RNS Number : 3165R
EnergyPathways PLC
06 June 2024

6 June 2024

EnergyPathways plc

("EnergyPathways" or the "Company")

Annual Results
& Notice of AGM

EnergyPathways plc (AIM: EPP), an integrated energy transition company, is pleased to announce the publication of its Annual Results for the year ended 31 December 2023 and Notice of Annual General Meeting.

Period and Post-Period Highlights

- Completed AIM listing in December following RTO with Dial Square Investments Plc
- Raised £2m (before expenses) through the issue of 50,000,000 new ordinary shares in a placing and subscription
- Progressed Front End Engineering and Design (FEED) for Marram Gas Field Project
- Outlined longer-term strategy to develop an energy storage hub in UK Irish Sea, incorporating other potential geo-storage reservoirs, storage infrastructure and hydrogen production facilities to support the UK energy market's future needs
- Formed strategic partnership with Mermaid Subsea Services and Cortez Subsea of the MCS Group
- Awaiting outcome of out-of-round production and storage licence applications to NSTA

Notice of AGM

The Company's Annual General Meeting ("AGM"), will be held at 09.00 a.m. on 28 June 2024, at the offices of Buchanan, 107 Cheapside, London EC2V 6DN.

To be valid, proxy votes must be received by the Company's registrar, Share

Registrars, as soon as possible and in any event no later than 09.00am on 26 June 2024.

A copy of the Notice of AGM, together with the Annual Report, will be posted to shareholders on 6 June and will be available to view free of charge on the website of the Company at www.energypathways.uk.

Commenting on the results and outlook, CEO Ben Clube said:

"*2023 was a transformative period for EnergyPathways as we obtained a London listing following the RTO with Dial Square Investments Plc. The listing provides a strong growth platform from which we intend to deliver our focused strategy and generate meaningful long-term value for our stakeholders. The current fiscal year has seen good progress with our FEED workstreams for the development of the Marram Gas Project. In tandem, we continue to progress our engagement with the NSTA as we seek to expand our portfolio of production and storage licences, emphasise our commitment to a sustainable development for Marram and outline our vision for an energy storage hub in the East Irish Sea that supports the critical factors that comprise the UK's energy requirements. 2024 will be an active year for EnergyPathways as we seek to achieve FID on Marram and establish the building blocks for our longer-term growth ambitions.*"

Enquiries

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For further information on EnergyPathways visit www.energypathways.uk and @energy_pathways on X (formerly Twitter).

Chairman's Statement

I am very pleased to present an update on the Group for the year ended 31 December 2023. This is my inaugural Chairman's address, following my appointment to the role of Chairman on 20 December 2023 upon our admission to trading on AIM.

A Platform for Growth

It will be recalled that Dial Square Investments Plc ("Dial Square") listed on the Main Market of the London Stock Exchange on 30 November 2022. Following the evaluation of a number of acquisition opportunities, it announced on 10 March 2023 that it had entered into heads of terms to acquire the entire share capital of EnergyPathways UK Holdings Ltd., a private company and the ultimate holder of the Marram Gas Field licence in the East Irish Sea (the "Acquisition"), with the agreement to acquire the entire share capital of EnergyPathways UK Holdings Ltd. to be satisfied by the issue of 68,013,885 Consideration Shares at a price of 4.0p per share. The Acquisition constituted a reverse takeover ("RTO") under the Listing Rules.

Concurrent with the Acquisition the Company raised £2m (before expenses) through the issue of 50,000,000 new ordinary shares in a placing and subscription at a price of 4.0p per share, as well as issuing 13,352,674 new ordinary shares at a price of 4.0p per share to directors and management in settlement of accrued remuneration. Dial Square formally changed its name to EnergyPathways plc upon completion of the acquisition.

EnergyPathways plc is an integrated energy transition company, initially targeting UK gas assets, with the aim of bringing into production, in the near-term, low emission energy solutions to assist with the UK's transition to Net Zero while also providing critical supply to ensure domestic energy security.

An Active Period of Progress

I should take this opportunity to remind shareholders of the progress made since the RTO and admission to trading on AIM.

The primary focus for the team is our flagship Marram gas field project (the "Marram Project" or "Marram") and to progress the Front End Engineering and Design ("FEED") as we move towards the Final Investment Decision. We are targeting first gas in 2025.

This ongoing engineering and design work has substantially confirmed the potential to fully electrify the Marram Project and has confirmed the feasibility of EnergyPathways' plan to develop Marram in a way so as to facilitate future gas storage there. The future potential for Marram includes integrating it into a wider UK Irish Sea energy storage project, incorporating other geo-storage reservoirs, storage infrastructure and hydrogen production to support the UK energy market's future needs.

Our efforts to date have excited interest from renewable energy generators, energy off-takers, debt financiers and, major engineering houses indicating support for the Marram Project and of our planned UK Irish Sea low carbon energy storage project.

We have formed a partnership with subsea engineering houses Mermaid Subsea Services and Cortez Subsea of the MCS Group and the partnership is progressing tie-back development concept engineering. In addition, the Company is progressing supply chain engagement and scheduling of lead times for certain long lead items including subsea controls, electro-hydraulic umbilicals, wellheads, subsea flowlines and other major items.

The technical team is progressing engineering and design for an all-electric, zero-emission, subsea production system with industry stakeholders, including Verlum, Advanced Mechatronics and Proserv and has also commenced the next phase of FEED for drilling and completions engineering with Zenith Energy.

"Out-of-Round" licence requests have been submitted to the North Sea Transition Authority ("NSTA", the UK's oil and gas, offshore hydrogen, and gas and carbon storage industries regulator). The "Out-of-Round" licence requests include gas production licences for the "ready for development" Knox and Lowry fields, and gas storage licences for the Marram, Knox and Lowry fields. If these are won, EnergyPathways will incorporate them into its UK Irish Sea energy storage project.

Underlying all our work is the determination to demonstrate clear alignment with the NSTA's aims for:

- decarbonisation of existing infrastructure; and
- Net Zero objectives for new gas developments.

We also hope to qualify for any relevant financial incentives that may be forthcoming from the UK Government.

Financial Results

The Group incurred a loss for the year to 31 December 2023 of £1,860,916 (31 December 2022 - loss of £1,257,193). The 2022 comparative numbers are that of the wholly owned subsidiaries EnergyPathways UK Holdings Limited Group. Refer to note 2.2 for further detail.

In the year to 31 December 2023, the loss mainly arose from expenses in connection to the transaction, costs associated with the admission process including staff remuneration and consultancy fees, along with general administration expenses. These expenses have been met from the proceeds of the issue of shares.

Cash used in operations totalled £372,913 (31 December 2022 - £850,004).

Business Outlook

EnergyPathways' admission to trading on AIM, in December 2023, marked a very significant milestone for your Company and was the culmination of a long period of concept development and determined management by our CEO, his team and the assembled Board.

It is also the start of a new journey - one as an AIM quoted business with a strong commitment to generating meaningful, long-term, sustainable value for our shareholders.

Above all, we need to ensure the successful development of our foundation asset in Marram where we are planning for first gas in 2025. Our ongoing engineering and design work has substantially confirmed the potential to fully electrify the Marram Project and has confirmed the feasibility of EnergyPathways' plan to develop the Marram Project in a way so as to enable the project for future gas storage use.

We are, and will remain, wholly focused on what we can control in terms of the Group's corporate strategy and technical progress. However, it will be well understood by all our shareholders, that our industry continues to face significant headwinds.

We can assure our shareholders that we have determined and are confident that all the investments on which we are focused can deliver strong rates of returns and have relatively low-risk profiles and we will continue to promote what we believe to be a differentiated and compelling investment proposition for investors as we compete for capital in what we hope is becoming a more favourable investment environment.

Our focus on proven "ready-to-go" developments supports our ability to attract debt financing, which we expect to fund the large majority of any development. We have already had positive debt finance discussions and we will continue to build those relationships. The difference will likely come from a variety of different sources, including industry partnership, and we continue to explore the most accessible and least dilutive options for our shareholders.

The other major headwind is that the Oil & Gas ("O&G") industry has attracted a great deal of negative attention for some years now. O&G continues to be as polarising an issue as any in the public space. In recent times, the Conservative-led government has seemed to come to its senses to some extent, and realised that O&G, and gas in particular, is going to be with us for a very long time to come. It seems to have realised too that, for both commercial and environmental reasons, the UK needs to prioritise security of supply, to develop and exploit its own resources.

With the upcoming general election in the UK in July 2024, however, the Labour Party has alluded to even more punitive fiscal measures against producers and is yet to announce any similar sort of change of heart or mind.

Our role is to continue to engage collaboratively with the government of whatever colour, as well as with the NSTA to ensure alignment. We will continue to promote the benefits of domestic gas production versus higher cost LNG imports with a significantly larger environmental footprint. We will not shy away either from engagement with the general public through any and all media, if and when the occasion presents itself to do so.

Despite our initial focus on the Marram Project, it is important to emphasise that EnergyPathways is not a traditional oil and gas company but is instead the embodiment of a responsible Energy Transition company - producing vital supply of a more cost effective and environmentally friendly gas supply vs importation while progressing plans for the UK's much needed storage potential.

EnergyPathways plc has a clear long-term vision:

- we believe the Company has an important role to play in 'joining up the dots' that form the basis of the UK's energy policy requirements in both Energy Security and the Energy Transition;
- we have a first mover advantage in a unique region with supportive market dynamics;
- we are well positioned to leverage that advantage for the benefit of our shareholders; and
- we are pragmatic about our current scale versus the size of our ambition and so will adopt a logical pathway to achieve both our near-term and longer-term ambitions.

This is a critical year for the Company as we seek to progress our foundation asset to development and look forward to updating all our stakeholders on the progress towards that key milestone.

In conclusion, I would like to thank the wider Board and management team for their dedication and focus through what has been a very busy and complex period for the Company - your efforts have provided a great growth platform for EnergyPathways.

I would also like to thank all our shareholders, both old and new, for their support and belief in the team and its strategic vision, and look forward to rewarding that faith over time as we deliver on our strategic objectives.

Mark Steeves
Chairman and Non-Executive Director

4 June 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

FOR THE YEAR TO 31 DECEMBER 2023

	Note	2023 £	2022 £
Administrative expenses	5	(596,376)	(621,964)
Pre-acquisition license expenses		(35,048)	(379,931)
Operating Loss		(631,424)	(1,001,895)
Net finance costs	6	(737)	-
Listing costs		(213,485)	(255,298)
Reverse acquisition expense	4	(1,015,270)	-
Loss before tax		(1,860,916)	(1,257,193)
Taxation	9	-	-
Loss for the period		(1,860,916)	(1,257,193)
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Other comprehensive income		-	-
Total comprehensive income		(1,860,916)	(1,257,193)
Earnings per share (pence) basic and diluted	10	(2.55)	(1.85)

All operations are continuing.

The notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	Group As at 31 December 2023 £	Group As at 31 December 2022 £	Company As at 31 December 2023 £	Company As at 28 February 2023 £
Non-current assets					
Intangible assets	11	729,931	318,001	-	-
Loan to subsidiaries	14	-	-	555,801	-
Investment in subsidiary	15	-	-	2,734,160	-
		729,931	318,001	3,289,961	-
Current assets					
Trade and other receivables	12	1,829,279	159,270	1,819,818	20,198
Cash and cash equivalents	13	494,658	71,061	485,780	709,138

		2,323,937	230,331	2,305,598	729,336
Total assets		3,053,868	548,332	5,595,559	729,336
Current liabilities					
Trade and other payables	16	(1,187,788)	(653,816)	(515,666)	(231,809)
		(1,187,788)	(653,816)	(515,666)	(231,809)
Total liabilities		(1,187,788)	(653,816)	(515,666)	(231,809)
Net assets		1,866,080	(105,484)	5,079,893	497,527
Equity					
Ordinary share capital	17	1,579,166	14,333	1,579,166	265,500
Share premium	17	4,451,952	1,092,667	4,451,952	628,281
Performance share capital	17	-	1,510	-	-
Share based payments reserve	18	176,000	43,200	176,000	-
Retained earnings		(4,341,038)	(1,257,194)	(1,127,225)	(396,254)
Total equity		1,866,080	(105,484)	5,079,893	497,527

EnergyPathways plc has used the exemption grated under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to EnergyPathways plc for the 10-month period ended 31 December 2023 was £730,971 (year to 28 February 2023: £611,775).

The notes form part of these financial statements.

The Consolidated Financial Statements of EnergyPathways plc were approved by the Board of Directors and authorised for issue on 4 June 2024.

Signed on behalf of the Board of Directors by:

Ben Hodges
Director & Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Ordinary Share capital	Share premium	Performance share capital	Share based payments reserve	Retained earnings	Total
		£	£	£	£	£	£
Balance as at 16 July 2021 *(Unaudited)*		1	-		-	-	1
Loss for the period and total comprehensive income		-	-	-	-	(1,257,194)	(1,257,194)
Issue of shares		14,332	1,092,667	1,510	-	-	1,108,509
Issue of warrants		-	-	-	43,200	-	43,200
Balance as at 31 December 2022		14,333	1,092,667	1,510	43,200	(1,257,194)	(105,484)
Loss for the period and total comprehensive income		-	-	-	-	(1,860,916)	(1,860,916)
Transfer to retained earnings	4	(14,333)	(1,092,667)	(1,510)	-	1,108,510	-
Recognition of EnergyPathways plc equity at reverse acquisition	17	265,500	628,281	-	-	319,522	1,213,303
Issue of shares for acquisition of subsidiary	17	680,139	2,040,417	-	-	(2,734,160)	(13,604)
Issue of shares for services	17	133,527	400,580	-	-		534,107
Issue of shares - share subscription	17	500,000	1,500,000	-	-	-	2,000,000
Share issue costs	17	-	(117,326)	-	14,000	-	(103,326)
Issue of warrants	18	-	-	-	202,000	-	202,000
Transfer between reserves	18				(83,200)	83,200	-
Balance as at 31 December 2023		1,579,166	4,451,952	-	176,000	(4,341,038)	1,866,080

The notes form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Ordinary Share capital	Share premium	Share based payments reserve	Retained earnings	Total
		£	£	£	£	£
Balance as at 28 February 2022		162,500	245,575	-	(153,870)	254,205
Loss for the period and total comprehensive income		-	-	-	(611,775)	(611,775)
Issue of shares - share subscription		103,000	412,000	-	-	515,000
Share issue costs		-	(29,294)	-	-	(29,294)
Share based payments		-	-	-	369,391	369,391
Balance as at 28 February 2023		265,500	628,281	-	(396,254)	497,527
Loss for the period and total comprehensive income		-	-	-	(730,971)	(730,971)
Issue of shares for acquisition of subsidiary		680,139	2,040,417	-	-	2,720,556
Issue of shares for services	17	133,527	400,580	-	-	534,107
Issue of shares - share subscription	17	500,000	1,500,000	-	-	2,000,000
Share issue costs	17	-	(117,326)	-	-	(117,326)
Issue of warrants	18	-	-	176,000	-	176,000
Balance as at 31 December 2023		1,579,166	4,451,952	176,000	(1,127,225)	5,079,893

The notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £	2022 £
Cash flows from operating activities			
Loss before tax for the year		(1,860,916)	(1,257,193)
Adjustments for:			
Share based payments	18	202,000	43,200
Compensation settled in shares		494,600	8,510
Interest income	6	(72)	-
Interest expense	6	809	-
Reverse acquisition expense		1,015,270	-
		(148,309)	(1,205,483)
Changes in non-cash working capital accounts			
(Increase) in trade and other receivables	12	(424,964)	(156,454)
Increase in trade and other payables	16	200,360	511,934
Cash used in operating activities		(372,913)	(850,003)
Income taxes paid		-	-
Net cash flows from operating activities		(372,913)	(850,003)
Investing activities			
Purchases of exploration and evaluation assets	11	(284,643)	(178,936)
Acquisition of subsidiary	15	(13,605)	-
Cash acquired on acquisition	4	238,320	-
Interest income	6	72	-
Net cash used in investing activities		(59,856)	(178,936)
Financing activities			
Proceeds from issue of ordinary share capital	17	760,500	1,100,000
Share issue costs	17	(103,325)	-
Interest paid	6	(809)	-
Proceeds from loans and borrowings	14	200,000	-
Net cash provided by financing activities		856,366	1,100,000
Net increase in cash and cash equivalents		423,597	71,061
Cash and cash equivalents at beginning of year	13	71,061	-
Cash and cash equivalents and end of year	13	494,658	71,061

During the period to 31 December 2023 the following significant non-cash transactions were:

- On 20 December 2023 the Company issued 68,013,885 Ordinary shares at 4 pence each for the entire issued share capital of EnergyPathways UK Holdings Limited;
- On 20 December 2023 the Company issued 8,815,174 Ordinary shares at 4 pence each to Directors and

Management in settlement of remuneration in lieu of cash; and

- On 20 December 2023 the Company issued 4,537,500 Ordinary shares at 4 pence each to former Directors and Consultants in settlement of remuneration in lieu of cash.

The notes form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2023

	Note	10-months to 31 December 2023 £	Year to 28 February 2023 £
Cash flows from operating activities			
Loss before tax for the period		(730,971)	(611,775)
Adjustments for:			
Share based payments	18	184,000	369,391
Compensation settled in shares		162,000	-
		(384,971)	(242,384)
Changes in non-cash working capital accounts			
(Increase) in trade and other receivables	12	(560,120)	15,890
Increase in trade and other payables	16	283,858	142,874
Cash used in operating activities		(661,233)	(83,620)
Income taxes paid		-	-
Net cash flows from operating activities		(661,233)	(83,620)
Investing activities			
Loan to subsidiary	14	(205,695)	-
Purchases of exploration and evaluation assets	15	(13,605)	-
Net cash used in investing activities		(219,300)	-
Financing activities			
Proceeds from issue of ordinary share capital	17	760,500	451,100
Share issue costs	17	(103,325)	-
Net cash provided by financing activities		657,175	451,100
Net (decrease) / increase in cash and cash equivalents		(223,358)	367,480
Cash and cash equivalents at beginning of period	13	709,138	341,658
Cash and cash equivalents and end of period	13	485,780	709,138

During the period to 31 December 2023 the following significant non-cash transactions were:

- On 20 December 2023 the Company issued 68,013,885 Ordinary shares at 4 pence each for the entire issued share capital of EnergyPathways UK Holdings Limited;
- On 20 December 2023 the Company issued 8,815,174 Ordinary shares at 4 pence each to Directors and Management in settlement of remuneration in lieu of cash; and
- On 20 December 2023 the Company issued 4,537,500 Ordinary shares at 4 pence each to former Directors and Consultants in settlement of remuneration in lieu of cash.

The notes form part of these financial statements.

1. General Information

EnergyPathways plc (the "Company" or "EnergyPathways") is a company incorporated in England and Wales under the Companies Act 2006 with the registered number 13201653. The Company's registered office is Highdown House, Yeoman Way, Worthing, West Sussex, BN99 3HH.

The principal activity of the Group is delivering clean, home-grown energy for the UK. On 3 March 2022, the Group acquired a 100% interest in, and is administrator for the Marram gas field located in the East Irish Sea, with proven reserves 38.8 Bcf of natural gas.

The financial statements presented for Group are for the year ended 31 December 2023.

2. Summary of significant accounting policies

The principal accounting principles applied in the preparation of these financial statements are set out below. These principles have been consistently applied to all years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS).

The financial statements have been prepared under the historical cost convention.

2.2. Basis of Consolidation

The financial statements consolidate the financial information of the Company and its subsidiaries EnergyPathways UK Holdings Ltd and EnergyPathways Irish Sea Limited (together "the Subsidiaries") at the reporting date. Subsidiaries are consolidated into the Group when control is achieved, defined as where the Company has the power to govern the financial and operating policies of an investee entity, has the rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns. The results of the Subsidiaries included in the financial information are from the effective date of acquisition. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The financial statements of all Group companies are adjusted, where necessary, to ensure the use of consistent accounting policies.

The Company has two subsidiaries as follows:

Company	**Country of Incorporation**	**Incorporated**	**Interest**
EnergyPathways UK Holdings Ltd	United Kingdom	16 July 2021	100%
EnergyPathways Irish Sea Limited	United Kingdom	11 August 2021	100%

EnergyPathways plc has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the Income Statement of the parent company. The after-tax loss attributable to EnergyPathways plc for the 10-month period ended 31 December 2023 was £730,971 (year to 28 February 2023: £611,775).

2.3. Going concern

The Group meets its working capital requirements from its cash and cash equivalents. The Group is pre-revenue, and to date has raised finance for its activities through the issue of equity. The Directors have prepared a detailed forecast for the 12 months following the date of signing this report based on forecasted expenditure, including all required spend to meet short term licence requirements. This forecast has been stress tested by Management. However the Group's ability to meet future operational objectives through to first production of gas from the Marram Gas Project will be reliant on raising further finance.

The Directors are confident that further funds can be raised and it is appropriate to prepare the financial statements on a going concern basis, however there can be no certainty that any financing will complete. These conditions indicate existence of a material uncertainty related to events or conditions that may cast significant doubt about the Group's ability to continue as a going concern, and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The auditors have made reference to this material uncertainty within their audit report. These financial statements do not include the adjustments that would be required if the Group could not continue as a going concern.

2.4. Changes in accounting policies

2.4.1. New standards, amendments to standards and interpretations

i) New and amended standards adopted by the Group

The International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. A number of amendments and revisions were applicable for the period ended 31 December 2023 but did not result in any material changes to the financial statements of the Group.

Of the other IFRS and IFRIC amendments, none are expected to have a material effect on the future Group Financial Statements.

ii) New and amended standards not yet adopted by the Group

The Directors do not believe that the implementation of new standards, amended standards and interpretations issued but not yet effective and have not been early adopted early will have a material impact once implemented in future periods.

2.5. Foreign currency

2.5.1. Functional and presentation currency

Items in the Company's financial statements are measured in the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the Company is Pounds sterling (£), which is also the presentation currency for these financial statements.

Monetary amounts in these financial statements are rounded to the nearest £.

2.5.2.Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs.' All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains.'

2.6. Taxation

Tax is recognised in the Consolidated Statement of Comprehensive Loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. Deferred tax assets are not brought to account in the Consolidated Statement of Financial Position until there is a reasonable expectation that these assets will be realised.

2.7. Intangible assets

Exploration and evaluation expenditures (E&E)

The Group applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

All licence acquisitions, exploration and evaluation costs are capitalised, a share of administration costs is capitalised insofar as they relate to exploration, evaluation and development activities. These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. If a project is deemed commercial, all of the attributable costs are transferred into Property, Plant and Equipment. These costs are then depreciated from the commencement of production on a unit of production basis.

2.8. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.9. Financial Instruments

2.9.1 Initial recognition
A financial asset or financial liability is recognised in the statement of financial position of the Group when it arises or when the Group becomes a party to the contractual terms of the financial instrument.

2.9.2 Classification

Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

(1) the asset is held within a business model whose objective is to collect contractual cash flows; and

(2) the contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate Method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest rate method include current trade and other payables that are short term in nature. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included as finance costs in profit or loss. Trade payables other payables are non-interest bearing and are stated at amortised cost using the effective interest method.

2.9.3. Derecognition

A financial asset is derecognised when:

(1) the rights to receive cash flows from the asset have expired, or

(2) the Group has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks

and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.9.4 Impairment

The Group recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Group expects to receive. Regarding trade receivables, the Group applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses over its lifetime without monitoring changes in credit risk. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics.

2.10. Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

2.11. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

2.12. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13. Share premium

Share premium account represents the excess of the issue price over the par value on shares issued. Incremental costs incurred directly, or warrants issued in connection with the issue of new ordinary shares or are shown in equity as a deduction, net of tax, from the proceeds.

2.14. Trade payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

2.15. Finance income and finance costs

Finance income comprises interest income on bank funds. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16. Earnings per share

Basic Earnings per share is calculated as profit attributable to equity holders of the parent for the period divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2.17. Operating segments

The Chief Operating Decision Maker (CODM) is considered to be the Board of Directors. They consider that the Group operates in a single segment, that of natural gas exploration, appraisal and development, in a single geographical location, the East Irish Sea of the United Kingdom. As a result, the financial information of the single segment is the same as set out in the Consolidated Statement of Comprehensive Loss, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cashflows.

2.18. Share Based Payments

Where options or warrants are awarded for services, the fair value, at the grant date, of equity-settled share awards is charged to income or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share based payments reserve. The amount recognised as an expense is adjusted to reflect the number of share options or warrants expected to vest. The fair value of options and warrants awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Expected life of the award
- Expected volatility
- Current market price of the underlying shares
- Risk-free interest rate

When equity instruments are modified, if the modification increases the fair value of the award, the additional cost must be recognised over the period from the modification date until the vesting date of the modified award.

3. Significant accounting estimates and judgements, estimates and assumptions

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

<u>Recoverable value of intangible assets (refer to note 11)</u>

As at 31 December 2023, the Group held gas development intangible assets of £729,931 (2022: £318,001). The carrying values of intangible assets are assessed for indications of impairment, as set out in IFRS 6, on an annual basis. As part of this impairment assessment, the recoverable value of the intangible assets is required to be estimated.

When estimating the recoverable value of the intangibles Management consider the proved, probable and potential resources per the latest CPR, likely production costs and the forecasted gas prices.

As a result of the budget development costs, the licence being valid and the assessed recoverable value of the intangibles being in excess of the carrying value, Management do not consider that any intangible assets are impaired as at 31 December 2023.

These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the assessment of impairment indicators.

There was only one critical judgement identified, being the determination on impairment of intangible assets, apart from those involving estimations (which are dealt with separately above) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Fair value of share based payments

The Company has made awards of Director and Management options and warrants over its unissued share capital.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. The key judgement involved the determination of an appropriate of volatility, which has been estimated based on the average historic volatility of the share prices of a selection of three peer companies for a period equal to the expected term from the grant date. Further detail on the assumptions has been described in more detail in note 18 to these Group Financial Statements.

4. Reverse acquisition and admission to AIM

On 20 December 2023, the Company acquired the entire issued share capital of EnergyPathways UK Holdings Ltd, a private company incorporated in the United Kingdom, by way of a share for share exchange.

Although the transaction resulted in EnergyPathways UK Holdings Ltd becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition in as much as the shareholders of EnergyPathways UK Holdings Ltd own a substantial majority of the outstanding ordinary shares of the Company and all 6 members of the Board of Directors of the Company are EnergyPathways UK Holdings Ltd shareholders and management.

In substance, the shareholders of EnergyPathways UK Holdings Ltd acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition ("RTO"). As the

Company previously discontinued its investment activities and was engaged in acquiring EnergyPathways UK Holdings Ltd and raising equity financing to provide the required funding for the operations of the acquisition and admission of the Company's shares to trading on the AIM market of the London Stock Exchange ("AIM"), it did not meet the definition of a business according to the definition in IFRS 3. Accordingly, this reverse acquisition does not constitute a business combination and was accounted for in accordance with IFRS 2 Share-based payment and IFRIC guidance, with the difference between the equity value given up by the EnergyPathways UK Holdings Ltd shareholders and the share of the fair value of net assets gained by the EnergyPathways UK Holdings Ltd shareholders charged to the statement of comprehensive income as the cost of admission to AIM.

Following the completion of the transaction the Company changed its name to EnergyPathways plc.

4. Reverse acquisition and admission to AIM (continued)

In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated financial statements of EnergyPathways UK Holdings Ltd and include:

a. The assets and liabilities of EnergyPathways UK Holdings Ltd at their pre-acquisition carrying amounts and the results for both periods; and

b. The assets and liabilities of the Company as at 31 December 2023 and its results from 20 December 2023 to 31 December 2023,

On 20 December 2023, the Company issued 68,013,885 shares for all 143,333,324 ordinary shares, 15,100,000 performance shares and 20,000,000 warrants of EnergyPathways UK Holdings Ltd.

As of 20 December 2023, the last quoted share price of Dial Square Investments Plc (renamed EnergyPathways PLC upon completion of the transaction) was £0.0325 and therefore this valued the investment in EnergyPathways UK Holdings Ltd at £862,875.

Because the legal subsidiary, EnergyPathways UK Holdings Ltd, was treated as the accounting acquirer and the legal Parent Company, Dial Square Investments Plc, was treated as the accounting subsidiary, the fair value of the shares deemed to have been issued by EnergyPathways

UK Holdings Ltd was calculated at £1,213,303 based on an assessment of the purchase consideration for an 100% holding in EnergyPathways plc.

The fair value of net assets of Dial Square Investments plc was as follows:

	£
Cash and cash equivalents	238,320
Other assets	205,545
Liabilities	(245,832)
Net assets	198,033

The difference between the deemed cost and the fair value of the net assets acquired of £1,015,270 has been expensed in accordance with IFRS 2, Share based payments, reflecting the economic cost to the EnergyPathways UK Holdings Ltd shareholders of acquiring a quoted entity.

The transfers to retained earnings that arose pursuant to the RTO are as follows:

	Year Ended 31 December 2023 £
As at start of year	-
Pre-acquisition losses of EnergyPathways plc [1]	(695,748)
EnergyPathways UK Holdings Ltd issued capital at acquisition[2]	1,108,510
Investment in EnergyPathways UK Holdings Ltd [3]	(2,734,160)
Reverse acquisition expense[4]	1,015,270
Total	**(1,306,128)**

4. Reverse acquisition and LSE listing (continued)

The movements within retained earnings relating to the RTO are as follows:

1) These consolidated financial statements present the legal capital structure of the Company. However, under reverse acquisition accounting rules, the Company was not acquired until 20 December 2023 and therefore the entry above is required to eliminate the initial retained losses of the Company.

2) EnergyPathways UK Holdings Ltd had issued share capital of equivalent to £1,108,510 as at 20 December 2023. As these financial statements present the capital structure of the parent entity, the issue of equity by EnergyPathways UK Holdings Ltd has been transferred to this reserve.

3) The Company issued 68,013,885 shares at 4 pence each, totalling £2,720,555 for the entire issued capital of EnergyPathways UK Holdings Ltd, as well as stamp duty of £13,605. The above entry is required to eliminate the balance sheet impact of this transaction.

4) The reverse acquisition accounting is described in detail in note 4. The entry above represents the difference between the value of the equity issued by the Company, and the deemed consideration given by EnergyPathways UK Holdings Ltd to acquire the Company.

5. Administrative expenses

	Group 2023	Group 2022
	£	£
Consultants and advisors	228,393	234,684
Insurance	15,832	2,021
Other	10,812	11,557
Professional fees	35,833	170,176
Share based payments	202,000	43,200
Travel	(3,121)	67,341
Wages & salaries	105,363	87,738
Foreign Exchange	1,264	5,247
	596,376	621,964

6. Finance income & finance costs

	Group 2023	Group 2022
	£	£
Finance income		
Interest received	72	-
Finance costs		
Interest expense	(809)	-
Net finance costs	(737)	-

7. Auditor's Remuneration

	Group 2022	Group 2022
	£	£
Audit of the financial statements	30,000	-[1]
	30,000	-

[1]The comparatives are of the Group comprised of EnergyPathways UK Holdings Limited and EnergyPathways Irish Sea Limited which was exempt from statutory audit prior to the Reverse Take Over.

8. Staff numbers and costs

Staff costs (including directors)	Group 2023 £	Group 2022 £
Consultancy fees	219,431	165,787
Wages and salaries	105,363	87,738
Share based payments	40,000	32,313
	364,794	285,838

The average number of persons (including directors) employed by the Company during the 10-month period to 31 December 2023 was:

Group and Company	10-month period to 31 December 2023	Year to 28 February 2023
Directors	2	3
	2	3

Director emoluments	Note	Group 2023 £	Group 2022 £
Wages and salaries		89,289	42,000
Share based payments	18	29,000	-
		118,289	42,000

The number of Directors that are members of a defined contribution pension scheme is 1 (2022: nil). Pension contributions paid to a defined contribution scheme in respect of the highest paid Director amounted to £nil (2022: £nil).

9. Taxation

Analysis of charge for the period:

	Group 2023 £	Group 2022 £
Current income tax charge	-	-
Deferred tax charge	-	-
Total taxation credit/(charge)	-	-

9.1 Taxation reconciliation

The below table reconciles the tax charge for the period to the theoretical charge based on the result for the year and the corporation tax rate.

	2023 £	2022 £
Loss before income tax	(1,860,916)	(1,257,193)
Tax at the applicable rate of 19% (2022: 19%)	(353,574)	(238,867)
Effects of:		
Expenses not deducted for tax purposes	113,959	9,445
Tax losses not recognised	239,615	229,422
Total income tax credit / (expense)	-	-

As at 31 December 2023, the Group had unused tax losses of £1,323,416 (2022: £893,255) for which no deferred tax asset has been recognised. This is due to uncertainty over the availability of future taxable profits to offset these losses against.

10. Earnings per share

The calculation of the Basic and fully diluted earnings per share is calculated by dividing the loss for the year from continuing operations of £1,860,916 (2022: £1,257,193) for the Group by the weighted average number of ordinary shares in issue during the year of 72,773,014 (2022: 68,013,885).

The weighted average number of shares is adjusted for the impact of the reverse acquisition as follows:

- Prior to the reverse takeover, the number of shares is based on EnergyPathways UK Holdings Ltd, adjusted using the share exchange ratio arising on the reverse takeover; and
- From the date of the reverse takeover, the number of share is based on the Company.

There is no difference between the basic and diluted earnings per share as there were no securities in issue as at 31 December 2023 that would have a dilutive effect on earnings per share. Refer to note 18 for details on details of warrants on issue as at 31 December 2023, that can be converted into ordinary shares and thus would have a dilutive effect on earnings per share.

	2023 £	2022 £
Loss for the purposes of basic earnings per share being net loss attributable to the owners	(1,860,916)	(1,257,193)
Weighted average number of Ordinary Shares	72,773,014	68,013,885

Loss per share - pence	(2.55)	(1.85)

11. Intangible assets

	Gas development assets
	£
As at 16 July 2021	
Additions	318,001
As at 31 December 2022	318,001
Additions	411,930
As at 31 December 2023	729,931

The carrying value of the prospecting and exploration rights is supported by the estimated resource and current market values as contained in the Competent Person's Report date 20 November 2023 which was prepared by Risk Advisory Pty Ltd and included in the Company's AIM admission document which is available on the Company's website.

12. Trade and other receivables

	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 28 February 2023
	£	£	£	£
Other receivables	1,714,645	137,455	1,714,645	-
Prepayments	56,050	21,815	56,050	4,352
VAT receivable	58,584	-	49,123	15,846
	1,829,279	159,270	1,819,818	20,198

The fair value of other receivables is the same as their carrying values as stated above.

The maximum exposure to credit risk of Other receivables at the reporting date is the carrying value. The entire amount of £1,714,645 has been received as at the date of signing this report.

13. Cash and cash equivalents

	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 28 February 2023
	£	£	£	£
Cash at bank and in hand	494,658	71,061	485,780	709,138
	494,658	71,061	485,780	709,138

There is no material difference between the fair value of cash and cash equivalents and their book value.

14. Loan to subsidiaries

Company:

	EPL	EPISL	Total
	£	£	£
As at 1 March 2023	-		-
Loan drawdowns	200,000	375,961	575,961
Repayments	-	(20,160)	(20,160)
As at 31 December 2023	200,000	355,801	555,801

EnergyPathways plc made a loan to EnergyPathways UK Holdings Limited ("EPL") of £200,000 on 10 March 2023. The loan is interest free and will be repaid when EPL's operational cash flow allows. Management has undertaken an impairment assessment of the loan as at 31 December 2023, and has determined that that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

EnergyPathways plc has made net cumulative loans to EnergyPathways IrishSea Limited ("EPISL") of £355,801 as at 31 December 2023. The loan is interest free and will be repaid when EPISL's operational cash flow allows. Management has undertaken an impairment assessment of the loan as at 31 December 2023, and has determined that that there was no impairment required. The interest rate and impairment assessment are reviewed on an annual basis.

15. Investment in subsidiaries

Company	Country of Incorporation	Incorporated	Registered address	Interest
EnergyPathways UK Holdings Ltd	United Kingdom	16 July 2021	Highdown House, Yeoman House, Worthing, West Sussex, BN99 3HH	100%
EnergyPathways Irish Sea Limited	United Kingdom	11 August 2021	Highdown House, Yeoman House, Worthing, West Sussex, BN99 3HH	100%

The acquisition of EnergyPathways UK Holdings Ltd took place on 20 December 2023. Refer to note 4 for further details.

	£
As at 1 March 2023	-
Additions	2,734,160
As at 31 December 2023	2,734,160

16. Trade and other payables - due within one year

	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 28 February 2023
	£	£	£	£
Trade payables	782,647	284,825	397,585	73,200
Accruals	405,141	368,991	118,081	158,609
	1,187,788	653,816	515,666	231,809

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

17. Ordinary share capital and share premium

Group

Issued	Number of shares	Ordinary share capital £	Share premium £	Performance shares £
As at 31 December 2021 *(Unaudited)*	158,433,324	14,333	1,092,667	1,510
As at 31 December 2022	158,433,324	14,333	1,092,667	1,510
Transfer of EPL paid up capital to Reverse acquisition reserve 20 Dec 2023	(158,433,324)	(14,333)	(1,092,667)	(1,510)

Issued capital of plc at acquisition 20 Dec 2023	26,550,000	265,500	628,281	-
Issue of shares for acquisition of subsidiary	68,013,885	680,139	2,040,417	-
Issue of shares for services	13,352,674	133,527	400,580	-
Issue of shares - share subscription	50,000,000	500,000	1,500,000	-
Share issue costs	-	-	(117,326)	-
As at 31 December 2023	157,916,559	1,579,166	4,451,952	-

The issued capital of the Group for the period 31 December 2021 to 20 December 2023 is that of EnergyPathways UK Holdings Ltd. ("EPL"). Upon completion of the acquisition the share capital of EPL was transferred to the Reverse acquisition reserve (see note 4) and the share capital of EnergyPathways plc was brought to account.

Company

Issued	Number of shares	Ordinary share capital £	Share premium £
As at 28 February 2023	26,550,000	265,500	628,281
Issue of shares for acquisition of subsidiary	68,013,885	680,139	2,040,417
Issue of shares for services	13,352,674	133,527	400,580
Issue of shares - share subscription	50,000,000	500,000	1,500,000
Share issue costs	-	-	(117,326)
As at 31 December 2023	157,916,559	1,579,166	4,451,952

The ordinary shares have a nominal value of 0.01 pence per share and confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

On 20 December 2023, 68,013,885 ordinary shares were issued at 4.0 pence each for the entire issued share capital of EPL.

On 20 December 2023, 13,352,674 ordinary shares were issued at 4.0 pence each to directors & management in settlement of accrued remuneration.

On 20 December 2023, 50,000,000 ordinary shares were issued to subscribers at 4.0 pence each.

17. Ordinary share capital and share premium (continued)

The following describes the nature and purpose of each reserve within equity:

Equity and Reserve	**Description and purpose**
Ordinary share capital	Represents the nominal value of shares issued

Share premium account	Amount subscribed for share capital in excess of nominal value
Share based payments reserve	Represents the value of warrants issued
Reverse acquisition reserve	Reserve created in accordance with the acquisition of EnergyPathways UK Holdings Ltd on 20 December 2023, in accordance with IFRS 2.
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

18. Warrants

EnergyPathways Plc	As at 28 February 2023	Granted	Cancelled	As at 31 December 2023	Exercise price - pence	Expiry date
Founder	7,500,000	-	-	7,500,000	5.0	30 November 2027
Broker:	437,500	-	-	437,500	4.0	30 November 2025
	75,000	-	-	75,000	5.0	30 November 2025
	-	915,000	-	915,000	4.0	20 December 2026
Broker performance:	500,000	-	-	500,000	5.0	3 years after vesting
	-	1,250,000	-	1,250,000	4.0	3 years after vesting
Advisor	-	1,579,165	-	1,579,165	4.0	20 December 2028
Management	-	6,000,000	-	6,000,000	4.0	20 December 2030
Warrants as at 31 December	8,512,500	9,744,165	-	18,256,665		
Weighted average exercise price - pence	4.0	4.0	-	4.0	4.0	

The number of options exercisable at 31 December 2023 was 16,506,665 (28 February 2023: 8,012,500), these had a weighted average exercise price of 4.0 pence (2022: 5.0 pence).

The weighted average remaining contractual life of share options outstanding at 31 December 2023 was 4.79 years (28 February 2023: 3.25 years).

18. Warrants (continued)

The inputs into the Black-Scholes pricing model are as follows:

Grant date	28 Nov 2022	28 Nov 2022	28 Nov 2022	20 Dec 2023	20 Dec 2023	20 Dec 2023
Type	Founder	Broker	Broker	Management	Broker	Advisor
Number	7,500,000	75,000	437,500	6,000,000	915,000	1,579,165
Exercise price	5.0 pence	5.0 pence	4.0 pence	4.0 pence	4.0 pence	4.0 pence
Expected life	5 years	3 years	3 years	7 years	3 years	5 years
Expected volatility	50%	50%	50%	50%	50%	50%
Risk free rate of interest	3.20%	3.17%	3.17%	3.39%	3.68%	3.38%
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Fair value of option	4.38 pence	3.80 pence	4.30 pence	2.20 pence	1.50 pence	1.90 pence

For a newly quoted company with a limited or no trading history it is common for management to make an estimate of expected volatility. The Directors consider a volatility of 50% to be a reasonable estimate given the stage of development of the Company and the lack of trading history as at the date of issue.

The inputs into the Monte Carlo pricing model are as follows:

Grant date	28 Nov 2022	20 Dec 2023
Type	Broker performance	Broker performance
Number	500,000	1,250,000
Exercise price	5.0 pence	4.0 pence
Expected life	3 years	3 years
Expected volatility	50%	50%
Risk free rate of interest	3.17%	3.68%
Dividend yield	Nil	Nil
Fair value of option	3.80 pence	1.50 pence

The estimated value of the Broker Performance Warrants was calculated using a Monte Carlo model which considered market vesting condition requirements.

18. Warrants (continued)

The total fair value of the warrants issued during the year was calculated as £176,000, with £162,000 being recognised as an expense in the Consolidated Statement of Comprehensive Loss, and £14,000 incurred in connection with share placements which has been included in share issue costs debited to Share Premium (refer to note 17).

<u>Other share based payments</u>

EnergyPathways UK Holdings Ltd	As at 31 December 2022	Cancelled	As at 31 December 2023	Exercise price - pence
Directors & Management	20,000,000	(20,000,000)	-	2.0
Warrants as at 31 December			-	-
Weighted average exercise price - pence	2.0	2.0	-	-
Exercisable at 31 December 2023	-	-	-	-

On 20 December 2023, as a part of the reverse takeover transaction (refer to note 4) the warrants were cancelled and converted in to 2,000,000 Ordinary shares in EnergyPathways plc.

The fair value of warrants is valued using the Black-Scholes pricing model. An expense of £40,000 has been recognised in the year in respect of share warrants granted. Upon cancellation the cumulative share-based payments reserve of EPL of £83,200 was transferred to retained losses.

Fair value of equity settled transactions:	2023 £	2022 £
Director fees and salaries settled in shares recognised in profit and loss	97,282	-
Consultancy and advisor services settled in shares recognised in profit and loss	397,318	8,510
Share based payments expense recognised in profit and loss	202,000	49,710
Share based payment expense recognised against share premium	14,000	-
Consultancy and advisor services settled in shares recognised capitalised to intangible assets	39,505	-

19. Related Party Transactions

19.1 Group

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are disclosed in this part of the note.

19.2. Key management personnel

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the Group. In the opinion of the Board, the Group's key management are the Directors of EnergyPathways plc. Information regarding their compensation is given in note 8 for each of the categories specified in IAS 24 Related Party Disclosures. All emoluments given in note 8 relate to short-term employee benefits and there are no post-employment or other long-term benefits.

19.3. Company

Transactions between the Parent Company and its subsidiaries during the year were as follows:

The amounts due from subsidiaries at the balance sheet date were as follows:

	As at 31 December 2023 £	As at 28 February 2023 £
Amount due from subsidiaries	555,801	-

20. Financial instruments

The Company holds the following financial instruments:

Financial assets

Financial assets at amortised cost:	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 28 February 2023
	£	£	£	£
Cash at bank and in hand	494,658	71,061	485,780	709,138
Other receivables	1,714,645	-	1,714,645	-
	2,209,303	71,061	2,200,425	709,138

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20. Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost:	Group As at 31 December 2023	Group As at 31 December 2022	Company As at 31 December 2023	Company As at 28 February 2023
	£	£	£	£
Trade payables	782,647	284,825	397,585	73,200
	782,647	284,825	397,585	73,200

21. Financial risk management

21.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the executive management team.

a) Market risk

The Group is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Group does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Group has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Statements at the present time. The Directors will continue to assess the effect of movements in market risks on the Group's financial operations and initiate suitable risk management measures where necessary.

b) Credit risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Group periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Company seeks to keep its holdings of cash with institutions which have a minimum credit rating of 'A'.

21. Financial risk management (continued)

c) Liquidity risk

The Group's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt. The Directors are reasonably confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

The following table summarises the Group's significant remaining contractual maturities for financial liabilities at 31 December 2023 and 31 December 2022.

Contractual maturity analysis as at 31 December 2023

	Less than 12 Months £	1 - 5 Year £	Total £
Accounts payable	782,647	-	782,647
Accrued liabilities	405,141	-	405,141
	1,187,788	**-**	**1,187,778**

Contractual maturity analysis as at 31 December 2022

	Less than 12 Months £	1 - 5 Year £	Total £
Accounts payable	284,825	-	284,825
Accrued liabilities	368,991	-	368,991
	653,816	**-**	**653,816**

21.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to enable the Group to continue its exploration and development of oil and gas resources. In order to maintain or adjust the capital structure, the Group may adjust the issue of shares or sell assets to reduce debts.

The Group defines capital based on the total equity and reserves of the Group. The Group monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

22. Capital Commitments & Contingent Liabilities

The Group has no other capital commitments or contingent liabilities as at 31 December 2023.

23. Ultimate controlling party

The Directors have determined that there is no controlling party as no individual shareholder holds a controlling interest in the Company.

24. Events after the reporting period

On 14 March 2024 the Company issued 625,000 ordinary shares at 4.0 pence each in full settlement of fees to a third-party advisor.

On 15 April 2024 the Company issued 579,486 ordinary shares at 2.8 pence each in settlement of consultancy fees to a member of the Marram Project management team.

25. Copies of the Annual Report

Copies of the annual report will be available on the Company's website at https://energypathways.uk/results-centre.

END

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