

Jersey Company number: 129667

UPLAND RESOURCES LIMITED

Interim Report and Accounts

for the Six-Month Period from 1 July 2022 to 31 December 2022

UPLAND RESOURCES LIMITED

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UPLAND RESOURCES LIMITED

DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

The Directors present their report for the six-month period ended 31 December 2022.

Principal activity

The Company and Group was formed for the purpose of acquiring assets, businesses or target companies that have operations in the oil and gas exploration and production sector that it will then look to develop and expand.

Review of the business

We are uniquely positioned in Sarawak. On 1 September 2022, the Company's wholly owned subsidiary Upland Resources (Sarawak) Sdn Bhd, and Big Oil Ventures Sdn Bhd ("BOV") entered into a joint technical study agreement with Petroleum Sarawak Berhad ("Petros"), which is the oil company of the Malaysian state of Sarawak. Big Oil Ventures Sdn Bhd is a Bumiputera Sarawak company, based in Kuching, Malaysia that provides technical consultancy services to oil and gas explorers. Pursuant to this agreement, BOV and Upland Resources (Sarawak) Sdn Bhd agreed to fund a joint technical study on Block SK334 in Sarawak. This block is approximately 6,685 sq km and is located in the northern region of onshore Sarawak, Malaysia. It is a virgin block from an exploration standpoint as no wells have been drilled in the area to date, and the only 456 km of modern 2D seismic that were shot in 2016 have been acquired. However, there are other oil fields within Sarawak and bordering Brunei. The main objectives of the joint technical study are to use intensive data supplied by Petros to improve the understanding of the prospectively in Block SK334, and in particular to:

- Assess hydrocarbon potential of Block SK334; delineate prospective areas, and identify leads and prospects in the Study Area
- Recommend and design new seismic acquisition requirements and/or identify any other feasible exploration tools for future de-risking activities.

This study involves seismic interpretation linked to surface geology, allowing the definition of an integrated regional tectono-stratigraphic framework as the basis to the evaluation of the geological potential of the identified structures. This fundamental work was mainly done using a GIS interface and project, where all the available data were integrated, from surface geology to radar-based geological and structural maps, to published regional maps, and including also the time/depth maps derived from the seismic interpretation work done in Petrel. So far, Upland Big Oil Sdn Bhd believe from their preliminary study they have identified prospective hydrocarbon plays which hold commercial resource potential in block SK334.

After agreeing to co-operate in respect of the technical study for Block SK334, Upland Resources (Sarawak) Sdn Bhd and BOV entered into a joint venture pursuant to which the parties agreed to formalise their joint venture in the form of Upland Big Oil Sdn Bhd ("UBO") to evaluate and potentially acquire oil and gas assets or licences in the Sarawak region of Malaysia.

The Group's original funding commitment under the joint technical study was \$256,000 which represented approximately 20% of the total cost. The Group has now agreed to increase its interest in the technical study and the joint venture with BOV to 45%.

The Company intends to use its local knowledge and expertise, particularly that of Chairman Datuk Bolhassan Di who was with Sarawak Shell Bhd, to secure large, high-impact petroleum plays within Sarawak and to develop these together with strategic partners. This is a key part of Upland's broader strategy to identify a number of potential opportunities both in Malaysia and further afield. In particular, if the technical study is successful, UBO (currently 45%) would seek to bid for a production sharing contract in respect of Block SK334. Preference for the award of new permits is given to Sarawakian companies and to those companies partnered with Sarawakian companies, whilst not jeopardising the interests of companies already operating in Sarawak, which the Company

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DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

believes is beneficial to the structure of its agreements and our relationships in Sarawak.

In September 2019, Upland and its partners were awarded an exclusive oil & gas exploration permit (P2478) over seven blocks and part blocks in the Inner Moray Firth, part of the UK Continental Shelf, as part of the UK's 31st Offshore Licensing Round. Upland retains a 32% interest in each of the blocks along with Reabold Resources Plc (which holds 36% and is licence administrator) and Baron Oil (which holds 32%) ("**IMF Joint Venture**"). Pursuant to this licence the IMF Joint Venture must complete 3D seismic reprocessing and make a decision to drill or relinquish the licence in July 2023. The current intention of the joint venture parties is to farm out 50% of the interest in the IMF Project to a third party in exchange for that third party funding the estimated well costs and any associated costs incurred to date. The Company does not currently intend to fund its proportion of the cost of drilling Dunrobin, the main prospect on P2478.

Regarding Tunisia, our application for a one-year extension to December 2023 was not accepted and the Saouaf Permit terminated effective 22 December 2022. The Farm Out Agreement which was announced in an RNS on 21 July 2022 was terminated in November 2022

Financing

On 25 October 2022, the Company announced the placement of 124,000,000 shares at 0.25p each to generate gross proceeds of £310,000 which will be used for Sarawak and working capital. The issue included 60,000,000 warrants on a 1:2 basis that are exercisable at 0.40p between 6 and 18 months from the closing date

Significant events since the balance sheet date

- i. On 11 January 2023 the Company announced that Professor Andrew Hurst had joined the Company as Non-Executive Technical Director;
- ii. On 22 February 2023 the Company announced the issuance of 290,500,000 shares at 0.6p for gross proceeds of £1,743,000 and 150,250,000 warrants exercisable at 1.20p for a period of two years. On 23 February 2023 the associated Prospectus approved by the Financial Conduct Authority was published
- iii. In February 2023 the Company's subsidiary Upland Resources (Sarawak) Sdn Bhd ("URS") reached agreement with Big Oil Ventures Sdn Bhd to increase its equity interest in joint venture company Upland Big Oil Sdn Bhd from 20% to 45%.

Principal risks and uncertainties

The directors consider that the main business risks and uncertainties of the Group are:

Sub-surface risks

Risk 1: The success of the business relies on accurate and detailed analysis of the sub-surface. This can be impacted by poor quality data, either historical or recently gathered, and limited data coverage. Certain information provided by external sources may not be accurate.

Mitigation: All externally provided historical data is rigorously examined and discarded when appropriate. New data acquisition will be considered and relevant programmes implemented, but historical data can be reviewed and reprocessed to improve the overall knowledge base.

Risk 2: Data can be misinterpreted leading to the construction of inaccurate models and subsequent plans.

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DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Mitigation: All analytical outcomes are challenged internally and peer reviewed. Interpretations are carried out on modern geoscience software.

Corporate risks

Risk 1: It is possible that the Tunisian authorities may seek compensation for unfunded work commitments in respect of the Saouaf Permit which has expired

Mitigation: The Company has received an opinion from its Tunisian legal advisors that the Tunisian government has recourse to our Tunisian subsidiary but not to the Company.

Risk 2: The Group's success depends on skilled management as well as retention of technical and administrative staff and consultants. The loss of critical members of the Group's team could have an adverse effect on the business.

Mitigation: The Group periodically reviews the compensation and contract terms of its staff and consultants to ensure that they are competitive.

Going concern risk

Risk: The Group relies on the support of Shareholders to finance its ongoing activities.

Mitigation: Despite difficult financial markets, the Group has received support for its current strategy from its shareholders and expects to be able to finance non-discretionary expenditures for the next 12 months, including its commitment to the Upland/Big Oil/Petros joint study in Sarawak. On 25 October 2022, the Company announced the placement of 124,000,000 shares at 0.25p each to generate gross proceeds of £310,000 which are being used for Sarawak and working capital. The issue included 60,000,000 warrants on a 1:2 basis that are exercisable at 0.40p between 6 and 18 months from the closing date.

On 22 February 2023, the Company announced the issuance of 290,500,000 shares at 0.6p for gross proceeds of £1,743,000 and 150,250,000 warrants exercisable at 1.20p for a period of two years.

Results for the period

The financial results for the six-month period ended 31 December 2022 are appended to this report.

Upland made a pre-tax loss of £385,971 for the six months to 31 December 2022, compared to a £269,594 loss for the comparable six months to 31 December 2021. The principal reasons for the increased loss in the six-month period are increased overhead expenditures. The Company:

- (i) Established a stock option plan and incurred stock option expense of £95,000;
- (ii) Issued share purchase warrants valued at £52,000;
- (iii) Increased commercial activity during the period compared to 2021, resulting in increased advisory costs, for example the Farm Out Agreement.

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DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The Group meets its current day to day working capital requirements through existing cash reserves.

The Group raises finance for its exploration and appraisal activities in discrete tranches to finance its activities for limited periods only and further funding will be required from time to time to finance those activities as well as ongoing administrative expenses.

The Directors believe that the Group will be able to raise, as required, sufficient cash or reduce its commitments to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of the Group financial statements. The Group financial statements have, therefore, been prepared on the going concern basis. In addition, the Directors have considered the possibility of compensation payments falling due to the Tunisian authorities and have sought a legal opinion that indicated that any such compensation would be ring-fenced within the Group's Tunisian subsidiary. Having obtained this advice, the Directors have assessed outflows in this respect to be negligible in the forecasts. Should this not be the case, further funds will be required to be raised to satisfy any material obligations arising.

As there can be no guarantee that the required funds will be raised within the necessary timeframe, consequently a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of approval of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Auditing

This interim report and accounts for the six-month period ended 31 December 2022 (the "**Interim Report and Accounts**") has not been audited or reviewed pursuant to the Financial Reporting Council guidance on 'Review of Interim Financial Information'.

Statement of Directors' Responsibilities

The Interim Report and Accounts is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report and Accounts in accordance with the Disclosure and Transparency Rules (the "**DTRs**") of the United Kingdom's Financial Conduct Authority (the "**FCA**"). The DTRs require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts.

The Directors confirm that, to the best of their knowledge, the set of financial statements contained in the Interim Report and Accounts, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted in the UK, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2.2 and in particular include a fair review of:

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DIRECTORS' REPORT FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

- the important events that have occurred during the half of the financial year and their impact on the set of financial statements contained in the Interim Report and Accounts, as required by DTR 4.2.7R;
- the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- related party transactions that have taken place in the first half of the current financial year.

Approved by the Board on 30 March 2023 and signed on its behalf by:

Bolhassan Di
Chairman

UPLAND RESOURCES LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM SIX-MONTH PERIOD ENDED 31 DECEMBER 2022**

	6 months to 31 December 2022 £	6 months to 31 December 2021 £
Revenue	-	-
Exploration and evaluation expenditure	(19,500)	(79,609)
Administrative expenses	(366,433)	(189,985)
Operating loss	(385,933)	(269,594)
Share of profit or loss of joint venture	(38)	-
Loss before taxation	(385,971)	(269,594)
Taxation	-	-
Loss and Total Comprehensive Income for the Period Attributable to Equity Owners of the Parent Company	(385,971)	(269,594)
Loss per share in pence – basic and diluted	(0.05)	(0.04)

The results above derive wholly from continuing operations.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	31 December 2022 £	30 June 2022 £
Non-Current assets			
Investment in joint venture	2	-	-
Current assets			
Trade and other receivables	3	10,830	7,185
Cash and cash equivalents		98,114	305,526
		<hr/> 108,944	<hr/> 312,711
Total assets		<hr/> 108,944 <hr/>	<hr/> 312,711 <hr/>
Equity			
Stated Capital		8,719,132	8,427,732
Retained earnings		(8,925,156)	(8,686,185)
Total equity		<hr/> (206,024) <hr/>	<hr/> (258,453) <hr/>
Current liabilities			
Trade and other payables	4	314,968	571,164
Total equity and liabilities		<hr/> 108,944 <hr/>	<hr/> 312,711 <hr/>

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

	Stated capital £	Retained earnings £	Total equity £
At 1 July 2022	8,427,732	(8,686,185)	(258,453)
Issue of shares, net of costs	291,400	-	291,400
Share-based payment transactions	-	147,000	147,000
Loss for the period	-	(385,971)	(385,971)
At 31 December 2022	<u>8,719,132</u>	<u>(8,925,156)</u>	<u>(206,024)</u>

	Stated capital £	Retained earnings £	Total equity £
At 1 July 2021	8,427,732	(8,191,890)	235,842
Loss for the period	-	(269,594)	(269,594)
At 31 December 2021	<u>8,427,732</u>	<u>(8,461,484)</u>	<u>(33,752)</u>

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM SIX-MONTH PERIOD ENDED 31 DECEMBER 2022

	6 months to 31 December 2022	6 months to 31 December 2021
	£	£
Cash Flows from Operating Activities		
Loss from operations	(385,933)	(269,594)
Share-based payment expenses	147,000	-
Decrease/(increase) in trade and other receivables	(3,645)	1,776
(Decrease)/increase in trade and other payables	(256,196)	(15,937)
	<hr/>	<hr/>
Net cash used in operating activities	(498,774)	(283,755)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Investment in joint venture	(38)	-
	<hr/>	<hr/>
Net cash used in investing activities	(38)	-
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares, net of issue costs	291,400	-
	<hr/>	<hr/>
Net cash generated from financing activities	291,400	-
	<hr/>	<hr/>
Net (decrease) in cash and cash equivalents	(207,412)	(283,755)
Cash and cash equivalents at the beginning of the period	305,526	757,988
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	98,114	474,233
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO THE INTERIM ACCOUNTS

1. Accounting policies

The same accounting policies and methods of computation are followed in these interim accounts as compared with the most recent annual financial statements, except for:

Investment in joint venture

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The interest in joint ventures is initially recognised at cost. Subsequently the company applies the equity method and recognises in its statement of profit or loss or other comprehensive income its share of the profit or loss and other comprehensive income of the joint ventures.

Dividends received from joint ventures are deducted from the carrying amount of the investment.

2. Investment in joint venture

	Investment in joint venture
	£
Carrying amount as at 1 July 2022	-
Acquisition of interest in joint venture	38
Share of loss after tax*	(38)
Carrying amount as at 31 December 2022	-

*The share of losses of the joint venture exceeds the interest in the joint venture and so the group has discontinued recognising its share of further losses. The unrecognised share of losses of the joint venture is £65,757 for the period and cumulatively. Expenditures incurred on the Joint Technical Study during the period were expensed by the joint venture company Upland Big Oil Sdn Bhd.

3. Trade and other receivables

	31 December 2022	30 June 2022
	£	£
Other debtors	3,645	-
Prepayments	7,185	7,185
	<u>10,830</u>	<u>7,185</u>

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NOTES TO THE INTERIM ACCOUNTS (CONTINUED)

4. Trade and other payables

	31 December 2022	30 June 2022
	£	£
Trade payables	122,866	154,524
Short-term loan	100,000	150,000
Other creditors	3,610	-
Accrued expenses	88,492	266,640
	<u>314,968</u>	<u>571,164</u>

Subsequent to December 31, 2022 the Short-term loan was repaid.

5. Related party transactions

The directors are considered to be the key management personnel of the company. During the interim period, the company paid fees to directors, or their connected companies, amounting to £38,743 (year ended 30 June 2022 - £86,118). At the period end, £12,416 (30 June 2022 - £120,430) was outstanding and payable to the directors, or their connected companies, and included in creditors.

During the interim period, the company was charged consultancy fees of £12,000 (year ended 30 June 2022 - £36,000) by a director of the company. At the period end, £nil (30 June 2022 - £45,000) was outstanding payable to the director and included in creditors.

6. Stated capital

Shares

During the period, the Company issued 124,000,000 ordinary shares of no par value at 0.25p. Net proceeds of £291,400 have been credited to share premium. At 31 December 2022, shares in issue amounted to 810,768,853.

Warrants

62,000,000 share purchase warrants were issued with the shares above. The warrants have an exercise price of 0.40p and have a term of 18 months but cannot be exercised before 25 October 2023. At 31 December 2022, 62,000,000 warrants were outstanding. A valuation of £52,000 has been attributed to the warrants using a Black Scholes model with a 100% volatility factor.

Stock options

During the period, 45,000,000 share options were granted to directors, officers and advisors. The options have an exercise price of 0.40p and have a term of 60 months but cannot be exercised before 25 October 2023. At 31 December 2022 45,000,000 share options were outstanding. A valuation of £95,000 has been attributed to the options using a Black Scholes model with a 100% volatility factor.

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NOTES TO THE INTERIM ACCOUNTS (CONTINUED)

7. Joint venture

On 1 September 2022, the Company's wholly-owned subsidiary Upland Resources (Sarawak) Sdn Bhd ("URS") signed a Joint Technical Study Agreement with Big Oil Ventures Sdn Bhd ("BOV") and Petroleum Berhad Sarawak (Petros) to conduct a study on Block SK334 which covers 6685 km² in the northern region of Onshore Sarawak, Malaysia. On 9 September 2022, URS and BOV formed joint venture company Upland Big Oil Sdn Bhd ("UBO") with URS initially holding a 20% interest.

The Company accounts for its interest in the Joint Venture by the equity method.

For the period ended 31 December 2022, URS advanced RM 209k (£39k) to UBO and UBO spent RM 1,655k (£312k) on the Joint Technical Study contributing to a total loss of RM 1,753k (£330k). URS share of that loss is £66k but in Profit and Loss it has been limited to £38, the cost of our investment as at 31 December 2022.

8. Contingent liability

On 22 October 2022, Upland (Saouaf) Limited applied for an extension of the Saouaf Permit for one year to 22 December 2023. The Tunisian government did not approve the Company's application and the Company no longer has an interest in the Saouaf Permit. All costs have been written off. It is possible that the Tunisian authorities may seek compensation for unfunded work commitments. Management has considered this and has taken legal advice around the scale and scope of compensation and considers the possibility of material outflows in relation to this matter to be low.

9. Subsequent events

On 11 January 2023, the Company announced that Professor Andrew Hurst had joined the Company as Non-Executive Technical Director.

On 22 February 2023 the Company announced the issuance of 290,500,000 shares at 0.6p for gross proceeds of £1,743,000 and 150,250,000 warrants exercisable at 1.20p for a period of two years. On 23 February 2023, the associated Prospectus approved by the Financial Conduct Authority was published.

In February 2023, the Company's subsidiary Upland Resources (Sarawak) Sdn Bhd ("URS") reached agreement with Big Oil Ventures Sdn Bhd to increase its equity interest in joint venture company Upland Big Oil Sdn Bhd from 20% to 45%.