
TECHNOLOGY ENHANCED OIL LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2020**

TECHNOLOGY ENHANCED OIL LIMITED

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TECHNOLOGY ENHANCED OIL LIMITED

COMPANY INFORMATION

Country of incorporation	England and Wales
Legal form	Private Limited Company
Directors	M. C. Samuel R. C. A. Leon S. Lamoine P. Levin P. W. M. Boerboom O. C. Thorne
Company secretary	D. Smith
Registered number	09847538
Registered office	Salisbury House London Wall London EC2M 5PS
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Union Bancaire Privee, UBP SA Rue du Rhone 96-98 CP1320 1211 Geneva 1 Switzerland Wells Fargo Bank, N.A. PO Box 63020 San Francisco, CA 94163 USA
Solicitors	Druces LLP Salisbury House London Wall London EC2M 5PS Kelley Drye Jackson Gilmour Dobbs LLP 515 Post Oak Boulevard Suite 900 Houston, TX 77027 USA

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors of the Company and its subsidiary undertakings (together, “the Group”) present their Strategic Report for the year ended 31 December 2020.

Principal Activities

The Group’s principal activity is the acquisition, operation and development of conventional mature oil producing properties. Its main area of operational activity is in the United States of America.

Organisation Overview

The Board of Directors has the ultimate responsibility for the administration of the Group’s affairs. The Board of Directors currently has six members including three independent non-executive Directors of which one is the non-executive vice chairman.

The Directors are of the view that the Group should internalize the key expertise while keeping to a minimum its own overhead structure and, wherever possible and economic to do so, will look to outsource its personnel requirements. The Group will also make direct outsourcing arrangements with local oil services businesses in the regions in which its acquisitions operate, including key players selected for their track record, their capability to deliver, their ability to source potential neighbouring oil assets and their local footprint.

The services of the executive Directors are provided by the Group’s parent company, Beam Earth Limited (formerly Iskandia Energy Limited).

Services provided by Beam Earth Limited (formerly Iskandia Energy Limited)

To ensure that the cost of operating the Group’s business is kept tightly under control the services of the executive Directors, and other management and administrative services, are provided Beam Earth Limited (formerly Iskandia Energy Limited) under the terms of a Services Agreement.

The services provided include:

- Identification and prioritisation of acquisition targets;
- Conducting due diligence;
- Conducting negotiations with potential sellers;
- Selection of appropriate Enhanced Oil Recovery technologies;
- Selection of third-party service providers;
- Management of operations of the acquired assets; and
- Monitoring the performance of the Company’s subsidiary companies.

Services provided by Iskandia Energy Operating, Inc.

The Group’s oil properties have been operated by Iskandia Energy Operating, Inc., since 1 August 2016 for the East Texas basin and since 1 March 2017 for the Delaware basin. Throughout the prior year and for most of the current year, Iskandia Energy Operating, Inc was a wholly owned subsidiary of Beam Earth Limited (formerly Iskandia Energy Limited), the Group’s parent company. On 29 December 2020, in a group restructuring, the entire share capital of Iskandia Energy Operating, Inc was transferred to Technology Enhanced Oil Limited, and from this date Iskandia Energy Operating, Inc forms part of the Technology Enhanced Oil Limited group. Iskandia Energy Operating, Inc. was incorporated to operate the Group’s oil properties and to apply the appropriate sophisticated enhanced oil recovery technologies.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Organisation Overview (continued)

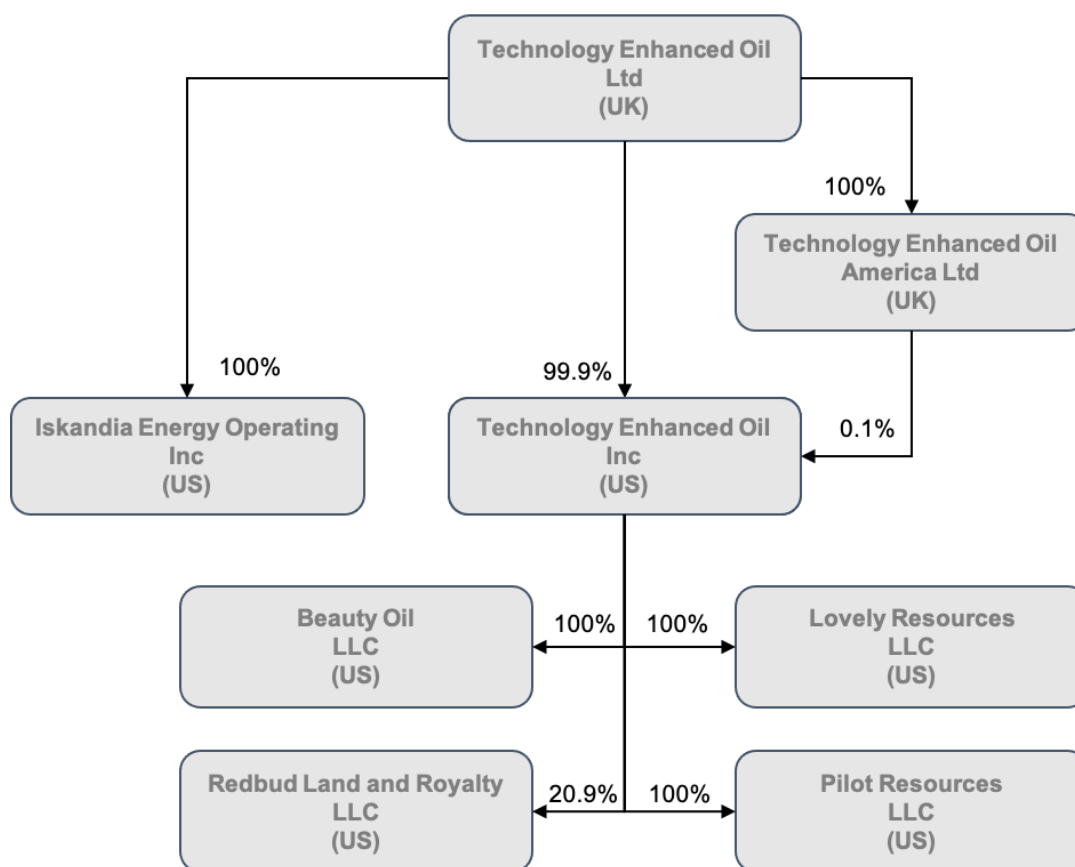
Iskandia Energy Operating, Inc. was acquired by the Company in December 2020 in order to secure the required expertise to carry on the operations on the assets of the Group and to develop a third-party operatorship business model based on Iskandia Energy Operating, Inc.'s tack-record and ESG best practices. This acquisition has been completed in equity without financial debt.

As at 31 December 2020, Iskandia Energy Operating, Inc. employed 26 (2019: 23) professionals dedicated to the Group's services including experienced petroleum engineers, an environment, health and safety expert, seasoned field superintendents, production foremen and pumpers.

All leases are publicly available on the RailRoad Commission of Texas website (www.rrc.state.tx.us) under Iskandia Energy Operating, Inc. (Operator number 426961).

Corporate structure

The corporate structure of the Group, which is set out below, reflects the pattern of acquisition by the Group, to the date of approval of the financial statements, and the need, where appropriate, for operational and other reasons, to have incorporated entities in particular territories. In addition to the UK holding company, the Group has operating subsidiaries in the US gathering its East Texas basin assets (Beauty Oil LLC) and its Delaware basin assets (Lovely Resources LLC and Pilot Resources LLC). During the current year the Company acquired Iskandia Energy Operating, Inc and a new investment has been made in Redbud Land and Royalty LLC.



TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Aim, Strategy and Business Plan

The Group's aim is to enhance shareholder value by identifying and acquiring producing onshore conventional oil field assets in North America and to improve the production levels of those assets by the application of a range of sophisticated enhanced oil recovery technologies.

The selected technologies are already field-proven and offer an optimal combination of low implementation cost and outstanding results when correctly applied to specific situations and circumstances. Indeed, a meaningful part of the projected return stream of the strategy relies upon the ability to fine-tune the criteria selection process by marrying the knowledge of the available oil technologies with precisely which oil assets to acquire in order to maximise the upside and returns potential.

The advanced technologies contemplated by the Group include:

- Non-chemical stimulation technologies such as plasma pulse, ultrasonic or seismic stimulation;
- Water management technologies such as advanced chemical water-control, nanosilicones surfactants, downhole water separation pumps, uphole water management or surface water treatment;
- Logging-data collection technologies such as advanced logging, downhole camera or sonic-based event identification; and
- Other technologies such as radial drilling, field modelisation or paraffin remediation.

The Group's objective is to acquire quality producing North American assets and apply technological enhancements, in order to generate cash flows and attractive returns despite the current oil price environment.

Business Review

The Group reported a loss for the year of US\$9,618,325 (2019: US\$15,412,850). The ongoing Covid-19 pandemic impacted the 2020 operations of the Company for oil & gas pricing, production, management of the operating team, and reserves. Synchronized slowdown of the world economy has weakened the overall oil & gas demand leading to price collapse and even a fall into uncharted negative territory. Fortunately, the oil & gas prices have rebounded at the end of year, leading the Group to an average net sell price after severance taxes and royalty interests of US\$15.5 per boe to be compared to US\$21.4 per boe in 2019 (-28%). As an answer to the drop of oil & gas prices and difficulties to sell the production due to oversupply, the Company decided to enlarge its storage capacities and to shut-in some uneconomic wells (15 wells shut-in in 2020 for a total of 120 producing wells at year-end 2020). This policy has led to a reduction of the sold production at 203,492 boe in 2020, as compared to 252,637 boe in 2019 (-19%). The combination of average price reduction and sold production reduction is estimated to a negative impact over US\$2.2 million.

The Company has carried on its mitigation policies with work-from-home and salary cuts to reduce operating costs and save over US\$0.750 million. The Company benefited also from the Paycheck Protection Program Loans (PPP) available under the CARES Act and the special Covid-19 bailout. This U.S. federal contribution was based on the 2019 payroll and amounted to US\$0.702 million for 2020..

Prices of oil recovered in Q1 2021 to cross the US\$60 threshold per barrel. However, the worldwide economic environment is in a delicate balance under the threat of further health or political events, which may impact the operations of the Company in 2021 and beyond.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business Review (continued)

Funding

US\$118,320,000 of mandatorily convertible bonds have been issued in eight successive tranches, including tranche 8 issued in 2020 for US\$25,000,000 nominal consideration. The other tranches have been issued in prior periods (see further detail in Note 25 to the Consolidated Financial Statements). Following Tranche 8 Bonds, the Company decided to terminate the mandatorily convertible bonds program because of the short timeframe until final maturity in January 2022. As a consequence and in order simplify the corporate structure, the Company decided to change its legal status from a UK public limited company (PLC) to a private limited company (LTD) pursuant to Section 97 through 101 of the Companies Act 2006. Upon proposal of the Company, US\$70,450,000 nominal Bonds have been early converted in ordinary shares in January 2021 and another US\$12,500,000 nominal Bonds has been exchanged for 2026 6% Notes. Altogether the interest burden has been reduced by 60%.

Oil and Gas Properties

The first acquisition was completed on 15 June 2016 in the East Texas basin located in Navarro County. The properties acquired comprise 52 wells. Since acquisition 26 of these wells have been producing. The wells are located eight miles southeast of the city of Corsicana, Texas, on a total of 14 leases, covering an area of approximately 2,500 acres.

This oilfield was discovered in 1895 with shallow production generally less than 1,250 feet from the surface. There were several development periods that were significant, including the shallow gas zones after 1900, the Woodbine formation in 1923, and the Austin Chalk in the early 2000's. The oilfield covers a total area of 9,900 acres.

The second acquisition was completed on 28 February 2017 in the Delaware basin, located in Loving, Pecos, Ector, Winkler, Crane and Reeves Counties. The properties gather around two main oilfields, Dimmitt and Brooklaw, comprise 257 wells, of which 98 are currently producing. The productive formations in the leases are mainly Delaware and Clear Fork formations, with overall production being 55% oil and 45% gas, with a water cut rate under 95%. The wells are split across 6 oilfields, in a range of 50 miles West and South of the city of Monahans, Texas, on a total of 91 leases, covering an area of approximately 13,200 acres.

The Delaware basin is part of the Permian basin, the highest oil producing area in the US located in Texas. Texas alone produced 5.0 million barrels of oil per day accounting for 41% of total US crude oil production in 2019 (source: US Energy Information Administration). The area has been drilled since the 1920s, with production peaking in the early 1970s.

Since acquisition of these properties the Group has been focused on implementing its enhancement programme and in particular intends to design and implement a waterflood project. The project includes a 'proof-of-concept' waterflood and infill pilot. In addition to the waterflooding, the assets present a number of other value-add opportunities, including recompletions, stimulations, reactivations, water shut-offs and low-risk infill drilling. The cost of this programme is shown as additions to oil and gas assets in Note 17 to the Consolidated Financial Statements.

On 1 September 2018, an additional oilfield acquired from Noble Energy has been added to this acquisition comprising 89 wells (82 operated, 7 non-operated). The transfer of the leases was completed for no cash consideration against a commitment to take plugging obligations on these properties estimated at US\$4,439,679 as of 1 September 2018.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Business Review (continued)

Oil and Gas Properties (continued)

On 23 November 2020, the Company took a 20.9% participation in Redbud Land and Property LLC for US\$2,000,000 consideration, a company that gathered mineral interests in the Stack formation of the Anadarko basin on 12 locations spread across Blaine, Canadian, and Kingfisher counties.

The acquisitions of the above properties, except for Redbud Land and Property LLC, were accounted for under the acquisition method as in the opinion of the Directors the acquired assets and liabilities assumed constituted businesses.

The purchase of Redbud Land and Property LLC was accounted for as an equity investment that does not qualify as a subsidiary, associate, or joint arrangement, as the Group does not have control or significant influence over this entity.

At 31 December, reserves of the Group's properties amounted to:

Reserves	2020(*)		2019	
	Boe	Value (US\$)	Boe	Value (US\$)
Proved 1P	1.5 million	9.4 million	1.4 million	12.0 million
Proved and Probable, 2P	4.0 million	23.9 million	9.6 million	38.4 million
Proved, Probable and Possible, 3P	20.7 million	92.3 million	19.7 million	141.4 million

Boe = Barrels of oil equivalent

() including Iskandia Energy Operating, Inc.*

Reserves have been assessed by a third-party appraiser Nextoil International, Inc since 2017.

On a basis of a conservative view of operating costs and estimated future cash flows, the net book value of the properties has been retained at US\$13,722,050 (2019: US\$23,335,496) for impairment test purposes, leading to a provision of US\$nil for the current year (2019: US\$7,521,127).

In particular, the 2020 production forecast was aligned with the 2019 anticipated negative impact of the Shell litigation case. The Group indeed filed a petition against Royal Dutch Shell to prove Shell trespassed and damaged the Lovely property by massive injection of saltwater into the Cherry Canyon formation through neighbouring injection wells. The Group expects to evidence the encroachment with water chemistry and pressure analysis. The pressure, and the resulting damages have been expensive to repair, catastrophic to future production of the affected wells, and threaten the future production performance of the field. The anticipated impact that led to a field being impaired in 2019 by US\$7,521,127 has not triggered the need for further impairment in 2020.

Future Developments

The Group continues to seek suitable acquisitions of additional properties in Texas, USA and neighbouring states and especially from operators who are solely focusing on unconventional drilling and disregarding conventional assets. The Directors remain confident that the current economic and political climate will offer further opportunities to acquire assets with the potential for improved performance in accordance with the Group's overall strategy. In particular fossil energy being under increasing pressure from investors and policy makers, the Directors see that backdrop as an opportunity to promote the ESG best practices and clean technologies of the Group and trigger new attractive joint projects or operatorship mandates from third-party property owners.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Key Performance Indicators (“KPIs”)

The Board regularly reviews the KPIs of the business and the Group's progress towards achieving its objectives. The KPIs used aim to provide a set of oil and gas market standard metrics that are comparable with similar companies in the industry.

The key performance indicators monitored by the Board and senior management in 2020 included:

- Gross barrels produced reported internally and sales on a monthly basis;
- West Texas intermediate and realised oil prices monitored on a regular basis;
- Performance of wells against operating costs;
- Recurring operating result after recurring Lease Operating Expense (recurring LOE) and standard General and Administrative expense (G&A) as per the Council Of Petroleum Accountants Societies (COPAS);
- Actual capital expenditures including acquisitions against budget;
- Funds raised through the issue of convertible bonds;
- Cash balances and management thereof;
- Minimising the effect of the Group's activities on the environment; and
- Maintaining high health and safety standards.

During the year ended 31 December, the KPIs were as follows:

Oil assets' key production

Oil & gas assets (Gross figures)	East Texas basin Properties		Delaware basin Properties	
	2020	2019	2020	2019
Production (Boe)	21,676	21,265	176,479	213,685
Oil vs Gas (%)	100/0	100/0	46/54	49/51
Oil vs Water (%)	1/99	1/99	6/94	9/91
Average sale (US\$/Boe)	37.4	56.3	18.7	26.4

In 2020 the average Lease Operating Expenses (recurring LOE) was US\$11.9 per Boe while the 2020 General & Administration expenses as per COPAS were US\$1.4 per Boe, as compared to US\$15.7 and US\$4.0 respectively in 2019, evidencing a trend of cost reduction and operational efficiency. However, the volume of production combined with a low average sale price in 2020 have led to a stability of the recurring operating results but an overall loss for the Company.

Group's key management figures

US\$	2020	2019	Variation
Net production revenues	3,024,688	5,224,266	-42%
Recurrent LOE and G&A	(2,391,868)	(4,567,227)	-48%
Recurring operating result	632,820	657,039	-4%
Overhead and corporate costs	(3,926,190)	(3,677,168)	+7%
Acquisition with all-in costs	2,000,000	230,156	+769%
Capex deployed	1,655,525	1,646,554	+1%
Cash outflow from operations	(4,948,895)	(4,633,498)	-7%
Cash in bank	23,634,369	13,949,669	+69%
Net proceeds of issue of convertible bonds	24,484,450	12,513,885	+96%

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GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Key Performance Indicators (“KPI’s”) (continued)

Key management figures in the current year reflect the cash-flow generation focus policy implemented by the Group in 2020. 2020 has been a challenging year with combined drop of production and prices leading to a 42% decrease of the Net production revenues. Fortunately, the Company succeeded in reducing the Recurring LOE and G&A by 48% leading to a steady Recurring operating result. Cash outflow operations remained stable also and Cash in the bank increased after the completion of Tranche 8 Bonds.

Key management figures are derived from the Group’s financial statements. However financial aggregates are provided either to reflect the economic nature of the spending, as for instance the acquisition cost or issuing cost which are added to Acquisition all-in and Net proceeds of issue of convertible bonds respectively, or to tie with the US oil & gas standard to report the split between operating expenses to operate oilfields (Recurrent LOE and G&A) and capital invested into the properties (Capex deployed).

Responsible Investment Policy

The Group has entered into an Environmental, Social and Governance (ESG) policy.

The Directors consider that the Group is part of a new generation of Exploration and Production (E&P) companies within the oil sector that are both sensitive and sympathetically disposed towards ensuring all environmental, social and sustainability issues are effectively managed, and their impact minimised as much as is practicable. Bridging the gap within the gradual transition phase from fossil fuels and renewable energies means operating in a responsible manner and giving preference towards strategies and techniques which more efficiently exploit the existing reservoirs and oilfields versus focusing upon deeper offshore oilfields and reserves or else deploying and implementing destructive fracking techniques.

The Group sees itself as something of a pioneer in revising the traditional business model of oil production, by acquiring controlling interests in conventional onshore oilfields of requisite quality from (financially) distressed oil companies; and thereafter in having them operated to deploy selective innovative technologies and thereby improving output and extending the life expectancy of these oilfields.

The Group’s ESG policy includes guidelines and commitments to sustainable development, a focus on health and safety and transparent corporate governance.

ESG Footprint

The Group assesses its carbon and environmental footprint.

During the year ended 31 December Greenhouse Gas Emissions have been lower in comparison to the previous year:

Metrics	2020	2019	Variation
Production (Boe)	198,155	234,950	-16%
Scope 1 (Metric tons CO ₂ e)	10,017.25	10,017.25	0%
Scope 2 (Metric tons CO ₂ e)	1,555.04	3,696.75	-58%
Scope 3 (Metric tons CO ₂ e)	55,322.37(*)	72,656.48(*)	-24%
Total GHG emissions (Metric tons CO ₂ e)	66,894.66	86,370.48	-23%
Power used from CO ₂ emission generation (kWh)	2,862,317	6,804,512	-58%
Power used from non-CO ₂ emission generation (kWh)	1,633,233	1,249,713	+31%

(*) Scope 3 methodology have been revised in 2020 and reassessed for 2019 to align with higher standards

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

ESG Footprint (continued)

Overall Greenhouse Gas Emissions of the Group has been 57.6 gCO₂e/MJ produced (2019: 62.7, restated, as explained above) (gram of Carbon dioxide equivalent consumed per megajoule equivalent produced).

The Net energy ratio (NER) has been 112.7 (2019: 56.2). The NER is a ratio expressing the relationship between electric power (megajoule equivalent) required to produce Boe (megajoule equivalent).

These two improved ratios combined with the enlargement of the selection program of sustainable power generation providers (accounting for 36% of the power used in 2020 as compared to 16% in 2019) and non-fuel product oil marketers (over 50% of oil production in 2020) highlight the environmental policy commitment of the Group.

No flaring or gas venting have been reported in 2020

No fresh water has been used for oil & gas operations in 2020

Carbon footprint is assessed since 2016 by third-party appraiser ESE Partners LLC and the Company can report in 2020 a 5-year trend of improvement:

Metrics	Variation 5-year	2020	2019	2018	2017	2016
Scope 1 (gCO ₂ e/Boe)	-71%	7.3	5.8	6.1	7.6	24.8
Scope 2 (gCO ₂ /Boe)	-91%	1.1	2.1	3.6	2.9	12.7
Scope 3 (gCO ₂ /Boe)	-18%	40.0	42.2	55.1	49.0	48.8
Total GHG emissions (gCO ₂ /Boe)	-33%	57.6	62.7	64.8	59.5	86.3
Net Energy Ratio (kWh/kWh)	+344%	71.8	47.5	41.8	51.4	16.2
Net Energy Ratio Adjusted (*) (kWh/kWh)	+597%	112.7	56.2	41.8	51.4	16.2
Non-CO ₂ power supply (%)	ND	36%	16%	-	-	-

(*) NER disregarding the renewable energy supply

In addition to the ESE Partners LLC assessment the Group retained MJ Hudson Spring to perform a sustainability & strategy assessment under the three dimensions of ESG. The overall conclusions have been that:

- While there is a future for oil, the industry still has a long way to go to become sustainable;
- The Group is well positioned to play a role in the sustainable future of oil; environmental sustainability is deeply rooted in the organization; and
- On virtually all relevant ESG dimensions, the Group is performing better than its peers.

Financial Risk Management and Objectives

The Group uses various financial instruments including cash, equity shares, convertible bonds, intercompany loan notes, and items such as receivables and payables that arise directly from its operations. The existence of these financial instruments may expose the Group to financial risks, which are described in Note 30 to the Consolidated Financial Statements.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal Risks and Uncertainties

The Directors are responsible for the effectiveness of the Company's risk management activities and internal control processes. As a participant in the oil and gas production industry, the Group is exposed to a wide range of risks and uncertainties in the conduct of its operations. Set out below are the principal risks and uncertainties that may affect performance. Such risks and uncertainties are not intended to be presented in any order of priority. In addition, the risks set out below are not exhaustive and additional risks and uncertainties, not presently known to the Directors, or which the Directors currently deem immaterial, may arise or become material in the future. The Directors and senior management have significant experience and continually take steps to mitigate and review risks where possible and reasonably practicable. Any of the risks set out below, as well as any other risks and uncertainties referred to in this annual report, could have a material adverse effect on business performance.

Financial risks

- Decrease in cash flows
- Significant or sustained reduction in oil prices
- Cost inflation
- Inadequate capital expenditure estimates
- Adverse taxation legislative changes
- Third party counterparty credit risk
- Adverse foreign exchange movements
- Insurance may not cover all liabilities
- Contractual exposure

Operational risks

- Failure to identify and acquire producing onshore conventional oil field assets
- Failure of the Group's enhancement technologies
- Production decline
- Loss of key personnel
- Delay and cost overrun on work programmes
- Health, Safety and Environmental incidents
- Poor or sub-commercial reservoir performance
- Failure of equipment or third party services
- Leasehold expirations or failure to meet terms and conditions for maintenance of leases
- Failure to keep pace with technological advances
- Failure to comply fully with local, state and federal industry regulations
- Availability of drilling and production equipment

Strategic, industry and external risks

- Availability of capital to fund future acquisitions
- A material decline in oil price
- Highly competitive industry with numerous significant, financially strong participants
- Legislation and regulation may increase industry operating costs and/or reduce demand for hydrocarbons
- The Covid-19 pandemic or other worldwide event may impact the global economy and reduce the demand for hydrocarbons for a long time
- Post Brexit legislation and tax framework may have a negative impact on the investment rules between the United Kingdom, the European Union and the USA

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal Risks and Uncertainties (continued)

Of these identified risks, the primary risks and actions taken to mitigate such risks are summarised in more detail below:

The Covid-19 pandemic – The ongoing Covid-19 pandemic has had a significant impact on worldwide economic activity in 2020 to date. The public health situation both in the US and the UK may disrupt or curtail operations or development activities in 2021 and beyond. These may cause a decline in production, limit the Group's ability to pursue new operations and will likely have a detrimental impact on the revenue achieved in 2021. The impact on price risk, cash flow and availability of capital is discussed further below.

Decrease in cash flows – The Board and management are focusing on cash flow management as one of the primary drivers to preserve the sustainability of the Company and its capacity to carry on its development. However, a drop in price of oil and gas, material adverse changes and other unexpected events may impact the cash flow generation and jeopardise the Company's ability to fund its development without external additional funding. Therefore, acquisition and expenditure programmes are carefully assessed to ensure that cash back expectations are aligned with cash flow forecast. The Board and management are reviewing milestones on a regular basis to adjust such programmes, if required, to actual market conditions and Company's resources.

Significant or sustained reduction in oil prices – The Board and management monitor oil prices and analyse events of a business, political or environmental nature that might affect future prices. The Covid-19 pandemic has impacted the worldwide economy with the consequence of a collapse of oil & gas demand leading to a crushing impact on oil price that recorded negative prices in April 2020, following by a steady recovery of prices that reached US\$65 per barrel in 1st quarter 2021. The Group has effectively fixed the price of gas and natural gas liquid products until 4th quarter of 2021 due to a streaming arrangement with a third party. Whilst oil products are still being sold on the open market, this has reduced the Group's exposure to price risk.

Availability of capital to fund future acquisitions – The 2020 Covid-19 pandemic has adversely impacted the worldwide economy. This may adversely affect the Group's ability to secure the funding necessary for future acquisitions or for joint projects with funded partners. The Board and management continue to monitor the situation and its impact on the Group's funding opportunities.

Failure of the Group's enhancement technologies – The Board and management consider that the use of innovative technologies is a key driver of the development and the performance of the Group. Therefore, a great deal of attention is deployed to secure capacity and pricing to both conventional and disruptive technologies and to identify competitors for each of the technology types used to maintain and enhance the production. The Group may consider mitigating the risk by developing its own tools to secure the access to top disruptive technologies.

Production decline – Production by well is monitored on a daily basis. The majority of the Group's wells have oil reserve potential in a number of different zones and at different depths. If production from a particular formation falls below commercially acceptable levels, the Group has two primary options: workover or further stimulation of the formation to re-establish oil-flow, or to close the non-producing formation and come up the well-bore to test another zone. Once a well is no longer commercially viable in any form the well is plugged and abandoned.

Failure to identify and acquire producing on-shore conventional oil field assets – As noted above the Group has now successfully completed several acquisitions. The Group continues to seek suitable acquisitions of additional properties in Texas, USA and neighbouring states. The Directors remain confident that the current economic and political climate will offer further opportunities to acquire assets with the potential for improved performance in accordance with the Group's overall strategy.

TECHNOLOGY ENHANCED OIL LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Engagement with Stakeholders

The Board recognises that the long-term success of the Company will be enhanced by a positive interaction with all of its stakeholders. Effective engagement allows the Board to understand relevant stakeholder views on material issues which may impact the business and helps to inform the Board's decision making and the discharge of directors' duties under section 172 of the Companies Act 2006.

Stakeholder engagement takes place at all levels within the Company's organisation.

Bondholders

The Company is funded by the bondholders. The Board values the support of the bondholders to sustaining the on-going development of the Company and the acquisition of new assets. The Board is reviewing the communication addressed to the bondholders and directors are liaising with bondholders and making themselves available to queries of existing or future bondholders.

Operating team

The Company relies on service providers to operate its oil & gas properties and in particular the US based operating team of Iskandia Energy Operating, Inc. The Board reviews the qualification and organisation of the operating team on a regular basis and directors are visiting the operating team onsite.

Service providers

The Company retains essential providers to render services like assessing oil & gas reserves, assessing carbon footprint or providing key technologies. The Board is reviewing the reports issued by these essential providers and require additional information if needed.

This report was approved by the Board on 29 September 2021 and signed on its behalf by:



Marc Samuel
Chairman

TECHNOLOGY ENHANCED OIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

During the year the Group reported a loss for the year of US\$9,618,325 (2019: US\$15,412,850). No dividend is proposed for the year ended 31 December 2020 (2019: US\$nil).

Directors

The Directors who served during the year were:

M. C. Samuel
R. C. A. Leon
S. Lamoine
P. Levin
L. Desforges (resigned 22 October 2020)
P. W. M. Boerboom
O. C. Thorne (appointed 18 December 2020)

Qualifying third party indemnity provisions

The Group has purchased Directors' and Officers' liability insurance which provides cover against liabilities arising against them in that capacity.

Board memberships and executive positions outside of the Group as of 31 December 2020

Marc C. Samuel

- *Board of directors and supervisory board*
Cogifrance SA (France)
Chairman of 1066 Advisor SA (Luxembourg)
AvaChrome, Inc. (USA)
Chairman of The Hogon Factory SAS (France)
- *Advisory Committee*
Nuclear Commitments Financial Committee of EDF (France)

Robert C. A. Leon

- *Executive position*
Chief Operating Officer of Financière Aedificia SA (France)
Chief Operating Officer of Spileco 3 SA (France)
Chief Operating Officer of Talis SA (France)
CEO of Aedificia SAS (France)
Chief Operating Officer of Aedificia Participations SAS (France)
Chief Operating Officer of Argeles Participations SAS (France)
Chief Operating Officer of Global SAS (France)
Chief Operating Officer of Hunow SAS (France)
Chief Operating Officer of Luxeuil Finance SAS (France)
Chief Operating Officer of Largentiere Holding SAS (France)
Manager of Castellane Investissement SARL (France)
Manager of Isis SARL (France)
Manager of Kelt International SARL (France)

TECHNOLOGY ENHANCED OIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Board memberships and executive positions outside of the Group as of 31 December 2020 (continued)

Robert C. A. Leon (continued)

- *Executive position (continued)*
Manager of Linden Holding SARL (France)
- *Board of directors and supervisory board*
Arbiom Inc (Delaware, USA)
Crozaloc SA (France)
Fineurocave SA (France)
Fin Qual I SA (France)
Genoway SA (France)
Masa Group SA (France)
MAuB Pty Ltd (Australia)
Valbonne II SICAV (Luxemburg)
Craft.AI SAS (France)
Theseis SAS (France)
Videlio SA (France)

Stephane Lamoine

- *None*

Pierre Levin

- *Board of directors and supervisory board*
Red Beryl Consulting Ltd (UK)
Artario Advisor SA (Switzerland)

Owen C. Thorne

- *Executive position*
Portfolio Manager – Responsible Investment at Merseyside Pension Fund (UK)
- *Advisory Committee*
Limited Partner Advisory Committee of Bridges Fund Management (UK) – Sustainable Growth Funds III & IV
Limited Partner Advisory Committee of Bridges Fund Management (UK) – Bridges Evergreen Holdings
Limited Partner Advisory Committee of Bridges Fund Management (UK) – Social Outcomes Fund
Limited Partner Advisory Committee of Palatine Private Equity (UK) – Impact Fund
Limited Partner Advisory Committee of SilverStreet Capital (UK) - Silverlands II
- *Industry bodies*
Chair, LGPS Cross-Pool Responsible Investment Group
Member of Policy Committee – UK Sustainable Investment & Finance Association (UKSIF)

TECHNOLOGY ENHANCED OIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Board memberships and executive positions outside of the Group as of 31 December 2020 (continued)

Paulus W. M. Boerboom

- *Board of directors and supervisory board*
Avida International Organisational Governance Ltd (UK)
Avida International BV (NL)
PBH BV (NL)

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

TECHNOLOGY ENHANCED OIL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report was approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Group and the Company's auditor is unaware; and
- that 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 Group and the Company's auditor is aware of that information.

Subsequent events

The holders of US\$70,450,000 out of the US\$118,320,000 Bonds decided to convert their Bonds on 15 January 2021, strengthening the balance sheet accordingly and reducing by 60% the burden of financial interests paid by the Company.

Re-registration of the Company from a public to a private company

On 13 January 2021, the Company was re-registered under the Companies Act 2006 as a private company under the name of Technology Enhanced Oil Limited. The Company was formerly registered as Technology Enhanced Oil Plc.

Website publication

The financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Going concern

The Directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Directors have considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors. In particular, the Covid-19 pandemic has evidenced how volatile oil prices can be and consequently the Directors have forecasted a decrease of revenues in the stress tests. Whilst these forecasts, which assume that non-essential expenditure on capital items can be reduced and deferred as necessary, show that the Group can continue in operational existence for a period of 12 months from the date of signing these financial statements, there is judgement in the assessment. In forming their judgement, the Directors have considered sensitivities and reverse stress test scenarios including modelling around pricing and production profiles as well as considering the underlying cost base of the business and the various developments contemplated by the Group.

In all of the scenarios referred to above, the Group has sufficient cash in order to meet its liabilities when they fall due and to continue to operate for a period of in excess of 12 months from the date of signing these financial statements.

Based on this, the Directors have a reasonable expectation that the Group will continue in operational existence for a period of 12 months from the date of signing these financial statements and therefore consider it appropriate to use the going concern basis in preparing the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Matters covered in the Strategic Report

The Strategic Report on pages 2 to 12 contains details of the principal activities of the Group and includes a business review which provides information on the development of the Group's business during the year, together with details of the risks and uncertainties that affect the Group's business and future developments.

Auditor

A resolution to re-appoint BDO LLP as auditor for the ensuing period will be proposed at the Annual General Meeting.

This report was approved by the Board on 29 September 2021 and signed on its behalf by:



Marc Samuel
Director

TECHNOLOGY ENHANCED OIL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNOLOGY ENHANCED OIL LIMITED

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Technology Enhanced Oil Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the Company statement of financial position and the Company statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

TECHNOLOGY ENHANCED OIL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECHNOLOGY ENHANCED OIL LIMITED

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the 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.

In the light of the 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
- 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, 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 the 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 the Parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TECHNOLOGY ENHANCED OIL LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Holding discussions with management to understand the laws and regulations relevant to the Group and Company and determined that the most significant are those relate to the reporting framework (the Companies Act 2006 and international accounting standards in conformity with the requirements of the Companies Act 2006) and the relevant tax compliance regulation in the United Kingdom and the equivalents for the United States.
- Holding discussions with management to determine any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Company's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- Reviewing minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

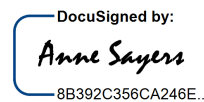
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

TECHNOLOGY ENHANCED OIL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TECHNOLOGY ENHANCED OIL LIMITED

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Anne Sayers
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Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
29 September 2021

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

TECHNOLOGY ENHANCED OIL LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Revenue	6	3,170,155	5,488,613
Cost of sales		(6,436,365)	(7,780,839)
Gross loss		(3,266,210)	(2,292,226)
Impairment		-	(7,521,127)
Recurring administrative expenses		(4,337,853)	(4,583,510)
Total administrative expenses		(4,337,853)	(12,104,637)
Operating loss	7	(7,604,063)	(14,396,863)
Finance income	11	73,416	161,993
Finance costs	12	(1,641,761)	(2,059,307)
Loss before tax		(9,172,408)	(16,294,177)
Tax	13	(445,917)	881,327
Loss for the year		(9,618,325)	(15,412,850)
Other comprehensive income		-	-
Total comprehensive loss for the year		(9,618,325)	(15,412,850)
Total comprehensive loss attributable to:			
Owners of the parent company		(9,618,325)	(15,412,850)
Basic and diluted loss per share (US\$ per share)	14	(38.37)	(61.65)

The notes on pages 28 to 72 form part of the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

REGISTERED NUMBER: 09847538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
Assets			
Non-current assets			
Investments	16	2,000,000	-
Oil and gas assets	17	40,895,965	39,665,285
Property, plant and equipment	18	585,656	-
Other receivables	19	2,201,845	1,659,929
		45,683,466	41,325,214
Current assets			
Trade and other receivables	19	621,062	2,398,350
Derivative financial assets	29	-	22,242
Cash and cash equivalents	20	23,634,369	13,949,669
		24,255,431	16,370,261
Total assets		69,938,897	57,695,475

The Consolidated Statement of Financial Position continues on page 24.

TECHNOLOGY ENHANCED OIL LIMITED

REGISTERED NUMBER: 09847538

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2020

	Note	2020 US\$	2019 US\$
Equity and Liabilities			
Equity			
Share capital	21	76,585	76,585
Shares to be issued	22, 24	113,741	-
Capital contribution	23, 24	51,854	50,564
Accumulated deficit	24	(62,498,070)	(52,879,745)
Convertible debt reserve	24	94,354,031	71,694,887
Other reserve	24	(4,008,850)	-
Total equity attributable to owners of the parent company		28,089,291	18,942,291
Non-current liabilities			
Trade and other payables	27	-	409,671
Long-term borrowings	25	1,105,090	5,269,961
Deferred tax liabilities	13	3,360,876	2,949,087
Provisions	26	26,823,247	23,726,254
Lease liabilities	28	326,337	-
Total non-current liabilities		31,615,550	32,354,973
Current liabilities			
Trade and other payables	27	2,625,328	674,349
Short-term borrowings	25	7,099,200	5,599,200
Provisions	26	350,670	124,662
Lease liabilities	28	158,858	-
Total current liabilities		10,234,056	6,398,211
Total liabilities		41,849,606	38,753,184
Total equity and liabilities		69,938,897	57,695,475

The notes on pages 28 to 72 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board on 29 September 2021 and were signed on its behalf by:



Marc Samuel
Director

TECHNOLOGY ENHANCED OIL LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital US\$	Shares to be issued US\$	Capital contribution US\$	Convertible debt reserve US\$	Other reserve US\$	Accumulated deficit US\$	Total equity US\$
At 1 January 2019	76,585	-	23,060	60,626,976	-	(37,466,895)	23,259,726
Comprehensive loss for the year	-	-	-	-	-	(15,412,850)	(15,412,850)
Total comprehensive loss for year	-	-	-	-	-	(15,412,850)	(15,412,850)
Issue of convertible debt	-	-	-	11,067,911	-	-	11,067,911
Recognition of share-based payments awarded by parent company (Note 23)	-	-	27,504	-	-	-	27,504
At 1 January 2020	76,585	-	50,564	71,694,887	-	(52,879,745)	18,942,291
Comprehensive loss for the year	-	-	-	-	-	(9,618,325)	(9,618,325)
Total comprehensive loss for year	-	-	-	-	-	(9,618,325)	(9,618,325)
Issue of convertible debt	-	-	-	22,659,144	-	-	22,659,144
Shares to be issued	-	113,741	-	-	-	-	113,741
Group restructuring	-	-	-	-	(4,008,850)	-	(4,008,850)
Recognition of share-based payments awarded by parent company (Note 23)	-	-	1,290	-	-	-	1,290
At 31 December 2020	76,585	113,741	51,854	94,354,031	(4,008,850)	(62,498,070)	28,089,291

The notes on pages 28 to 72 form part of the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Cash flows from operating activities			
Loss before income tax for the year		(9,172,408)	(16,294,177)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation of tangible assets	7	2,911,768	2,598,268
Finance income	11	(73,416)	(161,993)
Finance costs	12	1,641,761	2,059,307
Impairment loss	7	-	7,521,127
Fair value adjustment to derivative	29	22,242	(22,242)
Equity settled share-based payments	23	1,290	27,504
Increase in trade and other receivables		-	(119,379)
(Decrease)/increase in trade and other payables		(448,932)	986,322
Decrease in net amount owed to affiliated company		(2,072,294)	(2,291,884)
Net cash flows used in operating activities		(7,189,989)	(5,697,147)
Cash flows used in investing activities			
Purchase of investment	16	(2,000,000)	-
Expenditure on oil and gas assets	17	(406,910)	(125,875)
Long-term advances to affiliated company		-	(44,200)
Decommissioning costs paid	26	(180,977)	(51,929)
Interest received	11	39,645	105,919
Cash acquired in group restructuring	32	724,582	-
Net cash used in investing activities		(1,823,660)	(116,085)
Cash flows from financing activities			
Proceeds from long-term borrowing (net of issue costs)	25	24,485,049	12,513,885
Interest paid	25	(5,786,700)	(4,837,200)
Net cash generated by financing activities		18,698,349	7,676,685
Net increase in cash and cash equivalents		9,684,700	1,863,453
Cash and cash equivalents at beginning of year		13,949,669	12,086,216
Cash and cash equivalents at the end of year	20	23,634,369	13,949,669

The notes on pages 28 to 72 form part of the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Comprising:			
Cash at bank and in hand		23,634,369	12,447,403
Short-term deposits		-	1,502,266
	20	<u>23,634,369</u>	<u>13,949,669</u>

The notes on pages 28 to 72 form part of the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Corporate information

The consolidated financial statements of the Group, which comprise Technology Enhanced Oil Limited and all its subsidiaries, for the year ended 31 December 2020, were authorised for issue in accordance with a resolution of the Directors dated 29 September 2021. Technology Enhanced Oil Limited is a private limited company incorporated and domiciled in England and Wales. The registered office address is located at Salisbury House, London Wall, London, EC2M 5PS.

Throughout the current and prior year, Technology Enhanced Oil Limited was known as Technology Enhanced Oil Plc. On 13 January 2021, the Company was re-registered under the Companies Act 2006 as a private limited company.

The Group's principal activity is the acquisition, operation and development of conventional mature oil producing properties. Its main area of operational activity is in the United States of America.

2. Basis of preparation

The consolidated financial statements, which are presented in US Dollars, have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis, unless accounting standards require an alternative measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in either the relevant accounting policy or in the notes to the financial statements.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in the most appropriate application in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in Note 4.

3. Going concern

The Directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Directors have considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors. In particular, the Covid-19 pandemic has evidenced how volatile oil prices can be and consequently the Directors have forecasted a decrease of revenues in the stress tests. Whilst these forecasts, which assume that non-essential expenditure on capital items can be reduced and deferred as necessary, show that the Group can continue in operational existence for a period of 12 months from the date of signing these financial statements, there is judgement in the assessment. In forming their judgement, the Directors have considered sensitivities and reverse stress test scenarios including modelling around pricing and production profiles as well as considering the underlying cost base of the business and the various developments contemplated by the Group. In all of the scenarios referred to above, the Group has sufficient cash in order to meet its liabilities when they fall due and to continue to operate for a period of in excess of 12 months from the date of signing these financial statements.

Based on this, the Directors have a reasonable expectation that the Group will continue in operational existence for a period of 12 months from the date of signing these financial statements and therefore consider it appropriate to use the going concern basis in preparing the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

4.1 Reserve estimates

Reserves are estimates of the amounts of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The current long-term price assumption used in the estimation of commercial reserves is extracted from NYMEX price strip as of 31 December 2020 ranging from US\$47.66/bbl to US\$44.97/bbl for oil and from US\$2.71/Mcf to US\$2.67/Mcf for gas (2019: from US\$59.02/bbl to US\$52.84/bbl for oil and from US\$2.29/Mcf to US\$2.65/Mcf for gas). The carrying amount of oil and gas development and production assets at 31 December 2020 is shown in Note 17.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Changes in reported reserves may affect the Group's reported financial position and result in a number of ways including:

- Asset carrying values may be affected by possible impairment due to adverse changes in estimated future cash flows and the commercial viability of reserves. As detailed in Note 17, an impairment of US\$2,188,807 (2019: US\$7,521,127) was recognised and a reversal of the impairments recognised in previous years of US\$2,188,807 (2019: US\$nil) was recognised in the current year.
- Depreciation, depletion and amortisation, detailed in Note 7, that is charged in the Statement of Comprehensive Income may change where such charges are determined by the unit of production basis, or where the useful economic life of asset changes.
- Provisions for decommissioning a well may change as a result of revisions to the timing of such decommissioning or changes to the discount rate used.

4.2 Impairment

The Group assesses each asset at each reporting period to determine whether any indication of impairment exists.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Impairment (continued)

Oil and gas assets

Where an indicator of impairment to an oil and gas asset exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets. Further details of the current year impairment testing is contained in Note 17.

Other assets

Other assets are considered for impairment where such indicators exist using value in use calculations or fair value and recoverability estimates. The use of these methods similarly requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

4.3 Business combinations

In determining the fair values of certain assets/liabilities acquired/assumed in business combinations, management uses estimates that rely on information compiled by appropriately qualified persons. These estimates include assumptions as to:

- Expected future oil prices;
- Expected future operating costs;
- The amount of hydrocarbons that can be economically and legally extracted;
- The expected operating lives of the assets acquired; and
- The expected costs to cap and plug a well at the end of its operating life.

4.4 Volumetric Production Purchase Agreement

On 7 October 2019 the Group entered into a streaming arrangement with a third party whereby an upfront cash payment of US\$1,138,000 is repaid through delivery of specified monthly amounts of gas and natural gas liquid products from the oil and gas properties in the Delaware basin. Although there is a cash settlement option, to date the Group has settled this obligation through its own production and intends to continue to do so. As such the contract has been accounted for as a commodity contract under IFRS 15 as it will be settled through the delivery of non-financial items but if in the future the Group were to fail to settle the obligations through its own production, this would change the accounting treatment and may lead to the contract being classified as a derivative or other financial liability under IFRS 9.

4.5 Provision for decommissioning liability

In calculating the provision for the decommissioning liability, the Group uses the expected US inflation rate and the US risk-free interest rate, for the period until the wells are expected to cease operations. The use of these estimates forms a key source of estimation uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies

5.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each period. Control is achieved when a company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries acquired or disposed of during the period are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

5.2 Segmental reporting

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Chief Operating Decision Maker is the Board of Directors.

IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the Chief Operating Decision Maker. The segmental reporting provided to the Chief Operating Decision Maker is produced under US GAAP with a reconciliation to the results reported under IFRS. Only the information presented under IFRS is included within these IFRS financial statements. Transactions between segments are determined on an arm's length basis.

The segments are based on the geographical location of the Group's oil fields in the United States of America. Corporate includes both USA and UK activities and provides funding, administrative and consultancy services for the Group.

5.3 Revenue

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group recognises oil and gas sales when delivery to the purchaser has occurred and title has transferred. This occurs when production has been delivered to a pipeline or a transport vehicle. The Group has concluded that it is a principal in all of its revenue arrangements since it controls the goods or services before transferring them to the customer.

The Group's oil and gas assets are operated under an agreement with an affiliated company, which became a subsidiary company during the year (see Note 32). Under this agreement, the Group is billed for its share of operating expenses incurred and receives its share of production revenues net of expenses incurred. This affiliated company manages all contract assets on the Group's behalf under this agreement. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates and sales related taxes. Where a third party has an interest in an oil and gas property the Group only recognises its own share in revenue. Revenue arising from streaming contracts is recognised over the term of the contract using the units of delivery output method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.4 Interest income

Interest income is recognised as it accrues using the effective interest method.

5.5 Foreign currency translation

Functional and presentation currency

The functional and presentational currency of the Company and all its subsidiaries in the Group is the US Dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income' or 'finance costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income under the heading to which they relate.

The exchange rate to US\$1 for Sterling at 31 December 2020 was 0.733 (2019: 0.757) and the average rate during the period was 0.779 (2019: 0.783).

5.6 Share-based payments

In accordance with IFRS 2 "Share-based Payments", the Group measures the fair value of equity-settled transactions with employees and Directors at the grant date of the equity instruments. The fair value is calculated using an appropriate valuation model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee or Director share warrant. Further details can be found in Note 23. The arising expense is charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period.

Share warrants granted to employees and Directors of the Group by the Group's ultimate parent company, Beam Earth Limited (formerly Iskandia Energy Limited), are valued at the date of grant using the Black-Scholes option pricing model and are charged to the Statement of Comprehensive Income over the vesting period of the warrant. The corresponding credit is recognised in equity as a capital contribution from the Parent Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.7 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income.

Current tax

Current tax is the amount of tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Revenue-based taxes

The Group's subsidiaries are subject to revenue-based taxes such as the Texas Gross Margin Tax and production tax. These taxes are based on physical quantities produced or on a percentage of revenue. As such these taxes do not meet the characteristics of an income tax as set out in IAS 12 and are considered to be a tax on extractive activities and so have been deducted from revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.8 Oil and gas assets

Oil and gas properties

The Group uses the successful efforts method of accounting for oil and gas properties. Costs to acquire mineral interests in oil and gas properties are capitalised, where the properties are considered to be economically viable.

Capitalised costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit of production method.

Subsequent costs are included in the assets' carrying amount only when it is probable that future economic benefits associated with the items will flow to the Group and the cost can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Statement of Comprehensive Income in the period in which they are incurred.

On the sale or retirement of a complete unit of proved property, the cost and related accumulated depreciation, depletion and amortisation are eliminated from the accounts, and the resultant gain or loss is recognised.

Depreciation of producing assets

The net book values of producing assets are depreciated on a field-by-field basis using the unit of production method by reference to the ratio of production in the year and the related commercial (proved and probable) reserves of the field, taking into account future development expenditures necessary to bring those reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes.

Impairment of development and production assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount, i.e. the value in use.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally a group of field interests as the cash inflows of each field are interdependent. The cash-generating units are the "East Texas basin Properties" and the "Delaware basin Properties".

Any impairment identified is charged to the Statement of Comprehensive Income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation that would have been charged since the impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.8 Oil and gas assets (continued)

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Statement of Comprehensive Income.

5.9 Property plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price and any costs attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Expenditures for routine maintenance and repairs are expensed as incurred, while additions and improvements are capitalised.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives or, in the case of certain leased right-to-use assets, the shorter of the expected lease term and estimated useful life:

- Vehicles – 1 to 4 years
- Leasehold improvements – 3 to 4 years
- Office equipment – 3 to 7 years
- Land and buildings – over the term of the lease

An item of property, plant and equipment is derecognised upon disposal or when no further economic benefits are expected to arise from the use of that asset. Any gain or loss arising on de-recognition of the asset is included in the income statement when the asset is derecognised.

5.10 Leasing

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At commencement of a lease, the Group as lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The amount of the lease liability recognised is on a discounted basis. The discount rates used on transition were incremental borrowing rates as appropriate for each lease based on factors such as the lease term and payment terms. Where the rate implicit in the lease cannot readily be determined the Group used the Group's incremental borrowing rate. The Group does not have any leases where the Group is a lessor.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.11 Business combinations

Business combinations that are not under common control are accounted for using the acquisition method. The consideration paid in a business combination is measured at the fair value of all elements of the consideration. Acquisition-related costs are recognised in the Statement of Comprehensive Income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Where applicable deferred tax is provided on changes made to the fair values of assets acquired and liabilities assumed.

A bargain purchase gain is measured as the excess of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any). This bargain purchase gain is recognised immediately in the Statement of Comprehensive Income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Organisation and start-up costs are expensed as incurred. Organisational expenses include costs incurred to establish the Group's subsidiaries as legal entities.

5.12 Business combinations under common control

Business combinations under common control are accounted for using the pooling of interests method.

A business combination under common control is one in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. This includes transactions such as the transfer of subsidiaries between entities within a group.

Under the pooling of interests method, the assets and liabilities of the acquired business are reflected at their carrying amounts, with no adjustment to reflect their fair values. No goodwill is recognised on the combination. The results of the acquired business are included in the consolidated financial statements from the date of the business combination under common control. There is no restatement of financial information for periods prior to this date.

5.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments in debt securities with original maturities of three months or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are classified into one of the categories discussed below in accordance with IFRS 9, with reference to the business model for that instrument and the contractual cash flow characteristics.

Financial assets and liabilities are offset and the net amount reported in the financial statements if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The accounting policy for each category is as follows:

Financial assets

Financial assets comprise cash and cash equivalents, receivables, derivatives and equity investments.

Receivables primarily consist of trade and other receivables. These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at transaction price plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, adjusted for change in expected credit losses.

Derivatives

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates. The Group's derivatives are measured at fair value through profit or loss with gains or losses recognised in the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is determined by reference to quoted forward exchange rates at the reporting date. Gains and losses with regard to derivative financial instruments are included in 'administrative expenses'.

Equity investments

Investments in the equity of other entities that do not qualify as investments in subsidiaries, associates, or joint arrangements are initially recognised at fair value, which is normally equal to the transaction price. Subsequently, the investments are held at fair value. By default, the changes in fair value of the investment are recognised in profit or loss. Alternatively, if the investment is not held for trading purposes, the Group may make an irrevocable election to recognise changes in fair value in other comprehensive income, on an investment-by-investment basis. Dividends received from equity investments are recognised in profit or loss.

The Group has one equity investment that does not qualify as an investment in a subsidiary, associate, or joint arrangement. This is held at fair value through profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

Financial assets (continued)

Equity investments (continued)

The fair value measurement of the equity investments utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (ie not derived from market data)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is primarily derecognised when either the contractual rights to receive cash flows from the asset have expired or the Group has transferred the financial asset and substantially the risks and rewards of ownership of the asset to another party.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The IFRS 9 impairment model requires the recognition of 'expected credit losses'. Therefore, it is not necessary for a credit event to have occurred before credit losses are recognised. The impairment model applies to the Group's financial assets. The Group has no trade receivables and the Group's other financial assets are due from counterparties without material credit risk concerns at the time of transition.

Financial liabilities

Financial liabilities include borrowings, trade and other payables and lease liabilities.

Borrowings

Borrowings consist of mandatorily convertible bonds. The bonds consist of multiple tranches under one bond arrangement. Each tranche of the bond issued constitutes direct, unconditional, unsubordinated obligations of the Group and rank pari passu and rateably, without preference amongst themselves and equally with all other existing and future obligations of the Group. The withstanding bond agreement based on the most recent tranche determines a fixed share conversion price for all bondholders and therefore determines the number of shares each bondholder is entitled to. The total equity interest in the Group the bondholders are entitled to is capped at 80% of the Group's equity. As such the number of shares the bondholder group is entitled to is fixed and as there is a fixed share conversion ratio within the withstanding bond agreement the bond is therefore treated as a mandatorily convertible compound financial instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

Financial liabilities (continued)

Borrowings (continued)

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated by discounting the interest payments using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded value of the equity of the Group after conversion of the liability, is included in equity and is not remeasured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Lease liabilities

The Group applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. At the commencement of a lease, the Group as lessee recognises a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The amount of the lease liability recognised is on a discounted basis. The discount rate used on each lease is the rate implicit in the lease, calculated based on factors such as the lease term and payment terms. Where the rate implicit in the lease cannot readily be determined the Group used the Group's incremental borrowing rate. The Group does not have any leases where the Group is a lessor.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange is treated as the derecognition of the original liability and the recognition of a new liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.14 Financial instruments (continued)

Financial liabilities (continued)

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements as share capital and share premium account exclude amounts in relation to those shares.

5.15 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the Statement of Comprehensive Income.

Decommissioning liability

The Group recognises a decommissioning liability where it 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.

The obligation generally arises when the asset is acquired, installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

5. Summary of significant accounting policies (continued)

5.15 Provisions (continued)

Decommissioning liability (continued)

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the Statement of Comprehensive Income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the Statement of Comprehensive Income in 'finance costs'.

5.16 Deferred income

Deferred income arises on the Group's Volumetric Production Purchase Agreement ('streaming agreement'). See Note 4.4 for further details. Deferred income comprises the cash payment received in advance less revenue recognised in the period.

5.17 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Transactions of a similar nature are aggregated unless, in the opinion of the Directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

5.18 New and amended IFRS standards that are effective for the current year

In the current year, the following new and revised Standards and Interpretations have been adopted:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financing Reporting

The amendments above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

5.19 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

6. Analysis of revenue

Analysis of revenue by category:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Revenue from crude oil and gas sales	3,170,155	5,488,613
Total revenue from contracts with customers	3,170,155	5,488,613

Analysis of revenue by geography:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
United States of America	3,170,155	5,488,613
Total revenue from contracts with customers	3,170,155	5,488,613

Details of revenue disaggregated by segment are disclosed in Note 15.

The Group's oil and gas assets are operated under an agreement with an affiliated company. This affiliated company became a part of the Group during the year in the group restructuring (see Note 32). Under the agreement, the Group was billed for its share of operating expenses incurred and received its share of production revenues net of expenses incurred. The formerly affiliated company managed all contract assets on the Group's behalf under this agreement. Included within amounts owed by affiliated company (Note 19) are contract assets of US\$nil (2019: US\$598,028). Contract liabilities that relate to revenue recognised under the streaming arrangement (see Note 4.4) total US\$511,192 (2019: US\$997,726).

7. Operating loss

The operating loss is stated after charging/(crediting):

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Depreciation of oil and gas properties (Note 17)	2,911,768	2,598,268
Impairment loss	-	7,521,127
Fair value adjustment of derivative instruments (Note 29)	22,242	(22,242)
Share-based payment expense (Note 23)	1,290	27,504
Net gain on foreign currency translation	(13,039)	(10,941)

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

8. Auditor's remuneration

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Fees payable to the Group's auditor in respect of:		
Audit of the Group	82,822	78,203

9. Employees

Staff costs, including Directors' remuneration, were as follows:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Fees paid to Directors	1,003,981	852,618

The average number of employees, including the Directors, during the year was as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Directors	6	6

10. Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Fees paid to Directors	1,003,981	852,618

The remuneration of the highest paid director was US\$414,112 (2019: US\$294,652).

Included in the fees due to Directors disclosed above is US\$650,000 (2019: US\$545,455) that was paid by the Group's parent company, Beam Earth Limited (formerly Iskandia Energy Limited) and US\$290,485 (2019: US\$263,006) that was paid by an affiliate company, Iskandia Energy Operating, Inc., which became a subsidiary company during the year in the group restructuring. Both these companies recharge these fees plus an agreed mark up to the Group. The mark up is not included in the figures given above.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

10. Directors' remuneration (continued)

Key management compensation

Key management includes the Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Share-based payments	-	27,504
Fees paid to key management personnel	1,003,981	841,120
	<u>1,003,981</u>	<u>868,624</u>

Fees due to key management personnel includes US\$650,000 (2019: US\$545,454) paid by the Group's parent company, Beam Earth Limited (formerly Iskandia Energy Limited) and US\$290,485 (2019: US\$292,514) that was paid by an affiliate company, Iskandia Energy Operating, Inc., which became a subsidiary company during the year in the group restructuring. Both these companies recharge these fees plus an agreed mark up to the Group. The mark up is not included in the figures given above.

11. Finance income

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Bank interest receivable	39,645	105,919
Interest receivable from affiliated company	33,771	56,074
	<u>73,416</u>	<u>161,993</u>

12. Finance costs

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Interest on convertible bond	1,295,924	1,587,040
Unwinding of discount	345,837	472,267
	<u>1,641,761</u>	<u>2,059,307</u>

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Tax

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Current tax charge		
UK Corporation tax	-	-
Overseas tax	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	445,917	(881,327)
Total deferred tax	445,917	(881,327)
Income tax charge/(credit)	445,917	(881,327)

Factors affecting tax charge for the year

The tax charge for the year can be reconciled to the loss per the Consolidated Statement of Comprehensive Income as follows:

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Loss before income tax	(9,172,408)	(16,294,177)
Loss before income tax multiplied by the weighted average rate of corporate tax in the Group of 20.68% (2019: 20.86%)	(1,896,854)	(3,398,965)
Effects of:		
Amounts not deductible for tax purposes	302,675	134,767
Allowances in arrears of depreciation	569,219	624,113
Losses carried forward	1,470,964	1,759,121
Profits taxed at a different rate	(87)	(363)
Total tax charge/(credit) for year	445,917	(881,327)

Deferred tax

Tax losses carried forward have not been recognised at 31 December 2020. Whilst management forecast that taxable profits will be generated in the near future, there is a lack of evidenced profitability to date. Therefore, no deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is US\$17,165,196 (2019: US\$13,769,684).

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

13. Tax (continued)

Deferred tax (continued)

The following deferred tax liabilities have been recognised:

	Fair value uplift US\$
At 1 January 2019	3,830,414
Credited to Comprehensive Income	(881,327)
At 31 December 2019	2,949,087
Charged to Comprehensive Income	445,917
Acquired in group restructuring	(34,128)
At 31 December 2020	3,360,876

The above deferred tax liabilities arose upon the acquisitions in previous years.

The following table provides analysis of deferred tax in the Consolidated Statement of Financial Position by category of temporary difference:

	2020 US\$	2019 US\$
Deferred tax liabilities		
Temporary differences on acquisitions	3,360,876	2,949,087

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year together with the potential number of ordinary shares to be issued on conversion of the mandatorily convertible bonds and the shares to be issued in consideration for the purchase of the new subsidiary company as part of the group restructuring (see Note 32). The basic and the diluted loss per share are the same as there are no instruments that have a dilutive effect on losses.

	Year ended 31 December 2020 US\$	Year ended 31 December 2019 US\$
Net loss attributable to ordinary shareholders	(9,618,325)	(15,412,850)
Weighted average number of ordinary shares	250,685	250,000
Basic and diluted loss per share (US\$ per share)	(38.37)	(61.65)

Between the reporting date and the date of authorisation of these financial statements, there have been two transactions involving ordinary shares: the issuing of shares included in shares to be issued at the reporting date (see above and Note 22) and the early conversion of some of the mandatorily convertible bonds (see Notes 25 and 35). As described above, both of these events have been taken into account when calculating the loss per share.

Therefore, there have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that would have significantly changed the number or potential number of ordinary shares outstanding at the end of the period if those transactions had occurred before the end of the reporting period.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Segment information

Year ended 31 December 2020

During the current year, the Group organised its business into three reportable operating segments as follows:

- 'East Texas basin Properties'
- 'Delaware basin Properties'
- 'Corporate'

	East Texas basin Properties US\$	Delaware basin Properties US\$	Corporate US\$	Total US\$
Revenue	587,198	2,582,957	-	3,170,155
Depreciation and depletion	(221,336)	(2,690,432)	-	(2,911,768)
Other cost of sales	(432,167)	(3,092,430)	-	(3,524,597)
Gross loss	(66,305)	(3,199,905)	-	(3,266,210)
Administrative expenses	(17,813)	(243,540)	(4,076,500)	(4,337,853)
Impairment loss	(2,127,448)	-	-	(2,127,448)
Reversal of impairment loss	-	2,127,448	-	2,127,448
Unwinding of discounting	(16,559)	(329,278)	-	(345,837)
Other finance costs	-	-	(1,295,924)	(1,295,924)
Finance income	-	-	73,416	73,416
Taxation	(22,911)	(423,006)	-	(445,917)
Segment loss for year	(2,251,036)	(2,068,281)	(5,299,008)	(9,618,325)

Other cost of sales and Administrative expenses for the East Texas basin Properties and the Delaware basin Properties include spending that, according to the Directors' Strategic Report, are either deducted from Revenues such as US severance tax or are considered as Capex deployed into the properties for the purpose of remediation, maintenance of the facilities or enhancement of production. Therefore, financial aggregates viewed as Management economic KPI's could be compared as follows:

- Net production revenues KPI amounts to US\$3,024,688 as compared to Revenue of US\$3,170,155;
- Recurring operating result KPI amounts to US\$632,820 as compared to Gross loss of (US\$3,266,210);
- Overhead and Corporate cost KPI amounts to (US\$3,926,190) as compared to Administrative expenses of (US\$4,337,853).

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

15. Segment information (continued)

Year ended 31 December 2020 (continued)

Key management figures

Net Production Revenues KPI is revenue less production taxes.

Recurring operating result KPI is made up of Net productions Revenues less recurring lease operating expenses (excluding one-off capital expenditure) and administrative support costs relating to the operation of the wells.

Overhead and Corporate cost KPI is overall administrative expenses less administrative support costs relating to the operation of the wells.

	East Texas basin Properties US\$	Delaware basin Properties US\$	Corporate US\$	Inter- Segment Adjustment US\$	Total US\$
Other disclosures					
Non-current assets	10,276,606	30,619,359	4,787,501	-	45,683,466
Total assets	10,277,531	30,620,284	29,041,082	-	69,938,897
Total liabilities	(2,984,010)	(27,550,783)	(11,314,813)	-	(41,849,606)

The inter-segment adjustment in the prior year arose from the operations of Iskandia Energy Operating, Inc., which was formerly an affiliated company to the Group, prior to the group restructuring (see Note 32). At the reporting date, the assets and liabilities of Iskandia Energy Operating, Inc. are included in the assets and liabilities of the Group, and therefore there is no inter-segment adjustment.

Other information reported to the Chief Operating Decision Maker:

	East Texas basin Properties	Delaware basin Properties	Corporate	Total
Other disclosures				
Production (Boe)	21,676	176,479	-	198,155
Oil vs Gas (%)	100/0	46/54	-	N/A
Oil vs Water (%)	1/99	6/94	-	N/A
Average sale (US\$/Boe)	37	19	-	N/A
Net funding proceeds (US\$)	-	-	24,485,049	24,485,049

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. Segment information (continued)

Year ended 31 December 2019

During the previous year, the Group organised its business into three reportable operating segments as follows:

- 'East Texas basin Properties'
- 'Delaware basin Properties'
- 'Corporate'

	East Texas basin Properties US\$	Delaware basin Properties US\$	Corporate US\$	Total US\$
Revenue	875,348	4,613,265	-	5,488,613
Depreciation and depletion	(221,799)	(2,376,469)	-	(2,598,268)
Other cost of sales	(667,967)	(4,514,604)	-	(5,182,571)
Gross loss	(14,418)	(2,277,808)	-	(2,292,226)
Administrative expenses	(45,825)	(895,262)	(3,642,423)	(4,583,510)
Impairment loss	-	(7,521,127)	-	(7,521,127)
Unwinding of discounting	(13,717)	(458,550)	-	(472,267)
Other finance costs	-	-	(1,587,040)	(1,587,040)
Finance income	-	-	161,993	161,993
Taxation	5,768	875,559	-	881,327
Segment loss for year	(68,192)	(10,277,188)	(5,067,470)	(15,412,850)

Other cost of sales and Administrative expenses for East Texas basin Properties and Delaware basin Properties include spending that, according to the Directors' Strategic Report, are either deducted from Revenues like US severance tax or are considered as Capex deployed into the properties for the purpose of remediation, maintenance of the facilities or enhancement of production. Therefore, financial aggregates viewed as Management economic KPI's could be compared as follows:

- Net production revenues KPI amounts to US\$5,224,266 as compared to Revenue of US\$5,488,613;
- Recurring operating result KPI amounts to US\$657,068 as compared to Gross loss of (US\$2,292,226);
- Overhead and Corporate cost KPI amount to (US\$3,677,168) as compared to Administrative expenses of (US\$4,583,510).

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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15. Segment information (continued)

Year ended 31 December 2019 (continued)

	East Texas basin Properties US\$	Delaware basin Properties US\$	Corporate US\$	Inter- Segment Adjustment US\$	Total US\$
Other disclosures					
Non-current assets	11,640,372	28,024,913	1,659,929	-	41,765,843
Total assets	11,641,297	35,596,371	15,934,587	(5,476,780)	57,695,475
Total liabilities	(3,890,785)	(24,120,456)	(16,218,723)	5,476,780	(38,753,184)

Other information reported to the Chief Operating Decision Maker:

	East Texas basin Properties	Delaware basin Properties	Corporate	Total
Other disclosures				
Production (Boe)	21,265	213,685	-	234,950
Oil vs Gas (%)	100/0	49/51	-	N/A
Oil vs Water (%)	1/99	9/91	-	N/A
Average sale (US\$/Boe)	56.3	26.4	-	N/A
Net funding proceeds (US\$)	-	-	12,513,885	12,513,885

Key management figures

Net Production Revenues KPI is revenue less production taxes.

Recurring operating result KPI is made up of Net productions Revenues less recurring lease operating expenses (excluding one-off capital expenditure) and administrative support costs relating to the operation of the wells.

Overhead and Corporate cost KPI is overall administrative expenses less administrative support costs relating to the operation of the wells.

16. Investments

	2020 US\$	2019 US\$
Equity investments at fair value		
Redbud Land and Royalty LLC	2,000,000	-

During the current year, the Group acquired a 20.9% equity interest in Redbud Land and Royalty LLC, an unquoted company incorporated in the United States of America, for cash consideration of US\$2,000,000. No dividends were received from Redbud Land and Royalty LLC during the year.

The fair value of the equity investment was determined using level 3 inputs.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Oil and gas assets

	Oil and gas assets US\$
Cost	
At 1 January 2020	80,471,902
Additions	406,910
Decommissioning provision adjustment (Note 26)	2,832,254
Acquired in group restructuring (Note 32)	2,048,111
At 31 December 2020	85,759,177
Depreciation, depletion and amortisation	
At 1 January 2020	40,806,617
Charge for year	2,911,768
Reversal of impairment losses recognised in previous years	(2,127,448)
Impairment losses for year	2,127,448
Acquired in group restructuring (Note 32)	1,144,827
At 31 December 2020	44,863,212
Net book value	
At 31 December 2020	40,895,965

Impairment testing was performed across the Group's oil and gas assets and was calculated by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) against the carrying value of the asset. The future cash flows were estimated using future oil prices and were discounted using a post-tax rate of 13%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain.

Impairment losses of US\$2,127,448 (2019: US\$7,521,127) have been recognised in the year ended 31 December 2020. Impairment losses of US\$2,127,448 (2019: US\$nil) recognised in previous years have been reversed in the year ended 31 December 2020.

This impairment impact has been driven mainly by a higher level of forecasted operating costs retained in the current year impairment test, especially additional non-recurring items of the lease operating expenses. These non-recurring items to be amortized on a lesser production overcame the reduction trend of the operating costs leading to a net negative impact.

The use of a discount rate of 13% as opposed to the market standard PV10% approach in oil and gas asset transactions impacted also the assessment.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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17. Oil and gas assets (continued)

	Oil and gas assets US\$
Cost	
At 1 January 2019	77,905,074
Additions	125,875
Decommissioning provision adjustment	2,440,953
At 31 December 2019	80,471,902
Depreciation, depletion and amortisation	
At 1 January 2019	30,687,222
Charge for year	2,598,268
Impairment losses	7,521,127
At 31 December 2019	40,806,617
Net book value	
At 31 December 2019	39,665,285

Impairment testing was performed across the Group's oil and gas assets and was calculated by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) against the carrying value of the asset. The future cash flows were estimated using future oil prices and were discounted using a post-tax rate of 12%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain. Impairment losses of US\$7,521,127 have been recognised in the year ended 31 December 2019. This impairment impact has been driven mainly by a higher level of forecasted operating costs retained in the impairment test, especially additional non-recurring items of the lease operating expenses, as well as the use of a discount rate of 12% as opposed to the market standard PV10% approach in oil and gas asset transactions.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

18. Property, plant and equipment

	Land and buildings US\$	Vehicles US\$	Leasehold improve- ments US\$	Office equipment US\$	Total US\$
Cost					
At 1 January 2019 and 1 January 2020	-	-	-	-	-
Acquired in group restructuring (Note 32)	402,826	589,659	53,239	719,130	1,764,854
At 31 December 2020	402,826	589,659	53,239	719,130	1,764,854
Depreciation, depletion and amortisation					
At 1 January 2019 and 1 January 2020	-	-	-	-	-
Acquired in group restructuring (Note 32)	234,742	270,055	53,239	621,162	1,179,198
At 31 December 2020	234,742	270,055	53,239	621,162	1,179,198
Net book value					
At 31 December 2020	168,084	319,604	-	97,968	585,656
At 31 December 2019	-	-	-	-	-

Included in the above assets are the following right of use assets:

	Land and buildings US\$	Vehicles US\$	Leasehold improve- ments US\$	Office equipment US\$	Total US\$
Net book value at 1 January 2019 and 1 January 2020	-	-	-	-	-
Acquired in group restructuring (Note 32)	168,084	319,604	-	-	487,688
Net book value at 31 December 2020	168,084	319,604	-	-	487,688
Net book value at 31 December 2019	-	-	-	-	-

Impairment testing was performed across the Group's property, plant and equipment by ensuring that the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. No impairments were identified in 2020.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Trade and other receivables

	2020 US\$	2019 US\$
Non-current		
Amounts owed by affiliated company	-	1,653,124
Deposits	2,201,845	6,805
	<u>2,201,845</u>	<u>1,659,929</u>
Current		
Trade receivables	514,397	-
Other receivables	68,026	-
Amounts owed by parent company	38,639	304,597
Amounts owed by affiliated company	-	2,093,753
	<u>621,062</u>	<u>2,398,350</u>

The amounts owed by the affiliated company, which became a subsidiary company during the year as part of the group restructuring (Note 32), were subject to a revolving credit agreement at an interest rate of LIBOR plus 1% per annum and a maturity date of 31 December 2020.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20. Cash and cash equivalents

	2020 US\$	2019 US\$
Cash at bank and on hand	23,634,369	12,447,403
Short-term deposits	-	1,502,266
	<u>23,634,369</u>	<u>13,949,669</u>

Cash at bank earns interest at floating rates based on daily bank interest rates.

21. Share capital

	2020 US\$	2019 US\$
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	76,585	76,585

Fully paid ordinary shares carry one vote per share and the right to dividends and to distributions on winding up.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. Shares to be issued

Subsequent to the reporting date, on 19 January 2021, the Company issued 83,333 ordinary shares to £1 to its parent company. This formed part of the consideration for the purchase of the new subsidiary company of the Group, under the group restructuring (see Note 32), and therefore these shares have been included in Shares to be issued at the reporting date.

23. Equity settled share-based payments

The Group bears the expense of share warrants granted by its ultimate parent company, Beam Earth Limited (formerly Iskandia Energy Limited), to employees and suppliers of the Group. All warrants vest immediately. Upon exercise, warrant holders will be issued with shares in Beam Earth Limited (formerly Iskandia Energy Limited).

The movements of warrants during the year was as follows:

	2020		2019	
	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)	Number
At beginning of the year	-	-	1	5,812
Granted in the year	1	1,144	-	-
Exercised in the year	-	-	-	(5,812)
At end of the year	1	1,144	-	-

At 31 December 2020, the weighted average remaining contractual life and the maximum term of warrants exercisable was 1 year and the exercise price on all of the options was 1 cent. The weighted average fair value of warrants was US\$2.63, which was estimated using the Black-Scholes option-pricing model in 2020. The estimated fair values of warrants granted during 2020 are based on the following weighted average assumptions:

Warrant pricing model	Share warrants Black Scholes 2020
Weighted average share price at date of grant	US\$2.63
Weighted average exercise price	US\$0.01
Expected life	1.75 years
Expected volatility	703%
Expected dividend yield	0%
Risk-free interest rate	0.38%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of financial market indices.

The charge for equity settled share-based payments in the year ended 31 December 2020 was US\$1,290 (2019: US\$27,504). The total charged to the Statement of Comprehensive Income since the grant date was US\$51,854 (2019: US\$50,564). At 31 December 2020, 1,144 warrants with an exercise price of US\$0.01 were outstanding. No warrants were outstanding at 31 December 2019.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

24. Reserves

Shares to be issued

Shares to be issued are shares for which consideration has been received but which are not issued yet.

Capital contribution

The capital contribution arises on warrants issued by the Group's parent company to Directors and employees of the Group.

Accumulated deficit

The accumulated deficit represents losses recognised in the Consolidated Statement of Comprehensive Income.

Convertible debt reserve

The reserve represents the equity component of convertible bonds.

Other reserve

The reserve arose in the year as a result of the group restructuring (see Note 32). The reserve represents the excess of the consideration paid for the acquired company above the book value of the net assets of the company at acquisition.

25. Borrowings - Convertible bonds

The Group's borrowings consist of 6.00% mandatorily convertible bonds with a mandatory conversion date of 15 January 2022.

The bonds have a coupon rate of 6 per cent per annum. The bonds are mandatorily convertible into ordinary shares of the Company on 15 January 2022. On conversion in full the bondholders will receive 200,000 ordinary shares of the Company, being 80% of the fully diluted capital. Under the terms of the bonds there are early conversion options under certain circumstances (qualifying IPO, change of control or default event) and the conversion price is to be adjusted on the occurrence of certain events in order to maintain the interest that the bondholders have in 80% of the fully diluted share capital of the Company.

The fixed share conversion price at 31 December 2020 was US\$591.60 per share (2019: US\$466.60 per share). The total number of ordinary shares to be issued, if all bonds are converted at this adjusted conversion price, is 200,000. If the bonds have not been previously purchased and cancelled, redeemed or converted, they will be converted into ordinary shares on 15 January 2022. Interest of 6 per cent per annum will be paid quarterly in arrears to the mandatory conversion date, being 15 January 2022.

There are covenants attached to the loan which seek to protect the bondholders interests in their entitlement to the share capital of the Company on mandatory conversion of the bond.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

25. Borrowings - Convertible bonds (continued)

The convertible bonds were issued in 8 tranches as follows:

Tranche	Issue date	Nominal value US\$
Tranche 1	15 January 2016	6,020,000
Tranche 2	15 April 2016	1,850,000
Tranche 3	15 July 2016	25,000,000
Tranche 4	1 September 2016	2,750,000
Nominal value as at 31 December 2016		35,620,000
Tranche 5	18 April 2018	25,000,000
Tranche 6	7 November 2018	20,000,000
Nominal value as at 31 December 2017 & 2018		80,620,000
Tranche 7	5 December 2019	12,700,000
Nominal value as at 31 December 2019		93,320,000
Tranche 8.1	24 July 2020	12,500,000
Tranche 8.2	30 November 2020	12,500,000
Nominal value as at 31 December 2020		118,320,000

The equity component and liability proportion of the bonds have been determined based on the effective yield of a similar maturity corporate bond as set out below. Issue costs of US\$533,701 (2019: US\$294,065) have been apportioned between the liability and equity components based on their relative carrying amounts at the respective dates of issue. The proportion relating to equity has been charged directly to equity.

	2020 US\$	2019 US\$
Gross proceeds net of issue costs received	24,485,049	12,513,885

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

25. Borrowings - Convertible bonds (continued)

	2020 US\$	2019 US\$
Nominal value of bonds issued	118,320,000	93,320,000
Discount on issue	(375,000)	(375,000)
Issue costs	(3,882,410)	(3,348,709)
Accrued interest	221,116	202,366
Net proceeds	114,283,706	89,798,657
Cash proceeds of issues	114,283,706	89,798,657
Liability component at dates of issue	(19,929,675)	(18,103,770)
Equity component	94,354,031	71,694,887
As at beginning of year	10,869,161	12,673,347
Liability component of issued bond in year	1,825,905	1,445,974
Interest at effective interest rate of 18.408%	522,288	773,340
Interest at effective interest rate of 13.591%	286,033	431,283
Interest at effective interest rate of 13.858%	232,593	350,340
Interest at effective interest rate of 14.971%	168,382	32,077
Interest at effective interest rate of 16.217%	64,719	-
Interest at effective interest rate of 16.455%	21,909	-
Interest paid	(5,786,700)	(4,837,200)
Liability component at 31 December 2020 & 2019	8,204,290	10,869,161

The carrying value as at 31 December 2020 comprised:

	2020 US\$	2019 US\$
Current	7,099,200	5,599,200
Non-current	1,105,090	5,269,961
	8,204,290	10,869,161

Subsequent to the reporting date, certain of the bondholders converted their bonds to equity, and certain of the bondholders exchanged their bonds for notes. See note 35 for further details.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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26. Provisions

	Decommissioning US\$
At 1 January 2019	20,989,625
Decommissioning costs paid	(51,929)
Other changes in provision	2,440,953
Unwinding of discount	472,267
	23,850,916
At 31 December 2019	23,850,916
Decommissioning costs paid	(180,977)
Other changes in provision (Note 17)	2,832,254
Unwinding of discount	345,837
Acquired in group restructuring (Note 32)	325,887
	27,173,917
At 31 December 2020	27,173,917

The carrying value as at 31 December 2020 comprised:

	2020 US\$	2019 US\$
Current	350,670	124,662
Non-current	26,823,247	23,726,254
	27,173,917	23,850,916

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis on the acquisition and installation of those facilities.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2038 which is when the last of the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The net present value of current decommissioning provision estimates have been discounted to their present value at 1.45% per annum (2019: 2.25% per annum), being the prevailing risk free interest rate based on US long-term government bonds. Other changes in the provision relate to the recalculation of the provision at the year-end discount rate.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

26. Provisions (continued)

A 1% increase or decrease in the discount rate on the Group's decommissioning provision would result in a US\$3.854 million (2019: US\$3.637 million) decrease, or a US\$4.905 million (2019: US\$4.551 million) increase in costs in the Consolidated Statement of Comprehensive Income respectively over the expected 20 year operating lives of the oil and gas assets.

27. Trade and other payables

	2020 US\$	2019 US\$
Non-current		
Long term deferred income	-	409,671
Current		
Trade payables	1,742,443	-
Deferred income	511,192	588,055
Other payables	292,226	86,294
Amounts owed to parent company	79,467	-
	2,625,328	674,349

The carrying values of the trade and other payables approximate to their fair value as at the year-end date.

On 7 October 2019 the Group entered into a streaming arrangement with a third party whereby an upfront cash payment of US\$1,138,000 is repaid through delivery of specified monthly amounts of gas and natural gas liquid products. Deferred income shown above comprises this cash payment less revenue recognised in the period. The streaming arrangement is secured by a charge over the Group's oil and gas properties in the Delaware basin. Please see Note 4.4 for further details of the judgements made in accounting for this transaction.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

28. Lease liabilities

	Land and buildings US\$	Vehicles US\$	Total US\$
At 1 January 2019 and 1 January 2020	-	-	-
Acquired in group restructuring (Note 32)	197,453	287,742	485,195
At 31 December 2020	197,453	287,742	485,195

The Group has lease contracts for land and buildings and certain vehicles. The Group does not have any leases where the Group is a lessor. The weighted average remaining term for land and buildings leases is 2.8 years. The weighted average remaining term for vehicle leases is 2.9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. The weighted average incremental borrowing rate implicit in the vehicle leases is 8.89%. The land and buildings have been discounted at the Group's incremental borrowing rate of 13%.

	2020 US\$	2019 US\$
Maturity analysis of leases		
Current	158,858	-
1 to 2 years	148,154	-
2 to 5 years	178,183	-
	485,195	-

29. Derivative financial assets

	2020 US\$	2019 US\$
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	-	22,242

The forward foreign exchange contract was a short-term contract that was not designated as a hedging instrument. Fair value was determined by reference to quoted forward exchange rates at the reporting date.

Gains and losses with regard to the forward foreign exchange contract are included in 'administrative expenses'.

The fair value of the derivative financial instrument is based on estimates from observable inputs which are all level 2 inputs in the IFRS 13 hierarchy.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

30. Financial instruments

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity risks. The Board has identified the risks within each category and considers the impact on the activities of the Group as part of their regular meeting routine.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Equity investments
Trade and other receivables
Cash and cash equivalents
Trade and other payables
Lease liabilities
Mandatorily convertible bond

A summary of the financial instruments held by category is provided below:

	2020 US\$	2019 US\$
Financial assets at amortised cost		
Cash and cash equivalents	23,634,369	13,949,669
Trade and other receivables	2,754,881	311,402
Amounts owed by affiliated company	-	3,746,877
	26,389,250	18,007,948
Financial assets at fair value		
Equity investments	2,000,000	-
Derivative financial assets	-	22,242
	2,000,000	22,242
Total financial assets	28,389,250	18,030,190
Financial liabilities at amortised cost		
Trade and other payables	2,114,136	86,294
Lease liabilities	485,195	-
Mandatorily convertible bond	8,204,290	10,869,161
	10,803,621	10,955,455
Total financial liabilities	10,803,621	10,955,455

The fair value of the mandatorily convertible bond above based on quoted prices in active markets is US\$118,320,000 (2019: US\$93,320,000). The Directors consider that the carrying amounts of all other financial assets and financial liabilities recognised in the financial statements approximate their fair values (due to their nature and short times to maturity).

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30. Financial instruments (continued)

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the Directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so. Furthermore, the revenues are driven by oil and gas prices which are US dollar denominated, the operations of production are conducted in the USA and costs are US dollar based. Funding is secured by tranches of convertible bonds raised in US dollar. The exposure of the Group to other currencies, like British Pound, Euro or Japanese Yen is very limited and refers either to corporate cost in local currency, to specific advisory services or to enhancement of cash management.

The fair value of short-term deposits and other financial assets approximates to the carrying amount.

The carrying amounts of the Group's trade, intercompany, and other receivables denominated in currencies other than US Dollars are:

	2020 US\$	2019 US\$
UK Pounds	38,639	304,597

The carrying amounts as at 31 December 2020 of the Group's cash and cash equivalents denominated in currencies other than US Dollars are:

	2020 US\$	2019 US\$
Japanese Yen	-	12,303,335

The carrying amounts of the Group's trade, intercompany, other payables and borrowings denominated in currencies other than US Dollars are:

	2020 US\$	2019 US\$
UK Pounds	140,245	86,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

30. Financial instruments (continued)

Interest rate risk

The Group finances its operations through loans. The Group's exposure to interest rate fluctuations on its borrowings has been limited by the terms of the mandatorily convertible bond described in Note 25.

The Directors do not, therefore, consider the Group to be materially sensitive to interest rate risk.

Commodity risk

The Board and management monitor oil prices and analyse events of a business, political or environmental nature that might affect future prices. In the current year, the Group has entered into a streaming arrangement with a third party. This has effectively fixed the price of gas and natural gas liquid products from the Delaware basin properties for two years. Whilst oil products are still being sold on the open market, this has reduced the Group's exposure to price risk.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group. Credit risk within the Group arises from cash and cash equivalents, amounts owed by affiliated companies and amounts owed by the parent company. The maximum exposure to credit risk is the carrying amount of these financial instruments.

The Group is subject to concentrations of credit risk from cash deposits in excess of insured limits. The Group places its cash in financial institutions which are considered high quality financial institutions by management. At times, such cash deposits may be in excess of insured limits. The Group does not enter into any derivatives to manage credit risk.

The Group calculates expected loss allowances based on the maximum contractual period over which the Group is exposed to credit risk. Financial assets are considered to be credit-impaired when there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group also applies a rebuttable presumption that an asset is credit-impaired when contractual payments are more than 30 days past due. The Group has made an assessment of whether trade receivables are credit-impaired as at 31 December 2019. The Group has taken into account the current financial position of counterparties and expected future cash flows together with actual and forecast financial information, in order to estimate the probability of default of each of these financial assets as well as the loss upon default. Based on this assessment the Group has recognised 12-month expected credit losses of US\$nil (2019: US\$nil).

The contractual cash flows on these financial assets have not been modified or renegotiated in the current or prior year.

If there is evidence that there is no reasonable expectation of recovery and the counterparty is in severe financial difficulties, the financial asset will be written off.

Further information on trade and other receivables is presented in Note 19.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

30. Financial instruments (continued)

Operational risk

For the year ended 31 December 2020, three purchasers accounted for approximately 78% of the Group's oil and gas revenue as compared to three purchasers accounting for approximately 96% of the Group's oil and gas revenue in the prior year. Based on the adequate number of potential other purchasers of its oil and gas production, the Group does not believe the loss of these major customers would have a significant effect on its results of operations or financial position.

Liquidity risk

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long-term forecasts. With the exception of acquisitions, the Group's requirements are constant throughout the year and relate largely to working capital which is managed through the use of surplus cash.

The Group had no bank loans, overdrafts or invoice finance facilities at 31 December 2020 or 31 December 2019. The streaming arrangement discussed in Note 4.4 is secured over the Group's oil and gas properties in the Delaware basin. No debentures or personal guarantees were in place in either year. The convertible bonds are mandatorily convertible and thus do not affect liquidity risk.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2020 on the basis of their earliest possible contractual maturity.

At 31 December 2020	Total	0-180 days	181-365 days	1-2 years	2-5 years	More than 5 years
	US\$	US\$	US\$	US\$	US\$	US\$
Trade payables	1,742,443	1,742,443	-	-	-	-
Other payables	292,226	292,226	-	-	-	-
Lease liabilities	524,412	116,857	91,447	154,673	161,435	-
Interest on convertible bonds	8,874,000	3,549,600	3,549,600	1,774,800	-	-
	11,433,081	5,701,126	3,641,047	1,929,473	161,435	-
At 31 December 2019	Total	0-180 days	181-365 days	1-2 years	2-5 years	More than 5 years
	US\$	US\$	US\$	US\$	US\$	US\$
Accruals	86,294	86,294	-	-	-	-
Interest on convertible bonds	12,598,200	2,799,600	2,799,600	5,599,200	1,399,800	-
	12,684,494	2,885,894	2,799,600	5,599,200	1,399,800	-

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

30. Financial instruments (continued)

Capital risk

The primary objective of the Group's capital management is to establish and maintain a capital structure that safeguards the Group as a going concern and to maintain healthy credit ratios in order to support its business and then provide a return to shareholders and protect the interests of the bondholders. For the purposes of the Group's capital management, capital includes share capital and all other equity reserves attributable to equity holders. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and in order to make further acquisitions as the opportunities arise.

If the Group breaches the terms of the convertible bond and an event of default occurs, including non-payment of the coupons, breach of obligations, cross-default, insolvency, winding-up, ceasing to carry on business, judgement, illegality or analogous events, then the entire amount would immediately become due and payable. There have been no defaults or breaches of terms of the convertible bond in the current year.

31. Ultimate parent company

The immediate and ultimate parent undertaking is Beam Earth Limited, a company registered in England and Wales, with registered office address at Salisbury House, London Wall, London EC2M 5PS, United Kingdom. Throughout the current and prior year, Beam Earth Limited was registered under the name Iskandia Energy Limited.

32. Group restructuring

On 29 December 2020, the Company purchased 100% of the ordinary share capital of Iskandia Energy Operating, Inc. from its parent company, Beam Earth Limited (formerly Iskandia Energy Limited), in a group restructuring. Iskandia Energy Operating, Inc. was, throughout the prior year and up to the date of the group restructuring, an affiliate company of the Group. From the date of the group restructuring, Iskandia Energy Operating, Inc. forms part of the Technology Enhanced Oil Limited Group.

At the date of the transfer, Beam Earth Limited (formerly Iskandia Energy Limited) owned 100% of the ordinary share capital of Technology Enhanced Oil Limited. Therefore, the transfer of Iskandia Energy Operating, Inc. to Technology Enhanced Oil Limited was a combination of entities or businesses under common control, and so is outside of the scope of IFRS 3. The group restructuring has therefore been accounted for under the pooling of interests method. The assets and liabilities of Iskandia Energy Operating, Inc. have been included in the consolidated financial statements at their carrying amounts, with no adjustment to reflect their fair values. No goodwill has been recognised on the combination. The results of Iskandia Energy Operating, Inc. are included in the consolidated financial statements from the date of the group restructuring.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

32. Group restructuring (continued)

The carrying amounts of the assets and liabilities of Iskandia Energy Operating, Inc. at the date of the transfer, under IFRS and the accounting policies of the Group, were:

	US\$
Assets	
Oil and gas assets	903,284
Property, plant and equipment	585,656
Deferred tax asset	34,128
Trade and other receivables	2,777,463
Cash and cash equivalents	724,582
Total assets	5,025,113
Liabilities	
Provisions	(325,887)
Lease liabilities	(485,195)
Amounts owed to Group companies	(5,733,036)
Amounts owed to parent company	(79,467)
Trade and other payables	(1,910,774)
Total liabilities	(8,534,359)
Net liabilities	(3,509,246)

Iskandia Energy Operating, Inc. was valued by a third party valuer at \$34.5m under a base case model, and \$65.6m under a fair case model. The consideration for the transfer comprised the issue of shares by the Company at nominal value, and the forgiveness of an intercompany balance between the Group and the parent company.

The excess of the consideration paid for the purchased company above the book value of the net assets of the company at acquisition is included in equity. In this case, Iskandia Energy Operating, Inc. had net liabilities at the date of the transfer, so the book value of the net liabilities are added to the consideration paid. The debit balance arising is included in equity under the heading 'Other reserve'.

	US\$
Consideration	
Shares issued by the Company at nominal value	113,741
Intercompany balance between the Group and the parent company forgiven	385,863
 Add: net liabilities at date of transfer	 3,509,246
Equity reserve balance arising on group restructuring	4,008,850

The comparative financial information in the consolidated financial statements has not been restated for periods prior to the group restructuring.

The results of Iskandia Energy Operating, Inc. for the financial years ending 31 December 2020 and 2019, accounted for under IFRS and the Group's accounting policies are shown on the following page, on both an individual company basis, and on a basis that excludes intragroup transactions and balances.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

32. Group restructuring (continued)

Statement of Comprehensive Income	Individual company basis		Net of intragroup transactions	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Revenue	1,937,039	1,578,220	91,860	160,799
Cost of sales	(155,372)	(174,292)	(155,372)	(174,292)
Gross profit/(loss)	1,781,667	1,403,928	(63,512)	(13,493)
Administrative expenses	(2,648,890)	(2,392,511)	(2,648,890)	(2,392,511)
Operating loss	(867,223)	(988,583)	(2,712,402)	2,406,004
Finance income	-	1,246	-	1,246
Finance costs	(84,801)	(103,425)	(51,030)	(47,351)
Loss before tax	(952,024)	(1,090,762)	(2,763,432)	(2,452,109)
Tax	(7,020)	6,695	(7,020)	6,695
Loss for the year	(959,044)	(1,084,067)	(2,770,452)	(2,445,414)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	(959,044)	(1,084,067)	(2,770,452)	(2,445,414)

Included in administrative expenses is an impairment charge of US\$nil (2019: US\$71,750).

Statement of Financial Position	Individual company basis		Net of intragroup transactions	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Non-current assets	3,718,108	1,691,751	3,718,108	1,691,751
Current assets	1,307,005	1,943,704	1,307,005	1,943,704
Total assets	5,025,113	3,635,455	5,025,113	3,635,455
Equity	(3,509,246)	(2,550,205)	2,223,790	1,196,672
Non-current liabilities	6,381,754	4,168,201	648,718	421,324
Current liabilities	2,152,605	2,017,459	2,152,605	2,017,459
Total equity and liabilities	5,025,113	3,635,455	5,025,113	3,635,455

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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33. Related party disclosures

33.1 Control

The Group's ultimate controlling party and parent company is Beam Earth Limited. Throughout the current and prior year, Beam Earth Limited was registered under the name Iskandia Energy Limited.

33.2 Group disclosures

Transactions with parent company

	2020 US\$	2019 US\$
Purchase of services	715,000	727,000
Recharges of expenses	25,033	54,891
<i>Balances with parent company</i>	2020 US\$	2019 US\$
Due from parent company	38,639	304,597
Due to parent company	79,467	-

The Group's parent company provides management and administrative services to the Group under a services agreement. Outstanding balances at year end are unsecured and settlement occurs in cash.

Transactions with Iskandia Energy Operating, Inc

	2020 US\$	2019 US\$
Interest receivable	33,771	56,074
Service fees	1,583,825	477,895
Admin and operating services	261,354	939,526

Balances with Iskandia Energy Operating, Inc

	2020 US\$	2019 US\$
Long-term balance due from affiliated company	-	1,653,124
Short-term balance due to affiliated company	-	2,093,753

Iskandia Energy Operating Inc was formerly an affiliated company to the Group. During the year, it became a subsidiary company, in the group restructuring (see Note 32).

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

34. Contingencies

In the course of its business affairs and operation, the Group is subject to possible loss contingencies arising from federal, state and local environmental, health and safety laws and regulations and third party litigation. It is the opinion of management that the disposition or ultimate resolution of such claims and potential lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Group and consequently in accordance with IAS 37 no provision has been made.

Negative impacts may arise also from field operations and neighbouring activity. The main case regarding neighbouring activity occurred in 2019 with Shell. The Company experienced issues with wells on the edges of its Dimmitt field property caused by the influx of water from Saltwater Disposal (SWD) wells operated mainly by Shell. Shell and other E&PS are producing from horizontal wells after completing hydraulic fracturing on deep formations and are reinjecting saltwater coming along with their production into the shallow formation of Cherry Canyon which is the one the Company is producing from on the Dimmitt field. The Company has already challenged the saltwater injection permission before the RRC and is considering other actions to protect its production and reserves on the Dimmitt field.

This case gives rise to the possibility of an inflow of economic benefits to the Group, and is therefore a contingent asset. In accordance with IAS 37, the contingent asset has not been recognised.

Under the terms of "The Sheridan Property Workings" purchase and sale agreement, the Group has granted an option to a third party to acquire a 10% working interest in the assets acquired which will vest when certain financial conditions are met. Based on current projections, management do not consider it probable that this option will vest in the foreseeable future and consequently in accordance with IAS 37 no provision has been made.

35. Subsequent events

On 13 January 2021, the Company was re-registered under the Companies Act 2006 as a private company under the name of Technology Enhanced Oil Limited. The Company was formerly registered as Technology Enhanced Oil Plc.

On 15 January 2021, the holders of US\$70,450,000 of the US\$118,320,000 bonds converted their bonds to equity. On the same date, the holders of US\$12,500,000 of the US\$118,320,000 bonds exchanged their bonds for notes with a maturity date of 15 January 2025.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

36. Note supporting statement of cash flows

Details of the cash and cash equivalents are included in Note 20.

Significant non-cash transactions from financing activities are shown below:

	Derivatives US\$	Short and long-term borrowings US\$	Total US\$
At 1 January 2019	-	12,673,347	12,673,347
Cash flows			
Net proceeds from long-term borrowing	-	12,513,885	12,513,885
Interest paid on convertible bond	-	(4,837,200)	(4,837,200)
Total cash flows	-	7,676,685	7,676,685
Non-cash changes			
Equity portion of new bond	-	(11,067,911)	(11,067,911)
Interest expense on convertible bond	-	1,587,040	1,587,040
Fair value changes	22,242	-	22,242
At 1 January 2020	22,242	10,869,161	10,891,403
Cash flows			
Net proceeds from long-term borrowing	-	24,485,049	24,485,049
Interest paid on convertible bond	-	(5,786,700)	(5,786,700)
Total cash flows	-	18,698,349	18,698,349
Non-cash changes			
Equity portion of new bond	-	(22,659,144)	(22,659,144)
Interest expense on convertible bond	-	1,295,924	1,295,924
Fair value changes	(22,242)	-	(22,242)
At 31 December 2020	-	8,204,290	8,204,290

TECHNOLOGY ENHANCED OIL LIMITED

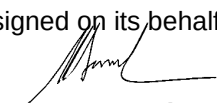
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COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

Assets	Note	2020 US\$	2019 US\$
Non-current assets			
Investments	C7	550,604	51,000
Other receivables	C8	13,018,296	23,350,047
		13,569,900	23,401,047
Current assets			
Trade and other receivables	C8	38,639	304,597
Derivative financial assets	C15	-	22,242
Cash and cash equivalents	C9	22,888,288	13,927,920
		22,926,927	14,254,759
Total assets		36,495,827	37,655,806
Equity and Liabilities			
Equity			
Share capital	C10	76,585	76,585
Shares to be issued	C11	113,741	-
Capital contribution	C12, C13	51,854	50,564
Accumulated deficit	C13	(66,506,920)	(45,121,685)
Convertible debt reserve	C13	94,354,031	71,694,887
Total equity attributable to owners of the parent company		28,089,291	26,700,351
Non-current liabilities			
Long-term borrowings	C15	1,105,090	5,269,961
Total non-current liabilities		1,105,090	5,269,961
Current liabilities			
Trade and other payables	C14	202,246	86,294
Short-term borrowings	C15	7,099,200	5,599,200
Total current liabilities		7,301,446	5,685,494
Total liabilities		8,406,536	10,955,455
Total equity and liabilities		36,495,827	37,655,806

The Company has elected to take advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual Statement of Comprehensive Income. The Company reported a loss after taxation for the year of US\$21,385,235 (2019: loss after taxation of US\$27,690,551). The notes on pages 75 to 82 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board on 29 September 2021 and were signed on its behalf by:


Marc Samuel
Director

TECHNOLOGY ENHANCED OIL LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital US\$	Shares to be issued US\$	Capital contribution US\$	Convertible debt reserve US\$	Accumulated deficit US\$	Total equity US\$
At 1 January 2019	76,585	-	23,060	60,626,976	(17,431,134)	43,295,487
Comprehensive loss for the year	-	-	-	-	(27,690,551)	(27,690,551)
Total comprehensive loss for the year	-	-	-	-	(27,690,551)	(27,690,551)
Issue of convertible debt	-	-	-	11,067,911	-	11,067,911
Recognition of share-based payments awarded by parent company (Note C.12)	-	-	27,504	-	-	27,504
At 1 January 2020	76,585	-	50,564	71,694,887	(45,121,685)	26,700,351
Comprehensive loss for the year	-	-	-	-	(21,385,235)	(21,385,235)
Total comprehensive loss for the year	-	-	-	-	(21,385,235)	(21,385,235)
Issue of convertible debt	-	-	-	22,659,144	-	22,659,144
Shares to be issued	-	113,741	-	-	-	113,741
Recognition of share-based payments awarded by parent company (Note C.12)	-	-	1,290	-	-	1,290
At 31 December 2020	76,585	113,741	51,854	94,354,031	(66,506,920)	28,089,291

The notes on pages 75 to 82 form part of the financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

C1. Corporate information

The individual financial statements of Technology Enhanced Oil Limited, for the year ended 31 December 2020, were authorised for issue in accordance with a resolution of the Directors dated 29 September 2021. Technology Enhanced Oil Limited is a private limited company incorporated and domiciled in England and Wales. The registered office address is located at Salisbury House, London Wall, London, EC2M 5PS.

The Company's principal activity is that of a holding company.

C2. Basis of preparation

The individual financial statements, which are presented in US Dollars, have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards.

The financial statements have been prepared on the historical cost basis, unless accounting standards require an alternative measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in either the relevant accounting policy or in the notes to the financial statements.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the provisions of the UK Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to:

- (a) the requirements of IFRS 7 'Financial Instruments: Disclosures';
- (b) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
- (c) the requirements of IAS 7 'Statement of Cash Flows';
- (d) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in relation to standards not yet effective;
- (e) the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';
- (f) the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- (g) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.

Where required, equivalent disclosures are given in the consolidated financial statements of Technology Enhanced Oil Limited.

As permitted by FRS 101, the Company has adopted the balance sheet format set out in IAS 1 rather than the Companies Act 2006 format. This provides greater consistency with the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

C3. Summary of significant accounting policies

The Company's accounting policies are the same as those set out in note 5 to the Group financial statements, except as noted below:

C3.1 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

C3.2 Financial assets

Receivables primarily consist of loans to subsidiaries under a revolving credit agreement at an interest rate of Libor plus 1% per annum with a maturity date of 31 December 2021 as shown in Note C8. These are accounted for as a financial asset in accordance with the accounting policy in Note 5.12 to the Group financial statements.

C4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with FRS 101 requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following estimates and judgements should be read in conjunction with those in the notes to the consolidated financial statements. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were:

C4.1 Impairment of investments

Management reviews the investments at each reporting period for any indicators of impairment in the assets' carrying values. In conducting this review management consider both the past trading performance and future financial forecasts of its subsidiaries and underlying oil and gas production data and operating metrics. Based on this review management have concluded that no impairments are required.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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C4. Critical accounting judgements and key sources of estimation uncertainty (continued)

C4.2 Impairment of financial assets

The maximum exposure to credit risk is the carrying amount of cash and cash equivalents, amounts owed by the Group subsidiary companies, and short-term trade and other receivables. Details of the Board's consideration of credit risk for cash and cash equivalents and trade and other receivables does not differ to that set out in Note 30 to the consolidated financial statements.

Management performs an annual review of the ability of the subsidiaries to repay the Group loans. The Company calculates expected loss allowances based on the maximum contractual period over which the Company is exposed to credit risk. Financial assets are considered to be credit-impaired when there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Company also applies a rebuttable presumption that an asset is credit-impaired when contractual payments are more than 30 days past due.

In the current year, management concluded that there has been a significant increase in credit risk for the long-term loans to subsidiaries detailed in Note C8. Accordingly, a provision for the lifetime expected credit losses has been made. In determining the lifetime expected credit losses, the Board has taken into account the current financial position of the counterparties and expected future cash flows together with actual and forecast financial information, in order to estimate the probability of default of each of these financial assets as well as the loss upon default.

C5. Auditor's remuneration

Note 8 to the consolidated financial statements provides details of the remuneration of the Company's auditor on a Group basis.

C6. Employees

The Company did not have any employees other than the Directors. Details of the Directors' remuneration is contained in Note 10 to the consolidated financial statements.

TECHNOLOGY ENHANCED OIL LIMITED

**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

C7. Investments

	Investments in subsidiary companies US\$
Cost	
At 1 January 2019 and 31 December 2019	51,000
Additions	499,604
At 31 December 2020	550,604
Net book value	
At 31 December 2020	550,604
At 31 December 2019	51,000

During the year, the Company acquired 100% of the ordinary share capital of Iskandia Energy Operating, Inc. from its parent company, as part of a group restructuring. The investment is accounted for at cost, and the element of the consideration that relates to shares to be issued in the Company has been recorded at the nominal value of the shares. Note 32 to the consolidated financial statements provides further information on the group restructuring.

Investments in subsidiary companies

The Company's subsidiary undertakings are as follows:

Name of company	Country of incorporation	Nature of business	Interest	Proportion of voting rights and shares held
Technology Enhanced Oil America Limited	England & Wales	Intermediate holding company	100%	100%
Technology Enhanced Oil Inc.	USA	Intermediate holding company	100%	100%*
Iskandia Energy Operating, Inc.**	USA	Petroleum exploration and production	100%	100%
Beauty Oil LLC	USA	Oil and gas production	100%	100%*
Pilot Resources LLC	USA	Oil and gas production	100%	100%*
Lovely Resources LLC	USA	Oil and gas production	100%	100%*

* Held indirectly

** This company was acquired on 29 December 2020.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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C7. Investments (continued)

Investments in subsidiary companies (continued)

The Company's subsidiary undertakings at the prior reporting date were as follows:

Name of company	Country of incorporation	Nature of business	Interest	Proportion of voting rights and shares held
Technology Enhanced Oil America Limited	England & Wales	Intermediate holding company	100%	100%
Technology Enhanced Oil Inc.	USA	Intermediate holding company	100%	100%*
Beauty Oil LLC	USA	Oil and gas production	100%	100%*
Pilot Resources LLC	USA	Oil and gas production	100%	100%*
Lovely Resources LLC	USA	Oil and gas production	100%	100%*

* Held indirectly

The registered office addresses of the Company's subsidiaries are as follows:

Technology Enhanced Oil America Limited	Salisbury House, London Wall, London EC2M 5PS, United Kingdom.
Technology Enhanced Oil Inc.	1675 South State Street Suite B, City of Dover, County of Kent, Delaware 19901.
Iskandia Energy Operating, Inc.**	209 E 9 th Street Suite 1300 Austin, Texas 78701
Beauty Oil LLC	209 E 9 th Street Suite 1300 Austin, Texas 78701
Pilot Resources LLC	209 E 9 th Street Suite 1300 Austin, Texas 78701
Lovely Resources LLC	801 Travis Street, Suite 1818, Houston, Texas 77002

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**NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

C8. Trade and other receivables

	2020 US\$	2019 US\$
Non-current		
Long-term loans to subsidiaries	72,233,057	62,428,294
Allowance for expected credit losses (see Note C4.2)	(59,214,761)	(39,078,247)
	<u>13,018,296</u>	<u>23,350,047</u>
Current		
Amounts owed by parent company	38,639	304,597
	<u>38,639</u>	<u>304,597</u>

The Company has revolving credit agreements with two of its subsidiaries. The revolving credit agreements have an interest rate of LIBOR plus 1% per annum with a maturity date of 31 December 2021.

C9. Cash and cash equivalents

	2020 US\$	2019 US\$
Cash at bank and on hand	22,888,288	12,425,654
Short-term deposits	-	1,502,266
	<u>22,888,288</u>	<u>13,927,920</u>

C10. Share capital

	2020 US\$	2019 US\$
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	76,585	76,585

Fully paid ordinary shares carry one vote per share and the right to dividends and to distributions on winding up.

C11. Shares to be issued

Subsequent to the reporting date, on 19 January 2021, the Company issued 83,333 ordinary shares to £1 to its parent company. This formed part of the consideration for the acquisition of the new subsidiary company of the Company, under the group restructuring (see Note 32 to the consolidated financial statements), and therefore these shares have been included in Shares to be issued at the reporting date.

TECHNOLOGY ENHANCED OIL LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

C12. Equity settled share-based payments

The Group bears the expense of share warrants granted by its ultimate parent company, Beam Earth Limited (formerly Iskandia Energy Limited), to employees of the Group. All warrants vest immediately. Upon exercise, warrant holders will be issued with shares in Beam Earth Limited.

Subsequent to the reporting date, on 19 January 2021, the Company issued 83,333 ordinary shares to £1 to its parent company. This formed part of the consideration for the acquisition of the new subsidiary company of the Group, under the group restructuring (see Note 32 to the consolidated financial statements), and therefore these shares have been included in Shares to be issued at the reporting date.

The charge for equity settled share-based payments in the year ended 31 December 2020 was US\$1,290 (2019: US\$27,504). The total charged to the Statement of Comprehensive Income since the grant date was US\$51,854 (2019: US\$50,564). There were no warrants outstanding as at 31 December 2020 or 31 December 2019.

Note 23 to the consolidated financial statements provides further information on the equity settled share-based payments.

C13. Reserves

Capital contribution

The capital contribution arises on warrants issued by the Company's parent company to Directors and employees of the Company.

Accumulated deficit

The accumulated deficit represents losses recognised in the Consolidated Statement of Comprehensive Income.

Convertible debt reserve

The reserve represents the equity component of convertible bonds.

C14. Trade and other payables

	2020 US\$	2019 US\$
Current		
Trade payables	4,874	-
Other payables	197,372	86,294
	202,246	86,294

The carrying values of the trade and other payables approximate to their fair value as at the year-end date.

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C15. Borrowings

	2020 US\$	2019 US\$
Non-current		
Long-term convertible bond	1,105,090	5,269,961
Current		
Short-term convertible bond	7,099,200	5,599,200
	8,204,290	10,869,161

Note 25 to the consolidated financial statements provides further details of the convertible bond.

C16. Derivative financial asset

	2020 US\$	2019 US\$
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	-	22,242

Note 29 to the consolidated financial statements provides further details of derivative financial asset.

C17. Deferred tax

Tax losses carried forward have not been recognised at 31 December 2020. Whilst management forecast that taxable profits will be generated in the near future, there is a lack of evidenced profitability to date. Therefore, no deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The deferred tax asset in respect of tax losses and other deductible temporary differences not recognised in the Company Statement of Financial Position amounts to US\$1,865,174 (2019: US\$1,547,617).

C18. Related party disclosures

C18.1 Control

The Company's ultimate controlling party is Beam Earth Limited. Throughout the current and prior year, Beam Earth Limited was registered under the name Iskandia Energy Limited.

C19. Subsequent events

Note 35 to the consolidated financial statements provides details of subsequent events.