

ANNUAL REPORT AND ACCOUNTS 2022



admenergy

WHO WE ARE

ADM Energy is a natural resources investing company with oil and gas assets in West Africa and the US. We hold a 9.2% profit interest in the Aje Field, part of OML 113 in Nigeria. We also hold a portfolio of interests in oil and gas projects, the primary focus of which is a 70.0% working interest participation in an initial three well drilling programme to target shallow oil production on the Altoona Lease, in the Midway-Sunset Oilfield, California, the third largest oil field in the US.

We are seeking to build on our existing asset base and target other investment opportunities in the oil and gas sector. Our strategy is to identify and invest in high-impact, near-term producing assets that can deliver significant value. These will be based on attractive risk reward profiles such as proven nature of reserves, level of historic investment, established infrastructure, route to early cash flow and exploration upside.

CONTENTS	PAGE
Company Information	3
2022 Overview	4
Chairman's Report	5
Chief Executive Officer's Review and Strategic Report	6
Board of Directors	10
Investment Approach	11
Directors' Report	12
Corporate Governance Report	18
Chairman's Corporate Governance Statement	21
Report on Directors' Remuneration	24
Report of the Independent Auditor	25
FINANCIAL STATEMENTS	
Group Income Statement	35
Group and Company Statements of Financial Position	36
Group Statement of Changes in Equity	37
Company Statement of Changes in Equity	38
Group and Company Statements of Cash Flows	39
Notes to the Financial Statements	40

COMPANY INFORMATION

DIRECTORS:	Oliver Andrews (Non-executive Chairman) Stefan Olivier (Chief executive Officer) Richard Carter (Chief operating Officer) Lord Bellingham (Non-executive Director) Dr Stefan Liebing (Non-executive Director) Claudio Coltellini (Non-executive Director)
REGISTERED OFFICE:	60 Gracechurch Street London, EC3V 0HR
COMPANY NUMBER:	05311866
SECRETARY:	Ben Harber
NOMINATED ADVISER:	Cairn Financial Advisers LLP 80 Cheapside London, EC2V 6EE
BROKER:	Hybridan LLP 2 Jardine House The Harrovian Business Village Beesborough Road, Harrow Middlesex HA1 3EX
REGISTRARS:	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol, BS99 6ZZ
INDEPENDENT AUDITOR:	Kreston Reeves LLP Chartered Accountants & Statutory Auditor 2nd Floor 168 Shoreditch High Street London, E1 6RA
FINANCIAL PR:	Gracechurch Group 48 Gracechurch Street London, EC3V 0EJ

2022 OVERVIEW



Investment Highlights

Aje Field, OML 113

- In July 2022, PetroNor E&P Limited's ("PetroNor") completed its acquisition of Panoro Energy ASA's ("Panoro") interest in OML 113
- In August 2022, completed the 17th Lifting at the Aje Field totalling 94,187 barrels with a net share of 8,683 barrels to ADM, which equates to ADM's profit interest of approximately 9.2%
- JV Partners are progressing development plans for the Aje Field, including replacement of the Floating Production Storage and Offloading ("FPSO"), and as a result there is currently a pause in production

Post period, Investment in Onshore US Oil Leases and Work Programme

- Invested in five oil leases through an acquisition of Blade Oil V, LLC for US\$1,614,000 (the "acquisition"). The focus of the acquisition is one lease in the Midway-Sunset Oilfield, one of the largest fields in the US.
- Primary focus of US portfolio is a 70.0% working interest participation in an initial three well drilling programme to target shallow oil production on the Altoona Lease
- Concurrent with the acquisition, ADM has entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million

Corporate and Financial Highlights

- Made directorate changes with appointments of Stefan Olivier as CEO, previously co-founder of MX Oil plc (now ADM Energy plc), and Claudio Coltellini as Non-executive Director
- Revenue was £0.7m (2021: £1.8m)
- Operating costs reduced by 81% to £0.4m (2021: £1.9m)
- Loss before and after tax was £2.1m (2021: £2.5m)
- In January 2022, the Company completed an equity fundraising of approximately £561,000 with Optima Resources Holding Limited
- In October 2022, the Company completed an equity fundraising of approximately £725,000 through a subscription and loan from OFX Holdings, LLC (formerly TN Black Gold, LLC) ("OFX")

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 December 2022

Dear Stakeholders,

2022 and the start of 2023 has been a transitional period for ADM Energy with changes to the leadership team and board. Under a new CEO, our focus is to ensure the Company achieves its vision of developing an investment portfolio that can deliver growth for the Company and its stakeholders.

Alongside significant management changes, the recent acquisition of Blade V provides the Company with an exciting, near-term portfolio of oil and gas assets situated in North America, a tier-one jurisdiction. This ties into our strategy to identify and invest in high-impact, near-term producing assets that can deliver significant value to the Company.

New leadership and board changes

The Board was pleased to appoint Stefan Olivier as CEO in April 2023, replacing former CEO, Osa Okhomina. Stefan has extensive corporate broking and oil and gas experience, including as the co-founder of MX Oil plc, now ADM Energy. He played a pivotal role in securing and financing the participation of ADM in the Aje field and in securing the support of OFX prior to its initial investment in the Company.

Stefan has been on the Boards of several other public and private companies and brings years of experience of working in natural resources. He will drive forward our strategy of building a multi-asset portfolio, as evidenced in his short time here by the acquisition of Blade V.

The board was also strengthened by the addition of Claudio Coltellini as Non-executive Director. Claudio has invested in the U.S. oil and gas sector for approximately 15 years and is CEO of four private US oil and gas companies focused on investment in the states of Texas, California, Kansas and Louisiana, and well placed to share his expertise to help capitalise on the Company's acquisition of Blade V.

Investment portfolio

At the Aje Field, there was an important development, when PetroNor E&P Limited ("PetroNor") acquired a significant interest during the year, a strong endorsement

of Aje as a high-quality asset and its potential. As previously stated, there is currently a suspension of production while the JV Partners continue to progress discussions around the next phase of Aje's development plans with the goal of maximising the potential scale of Aje.

ADM's acquisition of Blade Oil V LLC, the first under the new leadership team, is a potentially transformational deal for ADM and is in line with our strategy of investing in near term producing assets at attractive values that can bring in capital for the Company.

Blade V owns a portfolio of interests in oil and gas projects in the Midway Sunset Oil Field, one of the largest oil fields in the US. The main focus of their operation is a 70% interest in a three well drilling programme targeting oil production on the Altoona Lease in California, alongside other exciting interests in Kansas and Texas.

At the Barracuda Field, legal proceedings are ongoing in respect of our interest in the asset and we will continue to strongly defend our position as we await the outcome of the proceedings. With Stefan joining as CEO, he and the Board will be assessing the position of Barracuda in our wider portfolio prior to any further work and analysis being undertaken as well as prior to any investment decision.

Creating a platform for growth

With Blade V and Aje, we have a solid platform on which to build from. With Aje production currently on hold, the Company's immediate focus will be to advance the Blade V assets which have potential to generate cash flow for ADM.

Our goal is to add value through the development of our investments and by identifying new prospects. Oil majors are continuing divestment programmes to reduce their emissions footprint and meet carbon reduction targets, which we believe can create attractive investment opportunities to add to our portfolio.

Finally, I would like to extend my gratitude to our shareholders for their continued support as we look forward to the next phase of ADM's development.

OLIVER ANDREWS
Non-Executive
Chairman
26 June 2023



CHIEF EXECUTIVE OFFICER'S REVIEW AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2022

Overview

I joined ADM as Chief Executive Officer in April 2023, alongside Claudio Coltellini who was appointed as Non-executive Director. In May 2023, we made our first investment, acquiring Blade V which owns a portfolio of North American Oil and Gas assets in a highly prospective region. We are hugely excited to add this asset to our investment portfolio and the opportunity to add significant value for shareholders.

Since becoming CEO, we have been honing our strategy, which focuses on identifying investment opportunities that are near-term producing assets in proven oil and gas jurisdictions to enhance our investment portfolio. Though previously we were focussed primarily in West Africa, we have now diversified toward US assets. I can see a great opportunity to bring value to ADM and my team is determined to deliver growth for shareholders.

Operating Review**Acquisition of Blade V**

In May 2023, ADM invested in a portfolio of interests via the acquisition of Blade V from OFX Holdings LLC (Formerly TN Black Gold, LLC ("OFX")), a total maximum consideration of US\$1,614,000.

Blade V owns a portfolio of interests in oil and gas projects, the primary focus of which is a 70.0% working interest participation in an initial three well drilling programme to target shallow oil production on the Altoona Lease located in the Midway-Sunset Oilfield, Kern County, California.

The Midway Sunset Oil Field has produced in excess of 3 billion barrels of oil since production began in 1889. It is the largest known oilfield in California and the third largest in the United States. Chevron Corporation has been operating in the San Joaquin Valley for over 100 years and its interests in the area represent its core, onshore USA assets. The Altoona Lease is a highly unique opportunity for a small company to benefit from substantial investment and de-risking of the target opportunities by a major company. Surrounded by Chevron on three sides, the project is a direct beneficiary of the infrastructure and pipelines built to service Chevron's production in the area.

In addition, the interests held by Blade V comprise:

- 100.0% working interest in the Schweitzer Lease in Graham County, Kansas where a work-over programme to restore production from two wells is currently in process.
- 50.0% fully funded working interest in a three well workover programme in Texas targeting initiation of production from three wells.
- 50.0% working interest in the Pearson, Oberlin and Moon Leases, a three well workover programme.
- Total gross and net leasehold acreage associated with the acquisition is 423 acres and 295.5 acres, respectively.
- ADM will be a non-operating financial investor in the interests.

Further information regarding the Blade V portfolio can be found in the acquisition announcement of 25 May 2023. Details of ADM's interests are as follows:

Lease/Well	County, State	Working Interest	Net Revenue Interest	Operator ⁽¹⁾
Altoona	Kern, CA	70.0%	52.5%	To Be Determined ¹
Pearson	Grimes, TX	50.0%	37.5%	Guardian ²
Oberlin	Upshur, TX	50.0%	37.5%	Guardian ²
Moon	Upshur, TX	50.0%	37.5%	Guardian ²
Schweitzer	Graham, KS	100.0%	75.0%	Tex Oil, LLC ³

Notes:

1. Altoona: a California licensed and bonded contract operator to be determined by OFX and ADM.
2. Guardian Energy Operating Co., LLC is a registered Texas operator 75.0% owned by OFX.
3. Tex Oil, LLC is a registered Kansas operator.

The acquisition of Blade V ties into my vision for ADM to expand our investment portfolio by bringing in quality, near term production assets with low risk and high upside that can add significant value to the Company.

CHIEF EXECUTIVE OFFICER'S REVIEW AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2022

Aje Field

In July 2022, the Joint Venture development of Aje took an important step forwards when PetroNor E&P Limited ("PetroNor") announced that it had completed the purchase of 100% of Aje Interests of Panoro Energy ASA ("Panoro"). PetroNor agreed to acquire Panoro's interest in OML 113 for an upfront consideration of USD 10 million, with a contingent consideration of up to USD 16.67 million based on future gas production volumes. The completion of a purchase of interests in Aje from an established, heavyweight partner such as PetroNor demonstrates the strong value proposition posed by the asset. With the transaction completed, the next stage will be for the JV Partners to agree on the long-term field development plans for the Aje Field.

Discussions are continuing with the JV partners regarding plans to replace the current Floating Production Storage and Offloading ("FPSO") to increase gas handling capacity and support development plans to monetise the field's significant wet gas potential, which is estimated at potentially 1.2 trillion cubic feet of wet gas resources.

In August 2022, the 17th lifting at the Aje Field was carried out for a total of 94,187 barrels with a net share of 8,683 to ADM. This lifting was drawn from oil previously stored on the FPSO as there was no oil production from the Aje Field (Aje-4 and Aje-5) in 2022. As previously announced, the JV partners implemented a suspension of production at Aje to upgrade the FPSO and increase the capacity and production capability in line with the development plans.

Barracuda

ADM is currently following legal proceedings in respect of its interest in the Barracuda oil field. As announced on 13 December 2021, the Company and K.O.N.H. (UK) Ltd ("KONH") obtained an interim injunction at the Federal High Court of Nigeria, Lagos ("Court") restraining Noble Hill-Network Limited ("NHNL"), its officers, agents, privies, or person howsoever connected from selling, disposing, divesting, or tampering with the 70% shareholding interest of KONH in NHNL to third-party investors or in any other manner whatsoever. The interim injunction continues to stand.

During the period, the Company announced the result of the CPR on the Barracuda Field with a 2U (P50) case, the NPV10 is +\$99mm with an IRR of 45%, assuming at least 70mmbbls STOIP is discovered.

Following the appointment of a new CEO (and subsequent investment and focus on developing the Blade V assets) and the protracted legal proceedings and settlement discussions, the management team and Board have made the decision to write-down the investment in Barracuda for prudence.

Financial Review

For the year ended 31 December 2022, the Group's revenue decreased by 62.2% to £0.7 million (2021 £1.8 million), reflecting the suspension of production at Aje.

Operating costs decreased by 80.5% to £0.4 million (2021 £1.9 million).

Decommissioning provision amounted to £1.6 million (2021 £1.3 million). Depreciation & amortisation expense increased by 38.3% to £0.07 million (2021: £0.05 million).

Administrative expenses decreased by 26.3% to £1.7 million (2021: £2.3 million). Finance costs increased to £0.12 million (2021 £0.06 million).

Loss after taxation decreased 16.5% to £2.1 million (2021: £2.5 million loss). The Directors do not propose a dividend (2021 £nil). As of 31 December 2022, the Group had cash and cash equivalents of £0.025 million 31 December (2021 £0.3 million).

Funding

The Company raised a total of £1.29 million through two fundraises in 2022. In January 2022, the Company raised a total of £561,000 through a subscription with Optima Resources Limited, with funds used for general working capital expenditures. In October 2022, the Company then raised approximately £725,000 through a subscription and a loan from OFX Holdings, LLC (formerly TN Black Gold, LLC) ("OFX"). The subscription raised a total of £500,000, combined with a \$250,000 loan facility.

In May 2023 the Company announced, alongside the acquisition of Blade V, that it has entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million, of which US\$900,000 has been

CHIEF EXECUTIVE OFFICER'S REVIEW AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2022

subscribed for and US\$600,000 remaining available for subscription. The SCLNs subscriptions have been received and no SCLNs will be issued until cash has been received. The SCLN has a three-year term, an interest rate payable-in-kind (which maybe settle with cash or non-cash payments) of 8.0% per annum and the principal together with any interest due may be converted at any time at a share price of 1.2p per share.

In addition to the subscriptions, the Company agreed with certain directors and creditors to convert outstanding contractual liabilities of £683,117 into 56,926,417 new ordinary shares in the Company at the price of 1.2p per new ordinary share.

Outlook

ADM has undergone a period of change, reflected in the recent additions to our management team and the acquisition of Blade V, that has solidified the Company's foundations.

Blade V provides ADM with an exciting portfolio of oil and gas assets including acreage in one of the largest oil fields in North America, a tier-one jurisdiction. The acquisition, and its significant potential upside, can be a gamechanger for ADM and we are excited by the opportunity ahead of us. The coming year will be an important period as we progress the well drilling programmes at Blade V and the JV partners progress with plans for Aje.

In addition to our current portfolio, we think the strength and experience of our Board and technical team places us in an ideal position to capitalise on new opportunities as they arise, particularly as recent global events this past year have underscored the vital importance of stable global oil and gas supply. The Company and the Board is confident that it can effectively leverage its knowledge and expertise across its portfolio to generate value for the Company.

Key Performance Indicators ("KPIs")

The Group's activity is that of an investing group and the Directors focus principally on the development of the Group's net asset value.

The key performance indicators are therefore set out below:

GROUP STATISTICS	As at 31 December 2022	As at 31 December 2021
Net asset value	£11,208,000	£10,986,000
Net asset value – fully diluted per share	3.8p	5.2p
Closing share price	0.625p	0.775p
Market capitalisation	£1,857,172	£1,585,000

Key Risks and Uncertainties

Early stage investments in the natural resources sector carry an elevated level of risk and uncertainty, although the rewards can be outstanding. At this stage, there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Group's investments which can be either unquoted or quoted, such that the Group may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. The Group is currently funded through debt and equity investment and therefore there is a significant liquidity risk associated with lack of funding. This is discussed further as part of the going concern note in the relevant section of this report.

Oil prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil sources, technological change, global economic conditions and the influence of OPEC can impact supply and demand and prices for our oil. Decreases in oil prices could have an adverse effect on revenue, margins, profitability and cash flows. Exchange rate fluctuations can also create currency exposures and impact underlying costs and revenues. Details of other financial risks and their management are given in Note 22 to the financial statements.

Promotion of the Company for the benefit of the members as a whole

CHIEF EXECUTIVE OFFICER'S REVIEW AND STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2022

S172 of the Companies Act 2006 requires the Board to promote the Company for the benefit of the members as a whole. In particular, the requirements of S172 are for the Directors to:

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

The Directors believe that during the year they have acted in the way most likely to promote the success of the Company for the benefit of its members as a whole and have adhered to the requirements set out above that are applicable to the Company given its scope of operations. Through its financing activities, the Board has ensured that the Company is sufficiently capitalised and has cash resources for its requirements, to ensure that the Company has a viable operating plan for the long term. Given the nature of the Company's business, it has very few employees and the majority are themselves directors. The Board recognises that the Company's employees are, nevertheless, critical to the success of the Company and takes steps to ensure that the interests of employees are protected. The Company does not deal directly with customers or suppliers in relation to its oil and gas field interests, save for its relationship with the operator for the OML 113 licence. The Company acknowledges the importance of maintaining good relations with its suppliers and aims to settle all invoices in a timely manner. The Company's approach to its responsibilities in respect of the impact of its operations on the community and environment is set out in "Our Sustainable Approach" on page 10.

Going Concern

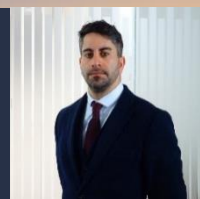
At 31 December 2022, the Group recorded a loss for the year of £2.12m and had net current liabilities of £2.13m, after allowing for cash balances of £25k. In 2022 the company raised £1.29m through two fund raises. In May 2023 the Company announced, alongside the acquisition of Blade V, that it has entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million, of which US\$900,000 has been subscribed for and US\$600,000 remaining available for subscription. The SCLN has a three-year term, an interest rate payable-in-kind (which maybe settle with cash or non-cash payments) of 8.0% per annum and the principal together with any interest due may be converted at any time at a share price of 1.2p per share. In addition to the subscriptions, the Company agreed with certain directors and creditors to convert outstanding contractual liabilities of £683,117 into 56,926,417 new ordinary shares in the Company at the price of 1.2p per new ordinary share, helping the company reduce the liabilities on the balance sheet. Also with the change of management the focus of the company is now on finding near term producing assets so the company can start earning revenue. In May 2023 the company announced the investment in Blade V which holds an interest across 5 different wells in USA, all with near term revenue potential. As part of this deal, the company also has circa \$251k available under its debt facility with OFX.

The Directors have prepared cashflow forecasts for the period to June 2024 to assess whether the use of the going concern basis for the preparation of the financial statements is appropriate. In the short term, between the loan facility, potential revenue and CLN proceeds the Group does not expect to need short term funding to meet its liabilities as they fall due however the group does expect in the period that more funding might be needed. The Directors have a reasonable expectation based on past performance and current discussions of support from stakeholders that additional finance would be available should it be needed. Accordingly, the directors consider it reasonable to prepare the financial statements on the going concern basis.

Future developments

The Group's development objectives for the year to 31 December 2022 are disclosed in the Chief Executive Officer's Review and Strategic Report on pages 6 – 9

STEFAN OLIVIER
Chief Executive Officer
26 June 2023



BOARD OF DIRECTORS

**OLIVER ANDREWS, Non-executive Chairman**

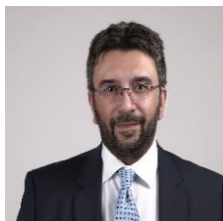
Oliver has over 35 years' experience in infrastructure development, investing, public-private partnerships and strategic advisory work such as advising and partnering with governments, regional and international corporations and development finance institutions. During his career, he has overseen the investment of approximately US\$10bn and originated US\$100bn of investments in natural resources and infrastructure deals across the African continent on behalf of investee institutions. Oliver was formerly Executive Director and Chief Investment Officer at the Africa Finance Corporation, one of the biggest investors in natural resources and infrastructure solutions in Africa, where he oversaw the growth of assets under management from US\$1bn to over US\$8.4bn including significant investments in the oil and gas sector.

**STEFAN OLIVIER, Chief Executive Officer**

Stefan Olivier has extensive corporate broking and oil and gas experience including as co-founder of MX Oil plc (now ADM Energy plc). Stefan played a central role in initially securing and financing the participation of the Company in the Aje Field, OML 113 and in securing the support of OFX prior to its initial investment in the Company. He was a founder and Chief Executive Officer at North American Petroleum plc from 2012 until 2017. He has been on the Board of several other public and private companies and brings years of experience of working in natural resources to the Board of the Company.

**RICHARD CARTER, Chief Operating Officer**

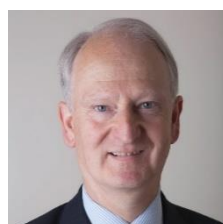
Richard is a qualified accountant with extensive experience of raising funds for public and private companies. He has worked and advised across media, telecoms, engineering and energy sectors in various corporate finance and investor relations roles. As Chief Operating Officer, Richard supports the CEO and management team with its regulatory functions.

**CLAUDIO COLTELLINI, Independent Non-executive Director**

Claudio Coltellini is an Italian citizen now residing with his family in the state of Florida. Prior to working in the U.S. onshore oil and gas sector, having graduated with a degree in economics and business, he joined Deutsche Bank where he worked for seven years. He has invested in the U.S. oil and gas sector for approximately 15 years and is CEO of four private U.S. oil and gas companies focused on investment in the states of Texas, California, Kansas and Louisiana.

**DR STEFAN LIEBING, Independent Non-executive Director**

Dr Stefan Liebing is the CEO of Conjuncta GmbH, a boutique investment and project development company and has been active in major infrastructure and energy projects since more than twenty years. Dr Stefan Liebing is the Immediate Past Chairman of Afrika-Verein der deutschen Wirtschaft e.V., the prestigious German-African Business Association, where as part of his role, he advised the German Government on investment in Africa. Previously, Dr Liebing was a Director of International Gas Business at EnBW Energie Baden-Wuerttemberg AG, one of the largest energy supply companies in Europe. Previously he held various senior positions at Royal Dutch Shell.

**LORD BELLINGHAM, Independent Non-executive Director**

Lord Bellingham has enjoyed a distinguished Parliamentary career of almost 40 years and held a number of senior positions including: Foreign Office Minister for Africa, The UN, Caribbean, Overseas Territories and Conflict Issues; Chairman of the Westminster Foundation for Democracy; Chairman of the All-Party Group on the Commonwealth; and the Prime Minister's Trade Envoy to Libya. In 2016, he was Knighted in the New Year Honours list for Parliamentary and Political Service. He sits in the House of Lords after being awarded a Life Peerage in 2020. In addition to his Parliamentary career, Lord Bellingham has held several non-executive roles on AIM companies and, until recently, was Non-executive Chairman of Pathfinder Minerals plc since 2014. Prior to entering Parliament, Lord Bellingham practised as a barrister having graduated from Magdalene College, Cambridge with a master's degree in Law.

INVESTMENT APPROACH

Investing Policy

The Company will seek to invest in opportunities within the natural resources sector, the oil services, power and energy sectors and in technology opportunities related to these sectors that the Directors believe either are of strategic value or represent a significant value opportunity. The Company is prepared to take an active role in its investments where it is deemed to be appropriate.

The Directors plan to adopt a flexible approach, both as to the form of the Company's investments and the subject of its investments. The investments may be in quoted and unquoted companies. This includes making investments in other quoted investment companies focused on the natural resources, power and energy sectors or related technologies, including those with no significant assets other than cash. The Directors believe that investing in these other investing companies will provide the Company with greater scope to make and support its investment strategy.

The Company's investments may take the form of equity, debt, convertible instruments, options and licence rights. Possible investments could include direct or indirect investments in permits and licences, exploration, mining and production operations and processing and development projects.

The Company may make direct investments in private or quoted companies and indirect investments via quoted companies, unquoted companies seeking a public quotation and candidates for reverse transactions into quoted investment companies. The Company may invest in these types of opportunities through acquisitions, partnerships, joint venture arrangements, as finance for management buy-outs or buy-ins, as finance for pre-IPO, seed and underwriting positions.

Such investments may result in the Company acquiring the whole or part of a company or project. The Company will consider opportunities anywhere in the world.

The Company expects to be an active investor in situations where the Company can make a clear contribution to the progress and development of the investment. In respect of other, principally more substantial opportunities, the Company expects to be a passive investor.

The Company intends to invest for the medium to long-term. However, should an opportunity arise to realise its investments, the Company will consider these on a case-by-case basis and seek to maximise value for shareholders. The Directors intend to hold all investments for a minimum of 30 days. Other than set out above, there are no restrictions on the Company's investment policy.

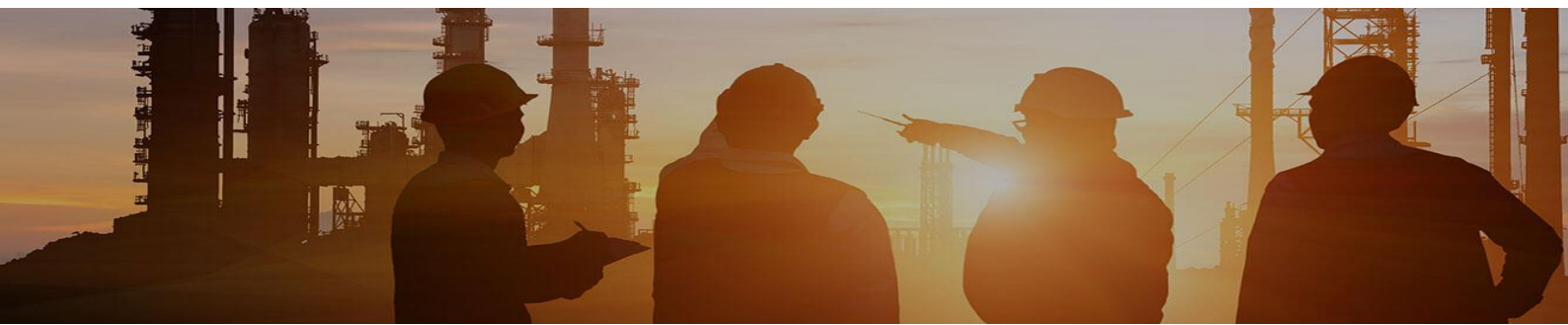
The Company intends to utilise industry experts in the analysis of proposed investments, and it is intended that the decision-making process will be a collegiate, team-based approach, driven by intrinsic value or informed opinion.

Our Sustainable Approach

ADM Energy is committed to the highest standards of corporate social responsibility in its investing policy. Working alongside its partners, the Company strives to ensure the safety of all staff and contractors, while minimising environmental impact, for the benefit of the communities in which it works and all its stakeholders.

ADM conducts its investment operations in a responsible and transparent manner. Being socially responsible is a key component in the Company's business and its achievements. This includes not only adherence to Government legislation and Company policies, but must extend to acceptance that ADM is, in all the projects in which it holds an investment, a neighbour in established communities and environments.

The Company is conscious of the impact to the environment and local communities that oil and gas activities may have and aims to minimise and constantly reduce these effects. The projects in which ADM invests comply with all existing laws, regulations and permits. By making continuous improvements, the Company's ambition is to set a good example in the markets where it is active. ADM's focus in its projects is environmental protection, pollution prevention and human health. The Company's actions are characterised by respect for the cultures of the regions in which it operates. ADM is committed to maintaining an open dialogue over the environmental aspects of its investments and the operations of the partners in these projects with all stakeholders.



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

The Directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2022.

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes principal activity, future developments and principal risks and uncertainties.

DIRECTORS

The Board comprised the following directors who served throughout the year and up to the date of this report unless otherwise stated.

Oliver Andrews	
Osamede Okhomina	(Resigned 31 October 2022)
Richard Carter	
Manuel Lambole	(Resigned 25 April 2023)
Lord Bellingham	
Dr Stefan Liebing	

DIRECTORS' INTERESTS

Set out below are the Directors' beneficial holdings of ordinary shares in the Company as at 31 December 2022. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration.

Name of director	Ordinary shares of 1p each Number	Percentage of capital %
Oliver Andrews	6,666,667	2.24%
Richard Carter	2,431,496	0.82%
Dr Stefan Liebing	655,972	0.22%
Lord Bellingham	353,031	0.12%

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

SUBSTANTIAL SHAREHOLDINGS

Interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 26 June 2023 were as follows:

Name of shareholder	Ordinary shares of 1p each Number	Percentage of capital %
Optima Resources Holding Ltd	51,000,000	17.16%
OFX Holding	41,666,667	14.02%
Hessia Group Limited	36,449,303	12.27%
Align Research Limited & related parties – RS & CA Jennings	9,404,031	3.16%

POST YEAR END EVENTS

On 24 April 2023 the Company announced that Stefan Olivier and Claudio Coltellini had been appointed to the Board of Directors, and that Manuel Lamboley had resigned as a director.

On 25 May 2023 the Company announced the following:

1. Investment in US oil leases

The company announced that, through a recently formed, wholly owned U.S. subsidiary company, ADM Energy USA, Inc., it had invested in five on-shore US oil leases by way of a Membership Interest Purchase Agreement ("the Investment") with OFX Holdings, LLC (formerly Tennessee Black Gold, LLC), a substantial shareholder of the Company. The Investment has been made by the acquisition of Blade Va Texas limited liability company established as a vehicle for the purpose of facilitating the Investment, for a total maximum consideration of US\$1,614,000.

Blade V owns a portfolio of interests in oil and gas projects ("the Assets"), the primary focus of which is a 70.0% working interest participation in an initial three well drilling programme to target shallow oil production on the Altoona Lease located in the Midway-Sunset Oilfield, Kern County, California. The interests held by Blade V also comprise:

- 100.0% working interest in the Schweitzer Lease in Graham County, Kansas where a work-over programme to restore production from two wells is currently in process.
- 50.0% fully funded working interest in a three well workover programme in Texas targeting initiation of production from three wells.
- Total gross and net leasehold acreage associated with the acquisition is 423 acres and 295.5 acres, respectively.
- An Area of Mutual Interest allowing ADM to participate, at cost, in any additional drilling, recompletion or workover opportunities within two miles of any boundary of the leases included in the Investment.
- In conjunction with the Transaction, ADM Energy USA, Inc. and OFX have entered into a loan facility (the "USA Loan Facility") providing for loans of up to US\$750,000 to be made available to the Company. The Consideration Loan Notes (defined below) of US\$235,720 will be issued as an advance under the USA Loan Facility.
- ADM will be a non-operating financial investor in the interests.

Further details of the portfolio of interests comprising the Investment are as follows:

Lease/Well	County, State	Working Interest	Net Revenue Interest	Operator ⁽¹⁾
Altoona	Kern, CA	70.0%	52.5%	To Be Determined ¹
Pearson	Grimes, TX	50.0%	37.5%	Guardian ²
Oberlin	Upshur, TX	50.0%	37.5%	Guardian ²
Moon	Upshur, TX	50.0%	37.5%	Guardian ²
Schweitzer	Graham, KS	100.0%	75.0%	Tex Oil, LLC ³

Notes:

(1) Altoona: a California licensed and bonded contract operator to be determined by OFX and ADM.

(2) Guardian Energy Operating Co., LLC is a registered Texas operator 75.0% owned by OFX.

(3) Tex Oil, LLC is a registered Kansas operator.

Midway-Sunset Oilfield, Kern County, California

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

The Midway-Sunset Oil Field is a large oil field in Kern County, San Joaquin Valley, California in the United States. It is the largest known oilfield in California and the third largest in the United States. The field was discovered in 1894 and it is estimated that the field has produced close to 3 billion barrels (480,000,000 m³) of oil. At the end of 2008, the California Department of Conservation estimated reserves amounted to approximately 532 million barrels (84,600,000 m³), 18% of California's estimated total.

The Altoona Lease

The Altoona Lease is a circa 20-acre lease located in a crestal position within the Spellacy Anticline Region of the Midway-Sunset Oilfield. Discovered in 1915, the Altoona Lease has produced less than 1 million barrels of oil from multiple intervals primarily between 1,000 and 1,600 feet. Chevron (USA), Inc. is actively developing leases contiguous with and surrounding the Altoona Lease. In March/April of 2020 Chevron (USA), Inc. drilled and started producing the 3-8R and 3-8AR wells located approximately 250 meters from the Altoona Lease. These wells were drilled to approximately 1,935 feet and, combined, have produced in excess of 150,000 barrels of oil from spud through the end of December 2022. A work programme, considered exploratory by the Company, is being planned to drill or deepen up to three wells to approximately 2,000 feet to test deeper potential, previously untested on the Altoona Lease which may be contributing to the high level of production realised by Chevron in the 3-8R and 3-8AR wells. ADM expects that the operator of the Altoona work programme will commence before the end of 2023. ADM will have a non-operated 70% working interest and 52.5% net revenue interest in the Altoona lease.

The Altoona work programme commitments are expected to be costed at approximately US\$1,500,000.

The Schweitzer Lease

The Schweitzer Lease is a 160-acre lease located in Graham County, Kansas. Blade V owns a 100% working interest and 75% net revenue interest in the Schweitzer Lease. The lease includes two wells capable of being returned to production (the Schweitzer #3 and the Schweitzer #6), a salt-water disposal well and associated production equipment.

The initial work programme will consist of:

- Schweitzer #3: Already in progress. Pump a chemical scale squeeze into Lansing-KC "J" and "K" intervals to inhibit the precipitation of Barite/Celestite scale on downhole production equipment. Return well to production via rod-beam pump.
- Schweitzer #6: Equip well to produce via rod-beam pump in replacement of electrical submersible pump.

The total cost of the work programme, which will be conducted by Tex Oil LLC, is estimated at US\$65,000 and will be funded by an advance from the USA Loan Facility.

Pearson, Oberlin and Moon Leases: Three Well Workover Programme

The Company will participate with a 50.0% working interest and 37.5% net revenue interest in a three well workover program with Guardian Energy Operating Co., LLC ("Guardian"), a majority owned subsidiary of OFXH. The programme will target the initiation of production from the following wells:

Well	County, State	API#	Operator	Work Timing
Pearson 1RE	Grimes, Texas	42-185-30529	Guardian	May 2023
Oberlin 2	Upshur, Texas	42-459-31141	Guardian	May 2023
Moon Well 1	Upshur, Texas	42-459-31438	Guardian	To be determined

The three well work programme is fully funded by OFXH, the Company's share of costs associated with its participation are included as part of the Investment consideration and will not require any cash investment or borrowings by the Company under the USA Loan Facility.

Investment Consideration

The total maximum consideration for the Investment of US\$1,614,000 comprises US\$478,280 to be financed via the issuance of (1) 15,714,667 new ordinary shares at a price of 1.2p per share ("Consideration Shares"); (2) a US\$235,720 loan note issued by ADM Energy USA, Inc. (non-recourse to ADM Energy PLC) ("Consideration Loan Notes"); (3) the issue of warrants over 7 million ordinary shares in the Company ("the Warrants") exercisable at 2.5p per warrant with a term of two years from Admission (defined below); and (4) contingent deferred consideration of up to \$900,000.

The contingent deferred consideration will be received on the first 180,000 barrels of oil produced net to the interests of the Company from the Assets. The production payment will be US\$5.00 per barrel if the realised price is greater than US\$70.00 per

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

barrel and US\$3.50 if the realised price is greater than US\$50.00 per barrel and less than US\$70.00 per barrel. There will be no payment in periods when the realised oil price is less than US\$50.00 per barrel. The production payment will be paid in arrears on a monthly basis.

Following issuance of the Consideration Shares, OFX will hold 57,381,334 ordinary shares of ADM Energy plc representing 15.58% of the Enlarged Issued Share Capital of Company on Admission.

2. Secured Convertible Loan Note Subscription

Concurrent with the Investment in the US oil leases the Company entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million, of which US\$900,000 has been subscribed for and US\$600,000 remaining available for subscription. The SCLN has a three-year term, an interest rate payable-in-kind (which maybe settle with cash or non-cash payments) of 8.0% per annum and the principal together with any interest due may be converted at any time at a share price of 1.2p per share. The purchasers of the SCLN will also be assigned a proportionate economic interest in a 1.25% undivided over-riding royalty interest in the Altoona Lease (further described below). The SCLN will be secured by a pledge of and first-lien on the shares of ADM Energy USA, Inc. held by the Company. A condition of the subscription agreement associated with the SCLN is that the funds raised must fully fund, and be first applied against, the Company's net share of the costs of the Altoona work programme. Any amount in excess of the funds required to fund the Altoona work programme may be used by the Company for general working capital purposes.

The following shareholders and directors of the Company have subscribed for the SCLNs as indicated:

Hessia Group Limited, a substantial shareholder of the Company	US\$500,000
OFX Holdings, LLC, a substantial shareholder of the Company	US\$250,000
Mr. Oliver Andrews, a director of the Company	US\$100,000
Mr. Stefan Olivier, a director of the Company	US\$50,000
Total	US\$900,000

Signed subscription letters have been received and, upon receipt of the cleared funds which are expected shortly, the SCLNs will be issued.

3. Share Issue for debt conversion

The Company has agreed with certain directors and creditors to convert outstanding contractual liabilities of £683,117 into 56,926,417 new ordinary shares in the Company ("Conversion Shares") at the same price as the Consideration Shares being 1.2p per new ordinary share.

Conversion Shares issued to Directors of the Company, and their respective shareholdings on Admission, are as follows:

Director	Conversion value (£)	Number of Conversion Shares to be issued	Resulting shareholding on admission	Shares as percentage of Enlarged Issued Share Capital on Admission
Oliver Andrews	100,000	8,333,333	15,000,000	4.06%
Stefan Olivier	50,000	4,166,667	4,166,667	1.13%
Richard Carter	50,000	4,166,667	6,598,163	1.79%
Dr Stefan Liebing	19,617	1,634,750	2,290,722	0.62%
Lord Henry Bellingham	16,500	1,375,000	1,728,031	0.47%
Manuel Lambole (former director)	15,000	1,250,000	1,250,000	0.34%
Total	251,117	20,926,417	31,033,583	8.67%

4. Variation of Loan Facilities Agreement with OFX

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

Further to the announcement of 17 October 2022, OFX has provided US\$262,500 in loans to the Company (the "Equity Subscription Loan"). In conjunction with the Investment, OFX and ADM have formalised the "USA Loan Facility" with a total of US\$235,720 advanced as part of the purchase price pursuant to the terms of the Investment. By agreement between ADM and OFX, the Equity Subscription Loan will be refinanced by the USA Loan Facility resulting in a total of US\$498,220 outstanding under the USA Loan Facility with US\$251,780 remaining available for use. Following this variation, ADM Energy plc will not directly have any outstanding loans due to OFX.

Key terms of the USA Loan Facility include:

1. Loans of up to US\$750,000 with additional advances subject to mutual agreement between the Company and OFX.
2. The USA Loan Facility is not secured nor is the Company a guarantor of borrowings by ADM Energy USA, Inc.
3. Maturity date of 30 June 2025 ("Maturity Date").
4. Interest rate of 9.0% per annum with quarterly payments of interest to commence in April 2024.
5. OFX may offset amounts due to it pursuant to the USA Loan Facility against any amounts that would be due to the Company should OFX exercise warrants held by it over ordinary shares in the Company prior to the Maturity Date.

5. Grant of Options

The Company has adopted an unapproved share option scheme ("Scheme") and made a grant of options to certain directors and employees. The purpose of the Scheme is to incentivise management performance for the benefit of all shareholders by way of options which are subject to vesting conditions.

The terms of the Scheme provide that the Company can award options over a maximum of 12 per cent. of the Company's issued share capital, from time to time.

Vesting criteria for options granted under the Scheme are as follows:

Amount Vesting	Price	Vesting Conditions
50 per cent. ("Tranche One")	1.2p	On the business day following the second anniversary of the date of grant
50 per cent. ("Tranche Two")	2.4p	On the business day following the third anniversary of the date of grant

Vesting conditions may be varied or waived provided that any varied vesting condition shall be a fairer measure of performance, as judged at the time, and no more difficult to satisfy than the original vesting condition. The Scheme provides good leaver provisions and other standard terms normally associated with such a scheme.

The Company has granted the following options under the Scheme:

Director	Number of Options granted	Options granted as percentage of Enlarged Issued Share Capital on Admission	Shareholding on Admission	Shareholding on Admission as a percentage of Enlarged issued share capital on Admission
Stefan Olivier	21,299,823	5.76%	4,166,667	1.13%
Richard Carter	10,649,911	2.88%	6,598,163	1.78%
Oliver Andrews	4,348,714	1.18%	15,000,000	4.06%
Lord Henry Bellingham	4,348,714	1.18%	1,728,031	0.47%
Dr Stefan Liebing	3,194,973	0.86%	2,290,722	0.62%
Total	43,842,135	11.86%	29,783,583	8.05%

In addition to the awards to directors of the Company above, the Company has also issued 532,495 options over ordinary shares, representing 0.14% of the enlarged issued share capital on Admission to an employee. The total award of options represents 12.0% of the enlarged issued share capital on Admission.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with UK-adopted international accounting standards ("IFRS"). 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 and profit or loss of the company and group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

In the case of each person who was a director at the time, this report was approved:

- so far as that director is aware there is no relevant audit information of which the Group's auditor is unaware; and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

CORPORATE GOVERNANCE

Corporate governance regulations apply to all AIM quoted companies and require the Company to:

- provide details of a recognised corporate governance code that the board of directors has decided to apply; and
- explain how the Company complies with that code, and where it departs from its chosen corporate governance code provide an explanation of the reasons for doing so.

The Directors recognize the importance of sound corporate governance while taking into account the Group's size and stage of development and the following two sections explain the Company's compliance with these regulations.

AUDITORS

The auditors, Kreston Reeves LLP have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

DISCLOSURE OF INFORMATION TO AUDITORS

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

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

On behalf of the Board.

Stefan Olivier
Director

26 June 2023

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2022

INTRODUCTION

All members of the Board believe strongly in the value and importance of good corporate governance and in accountability to all of ADM Energy's stakeholders. The statement below, explains the approach to governance, and how the Board and its Committees operate.

The corporate governance framework which the Company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

The following paragraphs set out the Company's compliance with the ten principles of the QCA Code.

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

The Company is an investing company quoted on AIM. Its principal focus is investing in the natural resources sector, particularly in oil and gas where it believes that it can make an attractive return for shareholders. The Company expects to generate returns for shareholders through the development of its investments. Currently, the Company's principal investment is in the Nigerian offshore licence OML 113 and to date the Company has been involved with maintaining and progressing its investment in OML 113 together with the joint operators from the development stage through to production. It is therefore expected that a return to shareholders will be delivered principally through capital growth.

The Board recognises that a challenge of the natural resource sector is the significant time and financial investment often required to commercialise a resource or reserve. In respect of OML 113, the Company is a small but important stakeholder and therefore a key challenge is to continually appraise the OML 113 opportunity from a financial and technical standpoint and to ensure that all further investment in this asset delivers realistic value opportunities for all shareholders.

- **Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Shareholders have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting ("AGM"). Investors also have access to current information on the Company through its website, www.admenergyplc.com and via Stefan Olivier, CEO who is available to answer investor relations enquiries and can be contacted on Stefan@admenergyplc.com or hello@admenergyplc.com.

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

The Board recognises that the long-term success of the Company is reliant upon the efforts of its directors and employees, the efforts and activities of the joint operation partners and upon their contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships.

As an investing company, the Company recognises that it is likely further investment will be required as it develops the OML 113 asset and its portfolio of other investments. Accordingly, ensuring that the Company continually understands the requirements of shareholders in the context of the broader developments in its sector of operation is extremely important.

The Company's CEO is in regular dialogue with a number of the Company's shareholders, and feedback from this contact is used to shape subsequent communication with shareholders as a whole and the market more generally.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2022

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

In addition to its other roles and responsibilities, the Audit and Compliance Committee (see composition details in Corporate Governance section of website, www.admenergyplc.com.) is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

In terms of investment appraisal, this process is usually led by the CEO and COO. The opportunities are then presented and discussed by the Board as a whole. Where necessary, the Company will also involve third party experts in the overall appraisal process.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition, there are a range of Company policies that are reviewed at least annually by the Board. These policies cover matters such as share dealing and insider legislation. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Directors. However, the Board will continue to monitor the need for an internal audit function.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Company, that an internal audit function was not required.

As noted in the Strategic Report on pages 6-9, the Board regularly reviews operating and strategic risks and considers in such reviews financial and non-financial information including:

- a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- the performance of investments;
- selection criteria of new investments; and
- reports prepared by third parties.

- **Maintain the Board as a well-functioning, balanced team led by the Chair**

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent.

The Board comprises Non-executive Chairman Oliver Andrews, CEO Stefan Olivier, COO Richard Carter, and Non-executive Directors Claudio Coltellini Lord Henry Bellingham, and Dr Stefan Liebing. The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. Biographical details of the current directors are set out within Principle Six below and on page 10. Executive and non-executive directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting, one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Directors' receive fees for their services as directors which are approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments.

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.

The Board meets as regularly as necessary. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. Appointments to the Board are made by the Board as a whole and so the Company has not created a Nominations Committee.

The Board retains full control of the Company with day-to-day operational control delegated to the CEO and other Directors.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2022

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

All members of the Board bring either relevant sector experience or public market's experience which the Company considers to be fundamentally important in its chosen area of operation and investment appraisal process. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Please see biographies of the Board of Directors on page 10.

- **Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

Internal evaluation of the Board, its Committees and individual directors is important and will develop as the Company grows in the future. The expectation is that Board reviews will be undertaken on an annual basis to determine the effectiveness and performance in various areas as well as the directors' continued independence

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, open dialogue within the Company and a commitment to best practice.

The Company has also adopted an anti-bribery policy which is clearly set out on the Company's website.

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

The Board schedule provides for six board meetings per annum and, in addition, meets ad-hoc as required. Notwithstanding the above, the Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

The **Audit and Compliance Committee** monitors the integrity of financial statements, oversees risk management and control, and reviews external auditor independence. It also ensures that the Company is compliant with its relevant regulatory requirements.

The **Non-executive Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The **Non-executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the group is operating within the governance and risk framework approved by the Board.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

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

The Company communicates with shareholders through its period announcement, the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.admenergyplc.com.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2022

The Board is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board seeks to apply where appropriate the QCA Code as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

BOARD STRUCTURE

The Board has five directors, four of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the Directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

The roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication.

ATTENDANCE AT MEETINGS

It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments, and that all Directors will attend the AGM.

During the year the Board met 8 times and all the Directors attended the meetings.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee consists of Lord Henry Bellingham (Committee Chairman) and Dr Stefan Liebing. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Committee makes recommendations to the Board, within agreed terms of reference regarding the levels of remuneration and benefits.

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial period ended 31 December 2022. This report sets out the activities of the Remuneration Committee during 2022.

The Committee met twice during the year to determine the remuneration arrangements of the Directors and senior employees.

Remuneration policy

The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations. The objectives and core principles of the remuneration policy are to:

- ensure remuneration levels support the Group's strategy;
- ensure that there is an appropriate link between performance and reward;
- ensure alignment of Directors, senior management and shareholder interests;
- ensure that long-term incentives are linked to shareholder return;
- enable the Group to recruit, retain and motivate individuals with the skills, capabilities and experience to achieve its objectives; and
- strengthen teamwork by enabling all employees to share in the success of the business.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2022

There are four elements of the remuneration package for Executive Directors and senior management:

- basic annual salary;
- benefits in kind;
- discretionary annual bonus; and
- long-term incentive plan.

Audit Committee

The Audit Committee consists of Oliver Andrews (Committee Chairman) and Dr Stefan Liebing. The Audit Committee meets at least twice a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee report for the financial period ended 31 December 2022. This report sets out the activities of the Audit Committee during 2022.

The Audit Committee is governed by terms of reference which are agreed by the Board and subject to annual review.

Principal responsibilities of the committee:

- Ensuring the financial performance of the Group is properly reviewed, measured and reported;
- Monitoring the quality and adequacy of internal controls and internal control systems implemented across the Group;
- Receive and review reports from the Group's management and auditors relating to the interim and annual accounts;
- Reviewing risk management policies and systems;
- Advising on the appointment, re-appointment and remuneration of independent external auditors, besides scheduling meetings with external auditors independent of management for discussions and reviews; and
- Reviewing and monitoring the extent and independence of non-audit services rendered by external auditors.

Areas of focus during 2022

The Committee met three times in 2023 to execute its responsibilities. Meetings focussed on audit planning, risk management, internal controls and the approval of the interim and final results including the key judgements associated with acquisition accounting, asset impairment review assumptions and calculations, creditor completeness reviews and the going concern requirements and statement.

Internal controls and risk

The Board assigns to the Committee the responsibility of monitoring and improving the Group's internal controls governing the finances of the business. The system of internal controls is vital in managing the risks that face the Group and safeguarding shareholders' interests.

Audit Process

The Committee reviews the findings of the external auditors and then approves the scope of work to be undertaken for the next financial reporting year, including the associated audit fees. In addition, a review of the effectiveness of the external audit process is undertaken and an annual assessment of the external auditor's independence is made.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2022

COMPANY CULTURE AND ETHICS

The Board of Directors seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours. A culture of ethics and compliance is at the core of a strong risk management program.

The Board of Directors of ADM Energy plc has adopted this code of ethics, to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; promote the full, fair, accurate, timely and understandable disclosure of the Company's financial results in accordance with applicable disclosure standards; promote compliance with applicable governmental laws, rules and regulations; and deter wrongdoing.

Oliver Andrews
Non-Executive Chairman

26 June 2023

REPORT ON DIRECTORS' REMUNERATION

FOR THE PERIOD ENDED 31 December 2022

REMUNERATION

The remuneration of the Directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director at a cost to the Group, which reflects current market rates.

The Board is responsible for the overall remuneration package for the Executive and Non-executive Directors. The Company's remuneration policy is set out on page 21.

DIRECTORS' EMOLUMENTS

Details of the remuneration package of each Director for the year are set out below:

Director	2022 Fees and emoluments £'000	2022 Pension contributions	2022 Total remuneration £'000	2021 Total remuneration £'000
Oliver Andrews	60	–	60	25
Richard Carter	181	20	201	236
Manuel Lambole	25	–	25	37
Lord Bellingham	29	–	29	30
Dr Stefan Liebing	25	–	25	28
Directors who left during year:				
Osamede Okhomina (resigned 31 October 2022)	65	61	126	409
Peter Francis	–	–	–	20
	385	81	466	785

PENSIONS

Pension contributions of £81,000 were paid in respect of the directors for the year ended 31 December 2022 (2021: £45,000).

On behalf of the Board.

Oliver Andrews
Non-Executive Chairman

26 June 2023

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

Opinion

We have audited the financial statements of ADM Energy PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the group income statement and statement of comprehensive income, group and company statements of financial position, group and company statements of changes in equity, group and company statements of cashflow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- *give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2022 and of the Group's 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.*

Basis for opinion

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

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which discloses that the Group is considered to be a going concern by management. We note that the primary source of income generated in recent years, via its partnership in the OML 113 license, was paused in the year as part of a suspension of production at Aje. This pause is to upgrade and increase the capacity and production capability of the asset in line with the development plans. Specifically, to more fully develop a far more significant area of proven oil and gas reserves within the field. While the exact period of this near-term suspension of operations is not entirely known at this stage, management are confident that newly expanded operations will be underway in 2024. Therefore, the Group are going to be largely reliant on additional funding to meet its liabilities as they fall due for the foreseeable future, covering a period of at least 12 months from the date of the approval of these financial statements. We also note other investment opportunities, including the acquisition of an interest in 5 oil producing wells in USA, being pursued which management are confident will start producing revenues from the summer of 2023, with these revenues expected to significantly increase towards the end of the year as more of the wells at the field become operational. However, there is uncertainty over the timing and quantum of returns from these assets and therefore the extent to which returns from this source can be relied

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

upon to fund liabilities as they fall due. These events or conditions, along with other matters set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. This conclusion is reached based on the following procedures, we have:

- *Evaluated the design and implementation of key internal controls over management's assessment of going concern, considering in detail the rationale provided and whether this was consistent with our understanding as well as audit evidence obtained;*
- *Considered the accuracy of forecasts produced by management by reference to key assumptions made, as well as identifying specific elements of the forecasts that are critical for demonstrating that the business remains a going concern, taking into account variances that arose;*
- *Considered the key financial data of the group and company at year end and assessed the financial headroom available by reference to ongoing cash commitments over a period of at least 12 months from the date of the approval of these financial statements, including review of \$200,000 of drawdown facilities for additional loan funding;*
- *Considered the trends of key commodity prices in the financial year and in the period up to the date of the approval of these financial statements;*
- *Considered the funding facilities currently and potentially available to the business as well as reviewing the associated covenants where applicable;*
- *Specifically considered the willingness and ability of shareholders to continue to provide equity finance to the business based on historic track record of support, capital raises after the balance sheet date and the results of recent shareholder general meetings. This has included review of convertible loan notes of up to £1.25m, issued post year end, of which \$900k has already been committed;*
- *Considered post year end financial information, board minutes and other events in order to further assess the performance, strength as well as the ability of the business to settle liabilities as they fall due since the balance sheet date to the date of the approval of the financial statements.*

As noted in the 'Responsibilities of the directors section the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern.

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

Our scoping considerations for the Group audit were based both on financial information and risk. The below table summarises for the parent company, and its subsidiaries, in terms of the level of assurance gained:

Group component	Level of assurance
ADM Energy PLC	Full statutory audit
P R Oil & Gas Nigeria Limited	Substantial audit procedures
ADM Asset Holdings Limited	Limited assurance review
ADM Energy Services Limited	Limited assurance review
ADM 113 Limited	Limited assurance review
Geo Estratos MXOil, SAPI de CV	Limited assurance review
K.O.N.H. (UK) Limited	Limited assurance review
ADM One 113 Limited	Limited assurance review

Coverage overview

	Group revenue (£'000s)	Group profit/(loss) before tax (£'000s)	Group net assets (£'000s)
Totals at 31 December 2022:	£662	(£2,122)	£11,208
Full statutory audit and substantial audit procedures	£662	(£2,122)	£11,208
Limited audit procedures	£Nil	£Nil	£Nil

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

Our application of materiality

	Group financial statements	Parent company financial statements
Materiality	£224,200	£198,400
Basis for determining materiality	Capped below 2% of net assets	Capped below group materiality
Rationale for benchmark applied	The group's principal activity of that of investing in the natural resources sector. To this end the business is highly asset focused. Therefore, a benchmark for materiality of the Net Assets of the group is considered to be appropriate.	The parent company materiality has been capped at below group materiality. This was to address the aggregation risk in the group audit.
Performance materiality	£156,900	£138,900
Basis for determining performance materiality	70% of materiality	Capped below group materiality
Rationale for performance materiality applied	On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 70% of our financial statement materiality. In assessing the appropriate level, we consider the nature, the number and impact of the audit differences identified in the previous year's audit.	The parent company performance materiality has been capped at below group performance materiality. This was to address the aggregation risk in the group audit.
Triviality threshold	£11,200	£9,900
Basis for determining triviality threshold	5% of materiality	Capped below group materiality

We reported all audit differences found in excess of our triviality threshold of £11,200 to the directors and the management board.

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Revenue recognition	
<p>Significance and nature of key risk</p> <p>The Group had one main source of revenue during the year, this being the investment returns from the its share in the OML 113 License. The underlying asset being a stake in the Aje oil and gas field in Nigeria.</p> <p>We have focused on this income stream due to the potential for material misstatement of revenue whether caused by fraud or error.</p> <p>The group's revenue share is outlined in the Joint Operating Agreement, the underlying revenues being generated from the sale of crude oil within the oil and gas field.</p>	<p>How our audit addressed the key risk</p> <p>Given that revenues arise from the OML 113 license under the joint operating agreement, there is risk of calculation errors which may result in recorded revenue being material misstated.</p> <p>We have obtained reconciliations produced by the asset's operator directly from this third party and confirmed the group's stated share to underlying signed contracts. The independence and competence of the operator was also assessed along with their control environment in place for the production of accurate financial reports for partners in the OML 113 License.</p> <p>We have specifically considered revenue recognition and cut-off in line with the requirements of IFRS 15.</p> <p>We have further assessed the systems and controls in place around the revenue cycle, implemented by the group themselves, to ensure that these are functioning as designed.</p>
<p>Key observations communicated to the Audit Committee</p> <p>We have no concerns over the material accuracy of revenue recognised in the financial statements.</p>	

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

Valuation/impairment of intangible assets	
<p>Significance and nature of key risk</p> <p>Intangible assets relate to the Group's capitalised development costs and proportionate interest in the production assets covered under the joint operating agreement.</p> <p>Due to the recognition requirements under IAS 38 there is inherent management judgement in the treatment of these as assets of the group rather than expenses.</p>	<p>How our audit addressed the key risk</p> <p>We have closely examined the nature of items capitalised to ensure that these meet the definition of intangible assets under IAS 38. This included agreement to sale and purchase agreements as well as other supporting evidence.</p> <p>We have obtained management's assessment of the impairment of intangibles. In analysing this we have considered external factors, such as the consideration received for transfer of interest in the license between other partners, in order to gain evidence of potential impairment in the value of the group's holding – which is effectively represented in the financial statements by this intangible.</p> <p>We have considered the appropriateness of the valuation model used and agree this is reasonable given the nature of the underlying asset that these development costs relate to.</p>
<p>Key observations communicated to the Audit Committee</p> <p>We have no concerns over the material accuracy of intangible asset values recognised in the financial statements.</p>	
Valuation of liabilities in P R Oil & Gas Nigeria Limited	
<p>Significance and nature of key risk</p> <p>There are cost sharing obligations relating to the group's interest in the OML 113 License, as specified in the joint operating agreement.</p> <p>These liabilities have increased with the acquisition of additional interest in the OML 113 license by the group in recent years.</p> <p>There is a risk that the expense share reported to the group to be accrued for is materiality understated.</p>	<p>How our audit addressed the key risk</p> <p>In line with our auditing of revenue recognition we have obtained reconciliations produced by the asset's operator directly from this third party and confirmed the group's stated share to underlying signed contracts.</p> <p>The independence and competence of the operator was also assessed along with their control environment in place for the production of accurate financial reports for partners in the OML 113 License.</p> <p>We have confirmed that the specific audit of the operator's accounting for project costs was concluded in the financial year and that the results of this did not indicate increased risk of material misstatement of the group's share of operating liabilities.</p>

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

Key observations communicated to the Audit Committee

We have no concerns over the material accuracy of liabilities relating to OML 113 license operations recognised in the financial statements. The audit of the operator was concluded in the year with no findings made that gave rise to material uncertainty over the accuracy of information being produced.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 17), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, management

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

bias in accounting estimates and judgemental areas of the financial statements such as the valuation of intangible assets. Audit procedures performed by the group engagement team included:

- *Detailed discussions were held with management to identify any known or suspected instances of non-compliance with laws and regulations.*
- *Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud.*
- *Challenging assumptions and judgements made by management in its significant accounting estimates, including assessing the capabilities of management to consider sufficient impairment criteria in making their assessment over the value of intangible assets.*
- *Performing analytical procedures to identify any unusual or unexpected relationships, including related party transactions, that may indicate risks of material misstatement due to fraud.*
- *Confirmation of related parties with management, and review of transactions throughout the period to identify any previously undisclosed transactions with related parties outside the normal course of business.*
- *Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax and regulatory authorities.*
- *Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions.*
- *The cashbook used to create the initial financial information with respect to ADM Energy PLC and P R Oil & Gas Nigeria Limited was reviewed to ensure no entries in the cash book indicated fraudulent activity by management.*

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*

**INDEPENDENT AUDITOR REPORT
TO THE SHAREHOLDERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 DECEMBER 2022**

- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.*
- *Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*
- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Anne Dwyer BSc(Hons) FCA (Senior Statutory Auditor)
For and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
London
Date: 26 June 2023

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2022

	Note	2022 £'000	2021 £'000
Continuing operations			
Revenue	3	662	1,751
Operating costs		(369)	(1,895)
Administrative expenses		(1,723)	(2,340)
Impairment of investment	11	(576)	–
Operating loss	4	(2,006)	(2,484)
Movement in fair value of investments		–	–
Finance costs	5	(116)	(56)
Loss on ordinary activities before taxation		(2,122)	(2,540)
Taxation	7	–	–
Loss for the year		(2,122)	(2,540)
Other Comprehensive income:			
Exchange translation movement		1,339	141
Total comprehensive income for the year		(783)	(2,399)
Basic and diluted loss per share:			
From continuing and total operations	8	(0.8)p	(1.6)p

The notes on pages 40 to 64 form part of these financial statements.

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 December 2022

	Notes	GROUP		COMPANY	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
NON-CURRENT ASSETS					
Intangible assets	9	17,899	16,149	–	–
Investment in subsidiaries	10	–	–	12,343	12,335
Fixed asset investments	11	–	576	–	576
		17,899	16,725	12,343	12,911
CURRENT ASSETS					
Investments held for trading	12	28	28	28	28
Inventory	13	36	33	–	–
Trade and other receivables	14	22	130	17	130
Cash and cash equivalents	15	25	110	25	109
		111	301	70	267
CURRENT LIABILITIES					
Trade and other payables	16	2,240	1,534	2,207	1,515
Convertible loans	17	–	212	–	212
		2,240	1,746	2,207	1,727
NET CURRENT LIABILITIES		(2,129)	(1,445)	(2,137)	(1,460)
NON-CURRENT LIABILITIES					
Other borrowings	17	287	247	287	247
Other payables	16	2,718	2,783	–	–
Decommissioning provision	18	1,557	1,264	–	–
		4,562	4,294	287	247
NET ASSETS		11,208	10,986	9,919	11,204
EQUITY					
Share capital	19	11,194	10,267	11,194	10,267
Share premium	19	38,090	38,014	38,090	38,014
Other reserves	20	962	960	962	960
Currency translation reserve		630	(709)	–	–
Retained deficit		(39,668)	(37,546)	(40,327)	(38,037)
Equity attributable to owners of the Company and total equity		11,208	10,986	9,919	11,204

The notes on pages 40 to 64 form part of these financial statements.

The financial statements were approved by the Board and ready for issue on 26 June 2023.

Stefan Olivier
Director

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2022

	Share capital £'000	Share premium £'000	Exchange translation reserve £'000	Other reserves £'000	Retained deficit £'000	Total equity £'000
At 1 January 2021	9,450	36,591	(850)	817	(35,006)	11,002
Loss for the year	–	–	–	–	(2,540)	(2,540)
Exchange translation movement	–	–	141	–	–	141
Total comprehensive income / (expense) for the year	–	–	141	–	(2,540)	(2,399)
Issue of new shares	817	1,517	–	–	–	2,334
Share issue costs	–	(94)	–	27	–	(67)
Issue of convertible loans	–	–	–	2	–	2
Warrants issued in settlement of fees	–	–	–	114	–	114
At 31 December 2021	10,267	38,014	(709)	960	(37,546)	10,986
Loss for the year	–	–	–	–	(2,122)	(2,122)
Exchange translation movement	–	–	1,339	–	–	1,339
Total comprehensive income / (expense) for the year	–	–	1,339	–	(2,122)	(783)
Issue of new shares	927	134	–	–	–	1,061
Share issue costs	–	(56)	–	–	–	(56)
Issue of warrants	–	(2)	–	2	–	–
Settlement of convertible loans	–	–	–	(19)	19	–
At 31 December 2022	11,194	38,090	630	943	(39,649)	11,208

The notes on pages 40 to 64 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2022

	Share capital	Share premium	Other reserves	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 January 2021	9,450	36,591	817	(35,770)	11,088
Loss for the period and total comprehensive expense	–	–	–	(2,267)	(2,267)
Issue of new shares	817	1,517	–	–	2,334
Share issue costs	–	(94)	27	–	(67)
Issue of convertible loans	–	–	2	–	2
Warrants issued in settlement of fees	–	–	114	–	114
At 31 December 2021	10,267	38,014	960	(38,037)	11,204
Loss for the period and total comprehensive expense	–	–	–	(2,290)	(2,290)
Issue of new shares	927	134	–	–	1,061
Share issue costs	–	(56)	–	–	(56)
Issue of warrants	–	(2)	2	–	–
Settlement of convertible loans	–	–	(19)	19	–
At 31 December 2022	11,194	38,090	943	(40,308)	9,919

The notes on pages 40 to 64 form part of these financial statements.

GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2022

	Note	GROUP		COMPANY	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
OPERATING ACTIVITIES					
Loss for the period		(2,122)	(2,540)	(2,290)	(2,267)
Adjustments for:					
Warrants issued in settlement of fees		–	114	–	114
Finance costs	5	116	56	116	56
Impairment of investment	11	576	–	576	–
Depreciation and amortisation	9	65	47	–	–
Decommissioning provision	18	138	215	–	–
Operating cashflow before working capital changes		(1,227)	(2,108)	(1,598)	(2,097)
Increase in inventories		–	–	–	–
Decrease/(increase) in receivables		108	(21)	113	(21)
Increase/(decrease) in trade and other payables		138	570	522	545
Net cash outflow from operating activities		(981)	(1,559)	(963)	(1,573)
INVESTMENT ACTIVITIES					
Acquisition of subsidiary		–	(180)	–	(180)
Proceeds on disposal of investments		–	850	–	850
Loans to subsidiary operation	8	–	–	(8)	(19)
Net cash outflow from investment activities		–	670	(8)	651
FINANCING ACTIVITIES					
Continuing operations:					
Issue of ordinary share capital	19	1,061	1,406	1,061	1,406
Share issue costs	19	(56)	(67)	(56)	(67)
Repayment of borrowings		(328)	(338)	(328)	(338)
Proceeds from borrowings		210	–	210	–
Net cash inflow from financing activities		887	1,001	887	1,001
Net (decrease)/increase in cash and cash equivalents from continuing and total operations		(94)	112	(84)	79
Exchange translation difference		9	(32)	–	–
Cash and cash equivalents at beginning of period		110	30	109	30
Cash and cash equivalents at end of period	15	25	110	25	109

The notes on pages 40 to 64 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

1 GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom and its shares are listed on the AIM market of the London Stock Exchange. The Company also has secondary listings on the Quotation Board Segment of the Open Market of the Berlin Stock Exchange ("BER") and Xetra, the electronic trading platform of the Frankfurt Stock Exchange ("FSE").

The Company is an investing company, mainly investing in natural resources and oil and gas projects. The registered office and principal place of business of the Company is as detailed in the Company Information section of the report and accounts on page 3.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (IASB) UK-adopted International Financial Reporting Standards (adopted IFRSs). The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The current period covered by these financial statements is the year to 31 December 2022. The comparative figures relate to the year ended 31 December 2021. The financial statements are presented in pounds sterling (£) which is the functional currency of the Group.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented below under 'Statement of Compliance'.

GOING CONCERN

At 31 December 2022, the Group recorded a loss for the year of £2.13m and had net current liabilities of £2.13m, after allowing for cash balances of £25k. Production was suspended at Aje in the year as part of the development and expansion plans being undertaken at the field.

In 2022 the company raised £1.29m through two fund raises. In May 2023 the Company announced, alongside the acquisition of Blade V, that it has entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million, of which US\$900,000 has been subscribed for and US\$600,000 remaining available for subscription. The SCLN has a three-year term, an interest rate payable-in-kind (which may be settled with cash or non-cash payments) of 8.0% per annum and the principal together with any interest due may be converted at any time at a share price of 1.2p per share.

In addition to the subscriptions, the Company agreed with certain directors and creditors to convert outstanding contractual liabilities of £683,117 into 56,926,417 new ordinary shares in the Company at the price of 1.2p per new ordinary share, helping the company reduce the liabilities on the balance sheet. Also with the change of management the focus of the company is now on finding near term producing assets so the company can start earning revenue. In May 2023 the company announced the purchase of Blade V which holds an interest across 5 different wells in USA, all with near term revenue potential. As part of this deal, the company also has circa \$251k available under its debt facility with OFX.

The Directors have prepared cashflow forecasts for the period to June 2024 to assess whether the use of the going concern basis for the preparation of the financial statements is appropriate. In the short term, between the loan facility, potential revenue and CLN proceeds the Group does not expect to need short term funding to meet its liabilities as they fall due however the group does expect in the period that more funding might be needed. The Directors have a reasonable expectation based on past performance and current discussions of support from stakeholders that additional finance would be available should it be needed. Accordingly, the directors consider it reasonable to prepare the financial statements on the going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF COMPLIANCE

New standards, amendments and interpretations adopted by the Company

The company has applied the following standards and amendments for the first time for its annual reporting period after 1 January 2022:

- Amendment to “IFRS 4 “Insurance Contracts – deferral of IFRS 9” supports the companies implementing the new IFRS 17 standard and it makes it simpler to report their financial performances.
- The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2” integrate the amendments made in 2019. The amendments referred in phase 2, address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate (i.e. replacement issue) and assist companies in the application of IFRS when changes are made to contractual cash flows or hedging relationships due to the interest rate reform, and in providing useful information to users of the financial statements.
- The Amendment to IFRS 16, “Covid-19-Related Rent Concessions beyond 30 June 2021” extends the period of application of the 2020 amendment to IFRS 16, relative to the lessees’ accounting of concessions granted as a result of Covid-19, by one year.

The adoption of the standards and interpretations described above, already in effect at the date of this report, did not have a material impact on the measurement of the Group’s assets, liabilities, costs and revenues.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2021 and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Judgement also applies in determining whether costs associated with contingent liabilities can be reliably estimated or not and the extent to which it is appropriate to make disclosure in this area.

USEFUL ECONOMIC LIFE OF INTANGIBLE ASSETS

The Group’s intangible assets relate to oil field development expenditure which is considered capital in nature. Intangible assets are amortised over their useful economic life in accordance with the expected pattern of consumption of the benefits arising from the Group’s interest in OML 113 license (the Unit of Production method). The timing and pattern of production represents an estimation made with reference to according research performed by third parties and the Directors assessment of the timing and level of activity over the life of developed assets.

IMPAIRMENT OF ASSETS

Note 10 summarises the cumulative cost less amortisation of Group’s indirect investment in the Aje Field (OML 113). During the year, the Directors noted indicators of impairment related to this asset. They have therefore reviewed the value of the Group’s proportionate share of the Aje fixed assets (which as a cash generating unit is represented by the intangible asset relating to the cumulative cost of its acquisition and funding of its interest in the Aje Field) and have determined that it is appropriate to impair the asset down to the fair value as implied by the value of the recent Petronor/Panoro transaction which as at 31 December 2021 was considered by the Directors to represent the most relevant and reliable available indicator of value against a backdrop of market and operation uncertainty prevalent at the time. The Directors have considered other valuation indicators such as value in use calculations and fair value assessments based on seismic reports, but these are not considered to give the same reliable indication of value as a publicly announced transaction between two third parties. It should be noted that the referenced Petronor/Panoro transaction is subject to adjustments to take into account it is a corporate transaction rather than a valuation of a group of assets identified as a cash generating unit. Such adjustments are subject to judgement and estimation by the directors, as are adjustments for other implied factors such as contingent consideration associated with the transaction. The carrying value of the parent company’s investment in subsidiaries is also derived using the same valuation techniques, judgements and estimations, but modified for the fact it represents the valuation of an investment in a legal entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

KEY ESTIMATES AND ASSUMPTIONS (continued)

CONTINGENT LIABILITIES

The assessment of contingent liabilities inherently involves the exercise of significant judgment and estimates of the outcome of future events. This judgement involves the Directors making assessment as to whether an economic outflow relating to a past event is considered probable, possible or remote, and the extent to which its outcome can be reliably estimated. In making this judgement, the Directors make reference to correspondence with parties relevant to the contingent liability and make their own assessment of whether they have sufficient information from such correspondence to reliably predict an outcome.

INVESTMENTS HELD FOR TRADING

Investments held for trading are held at fair value through profit and loss. At both reporting dates they are considered to be Level 3 investments whereby their valuation is determined by whole or in part using valuation techniques based on assumptions that are not supported by observable prices in comparable market transactions in the same instrument or similar observable data.

The Directors regularly review the valuation of such investments against both ongoing results of the business in which it has made investments and the price at which any further investment has taken place if such investment is considered to give sufficient and appropriate indication of fair value.

DECOMMISSIONING PROVISION

Decommissioning costs will be incurred by the Group, in accordance with the terms of the Joint Operating Agreement, at the end of the operating life of the production facilities associated with the Group's interest in OML 113. The Group assesses its retirement obligation at each reporting date. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure can also change, for example in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for asset retirement obligation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. The provision at reporting date represents management's best estimate of the present value of the future asset retirement costs required using an annual discount rate of 10%.

SHARE BASED PAYMENTS

The Group has made awards of options and warrants over its unissued share capital to certain Directors, employees and professional advisers as part of their remuneration.

The fair value of options and warrants are determined by reference to the fair value of the options and warrants granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Group has recognised the fair value of options and warrants, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

ACCOUNTING POLICIES

REVENUE RECOGNITION

The Group follows IFRS 15. The standard provides a single comprehensive model for revenue recognition in a 5 step process.

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Identify all contract(s) with customers and ensure that these are clearly documented. | The group hold a signed agreement confirming their interest in the OML 113 license. These details the revenue and cost sharing arrangements in place. |
| 2. Identify separate performance obligations in a contract. Will a contract need to be 'unbundled' into two or more components? Alternatively, will two or more contracts need to be 'bundled' into a single overall obligation? | There is no performance obligation as such on ADM's part. The contract in place gives them legal rights to their share of the revenues in the operations relating to the OML 113 license in the financial year as calculated by the 3rd party operations and management company. |
| 3. Determine the transaction price. | The transaction price is the calculated share of revenues in the financial period which are to be allocated to ADM. This calculation is based on ADM's interest in the OML 113 license in the period.

Therefore, there is no pre-set transaction price as this is a derived return from the performance of the underlying asset under the OML 113 license in the year. |
| 4. Is revenue recognised at a single point in time, or over a period of time? | Revenue theoretically accrues over the course of the financial period based on the performance of the asset. In practice this revenue is recognised in the group as a year end adjustment as the final revenue posting is made based on the billing statement provided by the 3rd party operations and management company. This billing statement covered the entire financial year. |
| 5. If revenue is recognised over time, how should progress towards completion be measured and recognised? | As above – revenues relate to performance of the asset in the year. However, in terms of final accounting the revenue is recognised at a single point in time as part of the YE adjustments following the receipt of the 3rd party billing statement. |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

TAXATION

UK taxes

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

Nigerian taxes

The Company's subsidiary, P R Oil & Gas Nigeria Ltd operates offshore Nigeria and is subject to the tax regulations of that country

Current income tax assets and liabilities for current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws are those that are enacted or substantially enacted at the reporting date. The Company engaged in exploration and production of crude oil (upstream activity). Therefore, its profits are taxable under the Petroleum Profit Tax Act.

INTANGIBLE ASSETS

Intangible assets relate to the Group's capitalised E&E costs and proportionate interest in the production assets of joint operations (development costs).

The share of development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the asset and use or sell it
- the Group has the ability to use or sell the asset
- the asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the asset, and
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. There were no development costs recognised as an expense during the year (2021: £Nil).

Intangible assets are amortised as the benefits associated with them are consumed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

IMPAIRMENT OF INTANGIBLE ASSETS

Proven oil and gas properties and intangible assets are reviewed annually for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The carrying value is compared against the expected recoverable amount of the asset, generally by net present value of the future net cash flows, expected to be derived from production of commercial reserves or consideration expected to be achieved through the sale of its interest in an arms-length transaction, less any associated costs to sell. The cash generating unit applied for impairment test purposes is generally the field and the Group's interest in its underlying assets, except that a number of field interests may be grouped together where there are common facilities.

FINANCIAL ASSETS

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified into the following specific categories: 'Investments measured at fair value through other comprehensive income', 'investments held for trading', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at fair value through other comprehensive income are designated as Fixed Asset Investments and are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at fair value.

Fair value gains or losses are recognised and posted to Other Comprehensive Income and held in the Financial Instruments Revaluation Reserve. Fair value measurements and techniques are set out in the accounting policy on page 39 and referred to in Financial Assets Measured at Fair Value through Profit and Loss. Financial Assets Revaluation Reserve is included in Other Reserves in Equity

INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the statement of financial position is based on the quoted bid price at the statement of financial position date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price at which shares have been issued and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IFRS 9 Financial Instruments. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

INVENTORY

Inventory comprises stock of unsold oil in storage and is valued at the lower of cost and net realisable value.

BASIS OF CONSOLIDATION

The consolidated financial statements present the results of ADM Energy plc and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION (continued)

The company have the following subsidiaries which were effectively dormant in the current and prior period and are considered to be highly immaterial to the Group's financial statements. As such these subsidiaries have not been included in the consolidated financial statements:

- Geo Estratos MXOil, SAPI de CV
- ADM Asset Holdings Limited
- ADM Energy Services Limited
- K.O.N.H. (UK) Limited
- ADM 113 One Limited

JOINT OPERATIONS (OML 113 OPERATING AGREEMENT)

The Group has a 9.2% profit share and 12.3% cost share in the OML 113 operating licence. The operating agreement for OML 113 is a joint arrangement, with the fundamental decisions requiring unanimity between the partners. Other decisions require a qualified majority decision. As no corporate entity exists the agreement cannot be considered to meet the definition of a joint venture.

In relation to its interests in the OML 113 operations, the Group recognises:

- The fair value of the Group's share of the underlying assets of the joint operation (classified as intangible assets), measured at historical cost less amortisation and impairment.
- Amounts owed in respect of the joint operating agreement
- Revenue from the sale of its share of the output arising from the joint operation
- Expenses, including its share of any expenses incurred jointly

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Equity comprises the following:

- Share capital represents the nominal value of equity shares issued.
- The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- Option reserve represents the cumulative cost of share based payments in respect of options granted.
- Warrant reserve represents the cumulative cost of share based payments in respect of warrants issued.
- Convertible loan note reserve represents the equity portion of convertible loan notes issued.
- Currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

2 FINANCIAL LIABILITIES

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Group's financial liabilities comprise trade and other payables.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

2 PRINCIPAL ACCOUNTING POLICIES (continued)

DECOMMISSIONING LIABILITY

A decommissioning liability is recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. A corresponding amount equivalent to the obligation is also recognised as part of the cost of the related production plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its present value, using a discount rate of 10%. Changes in the estimated timing of decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to production plant and equipment. The unwinding of the discount on the decommissioning provision will be included in the income statement.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by uncertain future events that are not wholly within the control of the Group. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable.

Unless the possibility of an outflow of economic resources is remote a contingent liability is disclosed in the notes.

SHARE BASED PAYMENTS

Where share options are awarded, or warrants issued to employees, the fair value of the options/warrants at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options/warrants that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where warrants or options are issued for services provided to the Group, including financing, the fair value of the service is charged to the statement of comprehensive income or against share premium where the warrants or options were issued in exchange for services in connection with share issues. Where the fair value of the services cannot be reliably measured, the service is valued using Black Scholes valuation methodology taking into consideration the market and non-market conditions described above.

Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the statement of comprehensive income.

FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Group's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The Directors consider that it would not be appropriate to disclose any geographical analysis of the Group's investments.

No segmental analysis has been provided in the financial statements as the Directors consider that the Group's operations comprise one segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

3 REVENUE

The Group has a share in an oil and gas licence offshore Nigeria and all the Group's revenue is derived from this source.

	2022	2021
	£'000	£'000
Revenue from share in offshore oil and gas licence in Nigeria	662	1,751
	662	1,751

4 OPERATING LOSS

	2022	2021
	£'000	£'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration (see note 6)	492	866
Employee salaries and other benefits	23	–
Amortisation	65	47
Decommissioning costs – Unwinding of provision	138	141
Decommissioning costs – Change in provision estimate	–	155
Impairment of intangible assets	–	–
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	35	30

5 FINANCE COSTS

	2022	2021
	£'000	£'000
Short term loan finance costs	116	56
	116	56

6 EMPLOYEE REMUNERATION

The expense recognised for employee benefits for continuing operations is analysed below:

	2022	2021
	£'000	£'000
Wages and salaries (including directors and employee benefits)	487	785
Social security costs	28	81
	515	866
Directors' remuneration:		
Wages and salaries (including benefits)	466	785
Social security costs	26	81
	492	866

Further details of Directors' remuneration are included in the Report on Directors' Remuneration on page 23.

Only the directors are deemed to be key management. The average number of employees (including directors) in the Group was 6 (2021:6).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

7 INCOME TAX EXPENSE

	2022	2021
	£'000	£'000
Current tax – ordinary activities	–	–
	2022	2021
	£'000	£'000
Loss before tax from ordinary activities	(2,122)	(2,540)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2021: 19%)	(403)	(483)
Expenses not deductible for tax purposes	23	49
Unrelieved tax losses carried forward	380	434
Total tax charge for the year	–	–

No deferred tax asset has been recognised in respect of the Group's losses as the timing of their recoverability is uncertain.

8 EARNINGS AND NET ASSET VALUE PER SHARE**Earnings**

The basic and diluted earnings per share is calculated by dividing the loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2022	2021
	£'000	£'000
Loss attributable to owners of the Group		
- Continuing operations	(2,122)	(2,540)
Continuing and discontinued operations	(2,122)	(2,540)
	2022	2021
Weighted average number of shares for calculating basic and fully diluted earnings per share	252,369,021	155,014,671
	2022	2021
	pence	pence
Earnings per share:		
Loss per share from continuing and total operations	(0.8)	(1.6)

The weighted average number of shares used for calculating the diluted loss per share for 2022 and 2021 was the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options was anti-dilutive.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

8 EARNINGS AND NET ASSET VALUE PER SHARE (continued)**Net asset value per share ("NAV")**

The basic NAV is calculated by dividing the loss total net assets attributable to the owners of the Group by the number of ordinary shares in issue at the reporting date. The fully diluted NAV is calculated by adding the cost of exercising any extant warrants and options to the total net assets and dividing the resulting total by the sum of the number of shares in issue and the number of warrants and options extant at the reporting date.

	2022	2021
	£'000	£'000
Total net assets of the Group	11,208	10,986
Cost of exercise of warrants	1,159	1,318
Total net assets for calculation of fully diluted NAV	12,367	12,304
	2022	2021
Number of shares in issue at the reporting date	297,147,530	204,480,863
Number of extant warrants	26,748,410	31,581,012
Total number of shares for calculation of fully diluted NAV	323,895,940	236,061,875
	2022	2021
NAV – Basic (pence per share)	3.8p	5.4p
NAV – Fully diluted (pence per share)	3.8p	5.2p

9 INTANGIBLE ASSETS**GROUP**

The intangible asset relates to the Group's 9.2% revenue interest (12.3% cost share) in the OML 113 licence, which includes the Aje Field ("Aje") and the further costs of bringing the Aje 4 and Aje 5 wells into production.

	Development costs	
	2022	2021
	£'000	£'000
Cost		
At 1 January	21,323	21,076
Additions	–	–
Foreign currency exchange translation difference	2,396	247
At 31 December	23,719	21,323
Amortisation		
At 1 January	5,174	5,069
Charge for year	65	47
Impairment	–	–
Foreign currency exchange translation difference	581	58
At 31 December	5,820	5,174
Net book value at 31 December	17,899	16,149

Development costs are amortised on a useful economic basis which is aligned with output in a given financial period compared to total proven and possible production. Production is expected to continue until 2039. The adoption of the units of production method of amortisation means amortisation will not accrue evenly to this date, rather it will vary according to production levels which are considered to equate to consumption of the cost of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

10 INVESTMENT IN SUBSIDIARIES

On 10 August 2016, the Group completed the agreement for the acquisition of Jacka Resources Nigeria Holdings Limited, now renamed ADM 113 Limited ("ADM 113"), a BVI registered company, in which Jacka Resources Limited ("JRL") held the single issued share. ADM 113's sole asset is its wholly owned subsidiary, P R Oil & Gas Nigeria Limited ("PROG"), a Nigerian registered company which holds a 9.2% revenue interest in the OML 113 licence, offshore Nigeria, which includes the Aje Field ("Aje"), where oil production commenced in May 2016.

In April 2021 the Group acquired 51% of the equity in K.O.N.H. (UK) Limited for a nominal fee.

	2022	2021
	£'000	£'000
Balance at beginning of period	12,335	12,316
Advances to PROG	8	19
Balance at end of period	12,343	12,335

The Group's subsidiary companies are as follows:

<u>Name</u>	<u>Principal activity</u>	<u>Country of incorporation and principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>
ADM 113 Limited	Holding company	British Virgin Islands Maples Corporate Services (BVI) Ltd Kingston Chambers P.O. Box 173, Road Town, Tortola	100% of ordinary shares
*P R Oil & Gas Nigeria Limited	Oil exploration & production	Nigeria 1, Murtala Muhammed Drive Ikoyi, Lagos	100% of ordinary shares
K.O.N.H. (UK) Limited	Dormant	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	51% of ordinary shares
Geo Estratos MXOil, SAPI de CV	Dormant	Mexico Lago Alberto 319, Piso 6 IZA Punto Polanco Col. Granada, Del. Miguel Hidalgo CP 11520, Ciudad de Mexico	100% of ordinary shares
ADM Asset Holdings Limited	Dormant	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	100% of ordinary shares
ADM 113 One Limited	Dormant	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	100% of ordinary shares
ADM Energy Services Limited	Dormant	60 Gracechurch Street, London, United Kingdom, EC3V 0HR	100% of ordinary shares

*Indirectly held

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

11 FIXED ASSET INVESTMENTS

In April 2021 the Group acquired an indirect interest in Noble Hill–Network Limited, a Nigeria registered company, which holds a Risk Sharing Agreement for the development of the large-scale Barracuda Field in OML 141, an existing discovery and near-term production asset in swamp/shallow waters offshore Nigeria. The consideration paid was US\$ 0.25m (£180,000) in cash and US\$ 0.55m (£396,000) in shares, issued at 7p per share, a total of US\$ 0.8m (£576,000). ADM is currently following legal proceedings in respect of its interest in the Barracuda oil field. The Company and K.O.N.H. (UK) Ltd ("KONH") obtained an interim injunction at the Federal High Court of Nigeria, Lagos ("Court") restraining Noble Hill–Network Limited from selling, disposing, divesting, or tampering with the 70% shareholding interest of KONH in NHNL to third-party investors or in any other manner whatsoever. The interim injunction continues to stand. A full impairment provision has been made against this investment.

	GROUP AND COMPANY	
	2022 £'000	2021 £'000
Balance at beginning of period	576	–
Acquisition	–	576
Provision for impairment	(576)	–
Balance at end of period	–	576

12 INVESTMENTS HELD FOR TRADING

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset.

The investments held by the Group are designated as at fair value through profit or loss.

	GROUP AND COMPANY	
	2022 £'000	2021 £'000
Fair value of investments brought forward	28	878
Disposal of investments	–	(850)
Fair value of investments held for trading	28	28
Investments held at the year end were categorised as follows		
Level 3	28	28
	28	28

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 valued using quoted prices in active markets for identical assets.

Level 2 valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policy note, "Financial assets held at fair value through profit and loss". There are no Level 1 and Level 2 investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

13 INVENTORY

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Inventory	36	33	–	–
Total inventory	36	33	–	–

Inventory represents the Group's share of the stock of oil lifted but unsold, stated at the lower of cost and market value. £Nil was recognised as an expense during the year (2021 £Nil)

14 TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Other receivables	18	121	13	121
Prepayments and accrued income	4	9	4	9
	22	130	17	130

The fair value of Other receivables is considered by the Directors not to be materially different to carrying amounts. At the date of the Statement of Financial Position in 2021 and 2022 there were no trade receivables.

15 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash at bank	25	110	25	109
Cash and cash equivalents	25	110	25	109

16 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
CURRENT PAYABLES				
Trade payables	883	397	883	397
Tax and social security	414	592	414	592
Other payables	38	22	38	22
Short term loan finance	170	–	170	–
Accruals and deferred income	735	523	702	504
	2,240	1,534	2,207	1,515
NON-CURRENT PAYABLES				
Amount owed in respect of OML 113 operating agreement	2,718	2,783	–	–
	4,958	4,317	2,207	1,515

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

It is expected that the amount owed in relation to the Group's proportionate share of costs incurred as part of the OML 113 joint operating agreement will be offset against net revenues of the project.

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts

17 BORROWINGS**Convertible loans ("CLNs")**

The net proceeds received from the issue of the CLNs have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group, as follows:

	GROUP AND COMPANY	
	2022	2021
	£'000	£'000
Liability component at 1 January	212	519
Nominal value of convertible Loans	–	–
Equity component	–	(2)
Interest charged	9	30
Loan converted into equity	–	(127)
Repayments	(221)	(208)
Liability component at 31 December	–	212
Current portion of loans	–	212
Non-current portion of loans	–	–
	–	212

The interest charged for the year is calculated by applying an effective average interest rate of 12% to the liability component for the period since the loan notes were issued.

Other borrowings

	2022	2021
	£'000	£'000
Other loan	287	247

£247,000 of other borrowings is non-interest bearing and its repayment date is 15 May 2023. The loan agreement gives the Group the right to convert the balance owed into shares at the ruling market rate at any time during the remaining term of the loan at the discretion of the Group. The loan is treated as a liability because while the value of equity to be issued on conversion is fixed, the number of shares is variable, meaning it meets the definition of a financial liability as set out by IFRS 9. The balance of other borrowings, £40,000, is a loan that carries interest at 6% p.a and is repayable in full on 28 October 2024.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

18 DECOMMISSIONING PROVISION

In accordance with the agreements and legislation, the wellheads, production assets, pipelines and other installations may have to be dismantled and removed from oil and natural gas fields when the production ceases. The exact timing of the obligations is uncertain and depends on the rate the reserves of the field are depleted. However, based on the existing production profile of the OML 113 licence area and the size of the reserves, it is expected that expenditure on retirement is likely to be after more than ten years. The current basis for the provision is a discount rate of 10%.

The following table presents a reconciliation of the beginning and ending aggregate amounts of the obligations associated with the decommissioning of oil and natural gas properties

	2022	2021
	£'000	£'000
Balance brought forward	1,264	1,032
Arising during the year	138	219
Foreign currency exchange translation difference	155	13
As at 31 December	1,557	1,264

19 CALLED UP SHARE CAPITAL

	Number of Ordinary shares	Value £'000	Number of deferred shares	Value £'000	Total value £'000	Share Premium £'000
Issued and fully paid						
At 1 January 2021 (ordinary shares of 1p)	122,769,073	1,228	8,222,439,370	8,222	9,450	36,591
Shares issued	81,711,790	817	–	–	817	1,517
Share issue costs	–	–	–	–	–	(94)
At 31 December 2021	204,480,863	2,045	8,222,439,370	8,222	10,267	38,014
Shares issued (see notes below)	92,666,667	927	–	–	927	134
Issue of warrants	–	–	–	–	–	(2)
Share issue costs	–	–	–	–	–	(56)
At 31 December 2022	297,147,530	2,972	8,222,439,370	8,222	11,194	38,090

The deferred shares have restricted rights such that they have no economic value.

Share issues in year

On 21 January 2022, 51,000,000 ordinary shares of 1p were issued at 1.11p each as a result of a placing, raising £561,000 before expenses.

On 28 October 2022, 41,666,667 ordinary shares of 1p were issued at 1.2p each as a result of a placing, raising £500,000 before expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

20 OTHER RESERVES

	Shares to be issued	Reserve for warrants issued	Convertible loan note reserve	Other reserves
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	–	800	17	817
Warrants issued in settlement of fees	–	141	–	141
Extension of convertible loan terms	–	–	2	2
Balance at 31 December 2021	–	941	19	960
Issue of warrants	–	2	–	2
Settlement of convertible loans	–	–	(19)	(19)
Balance at 31 December 2022	–	943	–	943

21 SHARE WARRANTS

In the following paragraphs the number of warrants issued prior to 31 December 2022 have been adjusted to reflect the 1 for 100 share consolidation.

On 26 January 2022, the Company issued 15,300,000 share warrants to subscribers in respect of a private placing. The warrants are exercisable at 4.5p per share for a period of 2 years from the date of issue

The fair value of the share warrants at the date of issue was calculated by reference to the Black-Scholes model. The significant inputs to the model in respect of the warrants issued in the year were as follows:

Issue date	26 Jan 2022	15 Nov 2021	24 Mar 2021	24 Mar 2021	25 Aug 2020
Issue date share price	1.11p	1.5p	4.25p	4.25p	5.5p
Exercise price per share	4.5p	3p	4.25p	4.25p	5.5p
No. of warrants	15,300,000	6,666,667	9,411,764	502,941	120,000
Risk free rate	1%	1%	1%	1%	1%
Expected volatility	50%	50%	50%	50%	50%
Expected life of warrant	2 years	2 years	2 years	5 years	5 years
Calculated fair value per share	0.0144p	0.2647p	1.2051p	1.8623p	2.4101p

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

21 SHARE WARRANTS continued

The share warrants outstanding at 31 December 2022 and their weighted average exercise price are as follows:

	2022		2021	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	31,581,012	5.15	27,726,241	6.71
Issued	15,300,000	4.50	9,914,705	4.25
Issued	–	–	6,666,667	3.00
Lapsed or cancelled	(8,804,640)	–	(12,726,601)	–
Outstanding at 31 December	38,076,372	4.89	31,581,012	5.15

The fair value of the share warrants recognised as part of the premium paid in respect of the share subscriptions in the year was £2,000. This amount was credited to the share warrant reserve. In 2021, £140,000 was recognised in the financial statements as the fair value of warrants issued.

22 RISK MANAGEMENT OBJECTIVES AND POLICIES**CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

Management review the Group's exposure to currency risk, interest rate risk, liquidity risk on a regular basis and consider that through this review they manage the exposure of the Group on a near term needs basis

There is no material difference between the book value and fair value of the Group's cash.

MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £60,000 (2020: £88,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

22 RISK MANAGEMENT OBJECTIVES AND POLICIES continued

INTEREST RATE RISK

The Group and Company manage the interest rate risk associated with the Group's cash assets by ensuring that interest rates are as favourable as possible, whilst managing the access the Group requires to the funds for working capital purposes.

The Group's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

CREDIT RISK

The Group's financial instruments, which are exposed to credit risk, are considered to be mainly loans and receivables, and cash and cash equivalents. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks. The maximum exposure to credit risk for loans and receivables is as set out in the table below, and relates to the financing of the Group's joint venture interests.

The Group's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2022	2021
	£'000	£'000
Cash and cash equivalents	25	110
Loans and receivables	18	121
	43	231

LIQUIDITY RISK

Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Group's payment obligations arising from administrative expenses. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with minimal risk.

23 FINANCIAL INSTRUMENTS

The Group uses financial instruments, other than derivatives, comprising cash to provide funding for the Group's operations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The IFRS 9 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2022	2021
	£'000	£'000
FINANCIAL ASSETS:		
Cash and cash equivalents	25	110
Fixed asset investment	–	576
Investments held for trading (see fair value measurements below)	28	28
FINANCIAL ASSETS BY IFRS 7 FAIR VALUE HIERARCHY		
Level 3 - Investments held for trading	28	28
	28	28

FAIR VALUE MEASUREMENTS

The Group holds quoted investments that are measured at fair value at the end of each reporting period using the IFRS 7 fair value hierarchy as set out below.

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policy note, "Investments held for trading".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

23 FINANCIAL INSTRUMENTS continued

FINANCIAL LIABILITIES AT AMORTISED COST:

The IFRS 9 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2022	2021
	£'000	£'000
Trade and other payables	4,193	3,924
Borrowings	457	459

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000
2022					
Interest bearing:					
Borrowings	–	–	170	287	–
Non-interest bearing:					
Trade and other payables	–	1,475	–	2,718	–
2021					
Interest bearing:					
Borrowings	–	–	212	247	–
Non-interest bearing:					
Trade and other payables	–	1,011	–	2,913	–

As at 31 December 2022 the Group had net debt (defined as cash less borrowings) of £432,000 (2021: net debt of £349,000). The movement arose from cash flows.

24 CONTINGENT LIABILITIES**OML 113 joint agreement**

The Group recognises a liability in respect of its participation in the OML 113 Joint Operating Agreement. The liability disclosed in these accounts is based on a reconciliation of the amounts owed under the operating agreement entered into by the Group and other participators in the OML 113 operation. The reconciliation is based on returns and reconciliations provided by the project's operator, which references the Group's share of revenue received and costs incurred. It is understood that some of the partners disagreed with the amounts shown in the reconciliation and so an audit is currently in progress to confirm the balances due by the partners in respect of the joint operating agreement. The provisional findings of the audit indicate that the Group's liability is materially lower than as shown in the Group's accounts, but as the audited figures have not yet been agreed by the partners to the joint agreement it has been considered prudent to show the Group's liability in line with the figures produced by the project's operator. Until the audit is complete, the Directors will not know the exact balance and there is a chance liability is not complete.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

25 RELATED PARTY TRANSACTIONS

The remuneration of the Directors, who are key management personnel of the Group, is set out in the report on Directors' Remuneration.

As announced by the Company on 25 May 2023, entering into the agreements for the Investment and the variation of the existing loan arrangements with OFX, a substantial shareholder of the Company, constitute related party transactions for the purposes of AIM Rule 13. It was noted that Stefan Olivier and Claudio Coltellini, whilst nominee directors for OFX, are not related parties for the purpose of these transactions. The Company's Directors consider, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, that the terms of the transactions are fair and reasonable insofar as the Company's shareholders are concerned.

Further, the subscriptions for the SCLN by Hessia and OFX, as substantial shareholders, and Oliver Andrews and Stefan Olivier, as Directors, constitute related party transactions for the purposes of AIM Rule 13. With the exception of Oliver Andrews and Stefan Olivier, the Company's Directors consider, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, that the terms of the transactions are fair and reasonable insofar as the Company's shareholders are concerned.

In addition, the agreement between the Company and certain directors (including a former director) to convert outstanding liabilities into Conversion Shares constitutes a related party transaction pursuant to AIM Rule 13. With the exception of Oliver Andrews and Stefan Olivier, the Company's Directors consider, having consulted with the Company's nominated adviser, Cairn Financial Advisers LLP, that the terms of the transaction are fair and reasonable insofar as the Company's shareholders are concerned.

26 ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be a single ultimate controlling party.

27 POST PERIOD END EVENTS

Post period events are detailed in the Directors' Report

On 24 April 2023 the Company announced that Stefan Olivier and Claudio Coltellini had been appointed to the Board of Directors, and that Manuel Lamboley had resigned as a director.

On 25 May 2023 the Company announced the following:

1. Investment in US oil leases

The company announced that, through a recently formed, wholly owned U.S. subsidiary company, ADM Energy USA, Inc., it had invested in five on-shore US oil leases by way of a Membership Interest Purchase Agreement ("the Investment") with OFX Holdings, LLC (formerly Tennessee Black Gold, LLC), a substantial shareholder of the Company. The Investment has been made by the acquisition of Blade Va Texas limited liability company established as a vehicle for the purpose of facilitating the Investment, for a total maximum consideration of US\$1,614,000.

Blade V owns a portfolio of interests in oil and gas projects ("the Assets"), the primary focus of which is a 70.0% working interest participation in an initial three well drilling programme to target shallow oil production on the Altoona Lease located in the Midway-Sunset Oilfield, Kern County, California. The interests held by Blade V also comprise:

- 100.0% working interest in the Schweitzer Lease in Graham County, Kansas where a work-over programme to restore production from two wells is currently in process.
- 50.0% fully funded working interest in a three well workover programme in Texas targeting initiation of production from three wells.
- Total gross and net leasehold acreage associated with the acquisition is 423 acres and 295.5 acres, respectively.
- An Area of Mutual Interest allowing ADM to participate, at cost, in any additional drilling, recompletion or workover opportunities within two miles of any boundary of the leases included in the Investment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

- In conjunction with the Transaction, ADM Energy USA, Inc. and OFX have entered into a loan facility (the "USA Loan Facility") providing for loans of up to US\$750,000 to be made available to the Company. The Consideration Loan Notes (defined below) of US\$235,720 will be issued as an advance under the USA Loan Facility.
- ADM will be a non-operating financial investor in the interests.

Further details of the portfolio of interests comprising the Investment are as follows:

Lease/Well	County, State	Working Interest	Net Revenue Interest	Operator ⁽¹⁾
Altoona	Kern, CA	70.0%	52.5%	To Be Determined ¹
Pearson	Grimes, TX	50.0%	37.5%	Guardian ²
Oberlin	Upshur, TX	50.0%	37.5%	Guardian ²
Moon	Upshur, TX	50.0%	37.5%	Guardian ²
Schweitzer	Graham, KS	100.0%	75.0%	Tex Oil, LLC ³

Notes:

(1) Altoona: a California licensed and bonded contract operator to be determined by OFX and ADM.

(2) Guardian Energy Operating Co., LLC is a registered Texas operator 75.0% owned by OFX.

(3) Tex Oil, LLC is a registered Kansas operator.

Midway-Sunset Oilfield, Kern County, California

The Midway-Sunset Oil Field is a large oil field in Kern County, San Joaquin Valley, California in the United States. It is the largest known oilfield in California and the third largest in the United States. The field was discovered in 1894 and it is estimated that the field has produced close to 3 billion barrels (480,000,000 m³) of oil. At the end of 2008, the California Department of Conservation estimated reserves amounted to approximately 532 million barrels (84,600,000 m³), 18% of California's estimated total.

The Altoona Lease

The Altoona Lease is a circa 20-acre lease located in a crestal position within the Spellacy Anticline Region of the Midway-Sunset Oilfield. Discovered in 1915, the Altoona Lease has produced less than 1 million barrels of oil from multiple intervals primarily between 1,000 and 1,600 feet. Chevron (USA), Inc. is actively developing leases contiguous with and surrounding the Altoona Lease. In March/April of 2020 Chevron (USA), Inc. drilled and started producing the 3-8R and 3-8AR wells located approximately 250 meters from the Altoona Lease. These wells were drilled to approximately 1,935 feet and, combined, have produced in excess of 150,000 barrels of oil from spud through the end of December 2022. A work programme, considered exploratory by the Company, is being planned to drill or deepen up to three wells to approximately 2,000 feet to test deeper potential, previously untested on the Altoona Lease which may be contributing to the high level of production realised by Chevron in the 3-8R and 3-8AR wells. ADM expects that the operator of the Altoona work programme will commence before the end of 2023. ADM will have a non-operated 70% working interest and 52.5% net revenue interest in the Altoona lease.

The Altoona work programme commitments are expected to be costed at approximately US\$1,500,000.

The Schweitzer Lease

The Schweitzer Lease is a 160-acre lease located in Graham County, Kansas. Blade V owns a 100% working interest and 75% net revenue interest in the Schweitzer Lease. The lease includes two wells capable of being returned to production (the Schweitzer #3 and the Schweitzer #6), a salt-water disposal well and associated production equipment.

The initial work programme will consist of:

- weitzer #3: Already in progress. Pump a chemical scale squeeze into Lansing-KC "J" and "K" intervals to inhibit the cipitation of Barite/Celestite scale on downhole production equipment. Return well to production via rod-beam pump.
- weitzer #6: Equip well to produce via rod-beam pump in replacement of electrical submersible pump.

The total cost of the work programme, which will be conducted by Tex Oil LLC, is estimated at US\$65,000 and will be funded by an advance from the USA Loan Facility.

Pearson, Oberlin and Moon Leases: Three Well Workover Programme

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

The Company will participate with a 50.0% working interest and 37.5% net revenue interest in a three well workover program with Guardian Energy Operating Co., LLC ("Guardian"), a majority owned subsidiary of OFXH. The programme will target the initiation of production from the following wells:

Well	County, State	API#	Operator	Work Timing
Pearson 1RE	Grimes, Texas	42-185-30529	Guardian	May 2023
Oberlin 2	Upshur, Texas	42-459-31141	Guardian	May 2023
Moon Well 1	Upshur, Texas	42-459-31438	Guardian	To be determined

The three well work programme is fully funded by OFXH, the Company's share of costs associated with its participation are included as part of the Investment consideration and will not require any cash investment or borrowings by the Company under the USA Loan Facility.

Investment Consideration

The total maximum consideration for the Investment of US\$1,614,000 comprises US\$478,280 to be financed via the issuance of (1) 15,714,667 new ordinary shares at a price of 1.2p per share ("Consideration Shares"); (2) a US\$235,720 loan note issued by ADM Energy USA, Inc. (non-recourse to ADM Energy PLC) ("Consideration Loan Notes"); (3) the issue of warrants over 7 million ordinary shares in the Company ("the Warrants") exercisable at 2.5p per warrant with a term of two years from Admission (defined below); and (4) contingent deferred consideration of up to \$900,000.

The contingent deferred consideration will be received on the first 180,000 barrels of oil produced net to the interests of the Company from the Assets. The production payment will be US\$5.00 per barrel if the realised price is greater than US\$70.00 per barrel and US\$3.50 if the realised price is greater than US\$50.00 per barrel and less than US\$70.00 per barrel. There will be no payment in periods when the realised oil price is less than US\$50.00 per barrel. The production payment will be paid in arrears on a monthly basis.

Following issuance of the Consideration Shares, OFX will hold 57,381,334 ordinary shares of ADM Energy plc representing 15.58% of the Enlarged Issued Share Capital of Company on Admission.

2.Secured Convertible Loan Note Subscription

Concurrent with the Investment in the US oil leases the Company entered into subscription agreements to issue secured convertible loan notes ("SCLN") with an aggregate face value of up to US\$1.5 million, of which US\$900,000 has been subscribed for and US\$600,000 remaining available for subscription. The SCLN has a three-year term, an interest rate payable-in-kind (which maybe settle with cash or non-cash payments) of 8.0% per annum and the principal together with any interest due may be converted at any time at a share price of 1.2p per share. The purchasers of the SCLN will also be assigned a proportionate economic interest in a 1.25% undivided over-riding royalty interest in the Altoona Lease (further described below). The SCLN will be secured by a pledge of and first-lien on the shares of ADM Energy USA, Inc. held by the Company. A condition of the subscription agreement associated with the SCLN is that the funds raised must fully fund, and be first applied against, the Company's net share of the costs of the Altoona work programme. Any amount in excess of the funds required to fund the Altoona work programme may be used by the Company for general working capital purposes.

The following shareholders and directors of the Company have subscribed for the SCLNs as indicated:

Hessia Group Limited, a substantial shareholder of the Company	US\$500,000
OFX Holdings, LLC, a substantial shareholder of the Company	US\$250,000
Mr. Oliver Andrews, a director of the Company	US\$100,000
Mr. Stefan Olivier, a director of the Company	US\$50,000
Total	US\$900,000

Signed subscription letters have been received and, upon receipt of the cleared funds which are expected shortly, the SCLNs will be issued.

3.Share Issue for debt conversion

The Company has agreed with certain directors and creditors to convert outstanding contractual liabilities of £683,117 into 56,926,417 new ordinary shares in the Company ("Conversion Shares") at the same price as the Consideration Shares being 1.2p per new ordinary share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

Conversion Shares issued to Directors of the Company, and their respective shareholdings on Admission, are as follows:

Director	Conversion value (£)	Number of Conversion Shares to be issued	Resulting shareholding on admission	Shares as percentage of Enlarged Issued Share Capital on Admission
Oliver Andrews	100,000	8,333,333	15,000,000	4.06%
Stefan Olivier	50,000	4,166,667	4,166,667	1.13%
Richard Carter	50,000	4,166,667	6,598,163	1.79%
Dr Stefan Liebing	19,617	1,634,750	2,290,722	0.62%
Lord Henry Bellingham	16,500	1,375,000	1,728,031	0.47%
Manuel Lamboley (former director)	15,000	1,250,000	1,250,000	0.34%
Total	251,117	20,926,417	31,033,583	8.67%

4. Variation of Loan Facilities Agreement with OFX

Further to the announcement of 17 October 2022, OFX has provided US\$262,500 in loans to the Company (the "Equity Subscription Loan"). In conjunction with the Investment, OFX and ADM have formalised the "USA Loan Facility" with a total of US\$235,720 advanced as part of the purchase price pursuant to the terms of the Investment. By agreement between ADM and OFX, the Equity Subscription Loan will be refinanced by the USA Loan Facility resulting in a total of US\$498,220 outstanding under the USA Loan Facility with US\$251,780 remaining available for use. Following this variation, ADM Energy plc will not directly have any outstanding loans due to OFX.

Key terms of the USA Loan Facility include:

- Loans of up to US\$750,000 with additional advances subject to mutual agreement between the Company and OFX.
- The USA Loan Facility is not secured nor is the Company a guarantor of borrowings by ADM Energy USA, Inc.
- Maturity date of 30 June 2025 ("Maturity Date").
- Interest rate of 9.0% per annum with quarterly payments of interest to commence in April 2024.
- OFX may offset amounts due to it pursuant to the USA Loan Facility against any amounts that would be due to the Company should OFX exercise warrants held by it over ordinary shares in the Company prior to the Maturity Date.

5. Grant of Options

The Company has adopted an unapproved share option scheme ("Scheme") and made a grant of options to certain directors and employees. The purpose of the Scheme is to incentivise management performance for the benefit of all shareholders by way of options which are subject to vesting conditions.

The terms of the Scheme provide that the Company can award options over a maximum of 12 per cent. of the Company's issued share capital, from time to time.

Vesting criteria for options granted under the Scheme are as follows:

Amount Vesting	Price	Vesting Conditions
50 per cent. ("Tranche One")	1.2p	On the business day following the second anniversary of the date of grant
50 per cent. ("Tranche Two")	2.4p	On the business day following the third anniversary of the date of grant

Vesting conditions may be varied or waived provided that any varied vesting condition shall be a fairer measure of performance, as judged at the time, and no more difficult to satisfy than the original vesting condition. The Scheme provides good leaver provisions and other standard terms normally associated with such a scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

The Company has granted the following options under the Scheme:

Director	Number of Options granted	Options granted as percentage of Enlarged Issued Share Capital on Admission	Shareholding on Admission	Shareholding on Admission as a percentage of Enlarged issued share capital on Admission
Stefan Olivier	21,299,823	5.76%	4,166,667	1.13%
Richard Carter	10,649,911	2.88%	6,598,163	1.78%
Oliver Andrews	4,348,714	1.18%	15,000,000	4.06%
Lord Henry Bellingham	4,348,714	1.18%	1,728,031	0.47%
Dr Stefan Liebing	3,194,973	0.86%	2,290,722	0.62%
Total	43,842,135	11.86%	29,783,583	8.05%

In addition to the awards to directors of the Company above, the Company has also issued 532,495 options over ordinary shares, representing 0.14% of the enlarged issued share capital on Admission to an employee. The total award of options represents 12.0% of the enlarged issued share capital on Admission.