Challenger Energy Group

Interim Financial Statements for the six months to 30 June 2021

CHIEF EXECUTIVE OFFICER'S REPORT TO SHAREHOLDERS

The dominant themes of the first half of 2021 were the safe and successful completion of the drilling of the Perseverance-1 well in The Bahamas, the ongoing integration of the oil production business acquired in August 2020 in Trinidad and Tobago, and the implications of these two activities on the financial position of the Company.

Perseverance-1 Drilling in The Bahamas

The drilling of Perseverance-1 in The Bahamas commenced on 20 December 2020 and was completed in February 2021. An exposition on the technical nature of and learnings from the Perseverance-1 drilling campaign was set out in the recently published 2020 Annual Report (as provided to shareholders on 30 September 2021), the summary highlights of which are as follows:

- The Perseverance-1 well was drilled offshore at a location approximately 20 miles from the Bahamas-Cuba maritime border, in water depth of approximately 518 meters.

- The well was drilled safely and without incident, despite the adverse and ever-changing impacts of the global pandemic, with stringent (and costly) Covid-19 management protocols operating effectively throughout the drilling campaign.

- Well operations were also successfully carried out despite attempts by environmental activists to derail the Company's Government-approved operations – both through the Bahamian court system (a process which ultimately did not succeed), and through concerted efforts to undermine the reputation of the Company and its staff by harassment of itself, service providers and the public in the press, on social media and various other means. Overall, whilst these attempts failed to halt drilling operations, they did impact the Company's access to previously established financing options in the lead-up to and during the drilling campaign.

- The successful completion of Perseverance-1 represented the first exploration drilling in The Bahamas since the mid-1980s, and the first test of any prospect located in deeper waters off the shallower water carbonate banks. The well reached a depth of 3,905 meters, having intersected five Albian, Upper Aptian, and Mid-Aptian horizons of interest.

- Following completion of drilling operations, the well was plugged and secured in accordance with international and BSEE (Bureau of Safety and Environmental Enforcement) standards.

- The well did not result in a discovery at the drilling location, with the source quality and migration interpreted as being the primary reason for this well outcome.

- However, post-well petrophysical analysis of the well logs confirmed high quality reservoirs down to the base of the well, with no significant deterioration in porosity with depth, indicating the potential for high deliverability reservoirs in the deeper underlying Jurassic formations.

- The technical findings from Perseverance-1 thus support a forward program focused on deeper Jurassic horizons. As such, the Company has initiated a farm-out process to seek a suitable partner for the next phase of activity in The Bahamas. In parallel, in March 2021 the Company notified the then Government of The Bahamas of its intent to renew the four southern licences into a third 3-year exploration period. A new Government was elected in The Bahamas in September 2021, and the Company is engaging with the new administration on the renewal process.

Activities in Trinidad & Tobago

In August 2020, the Company completed the acquisition of Columbus Energy Resources Plc ("Columbus"), which significantly expanded the Company's business through the addition of a portfolio of assets in Trinidad and Tobago and Suriname, including five oil fields in active production in Trinidad.

During the first half of 2021, work focussed on the task of integrating and operating those assets. In particular, and as was noted in the 2020 Annual Report, on assuming control of the assets the Company encountered low field activity levels, poor morale amongst staff, inadequate policies and procedures, poor-record keeping, local suppliers who had not been paid for some time and a business reputation in-country that was suffering. Therefore, throughout the first half of 2021, the Company engaged in an intensive program of work designed to "right the ship". In addition to substantially increasing field activity, this also included a comprehensive review of all assets leading to a restructuring of the Trinidadian organisation, so as to further drive cost efficiencies and allow for more effective work across the portfolio. Focus has also included restoring morale within the staff base, initiating a process to restore confidence with local suppliers, regulators and communities, progressively paying off creditors and unpaid liabilities inherited from Columbus, and improving Health, Safety, Environmental and Social (HSES) governance and performance across the operations.

These activities, seeking to drive a step change in performance of both assets and the organisation, have been affected by the continual impact of Covid-19 through the period. In particular, Trinidad and Tobago has been largely shut to international entry for the entirety of the period, such that until very recently senior management have been unable to visit the country and lead change in person. Notwithstanding these constraints:

- The Company's revenue in Trinidad from oil sales in the period, net of Government-take and other deductions, was $2.3 million. This represents an increase of 28% as compared to the comparable period in 2020 for Trinidad pre-acquisition revenues. Coupled with cost reductions achieved in-country during the period, this has meant that during the period operations in Trinidad have reached a point of being self-sustaining / cash-flow breakeven, and with the Company projecting the Trinidadian business to become free cashflow generative in 2022.

- In February 2021, following an extensive program of preparatory work, the Company was recommended for STOW-TT ("Safe to Work in Trinidad & Tobago") certification, which was officially conferred in August 2021 for a two-year duration. STOW certification provides a standardised, independent system for certifying operators and contractors with respect to Health, Safety and Environmental delivery, which Heritage Petroleum Company Limited (the state-owned entity) requires of all contractors/operators (and which certification had not previously been achieved by Columbus).

Finally, during the first half of 2021, preparations were also made for the drilling of the Saffon-2 appraisal well in the Southwest Peninsula of Trinidad, as a follow-on to the Saffron-1 discovery made in March 2020. Saffron-2 was successfully drilled to total depth (TD) of 4,567 ft in June 2021, encountering multiple oil-bearing horizons in the Upper Cruse, Middle Cruse and Lower Cruse reservoir zones. Subsequent production tests proved the ability to flow high-quality oil from the Lower Cruse reservoirs, although sustained production from these reservoir units has not yet been achieved due to technical and mechanical issues encountered in this zone – work continues to develop engineering solutions that could in turn pave the way for a future Saffron development.

<u>The 'Corporate Reset'</u>

Following the expansion of the asset base of the Company as a result of the acquisition of Columbus in August 2020 and then the non-commercial outcome of drilling in The Bahamas in February 2021, a range of measures were implemented to 'reset' the Company's business operations, with a revised strategic focus on increasing oil production and thus cashflow from the asset base. These measures included:

- a change of Company name (to Challenger Energy Group PLC) to remove the sole identifier of The Bahamas, given the expanded business operations in multiple jurisdictions;

- a share consolidation whereby the existing ordinary shares of the Company were consolidated on the basis of 1 for 10;

- an agreed early conversion of part of the Conditional Convertible Notes then on issue, as part of a desire to "clean-up" the balance sheet;

- in May 2021, the raising of approximately £6.9 million through the issue of new equity, via an Open Offer to existing shareholders and a placing of Open Offer Shares not taken up;

- a transition of the Board and senior management of the Company – as a consequence of which I assumed the role of CEO in May 2021 and joined the Board as an executive director; and

- initiating of a comprehensive cost savings exercise with a view to reducing the Company's overhead by 20% - 30%.

Several of these items required shareholder approval, which shareholders provided at an EGM on 17 May 2021.

<u>Financial Review</u>

In financial terms, the Company's activities through the first half of 2021 have not produced the positive, value-creating outcome hoped for. Quite simply, technical results below expectation on two successive wells in The Bahamas and Trinidad (and substantial cost increases), coupled with inherited debts from Columbus has placed the Company in a stressed financial position.

Key financial events and outcomes of note are as follows:

- In The Bahamas, as noted, the Perseverance-1 well did not result in a commercial discovery at the Perseverance-1 location. At the same time, as a result of various issues during the course of drilling, the eventual cost of the well was approximately $10 million more than initially budgeted, with a final cost of approximately $45 million.

- In Trinidad and Tobago, as noted, rising oil prices, a focus on cost control, and sustained baseline production meant that in-country operations achieved a position of being breakeven on a monthly basis. However, approximately $2.7 million was injected into the Trinidadian operations over the course of 9 months to 30 June 2021 to address part of the unpaid creditors and liabilities inherited from Columbus, a further $2.5 million of capital has thus far been paid in respect of drilling of the Saffron-2 well, and approximately $3.5 million remains owing in-country, in respect of both the Saffron-2 drilling campaign and historic creditor balances inherited at the time of the Columbus acquisition in 2020.

- Since May 2021, an aggressive program of cost-cutting, so as to "right-size" the Company, has seen the overhead cost base reduced to approximately $200,000 per month – a reduction of 70% compared to the peak in February 2021, and far exceeding the initial target set of

20% - 30% established. However, overhead costs through the first half of 2021, including a number of sizeable one-off expenses required as cost-cutting measures were implemented, aggregated to a total of $4.8 million, which was funded from available cash resources.

The net effect of the above, as shareholders will note from a review of the interim accounts, is that as at June 2021 the Company had cash resources of $7 million and total reported payables and borrowings of approximately $23.3 million. As at 30 June 2021, these could in broad terms be categorised as follows:

- approximately $10.1 million in respect of invoices remaining to be paid by the Company as at 30 June 2021 for the drilling of Perseverance-1, and a further approximately $2.4 million that remains owing in respect of direct funding financial instruments relating to the drilling of that well. (note: these amounts were not present in the recently published 2020 Annual Report as they were incurred in the 6 months to 30 June 2021, with a "Finance Costs" charge of approx. $5m having been recognised in the Statement of Comprehensive Income in these Interim Financial Statements associated with these funding instruments);

- approximately $3.5 million representing amounts due to various suppliers in Trinidad and Tobago as at 30 June 2021 (note: these in-country creditor balances are largely being managed in accordance with agreed payment deferrals and instalment plans, and these amounts are owed by various Trinidadian subsidiaries, such that the payment of these amounts is not guaranteed by the Company);

- approximately $6.5 million representing the full amount of various legacy licencing and other payables in Trinidad and Tobago (note: these amounts are owed by various Trinidadian subsidiaries the payment of which are not guaranteed by the Company, portions of these amounts are disputed, and $4.5 million of this aggregate amount can be avoided by the forfeiture of certain non-productive assets); and

- approximately $0.8 million in respect of outstanding convertible notes, accruing interest at the rate of 12% per annum, and repayable on 31 December 2023 if not converted sooner (note: as described above, as part of the corporate reset, approximately $3.4 million of outstanding convertible notes were converted to equity on an agreed basis, thus reducing the outstanding balance of notes considerably).

Given the above, and as was noted in the 2020 Annual Report, the Group currently estimates that it has a need for, in aggregate, approximately $15 million in funding in order to continue to meet its obligations as and when they fall due over the coming 12 months or, in the alternative, achieve creditor settlements that would reduce the amounts payable, and thus have the same economic effect. The Company remains focused on this process and believes that a successful conclusion is achievable in the necessary timeframe. As a consequence, the 2020 Annual Report was prepared on a going concern basis, and the Company has continued to prepare these interim financial statements on the same basis.

Post-Reporting Date Adjustments

Post-Reporting Date (and as at the date of this report) the above-noted financial position has changed in two aspects of note:

- The aggregate liability position has reduced by a net of approximately $1 million – the relatively small level of reduction reflective of the fact that creditor payments made since 30 June 2021 have been offset by cost increases (and hence new creditor balances being incurred) in relation to the Saffron-2 well; and

- The Company's cash resources have reduced to approximately $3.0 million ($2.4 million if working capital funds in Trinidad are excluded) as a result of approximately $4 million in cash outflow since 30 June 2021, summarised as (i) approximately $1m in respect of costs paid in relation to the drilling of Saffron-2 in Trinidad after 30 June 2021; (ii) approximately $1 million in partial creditor payments in accordance with agreed payment and deferral arrangements, and (iii) around $2 million in various corporate and other costs, including one-off costs to effect various redundancies and other expenses associated with reducing go-forward overhead costs substantially.

It is worth noting that the Company had anticipated an inflow of funds to ameliorate this position from two sources, neither of which, unfortunately, have materialised as previously anticipated: (i) approximately $1.8 - $2.6 million in projected revenues from Saffron-2 production – the inability to sustain production from the Lower Cruse reservoirs has meant that Saffrron-2 as yet has not contributed materially to cashflow, and (ii) $3 million from the draw-down of further convertible notes – the Company elected not to draw these funds given the high cost of those notes and legal complications arising from the Company being required to provide first-ranking security to the provider of those funds, if drawn.

Therefore, as at the date of this report (31 October 2021), the Company's financial position can be expressed in summary terms as:

- $3 million of cash resources ($2.4 million if working capital funds in Trinidad are excluded);
- ongoing monthly overhead in the order of $200,000 per month (with no further one-off expenses to come);
- Trinidadian operations that are approximately cashflow breakeven, and on course to become cash-flow generative in 2022; and
- total liabilities (payables, borrowings and other) of approximately $22m million comprising:
  - (i) approximately $12 million remaining to be paid in respect of the drilling of Perseverance-1,
  - (ii) approximately $2.5 million due to various suppliers in Trinidad and Tobago in respect of both legacy payables and the Saffron-2 well,
  - (iii) approximately $6.5 million representing the full amount of various legacy licencing and other payables in Trinidad and Tobago (albeit partially disputed and of which $4.5 million can be avoided by the forfeiture of certain non-productive assets), and
  - (iv) approximately $0.8 million in respect of outstanding convertible notes not due until the end of 2023.

The counterparties to the majority of the payables referred to in item (i) and (ii) – mainly various suppliers, contractors and financiers – have worked collaboratively with the Company over the past months to agree various rearrangements, payment stand-stills, and interim partial payment plans so as to afford the Company time to pursue its broader business agenda. This process is continuing, with discussions ongoing in relation to a creditor restructuring coupled with a recapitalisation plan.

However, as noted in the recently published 2020 Annual Report, the Company's ability to meet all of its anticipated obligations over the 12 months from the date of the 2020 Annual Report is dependent on this outcome – that is, successfully completion of a process to definitively address the outstanding payables / liabilities position and secure additional funding for ongoing operations and work-programs in 2022, and in so doing place the Company on a stable, debt-free footing for the future. It should be noted that if the Company is unsuccessful in achieving its restructuring and recapitalisation plan there is a risk to the Company continuing as a going concern. - further information on going concern is set out in Note 1 to these Interim Accounts.

Outlook for the remainder of 2021 and into 2022

As noted above, the Company is presently operating with a balance sheet characterised by an unacceptably high level of historic liabilities and payables. The immediate priority during the remainder of 2021 is for this to be addressed.

However, beyond this immediate hurdle, the Company has a clear opportunity to rebuild value, particularly in the context of continued rising oil prices. The current level of (significantly reduced) corporate overhead means that the Company, if unburdened of its current payables overhang, should be able to operate on a self-sustaining basis in 2022, relying on just the existing baseline production.

Beyond this, the Company has clear work programs defined over the coming years on its core producing assets in Trinidad. Executing those work programs will require capital expenditure, but the timing and quantum of that capital expenditure is discretionary, and that capital expenditure is expected to result in increased production. Execution of these work programs and production results in line with expectations could see the addition of 300 - 500 bopd production over the period 2022-2023 which, assuming $65 per barrel realised oil price, could see the Company's business generating significant operating cash flows for reinvestment into continued production growth.

Beyond this, incremental upside value can be achieved through a successful Saffron development in Trinidad, a successful WNZ development in Suriname, expanded in-fill drilling work program in existing fields, and successful farm-out arrangements in each of The Bahamas and Uruguay.

Summary

I very much wish my inaugural reports to shareholders would have been in the context of more positive business outcomes, but unfortunately the Company is labouring from the poor technical results and cost overruns of two successive drilling campaigns, as well as the assumption of debts and unpaid liabilities incurred by the previous management of Columbus. Each of these situations in isolation would, in the ordinary course of events, be manageable, but in combination present a significant burden to overcome, further exacerbated by the circumstances and complications prevailing over the last 18 months – including the legal challenge by environmental groups in The Bahamas, and the persistent adverse impacts of Covid-19. The inability thus far to offset these negative outcomes with positive developments elsewhere in the broader business portfolio means that the Company is now in a position where over the near-term it will need to pursue a creditor restructuring and recapitalisation plan.

The Board expects to be able to complete this plan , which, if successful should result in the Company being well positioned for the future, with a largely debt-free balance sheet and a portfolio of assets in active production, and a rising oil price environment. Definitively dealing with matters in the balance of 2021 will mean that Challenger Energy will then have a clear "runway" in 2022 to focus on the core business of any hydrocarbon company: maintaining and enhancing existing production, finding new sources of oil, and then growing portfolio wide production in a way that is both profitable and cashflow generative. As I commented in the 2020 Annual Report, I hope that once we have completed the task of clearing away the legacy of the past 18 months, 2022 can mark the first steps in restoring value in this Company. We will update shareholders as we progress toward that objective.

It has undoubtedly been a difficult year for your Company, and most definitely not what shareholders had hoped for. In this context, on behalf of the Board and staff of Challenger Energy, I would especially like to thank shareholders for their continued support.

Yours sincerely,

Eytan Uliel
Chief Executive Officer

31 October 2021

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June 2021 (Unaudited) $ 000's	Six months ended 30 June 2020 (Unaudited) $ 000's	Year ended 31 December 2020 (Audited) $ 000's
Net petroleum revenue		2,305	-	1,417
Cost of sales		(3,188)	-	(2,781)
Gross loss		**(883)**	**-**	**(1,364)**
Administrative expenses		(4,768)	(2,181)	(9,793)
Goodwill impairment		-	-	(2,435)
Exploration licence impairment		(416)	-	-
Operating foreign exchange gains		(283)	28	32
Operating loss		**(6,350)**	**(2,153)**	**(13,560)**
Other income		-	-	3
Finance income		1	44	202
Finance costs		(5,480)	(86)	(628)
Loss before taxation		**(11,829)**	**(2,195)**	**(13,983)**
Income tax expense		8	-	(9)
Loss for the year attributable to equity holders of the parent company		**(11,821)**	**(2,195)**	**(13,992)**
Other comprehensive income				
Exchange differences on translation of foreign operations		(471)	-	147
Other comprehensive income for the year net of taxation		**(471)**	**-**	**147**
Total comprehensive expense for the year attributable to equity holders of the parent company		**(12,292)**	**(2,195)**	**(13,845)**
Loss per share (cents)				
Basic and diluted *		(2.19)	(0.10)	(0.5)

* Loss per share for the 6 month period to 30 June 2021 is stated after the effects of the 1 for 10 share consolidation which took effect on 28 May 2021.
All operations are considered to be continuing (see note 2).
The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	As at 30 June 2021 (Unaudited) $ 000's	As at 30 June 2020 (Unaudited) $ 000's	As at 31 December 2020 (Audited) $ 000's
Assets				
Non-current assets				
Intangible exploration and evaluation assets	**3**	96,020	54,463	75,259
Tangible assets	**4**	26,152	62	25,783
Right of use assets	**5**	40	83	97
Goodwill	**3**	4,610	-	4,610
Investment in associate		47	-	47
Escrow and abandonment funds		1,344	-	1,297
Deferred tax asset		8,065	-	8,975
Total non-current assets		**136,278**	**54,608**	**116,068**
Current assets				
Trade and other receivables		4,518	817	5,313
Inventories		177	-	172
Restricted cash		946	55	946
Cash and cash equivalents		6,957	12,065	17,862
Total current assets		**12,598**	**12,937**	**24,293**
Total assets		**148,876**	**67,545**	**140,361**
Liabilities				
Current liabilities				
Trade and other payables		(22,792)	(3,304)	(18,620)
Lease liabilities		(65)	(65)	(105)
Borrowings		(286)	-	(498)
Total current liabilities		**(23,143)**	**(3,369)**	**(19,223)**
Non-current liabilities				
Borrowings		(890)	-	(1,639)
Provisions		(6,283)	-	(6,314)
Lease liabilities		-	(25)	-
Deferred tax liability		(8,065)	-	(8,974)
Total non-current liabilities		**(15,238)**	**(25)**	**(16,927)**
Total liabilities		**(38,381)**	**(3,394)**	**(36,150)**
Net assets		**110,495**	**64,151**	**104,211**
Shareholders' equity				
Called-up share capital		218	69	123
Share premium reserve		171,411	101,751	152,717
Share based payments reserve		5,295	4,934	5,228
Retained deficit		(89,505)	(65,887)	(77,684)
Foreign exchange reserve		(324)	-	147
Convertible debt option reserve		116	-	396
Other reserves		23,284	23,284	23,284
Total equity attributable to equity holders of the parent company		**110,495**	**64,151**	**104,211**

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

These Interim Financial Statements were approved and authorised for issue by the Board of Directors on 31 October 2021 and signed on its behalf by:

Eytan Uliel
Director

Bill Schrader
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June 2021 (Unaudited)	Six months ended 30 June 2020 (Unaudited)	Year ended 31 December 2020 (Audited)
	$ 000's	$ 000's	$ 000's
Cash flows from operating activities			
Loss before taxation	(11,829)	(2,195)	(13,983)
(Increase) in trade and other receivables	(388)	76	(204)
(Decrease)/Increase in trade and other payables	(2,468)	518	(1,164)
(Increase) in inventories	(5)	-	(18)
Impairment of goodwill	-	-	2,435
Impairment of exploration licence	416	-	-
Depreciation of property, plant and equipment	1,691	10	1,446
Depreciation of right of use asset	57	115	214
Loss on disposal of property, plant and equipment	-	1	105
Amortisation	179	-	113
Share settled payments	-	-	2,455
Other income	-	-	(3)
Finance income	(1)	(44)	(202)
Finance costs	5,480	86	628
Share based payments	67	66	360
Income tax received/(paid)	9	-	(9)
Foreign exchange (gain) on operating activities	283	(28)	(32)
Net cash outflow from operating activities	**(6,539)**	**(1,395)**	**(7,859)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(2,140)	(41)	(228)
Payments for exploration and evaluation assets	(13,595)	(3,079)	(14,566)
Decrease/(Increase) in restricted cash	1	(30)	(9)
Cash acquired from business combination	-	-	1,039
Other income received	-	-	3
Interest received	1	44	202
Net cash outflow from investing activities	**(15,733)**	**(3,106)**	**(13,559)**
Cash flows from financing activities			
Issue of ordinary share capital	15,232	5,602	29,536
Principal elements of lease payments	(40)	(116)	(216)
Interest payable on lease liabilities	(5)	(9)	(17)
Finance costs	(5,169)	-	(176)
Repayment of borrowings	(248)	-	(2,694)
Proceeds of borrowings	2,259	-	1,515
Net cash inflow from financing activities	**12,029**	**5,477**	**27,948**
Net increase in cash and cash equivalents	(10,243)	976	6,530
Effects of exchange rate changes on cash and cash equivalents	(662)	(63)	180
Cash and cash equivalents at beginning of year	17,862	11,152	11,152
Cash and cash equivalents at end of year	**6,957**	**12,065**	**17,862**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Foreign exchange reserve	Convertible debt option reserve	Other reserves	Total Equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Group								
At 1 January 2021	**123**	**152,717**	**5,228**	**(77,684)**	**147**	**396**	**23,284**	**104,211**
Loss for the period	-	-	-	(11,821)	-	-	-	(11,821)
Currency translation differences	-	-	-	-	(471)	-	-	(471)
Total comprehensive expense	-	-	-	(11,821)	(471)	-	-	(12,292)
Issue of ordinary shares	95	18,694	-	-	-	-	-	18,789
Recognition of convertible feature	-	-	-	-	-	540	-	540
Conversion of convertible feature	-	-	-	-	-	(820)	-	(820)
Share based payments	-	-	67	-	-	-	-	67
Total contributions by and distributions to owners of the Company	95	18,694	67	-	-	(280)	-	18,576
Balance at 30 June 2021	**218**	**171,411**	**5,295**	**(89,505)**	**(324)**	**116**	**23,284**	**110,495**

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Other reserves	Total Equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
At 1 January 2020	**61**	**96,157**	**4,868**	**(63,692)**	**23,284**	**60,678**
Loss for the period	-	-	-	(2,195)	-	(2,195)
Currency translation differences	-	-	-	-	-	-
Total comprehensive expense	-	-	-	(2,195)	-	(2,195)
Issue of ordinary shares	8	5,594	-	-	-	5,602
Share based payments	-	-	66	-	-	66
Total contributions by and distributions to owners of the Company	8	5,594	66	-	-	5,668
Balance at 30 June 2020	**69**	**101,751**	**4,934**	**(65,887)**	**23,284**	**64,151**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Called up share capital	Share premium reserve	Share based payments reserve	Retained deficit	Foreign exchange reserve	Convertible debt option reserve	Other reserves	Total Equity
	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's	$ 000's
Group								
As at 1 January 2019	**46**	**83,068**	**3,820**	**(59,060)**	**-**	**-**	**23,284**	**51,158**
Loss for the year	-	-	-	(4,632)	-	-	-	**(4,632)**
Currency translation differences	-	-	-	-	-	-	-	**-**
Total comprehensive expense	**-**	**-**	**-**	**(4,632)**	**-**	**-**	**-**	**(4,632)**
Share capital issued	15	13,089	-	-	-	-	**-**	**13,104**
Share based payments	-	-	1,048	-	-	-	**-**	**1,048**
Total contributions by and distributions to owners of the Company	**15**	**13,089**	**1,048**	**-**	**-**	**-**	**-**	**14,152**
As at 31 December 2019	**61**	**96,157**	**4,868**	**(63,692)**	**-**	**-**	**23,284**	**60,678**
Loss for the year	-	-	-	(13,992)	-	-	-	**(13,992)**
Currency translation differences	-	-	-	-	147	-	-	**147**
Total comprehensive expense	**-**	**-**	**-**	**(13,992)**	**147**	**-**	**-**	**(13,845)**
Share capital issued	62	56,560	-	-	-	-	-	**56,622**
Recognition of conversion feature	-	-	-	-	-	396	-	**396**
Share based payments	-	-	360	-	-	-	-	**360**
Total contributions by and distributions to owners of the Company	**62**	**56,560**	**360**	**-**	**-**	**396**	**-**	**57,378**
As at 31 December 2020	**123**	**152,717**	**5,228**	**(77,684)**	**147**	**396**	**23,284**	**104,211**

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 20 JUNE 2021

1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement of certain assets and financial instruments at fair value as described in the accounting policies below.

The financial statements have been prepared on a going concern basis, refer to the Going Concern section below for more details.

The financial statements are presented in United States Dollars ($) and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Basis of consolidation

The financial statements incorporate the results of the Company and its subsidiaries ("the Group") using the acquisition method. Control is achieved where the Company 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.

Inter-company transactions and balances between Group companies are eliminated in full.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

The investment in associate (an entity over which the Group has significant influence) has been recorded at cost and has not been adjusted to reflect the Group's 25% share of the net profits/losses and assets/liabilities of the associate from the date of acquisition to the balance sheet date as it was deemed immaterial.

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operation for the foreseeable future.

As at the reporting date, the Group had approx. $7.0 million in unrestricted cash funding, and approx. $22.8m in trade and other payables across the Group's operations.

The Group's ability to meet all of its anticipated obligations over the 12 months from the date of this report is dependent on the ability to secure access to additional funding. The Group currently estimates that it has a need for approx. $15 million in additional funding in order to continue to meet its obligations as and when they fall due over the 12 months from the date of this report. This includes meeting routine operating costs, undertaking certain planned work program activities, and also includes settlement of final remaining payments to suppliers and finance providers from the drilling campaigns for both the Perseverance-1 well in The Bahamas and the Saffron-2 well in Trinidad.

In order to meet this funding requirement, the Group has been and continues to evaluate a number of potential funding options, including the potential disposal of certain assets for cash, potential farming out of an interest in certain of the Group's exploration and/or production licences which would result in some cash inflows and funding of work program plans in relation to those assets, possible further issuances of securities and/or debt instruments for cash, agreeing payment plans for the deferral of outstanding obligations to suppliers and finance providers, and/or settlement of all or part of outstanding obligations to suppliers and finance providers via the issuance of Company shares or agreed discounts to balances owing.

As at the date of this report, the Group remains actively engaged in developing and reviewing all of the above potential sources of additional funding. At the same time, the Group has largely completed the work necessary to materially reduce overhead and general operating costs on a go-forward basis, whilst at the same time maximising production revenues from existing producing oil fields, in the expectation of being able to generate surplus operating cashflows in the 12 months from the date of this report, which surplus cashflows could then be applied towards the Group's overall funding requirements.

However, there can be no certainty that the above undertakings will be completed in the time required or to a sufficient extent so as to ensure that the Group may continue to meet its financial obligations as and when they fall due. As a consequence, a material uncertainty exists as to the ability of the Company to remain a going concern over the 12 months from the date of this report.

The directors believe however that there remains a reasonable expectation that the above undertakings will yield a sufficient outcome to enable the Company to continue to meet its financial obligations as and when they fall due for the 12 months following the date of this report, such that they believe it remains appropriate to prepare these financial statements on the going concern basis. The financial statements do not include the adjustments that would be required if the Group and Company were unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

2 Turnover and segmental analysis

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board has determined there is a single operating segment: oil and gas exploration, development and production. However, there are five geographical segments: Trinidad & Tobago & Suriname (operating), The Bahamas (operating), The Isle of Man and UK (non-operating, corporate), and Uruguay, Spain, Cyprus, Netherlands & USA (all non-operating).

The segment including Trinidad & Tobago has been reported as the Group's direct oil and gas producing and revenue generating operating segment. The Bahamas segment includes The Bahamian exploration licences on which drilling activities were conducted in 2020. The segment including the Isle of Man is the Group's parent, and provides management service to the Group. The entities in Uruguay, St Lucia, Cyprus, Spain, the Netherlands, and the U.S.A. are non-operating in that they either hold investments, or are dormant, or in the case of Uruguay has not yet commenced operations. Their results are consolidated and reported on together as a single segment.

Six months 1 January 2021 to 30 June 2021	**Operating**	**Operating**	**Management**	**Non-operating**	**Total**
	Trinidad & Suriname	**Bahamas**	**IOM/UK (*)**		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Operating profit/(loss) by geographical area					
Net petroleum revenue (**)	2,305	-	-	-	2,305
Operating profit/(loss)	(2,110)	(1,359)	(2,442)	(439)	(6,350)
Other income	-	-	-	-	-
Finance (charges)	(119)	(8)	(5,353)	-	(5,480)
Finance income	1	-	-	-	1
Loss before taxation	**(2,228)**	**(1,367)**	**(7,795)**	**(439)**	**(11,829)**
Other information					
Depreciation, amortisation and impairment	1,817	459	20	17	2,313
Capital additions	2,136	21,338	3	-	23,477
Segment assets					
Tangible and intangible assets	28,215	93,880	4,685	42	126,822
Investment in associate	47	-	-	-	47
Deferred tax asset	8,065	-	-	-	8,065
Abandonment fund	1,344	-	-	-	1,344
Trade and other receivables	3,377	590	518	33	4,518
Inventories	177	-	-	-	177
Restricted cash	888	-	58	-	946
Cash	678	4	6,255	20	6,957
Consolidated total assets	**42,791**	**94,474**	**11,516**	**95**	**148,876**
Segment liabilities					
Trade and other payables	(8,714)	(931)	(13,120)	(27)	(22,792)
Borrowings	(768)	-	(408)	-	(1,176)
Deferred tax liability	(8,065)	-	-	-	(8,065)
Lease liabilities	(20)	(40)	(5)	-	(65)
Provisions	(3,617)	-	-	(2,666)	(6,283)
Consolidated total liabilities	**(21,184)**	**(971)**	**(13,533)**	**(2,693)**	**(38,381)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

2 Turnover and segmental analysis (continued)

Six months 1 January 2020 to 30 June 2020	Management	Operating	Total
	IOM	Bahamas	
	$'000	$'000	$'000
Operating profit/(loss) by geographical area			
Net petroleum revenue	-	-	-
Operating profit/(loss)	(1,596)	(557)	(2,153)
Other income	-	-	-
Finance income	44	-	44
Finance (charges)	(78)	(8)	(86)
Profit/(loss) before taxation	**(1,630)**	**(565)**	**(2,195)**
Other information			
Depreciation and amortisation	(13)	(113)	(126)
Capital additions	(41)	(3,079)	(3,120)
Segment assets			
Tangible and intangible assets	63	54,545	54,608
Trade and other receivables	211	606	817
Restricted cash	55	-	55
Cash	11,110	955	12,065
Consolidated total assets	**11,439**	**56,106**	**67,545**
Segment liabilities			
Trade and other payables	(3,219)	(85)	(3,304)
Lease liabilities	(21)	(69)	(90)
Consolidated total liabilities	**(3,240)**	**(154)**	**(3,394)**

(*) Intercompany balances and transactions between Group entities have been eliminated.
(**) Sales revenues were derived from a single customer within each of these operating countries.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

3 Intangible assets – Group

		2020
	Goodwill	Exploration & evaluation assets
	$ 000's	$ 000's
Cost		
As at 1 January 2020	-	50,570
Acquisition of Columbus Energy Resources PLC	7,045	2,492
Additions	-	22,310
Foreign exchange difference on translation	-	-
As at 31 December 2020	**7,045**	**75,372**
Additions	-	21,338
Foreign exchange difference on translation	-	(20)
As at 30 June 2021	**7,045**	**96,690**
Accumulated amortisation and impairment		
As at 1 January 2020	-	-
Amortisation	-	113
Impairment	2,435	-
Foreign exchange difference on translation	-	-
As at 31 December 2020	**2,435**	**113**
Amortisation	-	150
Impairment	-	416
Foreign exchange difference on translation	-	(9)
As at 30 June 2021	**2,435**	**670**
Net book value		
As at 30 June 2021	**4,610**	**96,020**
As at 31 December 2020	4,610	75,259
As at 31 December 2019	-	50,570

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

4 Tangible assets

	Oil and gas assets	Property, plant and equipment (*)	Decommissioning costs	Total
	$ 000's	**$ 000's**	**$ 000's**	**$ 000's**
Cost or Valuation				
As at 1 January 2020	-	450	-	450
Acquisition of Columbus Energy Resources PLC (note 15)	23,412	1,671	1,994	27,077
Additions	59	169	-	228
Disposals	(72)	(33)	-	(105)
Foreign exchange difference on translation	(1)	1	1	1
As at 31 December 2020	**23,398**	**2,258**	**1,995**	**27,651**
Additions	2,111	28	-	2,139
Foreign exchange difference on translation	(135)	(84)	(10)	(229)
As at 30 June 2021	**25,374**	**2,202**	**1,985**	**29,561**
Accumulated depreciation and Impairment				
As at 1 January 2020	-	419	-	419
Depreciation	1,113	197	136	1,446
Disposals	-	(1)	-	(1)
Foreign exchange difference on translation	2	1	1	4
As at 31 December 2020	**1,115**	**616**	**137**	**1,868**
Depreciation	1,355	183	152	1,690
Disposals	-	-	-	-
Foreign exchange difference on translation	(70)	(77)	(2)	(149)
As at 30 June 2021	**2,400**	**722**	**287**	**3,409**
Net book value				
As at 30 June 2021	**22,974**	**1,480**	**1,698**	**26,152**
As at 31 December 2020	22,283	1,642	1,858	25,783
As at 31 December 2019	-	31	-	31

(*) Property, plant and equipment includes leasehold improvements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

5 Right of use assets

	Group leased properties	Group motor vehicles	Total Group
	$ 000's	$ 000's	$ 000's
Cost			
As at 1 January 2020	355	62	417
Acquisition of Columbus Energy Resources PLC (note 15)	53	-	53
Additions	60	-	60
Foreign exchange difference on translation	-	-	-
As at 31 December 2020	**468**	**62**	**530**
Additions	**-**	**-**	**-**
Foreign exchange difference on translation	**-**	**-**	**-**
As at 30 June 2021	**468**	**62**	**530**
Accumulated depreciation			
As at 1 January 2020	206	13	219
Depreciation	192	22	214
Foreign exchange difference on translation	-	-	-
As at 31 December 2020	**398**	**35**	**433**
Depreciation	**46**	**11**	**57**
Foreign exchange difference on translation	**-**	**-**	**-**
	444	**46**	**490**
Net book value			
As at 30 June 2021	**24**	**16**	**40**
As at 31 December 2020	70	27	97
As at 31 December 2019	149	49	198

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

5 Share capital – Group & Company

Called up, allotted, issued and fully paid ordinary shares of 0.0002p each	Number of shares	Nominal value	Share premium
		$ 000's	$ 000's
As at 1 January 2019	**1,572,719,096**	**46**	**83,068**
Shares issued at average price of 2.1p per share	120,000,000	4	2,356
Shares issued at average price of 2.6p per share	442,043,690	11	10,733
As at 31 December 2019	**2,134,762,786**	**61**	**96,157**
Shares issued at average price of 2.4p per share	48,000,000	1	1,454
Shares issued at average price of 2p per share	3,250,000	-	82
Shares issued at average price of 1p per share	62,500,000	2	788
Shares issued at average price of 0.9p per share	79,059,830	2	914
Shares issued at average price of 1p per share	120,866,141	3	1472
Shares issued at average price of 2p per share	35,337,328	1	884
Shares issued at average price of 2.1p per share	868,888,792	23	24,220
Shares issued at average price of 2.6p per share	61,713,763	2	2,087
Shares issued at average price of 2.9p per share	5,429,206	-	205
Shares issued at average price of 2p per share	475,000,000	12	11,417
Shares issued at average price of 2p per share	154,552,357	4	1,190
Shares issued at average price of 2.9p per share	5,429,206	-	211
Shares issued at average price of 2.9p per share	35,759,140	1	1,412
Shares issued at average price of 2p per share	412,500,000	11	10,126
Shares issued at average price of 2p per share	3,624,800	-	98
As at 31 December 2020	**4,506,673,349**	**123**	**152,717**
Shares issued at average price of 1.9p per share	196,875,000	5	5,106
Shares issued at average price of 0.27p per share	135,000,000	4	515
Shares issued at average price of 0.15p per share	149,385,766	4	300
Shares issued at average price of 0.33p per share	750,289,637	21	3,488
Shares issued at average price of 0.31p per share	1,216,599,935	34	5,220
Shares issued at average price of 0.35p per share	746,586,000	21	3,674
Shares issued at average price of 0.15p per share	191,114,234	6	391
As at 30 June 2021 – before capital reorganisation	**7,892,523,921**	**218**	**171,411**
As at 30 June 2021 – after capital reorganisation	**789,252,392**	**218**	**171,411**

	Number of shares	Nominal value	Share premium
		$ 000's	$ 000's
As at 31 December 2019	2,134,762,786	61	96,157
As at 31 December 2020	4,506,673,349	123	152,717
As at 30 June 2021	**789,252,392**	**218**	**171,411**

During the period, 3,386 million shares were issued (2020: 2,372 million).

At the end of the period, the number of shares in issue comprised 789 million ordinary shares.

During the year, transaction costs for issued share capital totalled $1,215,011 (2020: $1,887,859), these amounts were allocated to share premium.

The total authorised number of ordinary shares at 30 June 2021 was 2,000,000 shares with a par value of 0.02 pence per share (2020: 10,000,000,000 shares of 0.002 pence per share). All issued shares of 0.02 pence are fully paid.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 30 JUNE 2021 (CONTINUED)

6 Share based payments reserve

Options and warrants

Share options have been granted to Directors, selected employees and consultants to the Company.

The Group had no legal or constructive obligation to repurchase or settle any options in cash. Movements in the number of share options and warrants outstanding during the year are as follows:

	Average exercise price per share	No. Options & Warrants
At 1 January 2021	**2.76p**	**486,159,599**
Cancelled	-	-
Granted	1.88	202,676,426
Exercised	-	-
As at 30 June 2021 – before capital reorganisation	**2.53**	**688,836,025**
As at 30 June 2021 – after capital reorganisation	**25.3**	**68,883,603**
Exercisable at end of year	25.3	68,883,603

The fair value of the warrants and options granted in the period was estimated using the Black Scholes model.

7 Events after reporting date

There were no material events which took place following the reporting date which require disclosure in these Interim Financial Statements.

8 Other Information

The financial information set out above does not constitute the Group's statutory accounts for the period ended 31 December 2020 but is derived from those accounts.

A copy of this interim statement is available on the Company's website: www.cegplc.com