

Baron Oil focuses on oil production near Timor-Leste as loss widens

(Alliance News, 26 Sep 2023) - Baron Oil PLC on Monday reported an increased interim loss due to higher costs as it remained focused on its Chuditch production sharing contract about 115 miles south of Timor-Leste.

The London-based oil & gas exploration and appraisal company said its pretax loss in the first half of 2023 widened to GBP847,000 from GBP419,000 a year prior. Administrative expenses increased 57% to GBP778,000 from GBP497,000

The company does not yet generate revenue. The company said it had a well-funded balance sheet and that it continued to build its operations.

Chair John Wakefield said: "All of our efforts are currently focused on the Chuditch PSC drilling decision to be made late in 2023 for a Chuditch-1 appraisal well. We are making good progress and are in advanced discussions with a number of potential funding partners. We look forward to updating shareholders as soon as we are able."

Baron Oil shares rose 10% to 0.091 pence each in London on Monday afternoon.

By Tom Budszus, Alliance News reporter

**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF REGULATION 11 OF THE
MARKET ABUSE (AMENDMENT) (EU EXIT) REGULATIONS 2019/310**

Baron Oil Plc

("Baron", or the "Company")

Interim Results for the six months ended 30 June 2023

Baron Oil Plc (AIM: BOIL), the AIM-quoted oil and gas exploration and appraisal company focused on assets in SE Asia and the UK, is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

Chief Executive's Statement

Timor-Leste TL-SO-19-16 PSC ("Chuditch PSC" or "PSC") (Baron 75% interest)

The Company's strategic and operational priority this year continues to be to prepare for the drilling and testing of an appraisal well on the Chuditch-1 gas discovery. Success here will prove up the commerciality of the 1,165 Bcf of gas (194MMboe) gross Pmean Contingent Resources in the field and de-risk an additional 1,651 Bcf (275MMboe) of gross Pmean Prospective Resources. The granting of a further six-month PSC extension in June 2023 demonstrates the strength of our relationships in Dili.

Our ongoing discussions with potential funding partners provide additional affirmation that the technical case is robust and there is alignment on the requirement for drilling an appraisal well on Chuditch, followed by additional exploration activities to delineate the total on block gas resources for this LNG scale project.

Technical activities during 2023 have been focused on further detailed interrogation of our data, to identify optimal candidate locations for Chuditch appraisal drilling, including additional geophysical work and environmental impact studies. Based on these studies, we have selected a preferred appraisal drilling location, which is approximately 4.8km from the Chuditch-1 discovery well. This represents a substantial step-out, illustrating the size of the field and our confidence in the reprocessed seismic datasets. This location is now being input into the detailed well planning programme. In anticipation of the proposed drilling of an appraisal well, the Company is in discussions with various contractors and is actively assessing the availability of suitable rigs, equipment and personnel.

Dunrobin (UKCS P2478) - Reabold (Admin.) 36%; Baron 32%; Upland Resources 32%

The publication of the CPR by RPS Group in February 2023 provided independent confirmation of the Company's belief that the western part of the Dunrobin complex had matured into a drillable prospect where a relatively low-cost exploration well can target more than 100 MMbbl of gross Pmean Prospective Resources with modest geological risk.

In July 2023, post period end, the joint venture announced that it had been granted a two-year extension to Phase A of the licence by the UK North Sea Transition Authority ("NSTA"). The additional commitment is to acquire a minimum of 30 square kilometres of 3D seismic data which will complete the 3D coverage over the Dunrobin West prospect.

Plans for execution of this new seismic programme during the first half of next year are underway with contractors, stakeholders and the NSTA. On completion of this work, aimed primarily at further reducing pre-drill risks and volumetric uncertainty, the partners intend to re-engage with potentially interested third parties in respect of the drilling of an exploration well. A 'Drill or Drop' decision on P2478 is now required on or before 14 July 2025.

New Ventures

Baron continues to pursue additional new venture opportunities, to enhance and complement the existing portfolio. In particular, we await the outcome of the UK 33rd Round of Licensing where we participated in a licence application as a non-operating partner. The NSTA has recently indicated that any offer would be made before the end of 2023.

Corporate

The net loss after finance costs and tax of £847,000 (30 June 2022: net loss of £419,000; year to 31 December 2022: net loss of £1,387,000), represented a loss of 0.004p per share (30 June 2022: 0.003p; year to 31 December 2022: 0.010p).

We continue to build out our operations, either in support of existing projects or in the pursuit of new opportunities. We are able to do this as the Company has a well-funded balance sheet which more than covers our current activities and commitments. Available cash (excluding monies held as security for the bank guarantee in Timor-Leste) as at 30 June 2023 was £4,619,000 (30 June 2022: £2,365,000; 31 December 2022: £5,807,000).

On 1 July 2023, Dr. Andy Butler joined the Board as Director, Asia Pacific. He has been closely associated with Baron and Chuditch from the outset through our initial new venture partnership to the capture and de-risking of the TL-SO-19-16 PSC in Timor-Leste. He adds technical and commercial capacity to the Board as well as providing access and expertise in Asia. Andy continues to manage the Timor-Leste project.

During August 2023, we completed the switch over of the US\$1m Bank Guarantee ("BG") for the Chuditch PSC from United Overseas Bank Limited of Singapore to ANZ Banking Group Limited in Timor-Leste. In line with its full ownership of both SundaGas (Timor-Leste Sahul) Pte. Ltd. and SundaGas Banda Unipessoal Lda., Baron has provided 100% of the funds required for the BG.

John Wakefield, Non-Executive Chairman, commented:

"All of our efforts are currently focused on the Chuditch PSC drilling decision to be made late in 2023 for a Chuditch-1 appraisal well. We are making good progress and are in advanced discussions with a number of potential funding partners. We look forward to updating shareholders as soon as we are able."

Qualified Person's Statement

Pursuant to the requirements of the AIM Rules - Note for Mining and Oil and Gas Companies ("AIM MOG"), the technical information and resource reporting contained in this announcement has been reviewed by Jon Ford BSc, Fellow of the Geological Society, Technical Director of the Company. Mr Ford has more than 40 years' experience as a petroleum geoscientist. He has compiled, read and approved the technical disclosure in this regulatory announcement and indicated where it does not comply with the Society of Petroleum Engineers' SPE PRMS standard.

For further information, please contact:

Baron Oil Plc

+44 (0) 20 7117 2849

Andy Yeo, Chief Executive

Allenby Capital Limited

+44 (0) 20 3328 5656

Nominated Adviser and Joint Broker

Alex Brearley, Nick Harriss, George Payne (Corporate Finance)

Kelly Gardiner (Sales and Corporate Broking)

Cavendish Securities Plc

+44 (0) 131 220 6939

Joint Broker

+44 (0) 207 397 8900

Neil McDonald, Pearl Kellie (Corporate Finance)

Leif Powis (Sales)

IFC Advisory Limited

+44 (0) 20 3934 6630

Financial PR and IR

baronoil@investor-focus.co.uk

Tim Metcalfe, Florence Chandler

Glossary

Bcf Billion standard cubic feet of gas.

Contingent Resources Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.

LNG Liquefied natural gas

Mean or Pmean Reflects a mid-case volume estimate of resource derived using probabilistic methodology. This is the mean of the probability distribution for the resource estimates and may be skewed by resource numbers with relatively low probabilities.

MMbbl Million barrels of oil

MMboe Million barrels of oil equivalent. Volume derived by dividing the estimate of the volume of natural gas in billion cubic feet by six in order to convert it to an equivalent in million barrels of oil and, where relevant, adding this to an estimate of the volume of oil in millions of barrels.

Prospective Resources Quantities of petroleum that are estimated to exist originally in naturally occurring reservoirs, as of a given date. Crude oil in-place, natural gas in-place, and natural bitumen in-place are defined in the same manner.

SPE PRMS The Society of Petroleum Engineers' ("SPE") Petroleum Resources Management System ("PRMS"): a system developed for consistent and reliable definition, classification, and estimation of hydrocarbon resources prepared by the Oil and Gas Reserves Committee of SPE and approved by the SPE Board in June 2018 following input from six sponsoring societies: the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, the Society of Exploration Geophysicists, the European Association of Geoscientists and Engineers, and the Society of Petrophysicists and Well Log Analysts.

Consolidated Income Statement
for the six months ended 30 June 2023

		6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
	<i>Note</i>			
Revenue		-	-	-
Cost of sales		-	-	-
Gross loss		-	-	-
Exploration and evaluation expenditure		(93)	(120)	(213)
Property, plant and equipment depreciation		(17)	(8)	(33)
Receivables reduction in impairment		-	44	-
Administration expenses	5	(778)	(497)	(1,191)
Profit/(loss) arising on foreign exchange		(37)	161	43
Operating loss	6	(925)	(420)	(1,394)
Finance cost		(4)	(1)	(5)
Finance income		82	2	12
Loss on ordinary activities before taxation		(847)	(419)	(1,387)
Income tax (expense)/benefit	7	-	-	-
Loss on ordinary activities after taxation		(847)	(419)	(1,387)
Loss on ordinary activities after taxation attributable to owners of the parent		(847)	(419)	(1,387)
Earnings per share: basic	8	(0.004)p	(0.003)p	(0.010)p
Diluted	8	(0.004)p	(0.003)p	(0.010)p
Loss on ordinary activities after taxation attributable to owners of the parent		(847)	(419)	(1,387)
Other comprehensive income: items which may subsequently be reclassified to profit and loss				
Exchange difference on translating foreign operations		(144)	55	174
Total comprehensive income for the period		(991)	(364)	(1,213)
Total comprehensive income attributable to owners of the parent		(991)	(364)	(1,213)

Consolidated Statement of Financial Position
at 30 June 2023

		30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Assets	<i>Note</i>			
Non-current assets				
Property, plant and equipment		58	40	78
Intangible fixed assets		3,728	3,266	3,696
		3,786	3,306	3,774
Current assets				
Receivables		117	119	101
Performance bond guarantee deposit	9	790	823	827
Cash and cash equivalents		4,619	2,365	5,807
		5,526	3,307	6,735
Total assets		9,312	6,613	10,509
Equity and liabilities				
Capital and reserves attributable to owners of the parent				
Called up share capital	10	4,746	3,583	4,730
Share premium account		38,881	34,882	38,846
Share option reserve		319	332	332
Foreign exchange translation reserve		1,591	1,616	1,735
Retained earnings		(36,389)	(34,587)	(35,555)
Total equity		9,148	5,826	10,088
Current liabilities				
Trade and other payables		126	760	377
Taxes payable		14	13	14
		140	773	391
Non-current liabilities				
Lease finance		24	14	30
Total liabilities		164	787	421
Total equity and liabilities		9,312	6,613	10,509

Consolidated Statement of Cash Flows
for the six months ended 30 June 2023

		6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
	Note			
Operating activities	11	(1,172)	(511)	(1,750)
Investing activities				
Return from investment and servicing of finance		82	2	12
Performance bond guarantee deposit		-	119	128
Additions to exploration and evaluation assets		(130)	(383)	(806)
Acquisition of tangible assets		-	(15)	(17)
		(48)	(277)	(683)
Financing activities				
Proceeds from issue of share capital		51	1,508	6,619
Lease financing		(19)	(5)	(29)
		32	1,503	6,590
Net cash (outflow)/inflow		(1,188)	715	4,157
Cash and cash equivalents at the beginning of the period		5,807	1,650	1,650
Cash and cash equivalents at the end of the period		4,619	2,365	5,807

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2023

	Share capital £'000	Share premium £'000	Retained earnings £'000	Share option reserve £'000	Foreign exchange translation £'000	Total equity £'000
As at 1 January 2022	2,896	34,061	(34,224)	388	1,561	4,682
Shares issued	1,834	4,785	-	-	-	6,619
Transactions with owners (net of transaction costs)	1,834	4,785	-	-	-	6,619
Loss for the year attributable to equity shareholders	-	-	(1,387)	-	-	(1,387)
Share option reserve released	-	-	56	(56)	-	-
Foreign exchange translation adjustments	-	-	-	-	174	174
Total comprehensive income for the period	-	-	(1,331)	(56)	174	(1,213)
As at 1 January 2023	4,730	38,846	(35,555)	332	1,735	10,088
Shares issued	16	35	-	-	-	51
Transactions with owners	16	35	-	-	-	51
Loss for the year attributable to equity shareholders	-	-	(847)	-	-	(847)
Share based payments	-	-	13	(13)	-	-
Foreign exchange translation adjustments	-	-	-	-	(144)	(144)
Total comprehensive income for the period	-	-	(834)	(13)	(144)	(991)
As at 30 June 2023	4,746	38,881	(36,389)	319	1,591	9,148

Notes to the Interim Financial Information

1. General Information

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

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

This financial information is a condensed set of financial statements and is prepared in accordance with the requirements of IAS 34 and does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022. The financial information for the six months to 30 June 2023 is unaudited and does not comprise statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

Statutory financial statements for the year ended 31 December 2022, prepared under UK-adopted IFRS, were approved by the Board of Directors on 22 May 2023 and delivered to the Registrar of Companies.

2. Basis of Preparation

This consolidated interim financial information has been prepared in accordance with UK adopted International Financial Reporting Standards ("IFRS") and IFRIC interpretations issued by the International Accounting Standards Board (IASB), and on the historical cost basis, using the accounting policies which are consistent with those set out in the Company's Annual Report and Financial Statements for the year ended 31 December 2022. This interim financial information for the six months to 30 June 2023, which complies with IAS 34 'Interim Financial Reporting', was approved by the Board on 22 September 2023.

3. Accounting Policies

The accounting policies applied for the six months to 30 June 2023 are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

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

4. Segmental information

	United Kingdom	South America	South East Asia	Total
Six months ended 30 June 2023	£'000	£'000	£'000	£'000
Unaudited				
Revenue				
Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-
Results				
Segment result	(522)	(15)	(310)	(847)
Total assets less liabilities	3,889	2	5,257	9,148

	United Kingdom	South America	South East Asia	Total
Six months ended 30 June 2022	£'000	£'000	£'000	£'000
Unaudited				
Revenue				

Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-

Results

Segment result	(178)	(6)	(235)	(419)
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Total assets less liabilities	2,322	5	3,499	5,826
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	United Kingdom	South America	South East Asia	Total
Year ended 31 December 2022	£'000	£'000	£'000	£'000
Audited				

Revenue

Sales to external customers	-	-	-	-
Segment revenue	-	-	-	-

Results

Segment result	(712)	(71)	(604)	(1,387)
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Total assets less liabilities	5,715	5	4,368	10,088
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5. Administration expenses

	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Directors' and employee benefit expense	443	251	632
Legal and professional fees	242	91	410
Other expenses	93	155	149
	778	497	1,191

6. Operating loss

	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
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The loss on ordinary activities before taxation includes:

Auditors' remuneration

Audit	24	21	33
Other non-audit services	1	1	4
Exploration and evaluation expenditure	93	-	213

Depreciation of property, plant and equipment	17	8	33
Impairment reduction of foreign tax receivables	-	(44)	-
Loss/(gain) on exchange	37	(161)	(43)

7. Income tax expense There was no tax expense during the period (30 June and 31 December 2022: nil).

8. Earnings/(loss) per Share

	6 months to 30 June 2023 Unaudited Pence	6 months to 30 June 2022 Unaudited Pence	Year to 31 December 2022 Audited Pence
Earnings/(loss) per ordinary share			
Basic	(0.004)	(0.003)	(0.010)
Diluted	(0.004)	(0.003)	(0.010)

The earnings/(loss) per ordinary share is based on the Group's loss for the period of £847,000 (30 June 2022: £419,000; 31 December 2022: £1,387,000) and a weighted average number of shares in issue of 18,964,459,323 (30 June 2022: 12,373,667,710; 31 December 2022: 13,784,079,264).

9. Performance bond guarantee deposit

The Company's wholly-owned subsidiary, SundaGas Banda Unipessoal, Lda ("Banda"), has provided a performance guarantee to Autoridade Nacional do Petróleo ("ANP"), formerly known as Autoridade Nacional do Petróleo e Minerais ("ANPM"), in respect of the offshore Timor-Leste TL-SO-19-16 Production Sharing Contract ("PSC"). This performance guarantee was secured by a bank guarantee given by United Overseas Bank Limited of Singapore ("UOB") backed by a cash deposit of US\$1 million. This arrangement was originally put in place in November 2019 at the outset of the PSC, was extended in November 2022, and expired on 1 August 2023. Banda replaced this guarantee on expiry with a new guarantee secured by a bank deposit of the same amount given by The Australia and New Zealand Banking Group Limited ("ANZ"), which expires on 1 February 2024. It is anticipated that the bank guarantee will be released following the conclusion of the current phase of the PSC which is currently 18 December 2023 as the Directors consider that all work commitments to the end of the current phase will have been met.

The original guarantee was set up by SundaGas Pte. Ltd ("SGPL"), the former owners of Banda, and remained in their name beyond the acquisition of Banda by the Company, so as not to disrupt the contractual position of the PSC. As a result, on expiry the bond was initially released to SGPL which in turn released funds to Banda on 1 August 2023.

10. Called up Share Capital

On 23 February 2023, the Company issued 62,500,000 Ordinary Shares of 0.025p each at an issue price of 0.1p per share following the exercise of options, yielding net proceeds after costs of £50,000.

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

	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Loss for the period	(847)	(419)	(1,387)
Depreciation and amortisation	17	8	33
Finance income shown as an investing activity	(82)	(2)	(12)
Interest on lease liability	4	-	4
Foreign currency translation	(6)	(174)	(74)
(Increase)/decrease in receivables	(16)	(65)	(47)
(Decrease)/increase in payables	(242)	141	(267)
	(1,172)	(511)	(1,750)

12. Related party transactions

SundaGas (Timor-Leste Sahul) Pty. Ltd ("TLS"), a wholly-owned subsidiary, paid fees amounting to US\$152,000 (30 June 2022: US\$138,000, 31 December 2022: US\$285,000) to SundaGas Pte. Ltd, a company in which Dr. Andrew Butler, a director of TLS, held a significant interest

The directors' aggregate remuneration, associated benefits and share-based payments in respect of qualifying services during the period amounted to £308,000 (30 June 2022: £161,000, 31 December 2022: £390,000).

During the period, key management personnel did not subscribe to any shares in the Company, nor were any options to subscribe to new shares granted. During 2022, key management personnel subscribed for new ordinary shares of £0.00025 each in the Company as part of placings and subscriptions of new ordinary shares as follows.

	Announced 29 April 2022, at a price of 0.06p per share	Announced 16 November 2022, at a price of 0.12p per share
Andrew Yeo	16,150,000 shares	8,000,000 shares
Dr Andrew Butler	-	50,000,000 shares

Also during 2022, key management personnel were awarded options to subscribe to new ordinary shares of £0.00025 each in the Company as follows.

	Number	Exercise price	Final exercise date
Dr Andrew Butler	175,000,000	0.07p	14 July 2025

The share options awarded to Dr Butler are exercisable at 0.07p, expire three years from grant date and will only vest upon Baron Oil making an announcement that the first appraisal well on the Chuditch PSC has spudded, or in certain limited circumstances such as a takeover event.

On 25 November 2022, the Company assumed 100% of the collateral for a US\$1 million amount (the "Deposit") in relation to the performance bank guarantee arrangements connected to the Chuditch PSC (the "Guarantee"), by providing approximately US\$667,000 to SundaGas Pte. Ltd ("SGPL") to replace the two thirds contribution (approximately US\$667,000) previously made by SGPL, which was the other indirect shareholder in SundaGas Banda Unipessoal Lda. until 18 June 2021. The relationship agreement between SGPL, its principals and Baron as originally announced on 18 June 2021 (the "Relationship Agreement") was also varied so that Baron is entitled to all the benefit of and rights to the return of the Deposit should it be released or when the Guarantee expires in due course on 1 August 2023. The changes to the provision of the funds for the Deposit and the variations to the Relationship Agreement were deemed to be related party transactions pursuant to the AIM Rules for Companies. The Guarantee was released on expiry and the deposit was returned to Baron in full on 1 August 2023. See also note 9 above.

13. Events after the reporting period

Following the extension to the second contract year of the TL-SO-19-16 Production Sharing Contract offshore Democratic Republic of Timor-Leste, announced by the Company on 2 June 2023, the Company entered into a replacement performance guarantee secured by a bank guarantee given by The Australia and New Zealand Banking Group Limited ("ANZ") backed by a cash deposit of US\$1 million. See note 9 for further details.

On 12 July 2023, the Company announced that a two year extension to Phase A of Licence P2478, in which the Company holds a 32% interest, was granted by the North Sea Transition Authority. As a result, a "drill or drop" decision is now required on or before 14 July 2025.

14. Financial Information

The unaudited interim financial information for period ended 30 June 2023 does not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 December 2022 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

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

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