BEACON ENERGY

ANNUAL REPORT AND ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 2023

CONTENTS

CHAIRMAN'S REPORT

Dear fellow shareholders,

I am pleased to present the following statement in support of the annual results of Beacon Energy plc (the "Company") for the year ended 31 December 2023.

During the year and subsequent period, the Board has worked tirelessly to deliver the Company's strategy which is to pursue the acquisition of value enhancing opportunities to develop and grow a self-funding upstream oil & gas company.

In April 2023, the Company was pleased to complete the acquisition of Rhein Petroleum GmbH ("Rhein Petroleum"), together with a £6 million fundraise and simultaneous readmission to AIM following a period of suspension associated with the reverse take-over (the "Transaction"). Rhein Petroleum is an established full cycle E&P company with a portfolio of largely operated production, development, appraisal and exploration assets located onshore Germany. This acquisition represented a transformational transaction for shareholders, which was fully aligned with Beacon Energy's growth strategy to focus on assets with proven resources and therefore tangible value.

Immediately upon completion of the Transaction, the Company secured a drilling rig to drill the Schwarzbach-2 development well on the Erfelden field. Drilling operations commenced on 19 June 2023. Notwithstanding operational issues encountered during drilling, the Schwarzbach-2(2.) ("SCHB-2(2.)") well reached total drill depth of 2,255m metres (1,717 metres True Vertical Depth) on 13 August 2023 with electric wireline well logging completed shortly thereafter.

The wireline logs obtained confirmed that the SCHB-2(2.) well encountered a 34-metre gross interval containing 28 metres of oil-bearing net reservoirs in the Pechelbronner-Schichten ("PBS") sandstones within the Stockstadt Mitte segment of the Erfelden field. These oil-bearing reservoirs were encountered approximately 25 metres higher and 10 metres thicker than prognosis, with porosities averaging 18% in the Lower PBS and 21% in the Upper PBS, with no water-bearing sands in the 42m hydrocarbon column.

As a result of the encouraging electronic log results, the Company completed an over-subscribed £4.3 million fundraise in September 2023 and subsequently, on 13 November 2023, the Company updated its assessment of potential reserves in the central part of the Erfelden field to 7.2 mmbbls (Best Estimate Case), with range of 4.7 to 10.2 mmbbls (Low Case to High Case). For comparison, the Competent Person's Report for the Erfelden field, published at the time of the Transaction, outlined a 2P reserve of 3.8 mmbbls.

Following installation of a rod pump, production from the well stabilised at a disappointing 40 barrels of oil per day ("bopd") - materially below expectations given the results of the electronic logs. The low production rate indicated that the reservoir near the wellbore had been invaded with drilling fluids, restricting flow rates.

In January 2024, the Company undertook a sand jetting operation, an industry-standard stimulation technique, aimed at increasing production from the SCHB-2(2.) well. While the sand jetting operation was unsuccessful, it represented a low-cost opportunity which could be implemented within weeks, and which had the potential to fully clean the well and deliver expected production. In addition, the data obtained demonstrated that the reservoir remains at original pressure of approximately 172 bar, consistent with the neighbouring Stockstadt field prior to production, and that the well has a significant "skin" or "damage" effect which impeded flow.

In February 2024, the Company completed a £2.6 million fundraise which would allow the Company to undertake a side-track operation with the aim of by-passing the invaded drilling fluids and damaged section of the reservoir. A rig, all long-lead items and the relevant oil field service contractors were secured.

The SCHB-2 side-track commenced in late April 2024. The side-track kicked off from the original well bore at a depth of 2,145 metres and extended for an additional 85 metres in length. In the Lower PBS, the SCHB-2 side-track is estimated to be approximately 9 metres from the original wellbore. Following insertion of the production liner, an electrical submersible pump ("ESP") was successfully installed and tested. Following demobilisation of the rig, the SCHB-2 well was reconnected to the Schwarzbach production facilities on 12 June 2024 to restart production, allow the well to clean-up, and allow a long-term flow rate to be established.

From June through to August 2024, the SCHB-2 well intermittently produced a combination of oil, gas and water using an ESP. The continued production of water (which is likely to be completion fluid, spent acid and losses from the side-track and original well bore) combined with pressure data suggests the well continued to clean-up, albeit at a slow rate.

Following extensive analysis by our technical team, the most likely explanation for the poor performance is a combination of residual reservoir damage in the upper section of the Upper PBS reservoir (where the sidetrack remains close to the original well bore which was invaded with drilling fluids) and poor permeability in this particular area of the Erfelden field in the Lower PBS reservoir.

Following the extended period of production during the summer, it became clear that the intermittent production reflected the fact that the ESP was running at the (lower) limit of its operating range. As a result, in early September 2024, a rod pump was installed with the aim of achieving a stabilised flow rate. At the time of writing, a stabilised rate of 50-55 bopd has been achieved from the SCHB-2 well. As a result of this low cost installation, we have marginally increased production while materially increasing the reliability of stable production volumes.

Outlook

The Company has undertaken a thorough review of the Rhein Petroleum cost base in order to maximise cash generation. Cost reduction measures are actively being pursued and these initiatives are anticipated to reduce Rhein Petroleum's annual cash operating costs from approximately €2.5 million currently to approximately €1.3 million. Such cost reduction measures are likely to be fully implemented by year end 2024.

As part of the Company's broader cost reduction measures, the directors continue to defer or receive a significant proportion of their fees in shares. In addition, Larry Bottomley and Stephen Whyte agreed to leave the Company's board, effective 1 July 2024. We take this opportunity to thank Larry and Steve for their valuable contributions to Board deliberations. Our thanks go especially to Larry for stepping into the CEO role in early 2022 and leading the Company through the reverse takeover and subsequent re-listing of the Company in 2023. As a result, the board now comprises Mark Rollins (Non-executive Chairman), Stewart MacDonald (CEO), Ross Warner (Independent Non-executive Director) and Leo Koot (Non-executive Director).

In order to provide more optionality for the Company as it seeks to establish the optimum route forward, the Company engaged with approximately 90% of the creditors of Rhein Petroleum with the aim of agreeing a reduction in liabilities and a deferred payment plan based on future cash flow generation of Rhein Petroleum. Unfortunately, agreement with creditors could not be reached and as a result the Company took the decision to place Rhein Petroleum into a formal process with its creditors (akin to US Chapter 11 bankruptcy protection), as announced on 27 August 2024. This three-month process was expected to conclude in early October although it has been extended by the creditor's representative who is exploring options to maximise recovery of value for creditors. As part of this process, the Company has put forward a robust and fully financed restructuring plan aimed at maximising cash generation from the Rhein Petroleum business and delivering value for creditors. A resolution of the creditor process is expected during Q4 2024.

In summary, it has been a frustrating series of events given the operational challenges encountered during the drill and subsequent flow rates from SCHB-2. As a Board, we remain convinced that Erfelden is a material and potentially highly valuable onshore oil discovery with Best Estimated recoverable reserves of 7.2 mmbbl. On behalf of our shareholders, we will continue to assess all options to realise maximum value from our assets. We thank shareholders for their support and patience through this period and look forward to providing updates on our progress as we move through the rest of the year.

Mark Rollins

Non-Executive Chairman

11 October 2024

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period ended 31 December 2023.

Principal activities, business review and future developments

The principal activity of Beacon Energy plc during the year was the acquisition of upstream oil & gas assets. Following the completion of the acquisition of Rhein Petroleum GmbH in April 2023, the Group held largely operating interests in a full cycle portfolio of upstream assets onshore Germany. Further details on the activities of the Group are provided in the Review of Operations.

Results and dividends

Loss on ordinary activities after taxation for the year ended 31 December 2023 amounted to US$3,456,000 (eight months period ended 31 December 2022: US$1,051,000). The Directors do not recommend the payment of a dividend (31 December 2022: US$Nil).

Review of Operations and Business Activity

On 11 April 2023, the Company announced that it had successfully completed the acquisition of Rhein Petroleum GmbH and Beacon Energy was re-admitted to trading on AIM.

During the year the Company safely drilled the SCHB-2 well which encountered a 34-metre gross interval containing 28 metres of oil-bearing net reservoirs in the Pechelbronner-Schichten ("PBS") sandstones. As a result, on 13 November 2023, the Company updated its assessment of potential reserves in the central part of the Erfelden field to 7.2 mmbbls (Best Estimate Case), with range of 4.7 to 10.2 mmbbls (Low Case to High Case).

Subsequent events

Please see Note 23 in the financial statements for a summary of subsequent events.

Key Performance Indicators ("KPIs")

The Board monitors the activities and performance of the Group on a regular basis, including as part of the regular Board updates and Board meetings. During the period, the principal focus of the Group was to acquire upstream E&P assets in line with the Company's strategy and to safely and successful drill the SCHB-2 well. The KPIs being monitored by the Group as at the date of this report were as follows:

- Cash management;
- Business development; and
- Project development.

Risks and uncertainties

The principal risks and uncertainties inherent in Beacon Energy's business strategy are summarised below:

Strategic

- Insufficient capital available to complete further acquisitions in line with growth strategy
- Health, Safety, Environmental and Social risk
- Climate change and energy transition

Financial

- Commodity price risk which may impact investment decisions taken. The Group monitors price forecasts in Board meetings and reacts accordingly
- Liquidity risk for completion of planned work programmes and going concern
- Foreign currency volatility impacts the potential cost base of projects and the Group monitors and assesses, as far as practicable, the impact on budgets and cash flows

- Availability of finance and funding is key to ensuring that there are funds available for working capital and to allow the Group to make strategic investment decisions. The Board is responsible for monitoring the cash flows and cash forecasts of the business

Operations

- Unable to achieve production targets / recover reserves which will impact on cash flow generation and reputation
- Stakeholder relations, including the ability of partners to finance and support projects, customers or governments to approve projects, can impact budgets and cash flows and the Group maintains and monitors its stakeholder relationships
- Misalignment of joint venture partners causing impact on work programmes and cash flow

Reputational

- Reputational damage
- Business conduct & bribery
- Political / regional risk

Financial Risk Management

The Group's operations expose it to a variety of financial risks that include the effect of changes in commodity prices, movements in foreign currency exchange rates, credit risk, debt market prices and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate or foreign exchange costs and, as such, no hedge accounting is applied. Details of the Group's financial risk management policies are set out in Note 19 to the Financial Statements.

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. The Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented.

Going Concern

The financial statements have been prepared on a going concern basis.

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management.

As at 30 June 2024, the Company had available cash resources (excluding restricted cash) of US$1.4 million.

Following disappointing production rates from SCHB-2, the Company engaged with approximately 90% of the creditors of Rhein Petroleum with the aim of agreeing a reduction in liabilities and a deferred payment plan based on future cash flow generation of Rhein Petroleum. Unfortunately, agreement with creditors could not be reached and as a result the Company took the decision to place Rhein Petroleum into a formal process with its creditors (akin to US Chapter 11 bankruptcy protection). This three-month process was expected to conclude in early October although it has been extended by the creditor's representative who is exploring options to maximise recovery of value for creditors. As part of this process, the Company has put forward a robust and fully financed restructuring plan aimed at maximising cash generation from the Rhein Petroleum business and delivering value for creditors. A resolution of the creditor process is expected during Q4 2024.

Management's base case is that a suitable agreement will be reached with the creditors of Rhein Petroleum and that, if the stabilised production rate can be maintained, the Rhein Petroleum business will be self-funding going forward.

Management have also considered a number of downside scenarios, including scenarios where agreement cannot be reached with creditors, or where production cannot be maintained at the current stabilised rate.

Under the base case forecast, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these consolidated financial statements. However, in the downside scenarios, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigants include deferral and/or reduction of expenditure and raising additional funding. It should be noted that Beacon Energy has not provided any parent company guarantees related to the debts of Rhein Petroleum.

Accordingly, after making enquiries and considering the risks described above, the Directors have assessed that the cash balance and forecast cash flows provide the Group with adequate headroom for the following 12 months – as a result, the Directors are of the opinion that the Group is able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements.

Nonetheless, these conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

Directors

The following Directors held office during the period and to the date of this report:

Mark Rollins
Ross Warner
Stephen Whyte (resigned 1 July 2024)
Larry Bottomley (resigned 1 July 2024)
Stewart MacDonald (appointed 11 April 2023)
Leo Koot (appointed 11 April 2023)

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors and their families, as at the date of approval of the financial statements are as follows:

Director	**Number of Ordinary shares**[1]	***Percentage of Share Capital (%)***
Mark Rollins	325,281,248	1.76
Stephen Whyte[2]	52,728,898	0.28
Ross Warner	205,287	0.00
Larry Bottomley	361,993,641	1.96
Stewart MacDonald	210,909,090	1.14
Leo Koot[3]	159,090,909	0.86

[1] Includes Director Fee Shares which will be held in escrow in a subsidiary of the Company and will be released to the Directors as appropriate after two years (in April 2025)
[2] Stephen Whyte's interest is held partly in the name of Nicola Louise Whyte, his wife
[3] 29,610,360 Director Fee Shares that were to be held for the benefit of Leo Koot will now be held for the benefit of Tulip Oil Holding B.V

Further to the passing of the Proposals at the Company's General Meeting in April 2023, 770,542,318 Options over new Ordinary Shares have been granted to directors. Further options were granted to directors and employees during the year. The number of Options over new Ordinary Shares granted to each recipient is as set out below:

Director	*Total options and warrants At Admission*	*New options and warrants granted*	*Options cancelled during the year*	*Total options and warrants 31/12/23*
Mark Rollins	189,667,229	37,566,588	(24,840,000)	202,393,817
Stephen Whyte	57,750,226	18,783,294	(1,670,000)	74,863,520
Ross Warner	61,260,226	18,783,294	(5,180,000)	74,863,520
Larry Bottomley	441,380,959	100,177,569	(1,670,000)	539,888,528
Stewart MacDonald	177,961,254	91,661,457	-	269,622,711
Leo Koot	-	-	-	-

Provision of information to auditors

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

Lubbock Fine LLP, who, being eligible, have expressed their willingness to continue in office in accordance with the Isle of Man Companies Act 2006.

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

Mark Rollins

11 October 2024

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied, they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- 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 proper accounting records that are sufficient to show and currently explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and which allow financial statements to be prepared. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. The Group is compliant with AIM Rule 26 regarding the Group's website.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BEACON ENERGY PLC

OPINION

We have audited the consolidated financial statements of Beacon Energy Plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2023, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 31 December 2023 and of the Group's loss for the period then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw your attention to Note 2(J) to the financial statements which explains that the Group has completed the acquisition of a subsidiary and will incur significant costs to supports its operations. If the Group is unable to reach agreement with the creditors of its subsidiary, or if production cannot be maintained at a stable rate, there may be scenarios where the Group would be unable to meet its forecast cash requirements. The matters explained in Note 2(J) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Accuracy and completion of equity The Group has historically entered into a number of equity-based transactions such as share issues and share warrants. The valuation of share options and warrants requires significant management judgements and estimates which may result in a material misstatement of the financial statements.	We obtained an understanding of the nature of equity transactions entered into by the Company during the period through discussions with management a review of regulatory news service announcements and from the review of Board minutes and key agreements. Valuations prepared for share-based payments issued have been reviewed. In doing so, we have assessed the modelling approach taken and verified the key assumptions and inputs into these models.
Completeness of Creditors Completeness of creditors aims to ensure all relevant costs relating to the financial period ended 31 December 2023 have been identified and accrued into the financial statements.	We reviewed a sample of accruals against appropriate supporting documentation and ensured reasonableness. We performed a review of post period end bank payments and invoices received for evidence of any unrecorded liabilities.
Going Concern During the year the Group has recorded a loss of $3,456k (2022: loss of $1,051), seen net assets increased to $14,609K (2022: $459K) and cash balances increase to $2,754k (2022: $306K). However, the subsidiary of the Group is seeking agreement with its creditors and should this agreement not be achieved, or if production rates in this entity are not sustained, the going concern position of the Group may be in doubt.	We have discussed the going concern basis with management and reviewed the Group's forecasts. We have reviewed the inputs, assumptions, sensitivities and integrities of the forecasts prepared. Due to the inherent uncertainties in the future operations of the newly acquired subsidiary we have included a reference to this material uncertainty in our audit report.

Management Override of Control Management override of controls refers to the risk that management/those charged with governance may manually manipulate the financial statements by overriding controls that may otherwise appear to be working normally. This is a standard audit risk included in all audit engagements.	We updated our understanding of the internal controls of the business and performed walkthrough tests on key controls. We reviewed manual journals entered into the general ledger during the period against a range of criteria for evidence of management override. For identified key accounting estimates we reviewed these for evidence of management bias in their preparation.
Acquisition of subsidiary during the year and group accounting The Group has acquired a new subsidiary in the year, Rhein Petroleum GmbH and following the acquisition, substantially all of the activities of the Group take place in this entity. Accounting for the acquisition of a new subsidiary during the year gives rise to a risk of material misstatement due to the significance of this entity and to the complex accounting entries required, which may result in a material misstatement of the financial statements.	We obtained and reviewed management's consolidation workings, including understanding the assumptions made on its preparation and assessed these for reasonableness.
Impairment of Property, plant and equipment Within the newly acquired subsidiary there are significant balances held in property, plant and equipment which relate to the oil and gas activities of the Group. The value of these is dependent on future income being received from these activities.	We have obtained budgets and forecasts in relation to these activities, and have reviewed these and the key assumptions behind these to assess the future expected value from these activities.
Revenue recognition Since the acquisition the Group has generated income from the oil and gas activities. This is a material transaction stream which could give rise to issues if the revenue is incorrectly recognised.	Reviewed contracts and agreements in place and verified revenue to supporting documentation and invoices.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit were influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- Overall materiality - We determine materiality for the consolidated financial statements as a whole to be $686,600. This was based on 5% of net assets. We believe the net assets to be the most appropriate benchmark as the Group has undergone significant upheaval in the period and prior year and this is the best financial indicator of the Group in this period.

- Performance materiality - On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the consolidated financial statements should be 55% of materiality, amounting to $377,600.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-valuated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

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

OTHER INFORMATION

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

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

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The audit committee of the Company (the "Audit Committee") assists the directors in discharging their responsibility in this regard.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP 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 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated 18 May 2023. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Lubbock Fine LLP
Chartered Accountants & Statutory Auditors
3rd Floor Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2023 US$'000	For the 8 month period ended 31 December 2022 US$'000
Income:			
Operating Income	5	962	-
Other income		10	-
Total Income		**972**	**-**
Cost of goods sold		(279)	-
Operating expenses	6	(3,637)	-
Operating loss		**(2,944)**	-
			-
Other administrative expenses	8	(3,830)	(1,004)
Net loss before finance costs and taxation		**(6,774)**	(1,004)
Finance costs		(362)	(47)
Effects of exchange gain/loss		125	-
At acquisition negative goodwill		3,556	-
Loss before tax		**(3,455)**	(1,051)
Tax expense	12	(1)	-
Loss after tax attributable to owners of the parent		**(3,456)**	(1,051)
Other comprehensive income			
Exchange differences on translation of foreign operations		(276)	-
Total comprehensive loss for the year attributable to owners of the parent		**(3,732)**	(1,051)
Basic loss per share attributable to owners of the parent during the year (expressed in US cents per share)	7	(0.04)	(0.08)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

The accompanying notes form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2023 US$'000**	As at 31 December 2022 US$'000
Assets			
Non-current assets			
Property, plant & equipment	14	**20,336**	-
Intangible assets		**29**	-
Total non-current assets		**20,365**	-
Current assets			
Other receivables		**875**	564
Restricted cash	16	**2,075**	-
Cash and cash equivalents		**2,754**	306
Total current assets		**5,704**	870
Total assets		**26,069**	870
Liabilities			
Trade and other payables	17	**(5,229)**	(411)
Non-current liability	18	**(6,231)**	-
Total liabilities		**(11,460)**	(411)
Net assets		**14,609**	459
Equity attributable to the owners of the parent			
Share premium	15	**65,245**	48,128
Share reserve		**2,801**	2,036
Foreign Currency Translation Reserve		**(276)**	-
Accumulated deficit		**(53,161)**	(49,705)
Total shareholder funds		**14,609**	459

The Financial Statements were approved and authorised for issue by the Board of Directors on 11 October 2024 and were signed on its behalf by:

Director

The accompanying notes form an integral part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium	Share reserve	Foreign Currency Translation reserve	Accumulated deficit	Total equity
	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 May 2022	**47,656**	**1,445**	**-**	**(48,654)**	**447**
Loss for the period to 31 December 2022	-	-	-	(1,051)	(1,051)
Total comprehensive income	**-**	**-**	**-**	**(1,051)**	**(1,051)**
Transactions with equity shareholders of the parent					
Proceeds from shares issues	490	-	-	-	490
Cost of share issues	(18)	-	-	-	(18)
Share based payments	-	591	-	-	591
Balance at 31 December 2022	**48,128**	**2,036**	**-**	**(49,705)**	**459**
Loss for the year to 31 December 2023	-	-	-	(3,456)	(3,456)
Other comprehensive income					
Exchange differences on translation of foreign operations	-	-	(276)	-	(276)
Total comprehensive income	**-**	**-**	**(276)**	**(3,456)**	**(3,732)**
Transactions with equity shareholders of the parent					
Proceeds from shares issued	17,713	-	-	-	17,713
Cost of shares issued	(596)	-	-	-	(596)
Share based payments	-	765	-	-	765
Balance at 31 December 2023	**65,245**	**2,801**	**(276)**	**(53,161)**	**14,609**

The accompanying notes form an integral part of these Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

	For the year ended 31 December 2023 US$'000	For the 8 month period ended 31 December 2022 US$'000
Cash flows from operating activities:		
Net loss for the year	**(3,456)**	(1,051)
Adjustments for:		
Share based payments	**765**	591
Depreciation on property plant and equipment	**426**	-
Negative Goodwill	**(3,556)**	-
Tax expense	**1**	-
Interest paid	**362**	-
Change in working capital items:		
Decrease/(Increase) in other receivables	**227**	(475)
(Decrease)/Increase in trade and other payables	**4615**	107
Net cash used in operations	**(616)**	(828)
Cash flows from investing activities		
Investment in subsidiary – cash balances acquired	**2,492**	-
Purchase of property, plant & equipment	**(9,673)**	-
Net cash used in investing activities	**(7,181)**	-
Cash flows from financing activities		
Proceeds from issue of share capital	**12,570**	490
Share issue costs	**(596)**	(18)
Net cash generated by financing activities	**11,974**	472
Net (decrease)/increase in cash and cash equivalents	**4,177**	(356)
Cash and cash equivalents, at beginning of the year	**306**	662
Effect of foreign exchange rate changes	**346**	-
Cash and cash equivalents, at end of the year	**4,829**	306

The accompanying notes form an integral part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1 Reporting Entity

Beacon Energy plc (the "Company") is domiciled in the Isle of Man. The Company's registered office is at 55 Athol Street, Douglas, Isle of Man IM1 1LA. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the E&P business.

On 11 April 2023, the Company announced that it had successfully completed the acquisition of 100% of the share capital of Rhein Petroleum GmbH and Beacon Energy plc was re-admitted to trading on AIM. On the same date Stewart MacDonald and Leo Koot were appointed as directors.

2 Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). They were approved and authorised for issue by the Company's Board of directors on 11 October 2024.

The comparatives are not entirely comparable and reflect the period from 1 May 2022 to 31 December 2022 whilst the current period figures represent the period from 1 January 2023 to 31 December 2023. The change in period length was to align the accounting period with the newly acquired subsidiary.

Details of the Group's accounting policies are included below:

<u>Standards and amendments effective for periods beginning 1 January 2024 or later</u>

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Non-current Liabilities with covenants – amendments to IAS 1
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

A. Basis of consolidation

<u>i. Subsidiaries</u>

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, 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 financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

<u>ii. Transactions eliminated on consolidation</u>

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

C. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees and other service providers is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

D. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

E. Exploration expenditure

Costs incurred prior to acquiring the right to explore an area of interest are expensed as incurred. Exploration and evaluation assets are intangible assets.

Exploration and evaluation assets represent the costs incurred on the exploration and evaluation of potential hydrocarbon resources, and include costs such as seismic acquisition and processing, exploratory drilling, activities in relation to the evaluation of technical feasibility and commercial viability of extracting hydrocarbons, and general administrative costs directly relating to the support of exploration and evaluation activities.

The Group assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use. Assets are allocated to cash generating units not larger than operating segments for impairment testing. Purchased exploration and evaluation assets are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination. They are subsequently stated at cost less accumulated impairment. Exploration and evaluation assets are not amortised.

When proved reserves of oil and gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties.

Oil and gas properties and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost (if the asset was previously classified as assets in development), any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Oil and gas properties are depreciated on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case, the straight-line method is applied.

F. Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

G. Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the Cash Generating Unit (CGU), and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

H. Fair value measurement

‘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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

I. Operating Income

Operating income represents revenue from contracts with customers and 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 has concluded that it is the principal in all of its revenue arrangements since it controls the goods or services before transferring them to the customer.

J. Going concern

The financial statements have been prepared on a going concern basis.

The Group monitors its cash position, cash forecasts and liquidity on a regular basis and takes a conservative approach to cash management.

As at 30 June 2024, the Company had available cash resources (excluding restricted cash) of US$1.4 million.

Following disappointing production rates from SCHB-2, the Company engaged with approximately 90% of the creditors of Rhein Petroleum with the aim of agreeing a reduction in liabilities and a deferred payment plan based on future cash flow generation of Rhein Petroleum. Unfortunately, agreement with creditors could not be reached and as a result the Company took the decision to place Rhein Petroleum into a formal process with its creditors (akin to US Chapter 11 bankruptcy protection). This three-month process was expected to conclude in early October although it has been extended by the creditor's representative who is exploring options to maximise recovery of value for creditors. As part of this process, the Company has put forward a robust and fully financed restructuring plan aimed at maximising cash generation from the Rhein Petroleum business and delivering value for creditors. A resolution of the creditor process is expected during Q4 2024.

Management's base case is that a suitable agreement will be reached with the creditors of Rhein Petroleum and that, if the stabilised production can be maintained, the Rhein Petroleum business will be self-funding going forward.

Management have also considered a number of downside scenarios, including scenarios where agreement cannot be reached with creditors, or where production cannot be maintained at the current stabilised rate.

Under the base case forecast, the Group will have sufficient financial headroom to meet forecast cash requirements for the 12 months from the date of approval of these consolidated financial statements. However, in the downside scenarios, in the absence of any mitigating actions, the Group may have insufficient funds to meet its forecast cash requirements. Potential mitigants include deferral and/or reduction of expenditure and raising additional funding. It should be noted that Beacon Energy has not provided any parent company guarantees related to the debts of Rhein Petroleum.

Accordingly, after making enquiries and considering the risks described above, the Directors have assessed that the cash balance and forecast cash flows provide the Group with adequate headroom for the following 12 months – as a result, the Directors are of the opinion that the Group is able to operate as a going concern for at least the next twelve months from the date of approval of these financial statements.

Nonetheless, these conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

3 Functional and presentation currency

These consolidated financial statements are presented in US Dollars ("USD" or "US$"), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

– Note 20 – consolidation: whether the Group has de facto control over an investee.

– Note 14 – impairment considerations in relation to property, plant and equipment.

B. Assumptions and estimation uncertainties

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below:

<u>Share based payments (note 11)</u>
The Group has made awards of options and warrants over its unissued capital. The valuation of these options and warrants involve making a number of estimates relating to price volatility, future dividend yields, expected life and forfeiture rates.

i) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Decommissioning provision (note 18)
The Group has estimated the present value of the amounts that will be required in relation to the future decommissioning of its oil and gas operation. This is based on security amounts agreed with the mining authority in the jurisdiction, however, there are estimation uncertainties in respect of the inflation and discount rates used.

5 Operating income

All Group revenues arise from the oil and gas activities in Germany.

	2023 December US$'000	**2022 December US$'000**
Oil and gas activities	962	-
	962	**-**

Contract balances

The opening and closing balances of receivables and contract assets from contracts with customers are as follows:

	2023 December US$'000	**2022 December US$'000**
Trade receivables	111	-
	111	**-**

6 Operating expenses

Operating expenses consist of the following:

	2023 December US$'000	2022 December US$'000
Raw materials, auxiliary materials and operating supplies	166	-
Operating services	439	-
Wages and salaries	958	-
Depreciation	426	-
Other operating expenses	1,648	-
Operating expenses	**3,637**	**-**

7 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments and make strategic decisions, has been identified as the Directors of the Group. In the opinion of the Directors, the operations of the Group comprise one operating segment comprising oil and gas exploration and production operations in Germany. As a result, the Group considers that it only has one reportable segment, and the Directors consider that the primary financial statements presented substantially reflect all the activities of the Company.

8 Administrative expenses

Administration fees and expenses consist of the following:

	2023 December US$'000	2022 December US$'000
Audit fees	47	20
Professional fees	418	103
Administration costs (largely associated with acquisition)	816	63
Employee share based payments (Note 11)	19	-
Director share based payments (Note 11)	1,010	425
Directors' fees (Note 11)	661	393
Travel and entertainment	28	-
Acquisition amounts written off	831	-
Other administrative expenses	**3,830**	**1,004**

9 Earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2023 December	2022 December
Loss attributable to owners of the Group (USD thousands)	**(3,456)**	(1,051)
Weighted average number of ordinary shares in issue (thousands)	**8,863,248**	1,350,063
Loss per share (US cents)	**(0.04)**	(0.08)

In accordance with International Accounting Standard 33 'Earnings per share', no diluted earnings per share is presented as the Group is loss making. Details of potentially dilutive share instruments are detailed in notes 10.

10 Share-based payment arrangements

The following is a summary of the share options and warrants outstanding and exercisable as at 31 December 2023 and 31 December 2022, and the changes during each year:

	Number of options and warrants	Weighted average exercise price (Pence)
Outstanding and exercisable at 1 May 2022	**118,259,511**	**2.68**
Outstanding and exercisable at 31 December 2022	**613,268,824**	**0.43**
Outstanding and exercisable at 31 December 2023	**3,295,965,536**	**0.15**

The above weighted average exercise prices have been expressed in pence and not cents due to the terms of the options and warrants. The following share options or warrants were outstanding and exercisable in respect of the ordinary shares:

Grant Date	Expiry Date	1 May 2022	Issued	Expired/ Cancelled	31 December 2022	Exercise Price
Warrants						
22.05.17	22.05.22	15,000,000	-	(15,000,000)	-	0.10p
22.05.17	22.05.22	35,000,000	-	(35,000,000)	-	0.10p
19.08.17	19.08.22	90,769,231	-	(90,769,231)	-	0.06p
01.09.17	01.09.22	70,769,231	-	(70,769,231)	-	0.06p
06.12.17	06.12.22	638,569,604	-	(638,569,604)	-	0.05p
Consolidation		(833,105,906)	-	833,105,906	-	
21.06.19	20.06.22	18,059,856	-	(18,059,856)	-	0.155p
21.06.19	20.06.22	10,833,334	-	(10,833,334)	-	0.155p
02.07.19	01.07.22	3,178,235	-	(3,178,235)	-	0.157p
03.07.19	02.07.22	833,334	-	(833,334)	-	0.157p
10.12.20	09.12.23	545,455	-	-	545,455	0.22p
31.03.21	31.03.26	38,511,644	-	-	38,511,644	0.00p
Consolidation		(80,067,627)	-	44,916,232	(35,151,395)	
19.04.21	19.04.24	21,488,500	-	-	21,488,500	2.60p
19.04.21	19.04.26	24,064,620	-	-	24,064,620	2.60p
26.07.22	27.07.25	-	500,000,000	-	500,000,000	0.13p
Options						
01.10.18	01.10.23	4,500,000	-	-	4,500,000	2.00p
01.02.20	01.02.25	31,250,000	-	-	31,250,000	0.30p
01.02.20	01.02.25	31,250,000	-	-	31,250,000	0.30p
Consolidation		(60,300,000)	-	-	(60,300,000)	
19.04.21	19.01.26	27,110,000	-	-	27,110,000	2.60p
17.03.22	17.03.27	30,000,000	-	-	30,000,000	0.30p
		118,259,511	**500,000,000**	**(4,990,687)**	**613,268,824**	

Grant Date	Expiry Date	31 December 2022	Issued	Expired /Cancelled	31 December 2023	Exercise Price

Warrants						
10.12.20	09.12.23	545,455	-	(545,455)	-	0.22p
31.03.21	31.03.26	38,511,644	-	-	38,511,644	0.00p
Consolidation		(35,151,395)	-	490,910	(34,660,485)	
19.04.21	19.04.24	21,488,500	-	-	21,488,500	2.60p
19.04.21	19.04.26	24,064,620	-	-	24,064,620	2.60p
26.07.22	27.07.25	500,000,000	-	-	500,000,000	0.13p
11.04.23	11.04.28	-	1,325,753,299	-	1,325,753,299	0.11p
20.09.23	20.09.28	-	116,700,000	-	116,700,000	0.15p
Options						
01.10.18	01.10.23	4,500,000	-	(4,500,000)	-	2.00p
01.02.20	01.02.25	31,250,000	-	(31,250,000)	-	0.30p
01.02.20	01.02.25	31,250,000	-	(31,250,000)	-	0.30p
Consolidation		(60,300,000)	-	60,300,000	-	
19.04.21	19.01.26	27,110,000	-	(27,110,000)	-	2.60p
17.03.22	17.03.27	30,000,000	-	-	30,000,000	0.30p
19.12.22	19.12.27	-	188,803,430	-	188,803,430	0.00p
19.12.22	19.12.27	-	581,738,888	-	581,738,888	0.11p
20.12.23	20.12.28	-	266,972,202	-	266,972,202	0.15p
20.12.23	20.12.28	-	236,593,438	-	236,593,438	0.15p
		613,268,824	**2,716,561,257**	**(33,864,545)**	**3,295,965,536**	

The options and warrants issued during the period were valued using the Black-Scholes valuation method and the assumptions used are detailed below. The expected future volatility has been determined by reference to the historical volatility:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
19.12.22	0.175p	0.00p	237%	5 years	0%	3.503%	0.15p
19.12.22	0.175p	0.11p	237%	5 years	0%	3.503%	0.09p
20.12.23	0.95p	0.15p	98%	5 years	0%	3.525%	0.05p

The Group recognised US$765,000 (2022: US$591,000) relating to equity-settled share-based payment transactions during the year arising from Option or Warrant grants, which was charged US$nil (2022: US$Nil) in respect of services performed in connection with the issue of new shares charged to share premium, US$765,000 (2022: US$472,000) in respect of directors' fees and US$nil reversed (2022: US$7,000) in respect of employee costs to the income statement.

The 770,542,318 options granted on 19 December 2022 vested on 19 June 2023 and 19 December 2023 in equal amounts. Vesting of the options is subject to the option holder providing continuous service during the vesting period and there are no other performance conditions attached to the options.

The 503,565,640 options granted on 20 December 2023 will vest on 23 April 2024 and 23 October 2024. Vesting of the options is subject to the option holder providing continuous service during the vesting period and there are no other performance conditions attached to the options.

The 62,500,000 options granted on 1 February 2020 which were meant to vest on 1 February 2025 were cancelled. The 27,110,000 options granted on 19 April 2021 which were meant to vest on 19 January 2026 were cancelled. The share option reserve recognized has been released to the profit and loss.

For the share options and warrants outstanding as at 31 December 2023, the weighted average remaining contractual life is 4 years (2022: 4 years).

11 Employee benefits (including directors)

The group employed an average of 14 individuals during the period, including the directors (2022: 4).

	2023 December US$'000	2022 December US$'000
Directors' remuneration (see below)	**661**	227
Wages cost	**958**	-
Share based payments – Directors (see below)	**1,010**	166
Share based payments - Employees	**19**	-
	2,648	393

Key management of the Group are considered to be the Directors.
The remuneration of the directors during the period ended 31 December 2023 was as follows:

	Short term employee benefits US$'000	**Social security payments US$'000**	**Pension contribution US$'000**	**Share based payments US$'000**	**Total 2023 US$'000**
Ross Warner	45	-	-	71	**116**
Mark Rollins	75	-	-	152	**227**
Stewart MacDonald	196	22	23	201	**442**
Steve Whyte	45	4	-	71	**120**
Larry Bottomley	200	21	-	515	**736**
Leo Koot	30	-	-	-	**30**
Total Key Management	**591**	**47**	**23**	**1,010**	**1,671**

The remuneration of the directors during the period ended 31 December 2022 was as follows:

	Short term employee benefits US$'000	**Social security payments US$'000**	**Pension contribution US$'000**	**Share based payments US$'000**	**Total 2022 US$'000**
Ross Warner	33	-	-	14	**47**
Mark Rollins	67	-	-	70	**137**
Stephen West	-	(2)	-	-	**(2)**
Steve Whyte	33	4	-	6	**43**
Larry Bottomley	88	4	-	76	**168**
Total Key Management	**221**	**6**	**-**	**166**	**393**

12 Income tax expense

The Parent Company is resident for tax purposes in the Isle of Man and is subject to Isle of Man tax at the current rate of 0% (2022: 0%). During the period and in the prior year, no subsidiaries were subject to material corporation tax.

Taxation reconciliation

The charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2023 December US$'000	2022 December US$'000
Loss before income tax	(3,456)	(1,051)
Tax on loss at the weighted average corporate tax rate of 0% (2022: 0%)	-	-
Tax – German authorities	1	-
Total income tax expense	1	-

The deferred tax asset has not been recognised, in accordance with IAS 12. The Group does not have a material deferred tax liability at the year end.

13 Business combination

On 11 April 2023, the Company acquired the entire issued share capital of Rhein Petroleum GmbH, an upstream oil and gas business operating in Germany. This transaction can be best described as a business combination under IFRS3.

The acquisition consisted of equity consideration of 3,488,549,633 ordinary shares and an associated consideration of 1,186,953,301 warrants at a price of 0.11 pence which is the fair value per share. On the basis that the net assets acquired exceeded the consideration paid, negative goodwill arose. This negative goodwill has been written off through the profit and loss. Details of the purchase consideration and the net assets acquired are as follows:

Goodwill

	$'000
Consideration transferred at Fair value	5,143
Less: Net identifiable liabilities at acquisition	18,769
Goodwill at acquisition	23,912
Less: adjustments of loan balance acquired	(27,468)
Negative goodwill at reporting date	**(3,556)**

Net liabilities at fair value:

	Fair value recognised on acquisition $'000
Property, plant and equipment	11,743
Receivables	536
Cash and cash equivalents	2,492
Total assets	**14,771**
Trade payables	(759)
Non-current liabilities	(32,781)
Total liabilities	**(33,540)**
Total identifiable net liabilities at fair value	**(18,769)**

The Group measured immaterial acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The related right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

From the date of acquisition, Rhein Petroleum GmbH contributed $962,000 of revenue and $1,357,000 to loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of 2023, the Group's revenue from continuing operations would have been $1,464,000 and the loss before tax from continuing operations would have been $3,843,000.

14 Property, plant and equipment

	Oil and gas properties and equipment US$'000
Cost	
Cost at 1 January 2023	**-**
Acquired in year	**20,762**
Cost at 31 December 2023	**20,762**
Depreciation	
Depreciation at 1 January 2023	**-**
Depreciation charge	**(426)**
Depreciation at 31 December 2023	**(426)**
Net book value – 1 January 2023	**-**
Net book value – 31 December 2023	**20,336**

15 Capital and reserves

All shares are Nil Coupon fully paid and each ordinary share carries one vote. No warrants have been exercised at the reporting date.

Allotted, called-up and fully paid:	**Number**	**Pence per share**	**Share premium US$'000**
Balance at 30 April 2022	**1,027,614,008**		**47,656**
26 July 2022-Equity placing	500,000,000	0.13	490
Cost of issue			(18)
Balance at 31 December 2022	**1,527,614,008**		**48,128**
Cancelled shares	**(1,527,614,008)**		
11 April 2023-Equity placing	**10,507,679,620**	0.11	12,639
15 September 2023-Equity placing	**2,867,000,000**	0.15	5,074
Cost of issue			(596)
Balance at 31 December 2023	**13,374,679,620**		**65,245**

16 Restricted cash

At reporting date, the Group had US$2,075,000 restricted cash, which is backing guarantees to the mining authority related to future decommissioning. This amount forms part of the US$2,496,000 cash balances acquired through the Rhein Petroleum GmbH acquisition. The guarantees are included within the provision for decommissioning shown in note 18.

17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

	2023 December US$'000	2022 December US$'000
Trade payables	**4,858**	**230**
Accruals and other payables	**371**	**181**
	5,229	**411**

18 Non-current liabilities

The non-current liabilities consist of a loan with Tulip Oil Holding B.V and provisions in relation to future abandonment and decommissioning costs.

	Audited Outstanding at 31 Dec 2023 US$'000	Audited Outstanding at 31 Dec 2022 US$'000
Tulip Oil Holding loan payable	3,724	-
Provision for decommissioning	2,412	-
Other non-current liabilities	95	-
	6,231	**-**

The loan between Rhein Petroleum GmbH and Tulip Oil Holding B.V. is secured on the shares of Rhein Petroleum GmbH , incurs interest at a rate of 15% and is repayable on 30 June 2025.

The provision for decommissioning is the estimated present value of the amounts required to decommission the Group's oil and gas activities.

19 Risk Management

Financial Risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Board of Directors seek to identify and evaluate financial risks.

Market risk

A. Foreign currency exchange risk

Foreign exchange risk arises because the Group entities enter into transactions in currencies that are not the same as their functional currencies, resulting in gains and losses on retranslation into US Dollars. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the treasury of the Parent Company. The Group and Company considers this policy minimises any unnecessary foreign exchange exposure. Despite this policy, the Group cannot avoid being exposed to gains or losses resulting from foreign exchange movements, at the reporting date a 5% decrease in the strength of the US Dollar would result in a corresponding reduction of US$559,000 (2022: US$6,000) in the net assets of the Group.

B. Cash flow interest rate risk

The Group's cash and cash equivalents are invested at short term market interest rates. As market rates are low, the Group is not subject to significant cash flow interest rate risk and no sensitivity analysis is provided. The Group is also not subject to significant fair value interest rate risk.

	2023 December US$'000	2022 December US$'000
Cash & Cash Equivalents		
USD	3	294
GBP	2,640	12
EUR	2,186	-
Total Financial Assets	**4,829**	**306**
Trade & other payables		
USD	249	181
GBP	128	184
EUR	4,852	46
Total Financial Liabilities	**5,229**	**411**

Credit risk

Credit risk arises on investments, cash balances and receivable balances. The amount of credit risk is equal to the amounts stated in the Statement of Financial Position for each of these assets. Cash balances and transactions are limited to high-credit-quality financial institutions. There are no impairment provisions as at 31 December 2023 (31 December 2022: nil).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group has adopted a policy of maintaining surplus funds with approved financial institutions.

Management of liquidity risk is achieved by monitoring budgets and forecasts against actual cash flows. Should the Group enter into borrowings during the year, management monitor the repayment and servicing of these arrangements against the contractual terms and reviewed cash flows to ensure that sufficient cash reserves were maintained.

Capital Risks

The Directors determine the appropriate capital structure of the Group, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt), in order to finance the Group's business strategy. The Group's policy in the long term is to seek to maintain the level of equity capital and reserves to maintain an optimal financial position and gearing ratio which provides financial flexibility to continue as a going concern and to maximise shareholder value. The capital structure of the Group consists of shareholders' equity together with net debt (where relevant). The Group's funding requirements are met through a combination of debt, equity and operational cash flow.

20 List of subsidiaries and associates

The parent of the Group has shareholdings in the following entities:

Name	Interest 2023	Interest 2022	Country of incorporation	Nature of business
Advance Energy TL Limited	100%	100%	UK	Intermediate Hold Co
Eagle Gas Limited	25%	25%	UK	Oil and gas Exploration
Beacon Energy RP Limited	100%	100%	Isle of Man	Dormant
Rhein Petroleum GmbH	100%	0%	Germany	Oil and gas

21 Commitments

There were no capital commitments authorised by the Directors or contracted other than those provided for in these financial statements as at 31 December 2023 (31 December 2022: None).

22 Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Details of Directors remuneration are disclosed in Note 11 Directors Remuneration. For details of any related party transactions entered into after the year-end please refer to Note 23 Subsequent Events.

23 Subsequent events

On 29 February 2024, the company announced that it had successfully completed its oversubscribed Placing with new and existing institutional investors and the PrimaryBid Offer. The Company raised, in aggregate, approximately €3.0 million (approximately £2.6 million) (before expenses) via the issue of 5,137,000,000 shares.

On 2 April 2024, the company announced that Larry Bottomley, the Company's Chief Executive Officer ("CEO"), has informed the board of his intention to retire as CEO effective 1 June 2024. Larry was replaced as CEO by Stewart MacDonald, the Company's then Chief Financial Officer ("CFO.")

On 28 June 2024, the Company announced that the Company had engaged with approximately 90% of the creditors of Rhein Petroleum with the aim of agreeing a reduction in liabilities and a deferred payment plan based on future cash flow generation of Rhein Petroleum. The Company also announced that it expected Rhein Petroleum to enter into a formal process with its creditors which would provide for an up to three-month negotiation period. The company had undertaken a thorough review of the Rhein Petroleum cost base in order to maximise cash generation. Cost reduction measures are anticipated to reduce Rhein Petroleum's annual cash operating costs from approximately €2.5m currently to approximately €1.3m. Such cost reduction measures are likely to take 3 - 6 months to realise. As part of the broader cost reduction measures, Larry Bottomley and Stephen Whyte agreed to leave the Company's board.

Unfortunately an agreement with creditors of Rhein Petroleum could not be reached and as a result the Company took the decision to place Rhein Petroleum into a formal process with its creditors (akin to US Chapter 11 bankruptcy protection).

On 1 July 2024, the Company requested that trading on AIM for the securities be temporarily suspended.

On 27 August 2024, the Company announced that it had become clear that the electrical submersible pump ("ESP") was running at the lower limit of its operating range - approximately 50 bopd - and as such the SCHB-2 well had not yet been able to achieve a stabilised flow rate. It also announced that plans are well advanced to re-install a rod pump (at a cost of approximately €75,000) to allow a stabilised flow rate to be achieved. This was subsequently installed and a stabilised rate of 50 - 55 bopd achieved.

BEACON ENERGY PLC

Statement of Compliance with the QCA Corporate Governance Code

(The information contained in this document was last reviewed on 15 September 2024)

Introduction

The Board of Beacon Energy plc ("the company") fully endorses the importance of good corporate governance and applies the QCA Corporate Governance Code, published in April 2018 by the Quoted Companies Alliance (the "QCA Code"), which the Board believes to be the most appropriate recognised governance code for a company of the Company's size with shares admitted to trading on the AIM market of the London Stock Exchange.

The Chairman is responsible for leading an effective board, fostering a good corporate governance culture, maintaining open communications with the major shareholders and ensuring appropriate strategic focus and direction for the Company.

Notwithstanding the Board's commitment to applying the QCA Code, we will not seek to comply with the QCA Code where strict compliance in the future would be contrary to the primary objective of delivering long-term value for the Company's shareholders and stakeholders. However, we do consider that following the QCA Code, and a framework of sound corporate governance and an ethical culture, is conducive to long-term value creation for the Company's shareholders.

All members of the Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to the Company's stakeholders. In the statements that follow, the Company explains its approach to governance in more detail.

Principle One

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

The Company's strategy is to seek growth through acquisition or farm-into interests in discovered upstream projects.

On 16 December 2022, the Company announced that it had entered into a conditional Share Purchase Agreement ("SPA") with Tulip Oil Holding B.V ("Tulip"), and Deutsche Rohstoff A.G ("DRAG"), collectively the ("Sellers"), for the purchase of the entire issued and to be issued share capital of Rhein Petroleum GmbH ("Rhein") the ("Transaction"). The Transaction was classified as a RTO and as such required shareholder's approval to proceed, of which the Extraordinary meeting was held on 5 April 2023 ("EGM"), and all proposed resolutions were duly passed and announced on this date.

Admission of the new shares, and appointments of Stewart MacDonald and Leo Koot to the Board as an executive director and non-executive director respectively, amongst other matters outlined in the EGM circular, took effect from 11 April 2023 ("Admission Date").

Through the drilling of the SCHB-2 well and side-track in H2 2023 and H1 2024, a material oil discovery was made with Best Technical Estimate recoverable reserves of 7.2 million barrels (Management Estimate).

The Company is constantly evaluating acquisition or farm-in opportunities with the aim of adding value accretive growth.

Principle Two

Seek to understand and meet shareholder needs and expectations

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company is required to hold an Annual General Meeting ("AGM") in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. Where voting decisions are not in line with the Company's expectations the Board intends to engage with those shareholders to understand and address any issues as appropriate. Investors also have access to current information on the Company though its website.

Shareholders can engage with the Company through its Investor Relations Adviser, Buchanan. Investors also have access to current information on the Company through its website, https://beaconenergyplc.com/.

Principle Three

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

The Board is aware that engaging with its stakeholders strengthens relationships and assists it to make better business decisions to deliver its commitments. The Company's stakeholders include shareholders, members of staff, suppliers, contractors, regulators, and the surrounding communities where its projects are located.

The Board is regularly updated on wider stakeholder views and issues concerning its projects both formally at Board meetings and informally through conversations. Engagement in this manner enables the Board to receive feedback and equips them to make decisions affecting the business.

The Board recognises the importance of its social responsibilities concerning its investment decisions, and the Company will develop projects that seek to make a contribution to the development of communities in which they are located. In planning its activities, the Company will give consideration to evaluating the social impact of proposed developments with a view to promoting where possible local employment and the delivery of other local benefits and mitigating negative impacts to the extent possible.

Principle Four

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

In addition to its other roles and responsibilities, the Board is responsible for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company and to ensure that risk management is reflected in Board remuneration.

The Company's focus on near term value creation means it is easier to control risks, limiting exposure to long term commodity price trends, as well as the potential for value to be stranded as the result of a future changing world energy mix or climate change initiatives.

The Group's operations expose it to a variety of risks that include volatility of commodity prices, foreign currency volatility, operational risks, availability of finance and funding.

The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Risk is monitored, assessed and managed by the Board as a whole who are responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

The Board identifies and evaluates financial risks in close co-operation with the managers who are a highly experienced team who can focus on the key issues to maximise value and de-risk Company projects.

The key risk factors for the Company are contained in the Company's Annual Report and Accounts.

Principle Five

Maintain the board as a well-functioning, balanced team led by the chair

The Board comprises, Mark Rollins non-executive Chairman and director, Stewart MacDonald as CEO and executive director and, Ross Warner and Leo Koot as non-executive directors. Larry Bottomley and Stephen Whyte retired from the board effective 1 July 2024.

Executive and non-executive directors are subject to re-election at the Company's AGM in accordance with the Company's Articles of Association. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Directors are expected to provide as much time to the Company as is required.

All the Directors biographies are published on the Company's website and outlined below: https://beaconenergyplc.com/about-us/board-management/

The Company has established subcommittees of the Board, comprising an Audit Committee, a Remuneration Committee, a Nomination Committee and a Market Disclosures Committee.

The Board aims to hold informal meetings monthly and formal meetings quarterly (or more frequently as appropriate). A schedule of attendance at formal Board meeting is outlined as follows:

Board Meetings Attendance – from 1 July 2023 to 30 June 2024

Directors	**Board Meetings**	
	Attended	**Eligible**
Larry Bottomley	**5**	**5**
Stewart MacDonald	**5**	**5**
Stephen Whyte	**5**	**5**
Mark Rollins	**5**	**5**
Ross Warner	**5**	**5**
Leo Koot	**5**	**5**

Meeting Dates
14 September 2023
12 December 2023
28 February 2024
26 March 2024
18 June 2024

Given the reduced size of the Board it is intended that the number of Board committees will be reduced with the work of the Audit Committee and Market Disclosure Committee combined and the work of the Remuneration Committee and Nomination Committee combined.

Principle Six

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

The Board currently consists of four Directors.

The Board believes that the current balance of skills of the Directors reflects a very broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver is strategy and notes that each of the Director's has experience in public markets.

The Directors keep their knowledge and expertise current through their intensive involvement in industry affairs. Additionally, the Directors receive ad hoc guidance on certain matters concerning the AIM Rules for Companies from the Company's Nomad as well as receiving updates on the regulatory environment from FIM Capital Limited ("FIM"). FIM provides Company secretarial, specialist administration and accounting services to the Company.

Full Biographies of the Board are available on the Company's website https://beaconenergyplc.com/about-us/board-management/

Principle Seven

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

There is no formal Board or director evaluation system in place, however, there is an internal evaluation of the Board and individual directors undertaken on an ad hoc basis in the form of peer appraisal and discussions to determine the effectiveness and performance as well as the directors' continued independence. This process can be regular as part of the board meeting process or ad hoc when the director or Board deem it necessary.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

Principle Eight

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

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Company maintains an open and respectful dialogue with employees, partners and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Company has put policies in place that communicate disciplinary policies clearly; ensures every employee knows the consequences of unethical behaviour; ensures its employees can report misconduct anonymously and has a confidential complaint process in place.

The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation.

Principle Nine

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

Ultimate authority for all aspects of the Company's activities rests with the Board and the respective responsibilities of the Non-Executive Chairman. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board.

The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the Company's corporate governance practices.

The Board is supported by an audit committee, remuneration committee, a nomination committee and a Market Disclosure Committee (Previously called the AIM Rules and UK MAR compliance committee). Details of the responsibilities of each such committee are detailed below.

Role of the Audit Committee: The members are Ross Warner (Chair) and Mark Rollins.

The Audit Committee aims to meet at least three times each year. The Audit Committee is responsible for assisting the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of Lubbock Fine LLP, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and Lubbock Fine without management present. Further, the Audit Committee is responsible for making recommendations to the Board on the appointment of Lubbock Fine and the audit fee and reviews reports from management and Lubbock Fine on the financial accounts and internal control systems used throughout the Company and the Group.

The Audit Committee also reviews arrangements by which the staff of the Company and the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action. Where necessary, the Audit Committee will obtain specialist external advice from appropriate advisers.

Role of the Market Disclosures Committee: **The members are Ross Warner (Chair) and Mark Rollins.**

The Committee monitors the Company's compliance with the AIM Rules and UK MAR and seek to ensure that the Company's Nominated Adviser is maintaining contact with the Company on a regular basis and vice versa. The committee will ensure that procedures, resources and controls are in place with a view to ensuring the Company's compliance with the AIM Rules and UK MAR. The committee also ensures that each meeting of the Board includes a discussion of AIM matters and assesses (with the assistance of the Company's Nominated Adviser and other advisers, as appropriate) whether the Directors are aware of their AIM responsibilities from time to time and, if not, ensures that they are appropriately updated on their AIM responsibilities and obligations.

Role of the Remuneration Committee: The members are Mark Rollins (Chair) and Ross Warner.

The Remuneration Committee meets up to twice a year. The Remuneration Committee is responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management (as appropriate) and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration Committee is to keep under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company. The Remuneration Committee also reviews the performance of the executive directors(s) and sets the scale and structure of their remuneration, including the implementation of any bonus arrangements, with due regard to the interests of shareholders. The Remuneration Committee is also responsible for granting options under the Company's share option plan and, in particular, the price per share and the application of the performance standards which may apply to any grant, ensuring in determining such remuneration packages and arrangements, due regard is given to any relevant legal requirements, the provisions and recommendations in the AIM Rules and the QCA Code.

Role of the Nomination Committee: The members are Mark Rollins (Chair) and Ross Warner.

The Nomination Committee meets at least three times a year at appropriate intervals. The Nominations Committee is responsible for reviewing and making proposals to the Board on the appointment of directors, reviewing succession plans and ensuring that the performance of directors is assessed on an ongoing basis.

The services of each of the Board members as directors are provided under the terms of their letters of appointment. The responsibilities of the board members are outlined in the Accounts and summarised below. The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Whilst there are no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

The structures and risk appetite disclosures on the website and the Accounts are deemed sufficient in relation to the size and strategy of the Company.

Non-Executive Directors

The Board has adopted guidelines for the appointment of Non-Executive Directors. These provide for the orderly and constructive succession and rotation of the Non-Executive Chairman and non-executive directors insofar as both the Non-Executive Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion, believing it to be in the best interests of the Company, be appointed for subsequent terms.

Principle 10

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

The Company provides updates and Company news to shareholders via regulatory announcements, such announcements relate to the Accounts, full-year (hard copies are also posted to shareholders), and half-year announcements. Shareholders and investors can email the directors and Company Secretary with any queries they may have.

All historical information is maintained on the website along with shareholder updates. The Company's financial reports and notices of General Meetings of the Company for the last five years can be found here https://beaconenergyplc.com/investor-relations/corporate-documents/

The outcome of all resolutions tabled at general meetings are to be posted on the Company's website and also announced via RNS. If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results.

CORPORATE INFORMATION

Directors	Mark Rollins Ross Warner Larry Bottomley (resigned 1 July 2024) Stephen Whyte (resigned 1 July 2024) Stewart MacDonald (appointed 11 April 2023) Leo Koot (appointed 11 April 2023)
Company Number	010493V
Registered Office	55 Athol Street Douglas Isle of Man IM1 1LA
Independent Auditors	Lubbock Fine LLP Paternoster House 65 St Paul's Churchyard London EC4M 8AB
Company Secretary	FIM Capital Limited 55 Athol Street Douglas Isle of Man IM1 1LA
Stock Exchange Listing	AIM, London Stock Exchange Ticker code: BCE
Financial & Nominated Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Brokers	Tennyson Securities Limited 65 Petty France London SW1H 9EU