

# **MX OIL PLC**

Financial Statements

For the year ended 31 December 2017

## CONTENTS

### REPORTS

	page
Company Information	2
Chairman's statement	3
Strategic report	4
Directors' Report	5
Corporate Governance	8
Report on Directors' Remuneration	9
Report of the Independent Auditor	10

### FINANCIAL STATEMENTS

Group Income Statement	13
Group and Company Statements of Financial Position	14
Group Statement of Changes in Equity	15
Company Statement of Changes in Equity	16
Group and Company Statements of Cash Flows	17
Notes to the Financial Statements	18

## COMPANY INFORMATION

DIRECTORS:	Nicholas Lee (Non-Executive Chairman) Stefan Olivier (Chief Executive Officer) Nigel McKim (Chief Operating Officer) Sergio Lopez (Non-Executive Director) Richard Carter (Non-Executive Director)
REGISTERED OFFICE:	17 <sup>th</sup> Floor 110 Bishopsgate London EC2N 4AY
COMPANY NUMBER:	05311866
SECRETARY:	Shakespeare Martineau LLP
NOMINATED ADVISER:	Cairn Financial Advisers LLP Cheyne House, Crown Court 62-63 Cheapside London EC2V 6AX
BROKER:	Cornhill Capital Limited 4 <sup>th</sup> Floor 18 St Swithin's Lane London EC4N 8AD
REGISTRARS:	Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS99 7NH
SOLICITORS:	Keystone Law Ltd 48 Chancery Lane London WC2A 1LF
INDEPENDENT AUDITOR:	haysmacintyre Statutory Auditor Chartered Accountants 10 Queen Street Place London EC4R 1AG

## CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 December 2017

### Introduction

During the year, MX Oil plc has continued to pursue its strategy as an oil and gas investing company and is focused principally on its investment in Nigeria.

### Review of activities

During the year, the two wells in the Aje Field within block OML 113 have continued to produce, notwithstanding an interruption in production at Aje 5 whilst some subsurface intervention was carried out.

As part of the oil production process, a significant quantity of new data about the underlying reservoir and related geology has been collected. Consequently, the partners in the licence commissioned the preparation of an updated Competent Person's Report ("CPR") in order to take into account this new data and to provide a more accurate update of the future potential of the field.

The revised CPR has now been completed which is an update to the CPR prepared previously in July 2014 and incorporates all the developments and new data generated by the project since that date. The level of reserves reported in this latest CPR represents a significant increase compared to the previous report and highlights the future potential of the Aje Field.

### Investing policy

During the year, shareholders approved the adoption of a revised investing policy by the Company. Under the existing investing policy, the Company is focused on investing in the natural resources sector. However, in reviewing opportunities in this sector, the Company is increasingly seeing interesting opportunities in adjacent areas of oil services such as energy, power and related technologies. Investments in these adjacent areas can have the potential to generate attractive returns on a lower risk basis than may be achieved in the traditional natural resources sector.

### Outlook

Now that the Company has received the updated CPR, work is currently underway on modelling the potential for new oil wells in both the Turonian and Cenomanian. At the same time, the partners are in the process of renewing the licence for a further twenty years and these discussions are progressing well. Subject to the outcome of this modelling work and the renewal of the licence, the Company expects to see further development drilling in 2019, with a view to progression to a full-scale oil and gas integrated project thereafter.

Nicholas Lee  
Non-Executive Chairman

28 June 2018

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2017

The Directors present their Strategic Report for the Group for the year ended 31 December 2017. The Chairman's Statement on page 3 forms part of this report.

## RESULTS AND DIVIDENDS

For the year ended 31 December 2017 the Group made a loss after taxation of £3,435,000 (2016: £1,336,000). The Directors do not propose a dividend (2016: £nil).

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS DURING THE YEAR

During the year, the two wells in the Aje Field within block OML 113 have continued to produce notwithstanding an interruption in production at Aje 5 whilst some subsurface intervention was carried out. Field production has now stabilised at around 3,300 bopd (165 bopd net to MX Oil).

As part of the oil production process, a significant quantity of new data about the underlying reservoir and related geology has been collected. One of the two current production wells, Aje-5, has been producing from the Turonian Oil Rim since May 2017. Based on the data gathered from this well, the Company now believes that there are significant oil volumes to recover from this interval and the development of an integrated oil and gas development plan of the Turonian reservoir is now being discussed.

There have been significant developments in the Aje project over the past two years that have had a material impact on the project's reserves and resource position. Since the last CPR in July 2014, three new Cenomanian penetrations have been drilled (Aje-5, Aje-5ST1 and Aje-5ST2), with production coming on-stream from the Cenomanian reservoir in May 2016 and from the Turonian oil rim in May 2017. A field development plan for the Turonian Aje gas project ("FDP") was submitted to the Nigerian Government for consideration in 2017. The FDP comprises four to five production wells in the Turonian, tied back to existing and new infrastructure. Consequently, the partners in the licence commissioned the preparation of an updated Competent Persons Report ("CPR") in order to take into account this new data and to provide a more accurate update of the future potential of the field.

The revised CPR has been completed by AGR TRACS International Limited ("AGR TRACS"). This is an update to the CPR prepared by them in July 2014 and incorporates all developments and new data generated by the project since that date. Reserves reported in this latest CPR and from the 2014 CPR are summarised below.

	2018 Gross MMboe	2018 Net entitlement to MXO MMboe	2014 Gross MMboe	2014 Net entitlement to MXO MMboe
1P Proven Reserves	78.2	5.0	11.7	0.7
2P Proven and Probable Reserves	127.1	8.2	23.4	1.3
3P Proven, Probable and Possible Reserves	215.0	12.7	-	-

The level of reserves has increased significantly since the publication of the previous CPR in July 2014

The recent performance of the Aje-5ST2 well completed on the Turonian oil rim has encouraged the Aje partnership to consider a more extensive development of this oil rim. Since the Aje Gas FDP was completed and submitted ahead of this well coming on line, AGR TRACS has only been able to recognise contingent resources associated with four horizontal wells proposed as a Phase 2 development in that plan. The encouraging production performance for the Aje-5ST2 well so far provides a strong incentive for further studies to better understand how the oil rim can be optimally developed.

These results confirm the commerciality of the Aje gas development, highlight the need for a revision to the development plan once the oil rim studies are completed and will underpin a final investment decision on the development of the Turonian reserves in the future.

**Funding**

In terms of financing, during the period, the Group raised additional equity of £6.6 million in two fund raisings. Both equity issues took place at a premium to the prevailing market price. This also included the issue of new equity to settle outstanding short term debt of £1.575 million. As at the year end, the Company had no loans outstanding.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2017

### KEY PERFORMANCE INDICATORS ("KPIs")

The Group's activity is that of an investing Group and the Directors focus principally on the development of the Group's net asset value.

The key performance indicators are therefore set out below:

<b>GROUP STATISTICS</b>	<b>2017</b>	<b>2016</b>
Net asset value	£14,199,000	£12,254,000
Net asset value – fully diluted per share	0.86p	1.19p
Closing share price	0.53p	1.06p
Market capitalisation	£8,775,000	£12,039,000

### KEY RISKS AND UNCERTAINTIES

Early stage investments in the natural resources sector carry a high level of risk and uncertainty, although the rewards can be outstanding. At this stage, there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Group's investments which can be either unquoted or quoted, such that the Group may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. The partners involved in the OML 113 licence are in the process of renewing the licence and discussions are progressing well, however, the renewal of the licence has not yet been confirmed and this clearly represents an uncertainty linked to the Company's principal investment. Details of other financial risks and their management are given in Note 19 to the financial statements.

### GOING CONCERN

The partners involved in the OML 113 licence are in the process of renewing the licence and discussions are progressing well. Against this background and, as disclosed in Note 2, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board.

Stefan Olivier  
Director

28 June 2018

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2017

The Directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2017.

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes principal activity, future developments and principal risks and uncertainties.

### DIRECTORS

The Board comprised the following directors who served throughout the year and up to the date of this report unless otherwise stated.

Stefan Olivier  
 Nicholas Lee  
 Sergio Lopez  
 Nigel Bruce McKim  
 Richard Carter

### DIRECTORS' INTERESTS

Set out below are the Directors' beneficial holdings of ordinary shares in the Company as at 31 December 2017. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration.

Name of director	Ordinary shares of 0.01p each Number	Percentage of capital %
Nicholas Lee	984,000	0.06%
Stefan Oliver	10,000,000	0.56%

### SUBSTANTIAL SHAREHOLDINGS

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 24 June 2018 were as follows:

Name of shareholder	Ordinary shares of 0.01p each Number	Percentage of capital %
Zheng Yongxiong	112,972,992	6.38%
Zhang Hao	309,847,992	17.49%
Mr Y Cheng	103,500,000	5.84%
Mr X Chen	97,100,000	5.48%

### POST YEAR END EVENTS

In February 2018, the Group announced a placing to raise £500,000 before expenses, through the issue of 100,000,000 new ordinary shares at 0.5p per share.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2017

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs 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 adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Group's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### AUDITORS

A resolution to re-appoint haysmacintyre, as auditors will be put to the AGM.

On behalf of the Board.

Stefan Olivier  
Director

28 June 2018



## CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 December 2017

### CORPORATE GOVERNANCE

The Directors recognize the importance of sound corporate governance while taking into account the Group's size and stage of development.

Under the current AIM rules the Group is not required to comply with all of the provisions of the UK Corporate Governance Code (the Code). The Directors have adopted the QCA code when considering the Group's governance arrangements.

From 28 September 2018 new corporate governance regulations will apply to all AIM quoted companies, requiring the Company to:

- provide details of a recognised corporate governance code that the board of directors has decided to apply
- explain how the Company complies with that code, and where it departs from its chosen corporate governance code provide an explanation of the reasons for doing so.

The corporate governance disclosures will need to be reviewed annually, and the company will also need to state the date on which these disclosures were last reviewed.

### BOARD OF DIRECTORS

The Group supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Group's expense. Training is available for new Directors and other Directors as necessary.

The Board consists of five directors, the Non-Executive chairman Nicholas Lee, the Chief Executive Officer Stefan Olivier, the Chief Operating Officer Nigel McKim and two other non-executive directors, Sergio Lopez and Richard Carter.

Given the size of the Board, there are no separate audit, remuneration and nomination committees. Decisions on matters that would be referred to these committees are discussed and approved by the Board as a whole.

### COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given a high priority. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Executive Chairman and other members of the Board at the Annual General Meeting.

### INTERNAL CONTROL

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

On behalf of the Board.

Stefan Olivier  
Director

28 June 2018

## REPORT ON DIRECTORS' REMUNERATION

FOR THE PERIOD ENDED 31 December 2017

### REMUNERATION

The remuneration of the directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director at a cost to the Group, which reflects current market rates.

The Board is responsible for the overall remuneration package for the Executive and Non-Executive Directors.

### DIRECTORS' EMOLUMENTS

Full details of the remuneration package of each Director for the year are set out below:

Director	2017 £'000	2016 £'000
Andrew Frangos	-	8
Stefan Olivier	235	186
Nicholas Lee	88	98
Sergio Lopez	69	69
Nigel Bruce McKim	159	124
Richard Carter	42	10
	<b>593</b>	<b>495</b>

### WARRANTS

	At 31 Dec 2017 Number of warrants	At 31 Dec 2016 Number of warrants
Stefan Olivier	-	22,750,000
Sergio Lopez	8,368,421	8,368,421
	<b>8,368,421</b>	<b>31,118,421</b>

The 22,750,000 warrants that were issued to Stefan Olivier in 2014 lapsed in March 2017. Further details of the warrants that have been issued by the Company are disclosed in note 18. Stefan Olivier is also entitled to 12,552,632 warrants exercisable at 3p per share, subject to certain vesting and exercise conditions as set out in note 18.

### PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2017 (2016 £nil).

On behalf of the Board.

Nicholas Lee  
Non-Executive Chairman

28 June 2018

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MX OIL PLC FOR THE YEAR ENDED 31 December 2017

### OPINION

We have audited the financial statements of MX Oil plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017 which comprise the Group Income Statement, the Group and parent Company Statements of Financial Position, the Group and parent Company Statements of Changes in Equity, the Group and parent Company Statements of Cash Flows, and notes to the financial statements, 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 and of the parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the disclosures made in note 2 in the financial statements, which highlight that the Group has net current liabilities of £785,000 and has yet to receive confirmation from the government of Nigeria that its licence to operate the Aje oil field, from which its trading activities are derived, shall be renewed. As stated in note 2, these events or conditions, along with the other matters set forth in note 2, indicate that an uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in this respect.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We define materiality as the magnitude of misstatement that could reasonably be expected to influence the readers and the economic decisions of the users of the financial statements. We used materiality to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Materiality for the Group's financial statements as a whole was set at £330,000, determined with reference to the gross assets of the Group. We report to the Board of Directors any corrected or uncorrected misstatements exceeding £16,500.

Performance materiality was set at £247,500, being 75% of materiality. Materiality for the parent Company was set at £286,000.

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MX OIL PLC FOR THE YEAR ENDED 31 December 2017

### AN OVERVIEW OF THE SCOPE OF OUR AUDIT

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

The audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal controls, and assessing the risk of material misstatement. Audit work to respond to the assessed risks was performed directly by the Group's audit engagement team which performed the fully scoped audit procedures.

The audit work was executed at a level of materiality noted above.

In arriving at our opinions set out in this report, we highlight the following audit risks that in our judgement had the greatest effect on the financial statements:

#### Risk area: Going concern

- The cash balance at 31 December 2017 was £50,000 and there was a net cash outflow during the year ended 31 December 2017 of £284,000, despite a receipt of £5,000,000 from the issue of ordinary share capital during the year.
- The Group's ability to trade depends on its OML 113 licence for the Aje oil field, which expires in June 2018, being renewed by the Nigerian government.

#### Our response: Going concern

We obtained management's cash flow forecast which supports their use of the going concern basis of accounting. We tested the integrity of this model, including mathematical accuracy, and reviewed key assumptions such as forecast sales revenue and operating costs for consistency and reasonableness. We also considered the historical accuracy of management's forecasting.

We have reviewed the Group's application for the renewal of the OML 113 licence to the government of Nigeria and discussed with management its progress. At the date of our audit report the government of Nigeria have not yet provided formal confirmation that the OML 113 licence will be renewed. However, based upon the Directors' discussions with government officials the Directors have no reason to believe that the licence will not be renewed.

#### Risk area: Valuation of investments

- The ability of the parent Company to realise the carrying value of the investments held at 31 December 2017 may be adversely affected by various factors such as oil reserves at the Aje oil field being lower than expected and / or there being a sustained drop in global oil prices.

#### Our response: Valuation of investments

We obtained and reviewed relevant documents for new investments and considered whether any changes occurred to the existing investments held by the Group. The net present value calculations for the Group's share of the Aje oil field were reviewed, as was the letter detailing the current level of oil reserves within the oil field.

### OTHER INFORMATION

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 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.

## REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF MX OIL PLC FOR THE YEAR ENDED 31 December 2017

### OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### USE OF OUR REPORT

This report is made solely to the parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent Company and the parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Continuing operations</b>			
Revenue	3	1,727	1,571
Operating costs		(2,565)	–
Administrative expenses		(1,495)	(2,311)
Share based payment expense		–	(146)
<b>Operating loss</b>	<b>4</b>	<b>(2,333)</b>	<b>(886)</b>
Other gains and losses	5	27	(54)
Finance costs	6	(1,129)	(396)
<b>Loss on ordinary activities before taxation</b>		<b>(3,435)</b>	<b>(1,336)</b>
Taxation	8	–	–
<b>Loss for the year</b>		<b>(3,435)</b>	<b>(1,336)</b>
<b>Other Comprehensive income:</b>			
Exchange translation movement		(746)	–
<b>Total comprehensive income for the year</b>		<b>(4,181)</b>	<b>(1,336)</b>
<b>Basic and diluted loss per share:</b>			
From continuing and total operations	9	(0.24)p	(0.14)p

The accompanying notes form an integral part of these financial statements

## GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 December 2017

		GROUP		COMPANY	
	Notes	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>NON-CURRENT ASSETS</b>					
Development costs	10	14,984	14,461	–	–
Investment in subsidiaries	11	–	–	14,634	11,554
		<b>14,984</b>	14,461	<b>14,634</b>	11,554
<b>CURRENT ASSETS</b>					
Investments held for trading	12	179	–	179	–
Trade and other receivables	13	35	199	35	66
Cash and cash equivalents	14	50	334	50	334
		<b>264</b>	533	<b>264</b>	400
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	1,049	2,156	609	674
Borrowings	16	–	584	–	584
		<b>1,049</b>	2,740	<b>609</b>	1,258
<b>NET CURRENT LIABILITIES</b>		<b>(785)</b>	(2,207)	<b>(345)</b>	(858)
<b>NET ASSETS</b>		<b>14,199</b>	12,254	<b>14,289</b>	10,696
<b>EQUITY</b>					
Share capital	17	8,389	8,336	8,389	8,336
Share premium	17	31,533	25,460	31,533	25,460
Reserve for options granted		172	172	172	172
Reserve for warrants issued		783	783	783	783
Currency translation reserve		(746)	–	–	–
Retained deficit		(25,932)	(22,497)	(26,588)	(24,055)
Equity attributable to owners of the Company and total equity		<b>14,199</b>	12,254	<b>14,289</b>	10,696

The financial statements were approved by the Board and ready for issue on 28 June 2018.

Stefan Olivier  
Director

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2017

	Share capital £'000	Share premium £'000	Loan note equity reserve £'000	Reserve for options granted £'000	Reserve for warrants issued £'000	Exchange translation reserve £'000	Retained deficit £'000	Total equity £'000
<b>At 1 January 2016</b>	<b>7,659</b>	<b>19,714</b>	<b>31</b>	<b>172</b>	<b>637</b>	<b>–</b>	<b>(21,192)</b>	<b>7,021</b>
Loss for the year and total comprehensive expense	–	–	–	–	–	–	(1,336)	(1,336)
Issue of new shares	677	6,321	–	–	–	–	–	6,998
Share issue costs	–	(575)	–	–	–	–	–	(575)
Issue of warrants	–	–	–	–	146	–	–	146
Redemption and conversion of loan notes	–	–	(31)	–	–	–	31	–
<b>At 31 December 2016</b>	<b>8,336</b>	<b>25,460</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>–</b>	<b>(22,497)</b>	<b>12,254</b>
Loss for the year	–	–	–	–	–	–	(3,435)	(3,435)
Exchange translation movement	–	–	–	–	–	(746)	–	(746)
Total comprehensive expense for the year	–	–	–	–	–	(746)	(3,435)	(4,181)
Issue of new shares	53	6,522	–	–	–	–	–	6,575
Share issue costs	–	(449)	–	–	–	–	–	(449)
<b>At 31 December 2017</b>	<b>8,389</b>	<b>31,533</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>(746)</b>	<b>(25,932)</b>	<b>14,199</b>

The accompanying notes form an integral part of these financial statements



## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2017

	Share capital £'000	Share premium £'000	Loan note equity reserve	Reserve for options granted £'000	Reserve for warrants issued £'000	Retained deficit £'000	Total equity £'000
<b>At 1 January 2016</b>	<b>7,659</b>	<b>19,714</b>	<b>31</b>	<b>172</b>	<b>637</b>	<b>(21,192)</b>	<b>7,021</b>
Loss for the period and total comprehensive expense	–	–	–	–	–	(2,894)	(2,894)
Issue of new shares	677	6,321	–	–	–	–	6,998
Share issue costs	–	(575)	–	–	–	–	(575)
Issue of warrants	–	–	–	–	146	–	146
Redemption and conversion of loan notes	–	–	(31)	–	–	31	–
<b>At 31 December 2016</b>	<b>8,336</b>	<b>25,460</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>(24,055)</b>	<b>10,696</b>
Loss for the period and total comprehensive expense	–	–	–	–	–	(2,533)	(2,533)
Issue of new shares	53	6,522	–	–	–	–	6,575
Share issue costs	–	(449)	–	–	–	–	(449)
<b>At 31 December 2017</b>	<b>8,389</b>	<b>31,533</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>(26,588)</b>	<b>14,289</b>

The accompanying notes form an integral part of these financial statements

## GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2017

	Note	GROUP		COMPANY	
		2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>OPERATING ACTIVITIES</b>					
Loss for the period		<b>(3,435)</b>	(1,336)	<b>(2,533)</b>	(2,894)
Adjustments for:					
Share based payment expense		–	146	–	146
Loss/(gain) on disposal of investments		<b>(7)</b>	54	<b>(7)</b>	54
Finance costs		<b>1,129</b>	396	<b>1,072</b>	396
Foreign exchange adjustments		<b>(35)</b>	108	<b>(35)</b>	108
Impairment of joint venture investment		–	–	–	–
Operating cashflow before working capital changes		<b>(2,348)</b>	(632)	<b>(1,503)</b>	(2,190)
Decrease in receivables		<b>164</b>	172	<b>31</b>	305
(Decrease) in trade and other payables		<b>(1,072)</b>	(380)	<b>(30)</b>	(392)
Net cash outflow from operating activities		<b>(3,256)</b>	(840)	<b>(1,502)</b>	(2,277)
<b>INVESTMENT ACTIVITIES</b>					
Proceeds from disposal of investments		<b>303</b>	72	<b>303</b>	72
Purchase of investments held for trading		<b>(475)</b>	(87)	<b>(475)</b>	(87)
Development costs		<b>(1,113)</b>	(4,459)	–	–
Loans to subsidiary operation		–	–	<b>(3,080)</b>	(3,022)
Net cash outflow from investment activities		<b>(1,285)</b>	(4,474)	<b>(3,252)</b>	(3,037)
<b>FINANCING ACTIVITIES</b>					
Continuing operations:					
Issue of ordinary share capital (see note below)		<b>6,575</b>	6,666	<b>6,575</b>	6,666
Share issue costs		<b>(449)</b>	(575)	<b>(449)</b>	(575)
Net proceeds from short term borrowings		<b>1,710</b>	1,098	<b>1,710</b>	1,098
Repayment of short term borrowings		<b>(2,919)</b>	(1,676)	<b>(2,919)</b>	(1,676)
Finance costs paid		<b>(504)</b>	(89)	<b>(447)</b>	(89)
Net cash inflow from financing activities		<b>4,413</b>	5,424	<b>4,470</b>	5,424
<b>Net (decrease)/increase in cash and cash equivalents from continuing and total operations</b>		<b>(128)</b>	110	<b>(284)</b>	110
Exchange translation difference		<b>(156)</b>	–	–	–
Cash and cash equivalents at beginning of period		<b>334</b>	224	<b>334</b>	224
Cash and cash equivalents at end of period	14	<b>50</b>	334	<b>50</b>	334

The accompanying notes form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### 1 GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom and its shares are listed on the AIM market of the London Stock Exchange. The Company is an investment company, mainly investing in natural resources, minerals, metals, and oil and gas projects. The registered office of the Company is as detailed in the Company Information on page 2.

### 2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The current period covered by these financial statements is the year to 31 December 2017. The comparative figures relate to the year ended 31 December 2016. The financial statements are presented in pounds sterling (£) which is the functional currency of the Group.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented below under 'Statement of Compliance'.

#### GOING CONCERN

At 31 December 2017, the Group recorded a loss for the year of £3,435,000 and had net current liabilities of £785,000, after allowing for cash balances of £50,000. In addition, the Group has yet to receive confirmation from the government of Nigeria that its OML 113 licence to operate the Aje oil field, from which its trading activities are derived, will be renewed. These conditions indicate the existence of an uncertainty which may cast doubt about the Group's ability to continue as a going concern. Against this background, the Directors are confident that the licence will be renewed, also additional funds have been raised by the Company post year end.

The Directors have prepared cash flow forecasts through to 30 September 2019 which demonstrate that the Group is able to meet its liabilities as they fall due. In addition, following discussions with individuals within the Nigeria government the Directors are satisfied that it is considered likely that the licence for the Aje oil field will be renewed. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group's financial statements.

#### STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. The following new and revised Standards and Interpretations have been adopted in the current period by the Group for the first time and do not have a material impact on the group.

IFRS 5, IFRS 7, IAS 19	Amendments resulting from September 2014 Annual Improvements to IFRSs
IFRS 12, IAS 28	Amendments regarding the application of the consolidation exception
IAS 1	Amendments resulting from the disclosure initiative
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation, Amendments bringing bearer plants into the scope of IAS 16
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation

The following new and revised Standards and Interpretations, which are not expected to have a significant effect on the financial statements of the Group, have been issued but are not yet effective:

- IFRS 2 in respect of Share-based Payments, effective for accounting periods beginning on or after 1 January 2018.
- IFRS 9 in respect of Financial Instruments, effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from Contracts with Customers, effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases, effective for accounting periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 Revenue from Contracts with Customers has also been applied.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

#### AVAILABLE FOR SALE INVESTMENTS

Note 10 summarises the Group's indirect investment in the Aje Field. The Directors have reviewed the value of the Group's investment and consider that the fair value of this investment should be stated at the original cost of the investment plus the value of the cash calls that the Group has paid and is liable for as at the year-end, which the Directors consider represents the fair value of the Group's interest.

#### SHARE BASED PAYMENTS

The Group has made awards of options and warrants over its unissued share capital to certain Directors, employees and professional advisers as part of their remuneration.

The fair value of options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Group has recognised the fair value of options, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 18.

#### SALES REVENUE

Sales of petroleum production are recognised when goods are delivered or the title has passed to the customer.

#### TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the statement of financial position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### FINANCIAL ASSETS

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified into the following specific categories: 'investments held for trading', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the statement of financial position is based on the quoted bid price at the statement of financial position date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

#### AVAILABLE FOR SALE INVESTMENTS

Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. In respect of quoted investments, this is either the bid price at the period end date or the last traded price, depending on the convention of the exchange on which the investment is quoted, with no deduction for any estimated future selling cost. Unquoted investments are valued by the Directors using primary valuation techniques such as recent transactions, last price or net asset value.

Investments are recognised as available-for-sale financial assets. Gains and losses on measurement are recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses on monetary items denominated in a foreign currency, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Investments are assessed for indicators of impairment at each statement of financial position date. Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investment, the estimated future cash flows of the investment have been affected.

For quoted and unquoted investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### BASIS OF CONSOLIDATION

The consolidated financial statements present the results of MX Oil plc and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### EQUITY

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Equity comprises the following:

- Share capital represents the nominal value of equity shares issued.
- The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- Option reserve represents the cumulative cost of share based payments in respect of options granted.
- Warrant reserve represents the cumulative cost of share based payments in respect of warrants issued.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

#### FINANCIAL LIABILITIES

Financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Group's financial liabilities comprise trade and other payables.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### SHARE BASED PAYMENTS

Where share options are awarded, or warrants issued to employees, the fair value of the options/warrants at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options/warrants that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where warrants or options are issued for services provided to the Group, the fair value of the service is charged to the statement of comprehensive income or against share premium where the warrants or options were issued in exchange for services in connection with share issues. Where the fair value of the services cannot be reliably measured, the service is valued using Black Scholes valuation methodology taking into consideration the market and non-market conditions described above.

Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the statement of comprehensive income.

#### FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

#### SEGMENTAL REPORTING

A segment is a distinguishable component of the Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Group's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The directors consider that it would not be appropriate to disclose any geographical analysis of the Group's investments.

No segmental analysis has been provided in the financial statements as the Directors consider that the Group's operations comprise one segment.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**3 REVENUE**

All the Group's revenue is derived from its operations in Nigeria.

**4 OPERATING LOSS**

	2017	2016
	£'000	£'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration	650	546
Warrant/share based payment expense	–	146
Employee salaries and other benefits	36	136
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	18	17

**5 OTHER GAINS AND LOSSES**

	2017	2016
	£'000	£'000
Gain/(loss) on disposal of investments	7	(54)
Refund of FX margin deposit previously written off	20	–
	27	(54)

**6 FINANCE COSTS**

	2017	2016
	£'000	£'000
Interest on convertible loan stock	–	302
Finance costs of other loan facilities	1,072	94
Interest on overdue cash calls	57	–
	1,129	396



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**7 EMPLOYEE REMUNERATION**

The expense recognised for employee benefits for continuing operations is analysed below:

	2017 £'000	2016 £'000
Wages and salaries (including directors)	626	617
Social security costs	60	65
	<b>686</b>	<b>682</b>
<b>Directors remuneration:</b>		
Wages and salaries (including employee benefits)	593	495
Social security costs	57	51
	<b>650</b>	<b>546</b>

Further details of Directors' remuneration are included in the Report on Directors' Remuneration.

Only the directors are deemed to be key management. The average number of employees in the Group was 5 (2016:4).

**8 INCOME TAX EXPENSE**

	2017 £'000	2016 £'000
Current tax – continuing operations	–	–
	<b>2017 £'000</b>	<b>2016 £'000</b>
Loss before tax from continuing operations	<b>(3,435)</b>	<b>(1,336)</b>
Loss before tax multiplied by rate of corporation tax in the UK of 19.25% (2016: 20%)	<b>(661)</b>	<b>(267)</b>
Expenses not deductible for tax purposes	<b>21</b>	<b>23</b>
Unrelieved tax losses carried forward	<b>640</b>	<b>244</b>
Total tax charge for the year	<b>–</b>	<b>–</b>

There are unrelieved tax losses of approximately £19,600,000 (2016: £16,900,000) which may be available to offset against future taxable profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**9 EARNINGS PER SHARE**

The basic and diluted earnings per share is calculated by dividing the loss attributable to owners of the Group by the weighted average number of ordinary shares in issue during the year.

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Loss attributable to owners of the Group		
- Continuing operations	<b>(3,435)</b>	(1,336)
Continuing and discontinued operations	<b>(3,435)</b>	(1,336)
	<b>2017</b>	2016
Weighted average number of shares for calculating basic and fully diluted earnings per share	<b>1,439,477,518</b>	921,886,563
	<b>2016</b>	2016
	<b>pence</b>	pence
<b>Earnings per share:</b>		
Loss per share from continuing and total operations	<b>(0.24)</b>	(0.14)

The weighted average number of shares used for calculating the diluted loss per share for 2016 and 2017 was the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options was anti-dilutive.

**10 DEVELOPMENT COSTS****GROUP**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Cost of investment in Jack Resources Nigeria Holdings Limited	<b>14,461</b>	8,532
Cash calls in respect of Aje 4 and Aje 5 wells	<b>1,113</b>	5,929
Foreign currency exchange translation difference	<b>(590)</b>	–
	<b>14,984</b>	14,461

The Directors have reviewed the value of the Group's investment and consider that the fair value of this investment should be stated at the original cost of the investment plus the value of the cash calls that the Group has paid and is liable for as at the year-end, which the Directors consider represents the fair value of the Group's interest.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**11 INVESTMENT IN SUBSIDIARIES**

On 10 August 2016, the Group completed the agreement for the acquisition of Jacka Resources Nigeria Holdings Limited ("JRNH"), a BVI registered company, in which Jack Resources Limited ("JRL") held the single issued share. JRNH's sole asset is its wholly owned subsidiary, P R Oil & Gas Nigeria Limited ("PROG"), a Nigerian registered company. PROG has a 5% revenue interest in the OML 113 licence, offshore Nigeria, which includes the Aje Field ("Aje"), where oil production commenced in May 2016.

	2017	2016
	£'000	£'000
Balance at beginning of period	11,554	–
Transfer from available for sale investments	–	8,532
Advances to meet cash calls on PROG	3,080	4,460
Repayments of loans to subsidiaries	–	(1,438)
Balance at end of period	14,634	11,554

The Group's subsidiary companies are as follows:

<u>Name</u>	<u>Principal activity</u>	<u>Country of incorporation and principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>
Jacka Resources Nigeria Holdings Limited	Holding company	British Virgin Islands Maples Corporate Services (BVI) Ltd Kingston Chambers P.O. Box 173, Road Town, Tortola	100%
*P R Oil & Gas Nigeria Limited	Oil exploration & production	Nigeria 1, Murtala Muhammed Drive Ikoyi, Lagos	100%
Geo Estratos MXOil, SAPI de CV	Oil exploration	Mexico Lago Alberto 319, Piso 6 IZA Punto Polanco Col. Granada, Del. Miguel Hidalgo CP 11520, Ciudad de Mexico	100%

\*Indirectly held

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**12 INVESTMENTS HELD FOR TRADING**

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows (see note 19)

The investments held by the Group are designated as at fair value through profit or loss.

	GROUP AND COMPANY	
	2017	2016
	£'000	£'000
Fair value of investments brought forward	-	39
Purchases of investments	475	87
Proceeds from the disposal of investments	(303)	(72)
(Loss)/gain on disposal of investments	7	(54)
Movement in fair value of investments held at year end	-	-
<b>Fair value of investments held for trading</b>	<b>179</b>	<b>-</b>
Investments held at the year end were categorised as follows		
Level 1	4	-
Level 3	175	-
	<b>179</b>	<b>-</b>

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the company are explained in the accounting policy note, “Investments held for trading”.

There were no transfers between Level 1 and Level 3 investments during the year.

**13 TRADE AND OTHER RECEIVABLES**

	GROUP		COMPANY	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	-	133	-	-
Other receivables	13	51	13	51
Prepayments and accrued income	22	15	22	15
	<b>35</b>	<b>199</b>	<b>35</b>	<b>66</b>

The fair value of trade and other receivables is considered by the Directors not to be materially different to carrying amounts. Trade receivables are due in 30 days. At the date of the Statement of Financial Position in 2017 and 2016 there were no trade receivables past due.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**14 CASH AND CASH EQUIVALENTS**

	GROUP AND COMPANY	
	2017	2016
	£'000	£'000
Cash at bank	50	334
Cash and cash equivalents	50	334

The fair value of cash and cash equivalents is considered by the Directors not to be materially different to carrying amounts.

**15 TRADE AND OTHER PAYABLES**

	GROUP		COMPANY	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	91	146	91	146
Tax and social security	66	38	66	38
Other payables	824	1,903	394	433
Accruals and deferred income	68	69	58	57
	1,049	2,156	609	674

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**16 BORROWINGS****Convertible loan notes**

On 17 December 2015, the Group issued £1,300,000 Convertible Loan Notes (“CLNs”) paying a coupon of 12 per cent. per annum. On 19 February 2016, a second tranche of £600,000 CLNs were issued. Between June and October 2016 all the CLNs that had not previously been converted were redeemed. The CLNs were convertible, at the election of holders, into ordinary shares of the Group at a price of 4.5 pence per share. Certain of the CLNs could also be converted at the same price per share as the next equity issue by the Group, if any, post the issue of the CLNs but prior to their redemption or, on the occurrence of specific events requiring repayment which did not take place, certain of the CLNs could be converted into ordinary shares at or around the then prevailing market price. The CLNs were secured and were redeemable, together with all interest due, on the first anniversary of issue.

The net proceeds received from the issue of the CLNs were split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Group.

	GROUP AND COMPANY	
	2017	2016
	£'000	£'000
Liability component at 1 January	–	1,158
Nominal value of convertible Loan Notes issued	–	600
Issue costs	–	(64)
Liability component at date of issue	–	1,694
Finance costs charged	–	302
Loan notes converted into shares (including interest)	–	(331)
Interest paid	–	(89)
Loan notes repaid	–	(1,576)
Liability component at 31 December	–	–
Total equity component at 1 January	–	31
Equity component on issue	–	–
Transfer to retained deficit on conversion and repayment of loan notes	–	(31)
Total equity component at 31 December	–	–

**Other borrowings**

In September 2016, the Group entered into a revolving loan facility for \$1,500,000. As at 31 December 2016, \$700,000 had been drawn under this facility, which was repaid in April 2017.

In February 2017 the Company entered into an agreement for a loan of £800,000, which was also repaid in April 2017.

At the beginning of August the Company entered into an agreement for a loan of £1,000,000, which was settled by the issue at 0.8p per share of 196,875,000 shares on 18 December 2017.

	GROUP AND COMPANY	
	2017	2016
	£'000	£'000
As at 1 January	584	–
Net proceeds of loans	1,710	490
Arrangement fees	90	50
Other finance charges	982	16
Exchange difference	–	28
	3,366	584
Settled by cash	(1,791)	–
Settled by the issue of shares	(1,575)	–
As at 31 December	–	584

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**17 CALLED UP SHARE CAPITAL**

	Number of ordinary shares	Value £'000	Number of deferred shares	Value £'000	Total value £'000	Share Premium £'000
Issued and fully paid						
At 1 January 2016 (ordinary shares of 1p)	379,295,737	3,793	3,865,491,544	3,866	7,659	19,714
Shares issued in year	60,800,003	608	–	–	608	147
Share reorganisation:						
Ordinary shares of 0.01p	440,095,740	44	8,222,493,370	8,222	8266	19,861
Shares issued (see note below)	701,045,591	70	–	–	70	6,174
Share issue costs	–	–	–	–	–	(575)
<b>At 31 December 2016</b>	<b>1,141,141,331</b>	<b>114</b>	<b>8,222,439,370</b>	<b>8,222</b>	<b>8,336</b>	<b>25,460</b>
Shares issued (see note below)	530,208,333	53	–	–	53	6,522
Share issue costs	–	–	–	–	–	(449)
<b>At 31 December 2017</b>	<b>1,671,349,664</b>	<b>167</b>	<b>8,222,439,370</b>	<b>8,222</b>	<b>8,389</b>	<b>31,533</b>

**Share issues**

On 15 February 2017, 333,333,333 new ordinary shares of 0.01p were issued at 1.5p each as a result of a placing, raising £5,000,000 before expenses.

On 18 December 2017, 196,875,000 new ordinary shares of 1p were issued at 0.8p each in settlement of a short term loan.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**18 SHARE WARRANTS**

As at 31 December 2015, the Company had approved the issue of 161,250,000 warrants. However, of these, 90,000,000 have not yet vested and it is unlikely that the conditions for vesting will be met in the short to medium term. Therefore the Company had 71,250,000 warrants outstanding that were capable of being exercised.

In February 2016, the Company issued 4,116,000 warrants to the Company's broker and certain other parties. The warrants are exercisable at 1.25p per share for a period of 2 years from the date of issue.

In March 2016, the Company issued 66,666,667 warrants to the Company's broker and certain other parties. The warrants are exercisable at 1p per share for a period of 3 years from the date of issue.

In total, at 31 December 2017, the Group had approved the warrant instruments for the issue of 229,166,667 warrants, of which 139,166,667 warrants have vested and are capable of being exercised. 3,250,000 of these warrants have been exercised and 49,250,000 warrants have lapsed, leaving 90,782,667 warrants currently exercisable. Of the 229,166,667 warrants approved for issue 90,000,000 remain to be issued as the vesting conditions have not yet been met.

The remaining 90,000,000 warrants that have not yet vested are subject to certain vesting conditions as detailed below.

- 60,000,000 warrants to certain directors and other third parties exercisable at 3p per share. Of these, 12,552,632 have been allocated to Stefan Olivier and 47,447,368 have been allocated to third parties. Vesting of these warrants will be conditional upon the Group securing an interest in a concession or asset in Mexico. The warrants will vest in three equal tranches as follows: one third vesting upon the Group's average mid-market closing share price trading at 6p for 60 consecutive days; one third vesting upon the Group's average mid-market closing share price trading at 12p for 30 consecutive days; and the final third vesting upon the Group's average mid-market closing share price trading at 18p for 60 consecutive days. In addition, the first and second tranches of opinions will lapse if, in each case, they have not been exercised within 90 days of the trading price vesting condition being satisfied.
- 30,000,000 warrants to certain third parties exercisable at 2p per share and vesting once the Group secures a concession in Mexico. If after the Group secures a concession the average mid-market closing price of shares in the Group trades at 4p or more for 60 consecutive days, these warrants will lapse if they have not been exercised within 90 days of the trading price vesting condition being satisfied.

	2017		2016	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	140,032,667	1.15	71,250,000	1.28
Issued	–	–	70,782,667	1.01
Exercised	–	–	(2,000,000)	1.00
Lapsed	(49,250,000)	1.00	–	–
Outstanding at 31 December	90,782,667	1.23	140,032,667	1.15

The total share-based payment expense recognised in the income statement for the year ended 31 December 2017 in respect of the warrants issued during the year was £Nil (2016: £146,000).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**19 RISK MANAGEMENT OBJECTIVES AND POLICIES****CAPITAL RISK MANAGEMENT**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Group's growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated by the board of directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

Management review the Group's exposure to currency risk, interest rate risk, liquidity risk on a regular basis and consider that through this review they manage the exposure of the Group on a near term needs basis

There is no material difference between the book value and fair value of the Group's cash.

**MARKET PRICE RISK**

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £4,000 (2016: £4,000).

**INTEREST RATE RISK**

The Group and Company manage the interest rate risk associated with the Group's cash assets by ensuring that interest rates are as favourable as possible, whilst managing the access the Group requires to the funds for working capital purposes.

The Group's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

**CREDIT RISK**

The Group's financial instruments, which are exposed to credit risk, are considered to be mainly loans and receivables, and cash and cash equivalents. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks. The maximum exposure to credit risk for loans and receivables is as set out in the table below, and relates to the financing of the Group's joint venture interests.

The Group's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Cash and cash equivalents	<b>50</b>	334
Loans and receivables	<b>13</b>	184
	<b>63</b>	518

**LIQUIDITY RISK**

Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Group's payment obligations arising from administrative expenses. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with minimal risk.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**20 FINANCIAL INSTRUMENTS**

The Group uses financial instruments, other than derivatives, comprising cash to provide funding for the Group's operations.

## CATEGORIES OF FINANCIAL INSTRUMENTS

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents	<b>50</b>	334
Investments held for trading (see FAIR VALUE MEASUREMENTS below)	<b>4</b>	–
Loans and receivables	<b>13</b>	184
Investments available for sale	<b>11,729</b>	14,374
<b>FINANCIAL ASSETS BY IFRS 7 FAIR VALUE HIERARCHY</b>		
Level 1 - Investments held for trading	<b>4</b>	–
Level 3 - Loans and receivables	<b>13</b>	184
Investments available for sale	<b>11,729</b>	14,374
	<b>11,742</b>	14,558

## FAIR VALUE MEASUREMENTS

The Group holds quoted investments that are measured at fair value at the end of each reporting period using the IFRS 7 fair value hierarchy as set out below.

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policy note, "Investments held for trading".

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

**20 FINANCIAL INSTRUMENTS continued**

## FINANCIAL LIABILITIES AT AMORTISED COST:

The IAS 39 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2017	2016
	£'000	£'000
Trade and other payables	981	2,087
Borrowings	–	584

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000
2017					
Interest bearing:					
Borrowings	–	–	–	–	–
Non-interest bearing:					
Trade and other payables	–	981	–	–	–
2016					
Interest bearing:					
Borrowings	–	584	–	–	–
Non-interest bearing:					
Trade and other payables	–	2,087	–	–	–

**21 CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2017 (2016: £Nil)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2017

### **22 RELATED PARTY TRANSACTIONS**

The remuneration of the Directors, who are key management personnel of the Group, is set out in the report on Directors' Remuneration. During the year, £16,000 of Nicholas Lee's total remuneration was paid to Coleshill Capital Limited, a company controlled by a related party to him.

During the year, the remuneration for Richard Carter of £42,000 was paid to Bryant Park Consulting Ltd, a company controlled by him.

### **23 ULTIMATE CONTROLLING PARTY**

The Directors do not consider there to be a single ultimate controlling party.

### **24 POST PERIOD END EVENTS**

Events since the year end are detailed in the Report of the Directors.