

# BARON OIL Plc



**Unaudited Interim Report**  
for the six months ended 30 June 2019

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

**6 September 2019**

**Baron Oil Plc**

("Baron Oil" or "the Company")

**Interim Results for the six months ended 30 June 2019**

Baron Oil Plc, the AIM-listed oil and gas exploration and production company focused on opportunities in the UK, Latin America and SE Asia announces its unaudited interim financial information and results for the six months ended 30 June 2019.

**Operational Highlights**

- Colter South and Purbeck Prospect reviews underway
- Significant new exploration blocks awarded in Inner Moray Firth
- Exploring funding options in Peru
- Potential developments in SE Asia

**Financial Highlights**

- Net loss after finance costs and tax of £307,000 (June 2018: net loss of £405,000; 2018 year: net loss of £2,495,000), representing a loss of 0.02p per share (June 2018: 0.03p; year to 31 December 2018: 0.181p)
- The combined costs to Baron of the Colter and Wick wells were significantly higher than originally projected by the operator, at a net £2.4 million
- £440,000 (gross) Placing and Subscription at 0.08p per share, of which the Directors contributed £60,000, announced on 10 June
- Available cash balance (excluding funds held as security for bank guarantees) at 30 June 2019 of £605,000 (30 June 2018: £3,236,000; 31 December 2018: £1,709,000).

**Commentary**

- Baron raised additional funds of £440,000 (gross) to enable the Company to
  - continue work on its new and existing portfolio of oil and gas assets in the UK
  - progress the search for a drilling partner for Peru Block XXI
  - work with SundaGas Pte. Ltd. ("SundaGas") to progress existing SE Asia application and other opportunities

### ***English Channel***

The Colter exploration well (98/11a-06) and its sidetrack (98/11a-06z), drilled early in 2019, provided encouragement that there is an oil accumulation with commercial potential in P1918. Our efforts are now concentrated on the Colter South Prospect where a review of the seismic data and mapping is underway to improve the imaging of this complex area. The Operator, Corallian Energy Limited (“Corallian”), estimates Pmean recoverable Prospective Resources of 16 million barrels of oil equivalent (1.2 mmboe net to Baron).

As part of the existing Corallian-operated group, Baron Oil has been offered blocks 98/11b and 98/12 in the 31st Offshore UKCS Licensing Round, which enhance and protect the Company’s acreage positions as the award contains extensions of the Colter group of prospects, the Ballard South gas discovery and the offshore part of the Purbeck Anticline Prospect. Confirmation of this award from the UK’s Oil & Gas Authority (OGA) is expected shortly.

Baron Oil has an 8% Interest in all of these blocks.

### ***Inner Moray Firth (“IMF”)***

Baron Oil was also offered two new licences in the IMF, offshore Scotland, in the 31<sup>st</sup> Round, one of which includes an exciting and potentially significant new exploration area.

The proposed IMF licence over blocks 12/27c, 17/5, 18/1 and 18/2 contains a new exploration play up-dip from the small 12/27-1 gas discovery (with oil shows), with Pmean recoverable Prospective Resources estimated by the Operator (Corallian) at 187 mmboe in the Dunrobin Prospect and 23.5 mmboe in the Golspie Prospect.

The second proposed IMF licence includes blocks 11/23, 11/24c and 11/25b, surrounding the Wick Prospect, on which a dry well (11/24b-4) was drilled during the period. These blocks contain the small Knockinnon oil discovery, together with the Forse Channel, Whaligoe, Camster, Camster South and Dunbeath Prospects.

Baron Oil has an 15% Interest in these IMF area blocks.

### ***Peru***

The Company continues to drive forward its plans for Block XXI. An experienced local operator with onshore drilling capacity is available and funding options are being evaluated which, subject to local community approval, could lead to drilling activity in early 2020. If a well is drilled, the Company is entitled to the return of its US\$160,000 government performance bond, as well as the option of a three year licence extension.

Baron Oil holds a 100% interest in Block XXI.

## **SE Asia**

As indicated at the AGM, the SE Asia block application, made by SundaGas in 2016, is being actively pursued. In addition, the Company continues to review a significant offshore exploration opportunity in SE Asia that has arisen through Baron's established relationship with SundaGas.

### **Malcolm Butler, Executive Chairman of Baron Oil, commented:**

*"Following our modest drilling success during the period, we have made significant, high potential additions to the Company's UK exploration portfolio. Despite our capital constraints, we have also been looking at ways of getting involved in other international opportunities, targeting larger interests in assets that combine high potential impact with relatively low risks and costs. Your Board continues to seek to give shareholders access to near-term drilling with the potential to produce substantial returns."*

### **Competent Person's Statement**

Pursuant to the requirements of the AIM Rules – Note for Mining and Oil and Gas Companies, the technical information and resource reporting contained in this announcement has been reviewed by Dr Malcolm Butler BSc, PhD, FGS, Executive Chairman of the Company. Dr Butler has more than 45 years' experience as a petroleum geologist. He has compiled, read and approved the technical disclosure in this regulatory announcement. The technical disclosure in this announcement complies with the Society of Petroleum Engineers standard.

For further information, please contact:

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Andy Thacker

**Baron Oil plc**

**Consolidated Income Statement  
for the six months ended 30 June 2019**

		6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
	<i>Note</i>			
<b>Revenue</b>		-	-	-
Cost of sales		-	-	-
<b>Gross loss</b>		-	-	-
Exploration and evaluation expenditure		(53)	(4)	(1,526)
Intangible asset impairment		(6)	(121)	(1,360)
Receivables impairment		(8)	(22)	(54)
Administration expenses	5	(227)	(267)	(549)
Profit/(loss) arising on foreign exchange		(13)	14	130
Other operating income		-	-	83
<b>Operating loss</b>	6	(307)	(400)	(3,276)
Finance cost		(1)	(7)	(10)
Finance income		1	2	6
<b>Loss on ordinary activities before taxation</b>		(307)	(405)	(3,280)
Income tax (expense)/benefit	7	-	-	785
<b>Loss on ordinary activities after taxation</b>		(307)	(405)	(2,495)
Loss on ordinary activities after taxation is attributable to:				
Equity shareholders		(307)	(405)	(2,495)
Non-controlling interests		-	-	-
<b>Loss on ordinary activities after taxation</b>		(307)	(405)	(2,495)
Earnings/(loss) per share: basic	8	(0.02)p	(0.03)p	(0.181)p
Diluted	8	(0.02)p	(0.03)p	(0.181)p

**Baron Oil plc**

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**Consolidated Statement of Comprehensive Income  
for the six months ended 30 June 2019**

	6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
<b>Loss on ordinary activities after taxation attributable to the parent</b>	(307)	(405)	(2,495)
<b>Other comprehensive income</b>			
Currency translation differences	6	(8)	(11)
<b>Total comprehensive income for the period</b>	(301)	(413)	(2,506)
<b>Total comprehensive income attributable to:</b>			
Owners of the company	(301)	(413)	(2,506)

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**Consolidated Statement of Financial Position  
for the six months ended 30 June 2019**

		6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	Year to 31 December 2018 Audited
	<i>Note</i>	£'000	£'000	£'000
<b>Non-current assets</b>				
Property, plant and equipment		-	1	-
Intangibles		1,101	1,397	66
		1,101	1,398	66
<b>Current assets</b>				
Receivables		139	41	503
Cash and cash equivalents		605	3,236	1,709
Cash held as security for bank guarantees		130	123	129
		874	3,400	2,341
<b>Total assets</b>		<b>1,975</b>	<b>4,798</b>	<b>2,407</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves attributable to owners of the parent</b>				
Called up share capital	9	482	344	344
Share premium account		30,507	30,237	30,237
Share option reserve		74	122	74
Foreign exchange translation reserve		1,718	1,715	1,712
Retained earnings		(30,884)	(28,568)	(30,577)
<b>Total equity</b>		<b>1,897</b>	<b>3,850</b>	<b>1,790</b>
<b>Current liabilities</b>				
Trade and other payables		73	142	594
Taxes payable		5	806	23
		78	948	617
<b>Total equity and liabilities</b>		<b>1,975</b>	<b>4,798</b>	<b>2,407</b>

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**Consolidated Statement of Cash Flows  
for the six months ended 30 June 2019**

	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	Year to 31 December 2018 Audited
<i>Note</i>	£'000	£'000	£'000
<b>Operating activities</b>	10 (478)	(417)	(2,104)
<b>Investing activities</b>			
Return from investment and servicing of finance	1	2	6
Acquisition of intangible assets	(1,035)	(222)	(66)
	<u>(1,034)</u>	<u>(220)</u>	<u>(60)</u>
<b>Financing activities</b>			
Proceeds from issue of share capital	408	-	-
<b>Net cash (outflow)/inflow</b>	<u>(1,104)</u>	<u>(637)</u>	<u>(2,164)</u>
Cash and cash equivalents at the beginning of the period	1,709	3,873	3,873
<b>Cash and cash equivalents at the end of the period</b>	<u><u>605</u></u>	<u><u>3,236</u></u>	<u><u>1,709</u></u>

As at 30 June 2019, bank deposits include amounts totalling US\$160,000 (30 June and 31 December 2018: US\$160,000) that are being held in respect of guarantees and are not available for use until the Group fulfils certain licence commitment in Peru. This is not considered to be liquid cash and has therefore been excluded from the cash flow statement.



**Baron Oil plc****Consolidated Statement of Changes in Equity  
for the six months ended 30 June 2019**

	6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
Opening equity	1,790	4,263	4,263
Shares issued net of costs	408	-	-
Loss for the period	(307)	(405)	(2,495)
Share based payments	-	-	33
Foreign exchange translation	6	(8)	(11)
<b>Closing equity</b>	<u>1,897</u>	<u>3,850</u>	<u>1,790</u>

## Notes to the Interim Financial Information

### 1. General Information

Baron Oil Plc is a company incorporated in England and Wales and quoted on the AIM Market of the London Stock Exchange. The registered office address is Finsgate, 5-7 Cranwood Street, London EC1V 9EE.

The principal activity of the Group is that of oil and gas exploration and production.

These financial statements are a condensed set of financial statements and are prepared in accordance with the requirements of IAS 34 and do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2018. The financial statements for the half period ended 30 June 2019 are unaudited and do not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

Statutory financial statements for the year ended 31 December 2018, prepared under IFRS, were approved by the Board of Directors on 30 May 2019 and delivered to the Registrar of Companies.

### 2. Basis of Preparation

This consolidated interim financial information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on the historical cost basis, using the accounting policies which are consistent with those set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2018. This interim financial information for the six months to 30 June 2019, which complies with IAS 34 'Interim Financial Reporting', was approved by the Board on 5 September 2019.

### 3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 December 2018, as described in those annual financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. The nature of estimation means that actual outcomes could differ from those estimates. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such, changes in estimates and assumptions may have a material impact in the financial statements.

#### i) Carrying value of property, plant and equipment and of intangible exploration and evaluation fixed assets.

Valuation of petroleum and natural gas properties: consideration of impairment includes estimates relating to oil and gas reserves, future production rates, overall costs, oil and natural gas prices which impact future cash flows. In addition, the timing of regulatory approval, the general economic environment and the ability to finance future activities through the issuance of debt or equity also impact the impairment analysis. All these factors may impact the viability of future commercial production from developed and unproved properties, including major development projects, and therefore the need to recognise impairment.

#### ii) Commercial reserves estimates

Oil and gas reserve estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows. Reserve estimates are also integral to the amount of depletion and depreciation charged to income.

Notes to the Interim Financial Information

4. Segmental information

	United Kingdom	South America	South East Asia	Total
	£'000	£'000	£'000	£'000
<b>Six months ended 30 June 2019</b>				
Unaudited				
Revenue				
Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-
Segment result	(217)	(82)	(8)	(307)
Total net assets	1,762	135	-	1,897
<b>Six months ended 30 June 2018</b>				
Unaudited				
Revenue				
Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-
Segment result	(254)	(150)	(1)	(405)
Total net assets	3,236	614	-	3,850
<b>Year ended 31 December 2018</b>				
Audited				
Revenue				
Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-
Segment result	(1,721)	(735)	(39)	(2,495)
Total net assets	1,603	187	-	1,790

Notes to the Interim Financial Information (continued)

<b>5. Administration expenses</b>	6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
Directors' and employee benefit expense	141	143	332
Legal and professional fees	56	79	135
Other expenses	30	45	82
	227	267	549

**6. Loss from operations**

	6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
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The loss on ordinary activities before taxation includes:

Auditors' remuneration			
Audit	11	11	22
Other non-audit services	1	2	5
Exploration and evaluation expenditure	-	-	1,526
Impairment of intangible assets	6	121	1,360
Impairment of foreign tax receivables	8	22	54
Disposal of operations		0	
(Profit)/Loss on exchange	13	(14)	(130)

**7. Income tax expense**

The income tax charge for the period relates to provision (reduction in provision) for foreign taxation.

Notes to the Interim Financial Information (continued)

8. Earnings/(loss) per Share

	6 months to 30 June 2019 Unaudited	6 months to 30 June 2018 Unaudited	Year to 31 December 2018 Audited
	Pence	Pence	Pence
Earnings/(loss) per ordinary share			
Basic	(0.02)	(0.03)	(0.181)
Diluted	(0.02)	(0.03)	(0.181)

The earnings/(loss) per ordinary share is based on the Group's loss for the period of £307,000 (30 June 2018: £405,000; 31 December 2018: £2,495,000) and a weighted average number of shares in issue of 1,440,221,731 (30 June and 31 December 2018: 1,376,409,576).

9. Called up Share Capital

On 10 June 2019, the Company issued 550,000,000 Ordinary Shares of 0.025p each at 0.08p per share, yielding net proceeds after costs of £408,000.

10. Reconciliation of operating loss to net cash outflow from operating activities

	6 months to 30 June 2019 Unaudited £'000	6 months to 30 June 2018 Unaudited £'000	Year to 31 December 2018 Audited £'000
Profit/(loss) for the period	(307)	(405)	(2,495)
Depreciation and amortisation	6	121	1,360
Share based payments	-	-	33
Finance income shown as an investing activity	(1)	(2)	(6)
Tax Expense/(Benefit)	-	-	(785)
Foreign currency translation	50	(33)	(73)
(Increase)/decrease in inventories	-	-	-
(Increase)/decrease in receivables	364	(23)	(485)
Tax paid	(70)	(22)	(53)
Increase/(decrease) in payables	(520)	(53)	400
	<u>(478)</u>	<u>(417)</u>	<u>(2,104)</u>

**Notes to the Interim Financial Information (continued)**

**11. Related party transactions**

During the period, the company purchased administrative services amounting to £2,250 (30 June 2018 £4,500; 31 December 2018: £9,000) from Langley Associates Limited, a company controlled by Mr Geoff Barnes, a director.

Also during the period, the Company purchased technical services amounting to £3,523 (30 June and 31 December 2018: nil) from Tedstone Oil and Gas Limited, a company controlled by Mr Jon Ford, a director.

During the preceding year to 31 December 2018, the Company paid £9,000 for services rendered by Praetorian Advisors 2 Limited, company controlled by Mr Andy Yeo, a director. There were no such payments in the six month period ended 30 June 2019 (six months ended 30 June 2018: nil).

**12. Financial Information**

The unaudited interim financial information for period ended 30 June 2019 do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2018 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

Copies of this interim financial information document are available from the Company at its registered office at Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The interim financial information document will also be available on the Company's website [www.baronoilplc.com](http://www.baronoilplc.com).