatment of directors remuneration	10,000		- 10,000	
Becuda - Understatment of directors remuneration	35,000		- 35,000	
Group - Understatement of audit fee accrual	30,000		- 30,000	
	127,957	-	- 127,957	-