



Rathlin Energy (UK) Limited
Directors' Report and Financial Statements
Registered number 06478035
For the year ended
31 December 2022



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Directors' Report

The Directors present their report on the financial statements for the year ended 31 December 2022.

Principal Activity

The principal activity of Rathlin Energy (UK) Limited ("Rathlin" or the "Company") is the exploration, appraisal and development of oil and gas assets in the United Kingdom.

Review of Business

We are pleased to provide a business and operations review covering the year ended 31 December 2022 for Rathlin. Throughout 2022, the Company focused on technical analyses of West Newton results to date that culminated in a Competent Person's Report ("CPR") completed by RPS Energy Canada Ltd. ("RPS"). The CPR focused on the Kirkham Abbey Formation over the Greater West Newton area of Petroleum Exploration and Development Licence 183 ("PEDL 183") which includes the West Newton prospect as well as offsetting prospects at Ellerby, Spring Hill and Withernsea.

The technical analyses that supported the CPR consisted of existing well bore data, petrophysical analysis, completion and testing results, geophysical mapping based on 2D and 3D seismic volumes and third-party analyses from Applied Petroleum Technology ("APT"), Stim-Lab Inc., a Core Laboratories Company ("CoreLab") and RPS. Based on the APT analysis along with the petrophysical evaluation and testing results, the CPR considers natural gas to be the dominant hydrocarbon phase in the Kirkham Abbey reservoir.

In the CPR, the West Newton Kirkham Abbey Shoal is categorized as a Contingent Resource. The Gross Unrisked Petroleum Initially In-Place ("PIIP") ranges between 155.9 Bcf and 597.7 Bcf of gas and the Best Estimate (2C) Gross Risked Recoverable sales gas estimate is approximately 169.0 Bcf along with 507 Mstb of condensate. Rathlin's Working Interest Economically Recoverable Sales volumes of 109.6 Bcf of gas and 340 Mstb of condensate yield a Net Present Value, discounted at 10%, of \$264.1 MM USD.

The three offsetting prospects, Ellerby, Spring Hill and Withernsea, are categorized as Prospective Resources. The Gross Undiscovered PIIP in aggregate range between 342.1 Bcf and 933.8 Bcf of gas and the Best Estimate (2U) Gross Risked Recoverable Sales gas estimate is approximately 157.1 Bcf with 471 Mstb of condensate. No economic models were run on the Prospective Resources.

The CPR clearly confirms the presence of a significant hydrocarbon resource at West Newton and the offsetting prospects. Based on the reservoir characterization and modeling work completed by RPS in July, horizontal wells extending approximately 1,500 metres through the Kirkham Abbey reservoir are the preferred development drilling method. Horizontal wells have a greater likelihood of encountering reservoir "sweet spots" and sections of reservoir with natural fractures that will enhance the productive capability of future wells. This is consistent with the development methods employed in European equivalents to the Kirkham Abbey Formation, especially in the northeast Netherlands fields.

Rathlin is currently incorporating all the new data and modelling information to determine drilling plans in the West Newton area. Rathlin, and our partners in PEDL 183, have determined the location and orientation for a horizontal well which is intended to be drilled at the West Newton B ("WNB") site during the latter half of 2023. Rathlin's Directors and management are also assessing financing alternatives for Rathlin's share of the drilling and completion costs.

Concurrently, Rathlin made applications to the Environment Agency ("EA") for the use of oil-based fluids during drilling operations through the hydrocarbon-bearing Permian strata. Analyses undertaken by CoreLab have determined that the Kirkham Abbey Formation is sensitive to water-based fluids and that these fluids are a significant source of formation damage. Approval of the applications associated with the West Newton A ("WNA") site and the WNB site are still pending.

Also, during 2022, the Company submitted proposals to the North Sea Transition Authority ("NSTA") to modify the work programme for PEDL 183. The NSTA has formally agreed with the Company's proposal to reduce the PEDL 183 licence area to a single retention area and substitute the outstanding seismic commitment for the drilling operations that took place at WNB-1 and WNB-1Z, thus fulfilling the obligation. In a subsequent application made to the NSTA during December 2022, the Company proposed to reorder the additional components of the Company's work programme such that the drilling and testing of a new Kirkham Abbey deviated or horizontal appraisal well be undertaken by June 2024, the recompletion or sidetrack and testing of the WNA-1, WNA-2, or WNB-1Z well also be completed in that same timeframe, and a field development plan be submitted by June 2025. Formal approval of this application was received recently and the Company and its joint venture partners are actively working on plans to meet these work commitments.

Climate Change, Current World Events and Going Concern

Climate change and the transition to a lower carbon economy was considered in the preparation of these financial statements. The transition is likely to impact the future pricing of hydrocarbons which may affect, either positively or negatively, the ultimate recovery of the Company's intangible oil and gas assets. Climate change and the requirement to reduce carbon emissions are incorporated into our operational activities and we consistently meet or exceed all environmental regulations. There are significant hydrogen and carbon capture and storage projects planned for the Humber region and Rathlin's Directors believe our natural gas resource has a role to play in the future development of the area.

Similar to the rest of western Europe, the UK is currently experiencing high natural gas prices due to years of underinvestment in the oil and gas sector exacerbated by the ongoing conflict between Russia and Ukraine. Security of supply has moved to the forefront and the requirement for locally sourced hydrocarbons has taken on a new importance in the UK. Rathlin's current and future planned activities at West Newton are consistent with the demand for efficiently produced, locally sourced hydrocarbons, developed in a manner that is mindful of the carbon footprint and ultimate transition to net zero. Based on the Company's CPR, West Newton has the potential to meet gas demand for approximately 380,000 UK homes for many years.

Management has considered the impact of current world events, commodity price volatility and global economic conditions during the preparation of these interim financial statements. While an economic slowdown may result in short term demand and pricing fluctuations the demand for security of hydrocarbon supply will remain critical to the UK. In our view, the demand for a sufficient supply of hydrocarbons will remain critical to the UK's infrastructure and economy, and we do not believe that variations in demand or commodity prices will have a material impact on the Company's future activities.

The financial statements have been prepared on the historical cost basis. These audited financial statements for the year ended 31 December 2022 have been prepared on a going concern basis which asserts that the Company has the ability to realize its assets and discharge its liabilities and

commitments in the normal course of business for a period of no less than twelve months from the date of approval of the financial statements.

The Directors review and monitor forecasted and actual cashflows regularly throughout the year to ensure it has access to sufficient funds to meet forecast working capital requirements for the twelve months after the approval of these financial statements. Cash forecasts are prepared using management's best estimates of anticipated expenditures and board approved budgets.

The Company has a cash balance of £3.8 million as at 31 December 2022 (2021: £5.3 million) and has no debt. The Company's cash and working capital balance will be used to sustain general operations and is sufficient to fund the Company's working capital requirements for a minimum of twelve months.

Management also prepared working capital sensitivity analysis with increased expenditures to reflect potential downside scenarios. In the downside scenario, capital expenditures are increased by 20 percent. In this downside scenario, the Company is forecast to have sufficient financial headroom to fund ongoing working capital requirements for twelve months following the date of approval of these financial statements.

In performing their review, the Directors have considered the work commitments that are due by June 2024 as disclosed in note 22 to these financial statements. Although the Company has sufficient working capital to fund general operations, additional funds are required to fund the drilling and completion commitments before June 2024. The Company is actively assessing funding alternatives to enable these development operations to continue. The Company has a history of successfully addressing funding requirements on an as-needed basis and enjoys strong support from its existing shareholder base. If equity funding is not available however, the Company may consider alternative solutions including cost reductions, debt financing, reducing its working interest via farm-out, deferral of work commitments or other commercial options. At the date of approval of these financial statements, there are no formal agreements in place for funding.

As a result of their review, the Directors consider that it is appropriate to adopt the going concern basis of preparation.

As noted above, the lack of any formal agreements to raise the additional required to fund the Company's drilling and completion commitments indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. Please see note 2(c) to these financial statements for additional going concern discussion.

As at 31 December 2022 and the date of this report, the Company has 16,530,700 common shares issued and outstanding (31 December 2021 – 16,530,700). As at 31 December 2022, the Company had 1,610,500 share purchase options outstanding (31 December 2021 – 1,610,500). As at the date of this report, the Company has 1,497,500 share purchase options outstanding.

Proposed Dividend

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

Directors

The Directors who held office during the year were as follows:

John Hodgins
 Howard Mayson
 Paul McGarvey
 Stephen Williams

The Directors' beneficial interests in the ordinary shares of the Company as at 31 December 2022 and 2021 are as follows:

	Ordinary shares	
	2022	2021
John Hodgins	427,272	427,272
Howard Mayson	87,272	87,272
Paul McGarvey	1,771,363	1,771,363
Stephen Williams	-	-
	2,285,907	2,285,907

The Directors' beneficial interest in the share purchase options of the Company as at 31 December 2022 and 2021 are as follows:

	Share Purchase Options	
	2022	2021
John Hodgins	272,000	272,000
Howard Mayson	62,000	62,000
Paul McGarvey	27,000	27,000
Stephen Williams	-	-
	361,000	361,000

The Company recognized share-based payment expenses associated with these options of £59,046 during the year ended 31 December 2022 (2021 – £141,338).

Directors' Remuneration

The Directors' remuneration for the year ended 31 December 2022 and 2021 is:

	Fees	
	2022	2021
	£	£
John Hodgins	-	-
Howard Mayson	-	-
Paul McGarvey	-	-
Stephen Williams	36,000	36,000
	36,000	36,000

The fees paid on behalf of Stephen Williams are received by Reabold Resources PLC, where Mr. Williams is the Co-Chief Executive Director. Reabold Resources PLC holds a 59 percent ownership interest in Rathlin as at 31 December 2022 and 2021 and is the ultimate controlling party of Rathlin.

Directors' Insurance and Indemnities

Throughout the year, the Company maintains directors' and officers' liability insurance for the benefit of the Company, the Directors and its officers.

Financial Risks

Rathlin's ability to continue as a going concern may include having to make substantial capital expenditures for the acquisition, exploration, development and production of oil and natural gas reserves in the future. The Company may have limited ability to raise the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to the Company.

Exploration, Development and Production Risks

Oil and natural gas operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of Rathlin depends on its ability to find, appraise, develop and commercially produce oil and natural gas resources and reserves, which will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire additional producing properties or prospects. There is no assurance that commercial quantities of oil and natural gas will be discovered or acquired by the Company.

Other Business Risks

The Company's results are sensitive to crude oil and natural gas prices which are dependent on a number of factors which impact world supply and demand. Currently there has been a steep increase in demand as a result of the Russian-Ukrainian conflict which has caused a substantial increase in the price of hydrocarbons across the globe. While the Company is not directly affected by this as the Company is currently not in the production phase, the Company is monitoring this situation closely.

Political Contributions

The Company made no political donations nor incurred any political expenditures during the year (2021: £nil).

Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Director's report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with provisions of Section 418 of the Companies Act 2006.

Auditor

The Director's reappointed BDO LLP as auditors on 28 April 2022. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and BDO LLP will therefore continue in office.

Rathlin Energy (UK) Limited
Directors' Report and Financial Statements
31 December 2022

Small companies' exemption

In preparing the financial statements the Directors have taken advantage of the small companies' exemption provided by section 414B and 415A of the Companies Act 2006 from the requirement to prepare a strategic report and in preparing the directors' report on the grounds that the Company is entitled to prepare its accounts for the year in accordance with the small companies regime.

On behalf of the board,



John Hodgins
Suite 1, 7th Floor, 50 Broadway, London SW1H 0BL
Director
12 May 2023

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RATHLIN ENERGY (UK) LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Rathlin Energy (UK) Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Loss, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material uncertainty related to going concern

We draw attention to note 2c to the financial statements, which indicates that the Company requires additional funding before 30 June 2024 in order fund its work programme commitments, for which there are currently no formal funding agreements in place. As stated in note 2c these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and financial statements 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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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 Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give

a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company. We determined that the most relevant laws and regulations related to company law, tax legislation, the financial reporting framework, applicable oil and gas laws and environmental regulations;
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and a review of the legal expenses account;
- We assessed the judgements made by management when making key accounting estimates and judgements, and challenged management on the appropriateness of these judgements. The key accounting estimate which was one of the focus areas of our audit included decommissioning liabilities while the critical judgements where we have challenged management included going concern and the impairment assessment on the carrying value of assets;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by discussing among the engagement team where fraud might occur in the financial statements and any potential indicators of fraud. We made enquiries of management and those charged with governance to understand where it is considered there was a susceptibility of fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how those charged with governance

monitors those controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error, and performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and

- We reviewed the financial statement disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations noted above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:
Anne Sayers
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Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
Date: 15 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Rathlin Energy (UK) Limited
Statement of Comprehensive Loss
For the year ended 31 December

	2022	2021
	£	£
Expenses		
Administrative expenses	(1,033,750)	(1,182,030)
Loss from operating activities before taxation	(1,033,750)	(1,182,030)
Loss and other comprehensive loss for the period	(1,033,750)	(1,182,030)

See accompanying notes to the financial statements on pages 17-37.

Rathlin Energy (UK) Limited
Statement of Financial Position
As at

	31 December 2022	31 December 2021
	£	£
Assets		
Non-current assets		
Intangible oil and gas assets (note 9)	20,479,202	19,581,086
Property and equipment (note 10)	59,011	12,572
	20,538,213	19,593,658
Current assets		
Trade and other receivables (note 11)	457,452	795,743
Cash and restricted cash (note 12)	3,774,299	5,346,582
	4,231,751	6,142,325
Total assets	24,769,964	25,735,983
Liabilities		
Current liabilities		
Trade and other payables (note 13)	556,313	933,793
Lease liability (note 14)	23,310	5,277
Non-current liabilities		
Provision for decommissioning obligations (note 15)	1,460,864	1,324,449
Lease liability (note 14)	31,851	-
	2,072,338	2,263,519
Net assets	22,697,626	23,472,464
Equity		
Share capital	1,653,070	1,653,070
Share premium	29,321,418	29,321,418
Capital contribution reserve	30,487,601	30,487,601
Share-based payments reserve (note 17)	1,434,066	1,175,154
Accumulated deficit	(40,198,529)	(39,164,779)
Total equity	22,697,626	23,472,464

See accompanying notes to the financial statements on pages 17-37.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of Directors and authorized for issue on 12 May 2023. They were signed on its behalf by:



John Hodgins
Director
12 May 2023

Rathlin Energy (UK) Limited
Statement of Changes in Equity
For the year ended 31 December

	Capital Share-based					Total equity
	Share capital	Share premium	contribution reserve	payments reserve	Accumulated deficit	
	£	£	£	£	£	£
Balance at 1 January 2021	1,653,070	29,257,932	30,487,601	727,349	(38,046,235)	24,079,717
Total comprehensive loss for the year	-	-	-	-	(1,182,030)	(1,182,030)
Transactions with owners of the Company						
Share-based payments (note 17)	-	-	-	574,777	-	574,777
Reversal related to expiration of warrants (note 18)	-	63,486	-	(126,972)	63,486	-
Balance 31 December 2021	1,653,070	29,321,418	30,487,601	1,175,154	(39,164,779)	23,472,464

	Capital Share-based					Total equity
	Share capital	Share premium	contribution reserve	payments reserve	Accumulated deficit	
	£	£	£	£	£	£
Balance at 1 January 2022	1,653,070	29,321,418	30,487,601	1,175,154	(39,164,779)	23,472,464
Total comprehensive loss for the year	-	-	-	-	(1,033,750)	(1,033,750)
Transactions with owners of the Company						
Share-based payments (note 17)	-	-	-	258,912	-	258,912
Balance 31 December 2022	1,653,070	29,321,418	30,487,601	1,434,066	(40,198,529)	22,697,626

See accompanying notes to the financial statements on pages 17-37.

Rathlin Energy (UK) Limited
Statement of Cash Flows
For the year ended 31 December

	2022	2021
	£	£
Cash flows from operating activities		
Net loss for the year	(1,033,750)	(1,182,030)
Adjustments for:		
Depreciation (<i>note 10</i>)	25,014	24,459
Accretion on decommissioning obligations (<i>note 15</i>)	50,859	41,076
Finance charge on lease obligations (<i>note 14</i>)	3,583	1,626
Share-based payment expenses (<i>note 17</i>)	127,881	290,079
	(826,413)	(824,790)
Changes in:		
Trade and other receivables	338,291	(163,321)
Trade and other payables	(377,480)	(1,063,145)
Cash used in operating activities	(865,602)	(2,051,256)
Cash flows from financing activities		
Payment of lease obligations (<i>note 14</i>)	(25,152)	(25,500)
Cash flows from investing activities		
Intangible oil and gas assets expenditures	(681,529)	(4,800,090)
Changes in restricted cash	(75,000)	-
Cash used in investing activities	(756,529)	(4,800,090)
Net decrease in cash	(1,647,283)	(6,876,846)
Cash at beginning of year	5,271,582	12,148,428
Cash at end of year	3,624,299	5,271,582
Restricted cash at end of year	150,000	75,000
Cash and restricted cash at end of year	3,774,299	5,346,582

See accompanying notes to the financial statements on pages 17-37.

1. Nature of operations

Rathlin Energy (UK) Limited (“Rathlin” or “the Company”) is a United Kingdom based petroleum and natural gas exploration, development and production company. The Company’s registered office is Suite 1, 7th Floor, 50 Broadway, London, United Kingdom. All operations are in the pre-production phase of exploration.

Business and economic environment

These financial statements reflect the Board of Directors (“Board” or the “Directors”) assessment of the impact of the business environment in the countries in which the Company operates and the financial position of the Company. The future business environments may differ from the Board assessment.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Rathlin’s significant accounting policies under IFRS are presented in note 3. The accounting policies applied for the financial statements as at and for the year ended 31 December 2022 are consistent with those applied in the financial statements as at and for the year ended 31 December 2021. Further information can be found in note 4 regarding the changes in accounting standards impacting the Company during the year.

These financial statements were authorized by the Board of Directors on 12 May 2023.

(b) Functional and presentation currency

These financial statements are presented in pound sterling which is the Company’s functional and presentation currency.

(c) Basis of measurement and going concern

The financial statements have been prepared on the historical cost basis. These audited financial statements for the year ended 31 December 2022 have been prepared on a going concern basis which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business for a period of no less than twelve months from the date of approval of the financial statements.

The Directors review and monitor forecasted and actual cashflows regularly throughout the year to ensure the Company has access to sufficient funds to meet forecast working capital requirements for a minimum of twelve months after the approval of these financial statements. Cash forecasts are prepared using management’s best estimates of anticipated expenditures and board approved budgets.

The Company has a cash balance of £3.8 million as at 31 December 2022 (2021: £5.3 million) and has no debt. The Company’s cash and working capital balance will be used to sustain general operations and is sufficient to fund the Company’s working capital requirements for a minimum of twelve months.

Management also prepared working capital sensitivity analysis with increased expenditures to reflect potential downside scenarios. In the downside scenario, capital expenditures are increased by 20 percent. In this downside scenario, the Company is forecast to have sufficient financial headroom to fund ongoing working capital requirements for at least twelve months following the date of approval of these financial statements.

In performing their review, the Directors have considered the work commitments that are due by June 2024 as disclosed in note 22 to these financial statements. Although the Company has sufficient working capital to fund general operations, additional funds are required to fund the drilling and completion commitments before June 2024. The Company is actively assessing funding alternatives to enable these development operations to continue. The Company has a history of successfully addressing funding requirements on an as-needed basis and enjoys strong support from its existing shareholder base. If equity funding is not available however, the Company may consider alternative solutions including cost reductions, debt financing, reducing its working interest via farm-out, deferral of work commitments or other commercial options. At the date of approval of these financial statements, there are no formal agreements in place for funding.

As a result of their review, the Directors consider that it is appropriate to adopt the going concern basis of preparation.

As noted above, the lack of any formal agreements to raise the additional required to fund the Company's drilling and completion commitments indicates the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments that may be required should the going concern basis of preparation be inappropriate.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and use judgement regarding the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require material changes in the financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

(e) Critical judgements in applying accounting policies

The following are critical judgements that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Going concern assessment

These audited financial statements for the year ended 31 December 2022 have been prepared on a going concern basis which asserts that the Company has the ability to realize its assets and discharge its liabilities and commitments in the normal course of business for a period of no less than 12 months from the date of approval of the financial statements. Please refer to the discussion regarding going concern included in note 2(c). The financial statements do not include any adjustment that would result if the Company was unable to continue as a going concern which would principally relate to impairment of the Company's non-current assets.

Impairment assessment

Judgements are required to assess when impairment indicators exist and impairment testing is required. Judgements include the likelihood of continuing exploration and development activities including the ability to fund necessary activities to find commercially viable quantities of reserves and probable reserves, maintaining legal rights to continue activities, and management's intent to do so.

The application of the Company's accounting policy for intangible oil and gas assets requires management to make certain judgements as to future events and circumstances as to whether economic quantities of reserves have been found. Judgements are also made regarding climate change and the impact the transition to a lower carbon economy will have on future prices and demand for hydrocarbons.

(e) Key sources of estimation uncertainty

The following are key estimates and the related assumptions made by management affecting the measurement of balances and transactions in these financial statements:

Significant estimates

Decommissioning liabilities

The Company estimates the decommissioning obligations for oil and natural gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. Amounts recorded for the decommissioning liabilities and related accretion expense require assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, inflation estimates, future removal technologies in determining the removal cost, and the estimate of the liability specific discount rates to determine present value of these cash flows.

Assessment of carrying value of assets

Qualifying exploration and evaluation costs are initially classified and held as intangible oil and gas assets rather than being expensed. In recording costs as intangible oil and gas assets, judgement is required as to the extent to which the costs are attributable to the discovery of specific hydrocarbon resources and include both internal and external costs. Expenditures are assessed for impairment with reference to IFRS 6 indicators for impairment. This assessment involves judgement as to the status of licences and the likelihood of renewal of licences which expire in the near future including the ability to meet obligations, budgets and plans for future exploration activity, the results of exploration activity, and assessments of future recoverable values upon development.

Other estimates

Warrants

The Company's estimate of the fair value of warrants is dependent upon estimates of share price, volatility, interest rates and expected terms to exercise.

Share-based compensation

The Company's estimate of share-based compensation is dependent upon estimates of share price, volatility, interest rates, expected terms to exercise and forfeiture rates.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Joint arrangements

The Company is party to a joint arrangement where there is a contractual agreement that sets out the terms of the relationship over relevant activities of the Company and at least one other party.

The Company classifies its interests in the joint arrangement as joint operations where the Company has both the rights to assets and obligations for the liabilities of the joint arrangement. The Company accounts for its interest in the joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

(b) Intangible oil and gas assets and property and equipment

(i) Recognition and measurement

Intangible oil and gas assets

Pre-licence costs are recognized in the statement of net loss and comprehensive loss as incurred.

Intangible oil and gas assets, including the costs of acquiring undeveloped land and drilling costs, are initially capitalized until the drilling of the well is complete and the results have been evaluated. Intangible oil and gas assets are not depreciated and are accumulated in cost centers by well, field, or exploration area pending determination of technical feasibility and commercial viability, subject to the provisions of the Company's impairment of exploration and evaluation policy. The technical feasibility and commercial viability of extracting a petroleum or natural gas resource is considered to be determined when proved or probable reserves are determined to exist. If proved and/or probable reserves are found, the drilling costs and associated undeveloped land are transferred to property and equipment.

(ii) Depreciation

Office equipment and computer equipment is depreciated over its estimated useful life at declining balance rates between 20 and 30 percent per annum. Right-of use assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. Depreciation methods, useful lives, and residual values are reviewed at each reporting period.

(iii) Impairment

The carrying amounts of the Company's property and equipment, other than intangible oil and gas assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Intangible oil and gas assets are reviewed regularly for indicators of impairment following the guidance in IFRS 6 "Exploration for and Evaluation of Mineral Resources" and tested for impairment where such indicators exist.

In accordance with IFRS 6, the Company considers the following facts and circumstances in their assessment of whether the Company's intangible oil and gas assets may be impaired:

- Whether the period for which the Company has the right to explore in a specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Whether substantive expenditures on further exploration for, and evaluation of, mineral resources in a specific area are neither budgeted nor planned;

- Whether exploration for, and evaluation of, reserves in a specific area have not led to the discovery of commercially viable quantities of mineable material and the Company has decided to discontinue such activities in the specific areas; and
- Whether sufficient data exists to indicate that although a development in a specific area is likely to proceed, the carrying amounts of the intangible oil and gas assets is unlikely to be recovered in full, from successful development or by sale.

If any such facts and circumstances are noted, the Company, as a next step, performs an impairment test in accordance with the provisions of IAS 36. In such circumstances, the aggregate carrying value of intangible oil and gas assets is compared against the expected recoverable amount. The recoverable amount is calculated using the greater of its value in use and its fair value less costs to sell.

Value in use is determined as the net present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. Value in use is determined by applying assumptions specific to the Company's continued use and can only consider approved future development costs. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices and expected production volumes. The latter considers assessments of field reservoir performance and includes expectations about proved and unproved volumes, which are risk-weighted utilizing geological, production, recovery and economic projections.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between knowledgeable and willing parties. Factors considered in this determination include but are not limited to company specific Board authorized financing transactions, recent transactions involving industry peers, and other publicly available information.

Any impairment recognized during a period is charged as additional depreciation expense.

Impairment losses recognized in prior years are assessed at each reporting date if facts and circumstances indicate that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Circumstances that may trigger the reversal of a previously recorded impairment loss may include the recognition of substantive reserve volumes or a financing event that attributes an asset value in excess of the current carrying value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

(c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a "risk-free" rate that reflects current market assessments of the time value of money. Provisions are not recognized for future operating losses.

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of abandonment and site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present liability as at the reporting date. Subsequent to the initial measurement, the liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the liability. The increase in the provision due to the passage of time is recognized as accretion on decommissioning liabilities as a financing expense whereas increases or decreases due to changes in the estimated future cash flows or changes in the discount rate are capitalized. In the event the underlying asset has previously been impaired, the changes in estimated future cash flows or changes in the discount rate are recorded as an impairment revision and charged as additional depreciation expense. Actual costs incurred upon settlement of the decommissioning liabilities are charged against the provision to the extent the provision is established.

(d) Income taxes

Income tax expense is comprised of current and deferred tax. Income tax expense is recognized in the statement of net loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The company received a research and development ("R&D") tax credit for prior years. In accordance with IAS12, the tax credit was recognized at the time the claim was approved along with a corresponding reduction to intangible assets where the original R&D costs were recorded.

(e) Foreign currency translation

Transactions in foreign currencies are translated into the functional currency of the entity at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate in effect on the

statement of financial position date. Foreign exchange gains and losses arising on translation are recognized in net loss and comprehensive loss in the period in which they arise.

(f) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments consist of cash, restricted cash, trade and other receivables and trade and other payables. Non-derivative financial instruments are recognized initially at fair value net of any directly attributable transaction costs.

Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

(i) Cash

Cash is comprised of cash on hand with an original maturity date of less than three months and is measured at amortized cost.

(ii) Restricted cash

Restricted cash is comprised of cash the company is contractually obligated to maintain in accordance with the terms of a bank performance guarantee and is measured at amortized cost.

(iii) Other

Other non-derivative financial instruments, such as trade and other receivables and trade and other payables are measured at amortized cost.

Discounting is omitted where the effect of discounting is immaterial.

Impairment of financial assets

A financial asset is assessed to determine where there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company assesses the expected credit losses on a forward-looking basis, defined as the difference between the contractual cash flows that are expected to be received, associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables only, the simplified approach permitted by IFRS 9 is applied, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Losses are recognized in comprehensive loss. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment is reversed through the statement of comprehensive loss.

(g) Share capital

Ordinary shares are classified as equity. Proceeds paid in excess of nominal value are recognized as an increase to equity and included in the share premium account. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity and included in the share premium account. Capital contribution reserve represents the amounts contributed to the Company by existing shareholders in excess of nominal value of shares related to the contribution. This would include cash infusions which do not include the issuance of ordinary shares.

(h) Share-based payments

Equity settled share-based payments with respect to warrants for professional services are measured at fair value of the equity instrument at the grant date, on the basis that this is not materially different from the fair value of services provided. The fair value is determined by using the Black-Scholes-Merton option pricing model. The fair value at the grant-date of the equity settled share-based payment is expensed on a straight-line basis over the vesting term based on the Company's estimate of the number of instruments that will eventually vest. When a warrant expires, the cumulative expense recognized in the share-based payment reserve is reversed to the relevant component of equity in line with the original recognition of the expense.

Share-based payment costs related to share purchase options are based on the estimated fair value of options granted at the time of the grant by using the Black-Scholes-Merton option pricing model. The fair value is recognized as stock-based compensation charges with a corresponding increase to contributed surplus over the vesting period of the options. Amounts related directly to exploration and development activities are capitalized. Upon the exercise of the stock options, consideration paid is recorded as an increase in share capital and a reserve transfer is made for the accumulated expense. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(i) Leases

At inception of a contract the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date. The assets are depreciated over the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease obligation. The lease obligation is subsequently measured at amortized cost using the effective interest rate method.

4. Changes in Accounting Policies

(a) New standards, interpretations, and amendments effective from 1 January 2022

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amendments to the existing standards as of 1 January 2022. These amendments did not have a significant impact on the financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- Reference to Conceptual Framework (Amendments to IFRS 3).

These amendments to various IFRS standards are mandatorily effective for reporting periods beginning on or after 1 January 2022. See the applicable notes for further details on how the amendments affected the Company.

(b) New standards, interpretations, and amendments not yet effective

There are a number of standards, amendment to standards, and interpretations which have been issued by the IASB that are effective in future periods that the Company has decided not to adopt early.

The following amendments to the standards are effective for annual periods beginning after 1 January 2023, available for early adoption:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Company is currently assessing the impact of these new amendments. The Company does not believe that the amendments will have a significant impact on the Company's net loss, financial position, and related disclosures.

The following amendments are effective for the reporting period beginning 1 January 2024:

- IFRS 16 Leases (Amendment – Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-current);
- IAS 1 Presentation of Financial Statements (Amendment – Non-current Liabilities with Covenants)

The Company is currently assessing the impact of these new accounting standards and amendments.

5. Determination of fair values

Where required, fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments measured at fair value on the balance sheet require classification into one of the following levels of the fair value hierarchy:

- Level 1 Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 Valuation based on inputs other than quoted prices included in level 1, that are observable directly or indirectly.
- Level 3 Valuation based on inputs that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Company has categorized its financial instruments that are fair valued on the statement of financial position according to the fair value hierarchy.

6. Operating loss

	2022	2021
	£	£
Operating loss is stated after charging:		
Accretion on decommissioning obligations	50,859	41,077
Depreciation of property and equipment and right-of-use assets	25,014	24,459
Share-based payments	127,881	290,079
Fees payable to the Company's auditor for:		
Audit of these financial statements	45,500	41,300
Tax compliance service	7,000	6,000

7. Remuneration of directors and staff

	2022	2021
	£	£
Staff (including directors)	7	7
Wages and salaries	220,602	214,622
Fees paid to directors	36,000	36,000
Share based payments	105,275	268,051
Social security costs	12,986	14,161
Pension contributions	4,013	3,631
	378,876	536,465

The Company recognized £105,275 (2021 – £268,051) of expenses related to share purchase options issued during 2020 and 2019 for directors and staff. No share purchase options were issued during 2022 or 2021.

Directors' Beneficial Interest

The Directors' beneficial interest in the share purchase options of the Company as at 31 December 2022 and 2021 are as follows:

	2022	2021
John Hodgins	272,000	272,000
Howard Mayson	62,000	62,000
Paul McGarvey	27,000	27,000
Stephen Williams	-	-
	361,000	361,000

The Company recognized share-based payment expenses associated with these options of £59,046 during the year ended 31 December 2022 (2021 – £141,338).

Directors' Remuneration

The Directors' remuneration for the years ended 31 December 2022 and 2021 is:

	2022	2021
	£	£
John Hodgins	-	-
Howard Mayson	-	-
Paul McGarvey	-	-
Stephen Williams	36,000	36,000
	<u>36,000</u>	<u>36,000</u>

The fees paid on behalf of Stephen Williams are received by Reabold Resources PLC, where Mr. Williams is the Co-Chief Executive Officer. Reabold Resources PLC holds a 59 percent ownership interest in Rathlin as at 31 December 2022 and 2021 and is the ultimate controlling party of Rathlin.

8. Taxation

	2022	2021
	£	£
Current tax recovery on prior period	-	-
Deferred tax	-	-
Total tax	-	-
Reconciliation of effective tax rate:		
Loss on ordinary activities before taxation	(1,033,750)	(1,182,030)
Tax using UK corporate tax rate of 19% (2021: 17%)	(196,413)	(200,945)
Effects of:		
Adjustment in relation to share based payment	24,297	49,313
Current period losses for which no deferred tax asset was recognized	172,116	151,632
Total tax expense included in profit or loss	-	-

Deferred tax

The Company has unrealized tax losses which can be recovered against tax profits in the future. A deferred tax asset has not been recognized as it is uncertain that the Company will generate suitable taxable profits in the future. Losses of £5,225,282 (31 December 2021: £7,411,523) have been carried forward.

Reductions in the UK corporate tax rate to 19 percent (effective 29 March 2017) and to 18 percent (effective 1 April 2020) was substantively enacted on 26 October 2015. An additional reduction to 17 percent (effective 29 March 2020) was substantively enacted on 6 September 2016. The UK budget, which increases the corporate tax rate to 25 percent (effective 1 April 2023), was substantively enacted on 3 March 2021. This will increase the Company's future current tax charges accordingly.

An Energy Tax Profits Levy was introduced on UK oil and gas profits taking effect May 2022 and subsequently amended in November 2022. Effective 1 January 2023 through to 31 March 2028, the Energy Profits Levy will place an additional 35% charge on oil and gas profits. This will increase the Company's future current tax charges accordingly.

9. Intangible oil and gas assets

	Total
Cost	£
Balance, 1 January 2021	49,313,652
Costs incurred in the year	5,084,788
Changes in decommissioning obligations	19,479
Balance, 31 December 2021	54,417,919
Costs incurred in the year	812,560
Changes in decommissioning obligations	85,556
Balance, 31 December 2022	55,316,035
Impairment and Depreciation	
Balance, 31 December 2022 and 31 December 2021	(34,836,833)
Net Book Value	
At 31 December 2022	20,479,202
At 31 December 2021	19,581,086

There is no amortization charge for the year, as intangible oil and gas assets are not yet in production.

Additions to intangible oil and gas assets represent exploration and appraisal costs incurred in the year in respect of unproven properties and provisions recognized for decommissioning and restoration liabilities. All costs are related to Petroleum Exploration and Development Licence 183 ("PEDL 183"). Included in the additions for the year ended 31 December 2022 is £379,128 (year ended 31 December 2021: £470,625) in capitalized administrative costs directly related to the acquisition, exploration, and development of petroleum and natural gas properties.

During the financial year the Company applied for and subsequently received a tax credit for Research and Development related to the exploration and development activities on PEDL 183. Subsequent to the end of the reporting year, the Company received £290,157 related to research and development work completed during 2020.

During 2022, the Company reviewed its provisions for decommissioning obligations due to the high inflation environment in 2022. As a result of this review, the provision for abandonment was increased by £85,556.

During 2021, the Company reviewed its provisions for decommissioning obligations. Operations in 2021 included the perforation of the West Newton B-1Z well bore during testing and completion operations. As a result of these operations the estimate for abandonment was increased by £17,005 to account for additional work which will be required to abandon the wellbore.

During the years ended 31 December 2022 and 2021, the Company reviewed the carrying amount of its intangible assets for indicators of impairment such as changes in future prices, future costs and future operational plans. The Company also considered climate change and the impact that a transition to a lower carbon economy may have on future prices and demand for hydrocarbons, and the implications this would have on carrying amounts of its intangible assets. Based on this review, the Company did not identify any indicators of impairment and as such no impairment has been recognized during the years ended 31 December 2022 and 2021.

During 2016, the Company reviewed the carrying amount of its intangible assets for indicators of impairment such as changes in future prices, future costs, and recent market activity. Based on this review, the Company tested its intangible assets for impairment in accordance with the Company's accounting policy. As a result, the Company recognized in the statement of comprehensive loss a £34,836,833 impairment related to certain projects included in intangible fixed assets. The impairments were calculated as the difference between the period end net book value of the assets and the recoverable amount, were taken in the fourth quarter of 2016 and recorded as impairment of intangible assets expense. The recoverable amount was determined based on the greater of its value in use and its fair value less costs to sell. The fair value less costs to sell was determined as the amount that would have been obtained from the sale of an area or field in an arm's length transaction between knowledgeable and willing parties.

The impairment loss was assessed at 31 December 2022 and 2021 to determine if facts and circumstances, consistent with IFRS 6, indicate that the loss has decreased or no longer exists. Based on this review, the Company did not identify any indicators that the impairment previously recorded has decreased or no longer exists and as such no reversal of the historical impairment has been recognized in the years ended 31 December 2022 and 2021.

10. Property and equipment

	Office furniture	Computer equipment	Right-of- use	Total
Cost	£	£	£	£
Cost, 31 December 2021 and 1 January 2021	51,677	46,649	73,015	171,341
Additions	-	-	71,453	71,453
Cost 31 December 2022	51,677	46,649	144,468	242,794
Depreciation				
Balance, 1 January 2021	44,769	44,609	44,932	134,310
Charge for the year	1,381	612	22,466	24,459
Balance, 31 December 2021	46,150	45,221	67,398	158,769
Charge for the year	1,105	429	23,480	25,014
Balance, 31 December 2022	47,255	45,650	90,878	183,783
Net Book Value				
At 31 December 2022	4,422	999	53,590	59,011
At 31 December 2021	5,527	1,428	5,617	12,572

11. Trade and other receivables

As at	31 December 2022	31 December 2021
	£	£
Deposits	3,280	138,780
VAT receivable	55,175	444,806
Research and development tax credit for prior years	288,154	206,525
Joint operation receivables	102,396	5,632
Other	8,447	-
	457,452	795,743

All debtors are due within one year.

The Company applies IFRS 9 to measure expected credit losses for receivables and these are regularly monitored and assessed. Trade and other receivables are subject to an expected credit loss provision when it is probable that amounts outstanding are not recoverable as set out in the accounting policy. The impact of expected credit losses was immaterial.

During the year no expected credit losses were recognized in terms of IFRS 9. The Directors consider that the carrying amount of trade and other receivables approximate their fair value.

12. Cash and restricted cash

As at	31 December 2022	31 December 2021
	£	£
Cash at bank	3,624,299	5,271,582
Restricted cash	150,000	75,000
	3,774,299	5,346,582

Restricted cash is composed of bank performance guarantees in favour of a landowner who currently leases land to the Company. The performance guarantees can be accessed by the landowner in the event the Company fails to fulfil its obligation to reclaim the lease site to its original condition. Rathlin has no access to the cash. The guarantees expire in June 2024.

13. Trade and other payables

As at	31 December 2022	31 December 2021
	£	£
Trade payables	556,313	719,079
Amount held on account related to joint operations	-	214,714
	556,313	933,793

14. Lease liability

	For the year ended 31 December 2022	For the year ended 31 December 2021
	£	£
At 1 January	5,277	29,151
Addition	71,453	-
Lease payments	(25,152)	(25,500)
Interest expense	3,583	1,626
At end of period	55,161	5,277

The Company has the following future commitments associated with its lease liabilities:

	31 December 2022	31 December 2021
	£	£
Less than a year	26,500	5,277
1-3 years	33,125	-
Total lease payments	59,625	5,277
Discounting (amounts representing interest over term of lease)	(4,464)	-
Present value of the lease payments	55,161	5,277
Current portion of lease liabilities	23,310	5,277
Non-current portion of lease liabilities	31,851	-

Effective 1 April 2022, the Company renewed its office lease for a minimum of 12 months with a notice period thereafter of not less than three months. Annual rental payments for the lease are £26,500. Management estimates that the lease will continue for a three-year term from inception. Consistent with the Company's accounting policy, on 1 April 2022 (the lease renewal commencement date) the Company recognized a right-of-use asset of £71,453 with an offsetting lease liability of the same amount. When measuring the present value of lease obligations, the Company discounted remaining lease payments using its estimated incremental borrowing rate at 1 April 2022, which was 8.0 percent.

15. Provision for decommissioning obligations

	For the year ended 31 December 2022	For the year ended 31 December 2021
	£	£
At 1 January	1,324,449	1,263,894
Additions	-	17,005
Revisions during the period	85,556	2,474
Accretion	50,859	41,076
At end of period	1,460,864	1,324,449

The provision for decommissioning is in respect to the West Newton locations.

During 2022, the Company reviewed its provisions for decommissioning obligations due to the high inflation environment in 2022. As a result of this review, the provision for abandonment was increased by £85,556.

In 2021, the Company reviewed the provisions for decommissioning obligations. As a result of this, the cost to abandon the well bore was increased and the Company recognized an increased provision of £17,005 related to completion work.

The provision as at 31 December 2022 and 2021 represents the present value of the amounts that are expected to be incurred during 2033 to decommission the West Newton sites. The provision was determined using an engineer's estimates that management believes form a reasonable basis for the expected future costs of decommissioning.

The following significant assumptions were used to estimate the decommissioning obligations:

As at	31 December 2022	31 December 2021
Undiscounted cash flows	£ 2,205,012	£ 2,042,741
Weighted average discount rate	3.8%	3.7%
Weighted average inflation rate	2.5%	2.6%
Weighted average expected timing of cash flows	10.9 years	12 years

16. Share capital

The Company is authorized to issue an unlimited number of ordinary shares with a nominal par value of £0.10.

Allotted and issued	Number	£
At 31 December 2022, 2021 and 2020	16,530,700	1,653,070

17. Share-based payment – share options

During 2019, the Company adopted a share option plan under which the Board of Directors may grant options to directors, officers, employees, and consultants. Options granted vest equally over a three-year period and expire five years from the date of grant, or earlier if the option holder ceases to be associated with the Company.

In 2020, the Company granted 696,500 share options to directors, employees, and consultants of the Company. The options vest over a three-year period with a third of the options vesting on each anniversary of the date of grant, have an exercise price of £2.75 per share and expire five years from the date of grant. The fair value of options granted was £1.57 per option. The fair value is recognized as share-based compensation costs which are recognized as an administrative cost or capitalized in accordance with the Company's capitalization policy with a corresponding increase to the share-based payment reserve over the vesting period of the options. No similar share options were granted during 2022 or 2021.

A continuity of the Company's share options is summarized in the following table:

	31 December 2022		31 December 2021	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Balance, 1 January	1,610,500	1.67	1,610,500	1.67
Granted	-	-	-	-
Forfeited	-	-	-	-
Balance, end of year	1,610,500	1.67	1,610,500	1.67
Exercisable, end of year	1,378,332	1.48	841,492	1.37

As a result of the grant of the options in 2020 and 2019, the Company recognized £258,912 (2021 - £574,777) in share-based compensation charges in 2022. Of this amount £131,031 (2021 - £284,698) was capitalized consistent with the Company's capitalization policy for personnel costs directly related to the acquisition, exploration, and development of petroleum and natural gas properties. The remaining share-based compensation charges of £127,881 (2021 - £290,079) were recognized as an administrative expense.

Information regarding share options as at 31 December 2022 is as follows:

Options outstanding and exercisable				
Exercise price £	Number outstanding	Weighted average contractual life remaining (years)	Number exercisable	
0.84	914,000	1.3	914,000	
2.75	696,500	2.6	464,332	
1.67	1,610,500	1.9	1,378,332	

Subsequent to year end, 113,000 share options were forfeited.

18. Share-based payment – warrants

During 2018, the Company entered in an arrangement with a third party to issue 296,665 warrants in exchange for services. Services rendered were considered complete effective 30 November 2018 however the warrants were not issued prior to their expiry on 30 November 2021. As the services were considered rendered effective 30 November 2018, the Company recognized the expense associated with the warrants in 2018. The estimated fair value per warrant was £0.43. As all warrants were expected to be issued fully vested, the total expense of £126,972 was recognized, of which £63,486 has been reflected as a share issue cost and £63,486 was recognized as an administrative expense during 2018.

These warrants expired unexercised on 30 November 2021. As such the expense which was recognized in 2018 was reversed in 2021. The Company recognized an increase in share premium of £63,486, a decrease in accumulated deficit of £63,486 and a decrease in share-based payments reserve of £126,972.

19. Reserves

The nature and purpose of each reserve within equity is as follows:

Share capital represents the nominal value of shares issued and outstanding.

Share premium represents the amount subscribed for issuance of ordinary shares from treasury in excess of nominal value, less any related transaction costs.

Capital contribution reserve represents amounts contributed to the Company by existing shareholders in excess of nominal values of shares previously issued.

Share based payment reserve represents the cumulative cost of equity instruments issued in return for professional services or share options issued.

The accumulated deficit represents cumulative profits or losses.

20. Capital management

The Company's policy is to maintain a strong capital base in order to maintain shareholder and creditor confidence and to sustain the future development of the business. The Company considers its capital structure to include shareholders' equity and working capital.

The Company will adjust its capital structure to manage any projected deficiencies of working capital through the issuance of shares, the use of available credit facilities, the sale of assets, the farming out of properties and adjusting its capital spending if necessary. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the resulting cash flow from operations as well as the risk characteristics of the underlying petroleum and natural gas assets. The Company is not subject to any externally imposed capital requirements.

The Company monitors its capital structure primarily using working capital levels. To facilitate the management of working capital the Company prepares annual budgets, which reflect the expected results of operations and capital deployment, forecasted prices and costs, general industry conditions and other factors.

As at 31 December 2022, the Company had positive working capital of £3,652,128 as detailed below:

As at	31 December 2022	31 December 2021
	£	£
Current assets	4,231,751	6,142,325
Current liabilities	(579,623)	(939,070)
	3,652,128	5,203,255

21. Financial instruments

(a) Fair value of financial instruments

The Company's financial instruments as at 31 December 2022 and 2021 include cash, restricted cash, trade and other receivables, trade and other payables, and lease liabilities. The fair value of these assets approximates their carrying values due to their short terms to maturity.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint interest partners. The Company has adopted a policy of only dealing with creditworthy counterparties.

Joint operations receivables are typically collected within one month of the joint interest bills being issued to the partner. However, the receivables are from participants in the petroleum and natural gas sector and collection of the outstanding balances may be dependent on industry factors such as commodity price fluctuations, escalating costs, the risk of unsuccessful drilling and disagreements between parties. The Company attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Company does not typically obtain collateral from joint interest partners; however, in certain circumstances cash calls may be requested in advance of the start of the project. In some cases, the Company has the ability to enact default proceedings against partners which could result in the licence share being returned to Company in the event of non-payment. The Company had no collection issues in the years ended 31 December 2022 and 2021.

The carrying amount of cash and trade and other receivables represents the maximum credit exposure faced by the Company. The Company is currently exposed to credit risk on its cash to the extent that these balances are invested with various institutions. The Company adheres to a strict investment strategy that defines the various types of investment instruments and institutions that can be invested in and monitors these on a regular basis. The Company does not have any expected credit losses and did not write off any receivables during the years ended 31 December 2022 or 2021.

As at 31 December 2022 and 2021, the aging of the Company's receivables is as follows:

As at	31 December 2022	31 December 2021
	£	£
Less than 2 months	454,172	656,963
Deposits	3,280	138,780
	457,452	795,743

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it has sufficient liquidity to meet its liabilities when due, under normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. In addition, the Company utilizes authorizations for expenditures on operated projects to further manage capital expenditures.

In managing liquidity risk, the main objective of the Company is to ensure that it has the ability to pay all of its liabilities as they fall due. The Company monitors its levels of working capital to ensure that it can meet its liabilities as they fall due.

As at 31 December 2022 and 2021, the undiscounted cash flows of the Company's financial liabilities on the basis of their earliest possible contractual maturity is as follows:

As at	31 December 2022	31 December 2021
	£	£
Trade payables		
Less than 2 months	445,347	261,729
Other payables and accruals		
Less than 2 months	9,568	16,563
Within 2 - 6 months	74,713	660,778
Over 6 months	49,995	-
	134,276	677,341
	579,623	939,070

Included in the 31 December 2022 trade payables balance with maturities of less than 2 months is £92,551 (2021- £117,136) in liabilities which are denominated in Canadian dollars. The Canadian dollar equivalent is \$156,455 (2021: \$199,155).

Rathlin has not utilized any derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency rates.

Included in the 31 December 2022 other payable and accruals balance with maturities greater than six months is £49,995 (2021 - £nil) which represents the Company's joint interest partner's share of the Company's restricted cash held as a bank performance guarantees in favour of a landowner who currently leases land to the Company.

(d) Derivatives, financial instruments and risk management

The Company is exposed to commodity price risk associated with sales of oil and natural gas. Rathlin has not utilized any derivative instruments or other financial instruments to manage its exposure to fluctuations in market risks.

(e) Borrowings and interest rate risk

The Company currently has an office lease. The Company has estimated the rate of rate of borrowing on this lease at eight percent.

The Company's principle financial assets are cash and trade and other receivables. Cash includes amounts held on deposit with financial institutions. The effect of variable interest rates is not significant.

22. Commitments

The Company has a commitment with the North Sea Transition Authority ("NSTA") to drill and test a new Kirkham Abbey deviated or horizontal appraisal well by June 2024 as well as the recompletion or sidetrack and testing of one of the WNA-1, WNA-2, or WNB-1Z wells in that same timeframe. The Company estimates that Rathlin's share of the cost of the commitments is approximately £9.0 million.

23. Related parties

Details of key management personal remuneration is disclosed in note 7. Key management is comprised of the directors and management. During 2022, the directors received a total of £36,000 in remuneration (2021 - £36,000). The Company recognized share-based payment expenses associated with share purchase options issued to directors of £59,046 during the year ended 31 December 2022 (2021 – £141,338).

During 2022, Rathlin incurred expenses for management services totaling £977,809 (2021 - £956,008) from Connaught Oil & Gas Ltd, which has a 20 percent ownership interest in Rathlin at 31 December 2022 and 2021. Of this amount, £95,551 (2021 - £117,136) is included in the creditors balance as at 31 December 2022. These amounts were billed at rates consistent with those charged by third parties.

24. Corporate structure

At 31 December 2022 and 2021, Reabold Resources PLC holds a 59 percent ownership interest in Rathlin and is the ultimate controlling party of Rathlin.

At 31 December 2022 and 2021, Connaught Oil & Gas Ltd. holds a 20 percent ownership interest in Rathlin. No other shareholders hold an interest in excess of 20 percent.

25. Subsequent events

In 2022, the Company submitted proposals to the North Sea Transition Authority (“NSTA”) to modify the work programme for PEDL 183. On 1 March 2023, the NSTA formally agreed with the Company’s proposal to reorder the additional components of the Company’s work programme such that the drilling and testing of a new Kirkham Abbey deviated or horizontal appraisal well be undertaken by June 2024, the recompletion or sidetrack and testing of the WNA-1, WNA-2, or WNB-1Z well also be completed in that same timeframe, and a field development plan be submitted by June 2025.