admenergy plc

(Formerly MX Oil plc)

Annual Report and Accounts 2018

CONTENTS

COMPANY INFORMATION

DIRECTORS:	Richard Carter (Non-Executive Chairman) Stefan Olivier (Chief Executive Officer) Sergio Lopez (Non-Executive Director)
REGISTERED OFFICE:	17^{th} Floor Dashwood House 69 Old Broad Street London EC2M 1QS
COMPANY NUMBER:	05311866
SECRETARY:	Shakespeare Martineau LLP
NOMINATED ADVISER:	Cairn Financial Advisers LLP Cheyne House, Crown Court 62-63 Cheapside London EC2V 6AX
BROKER:	Pello Capital Limited 4^{th} 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 LLP Statutory Auditor Chartered Accountants 10 Queen Street Place London EC4R 1AG
FINANCIAL PR	Luther Pendragon 48 Gracechurch Street London EC3V 0EJ

2018 SUMMARY

HIGHLIGHTS

- Revenue increased 82% to £3.1m (2017: £1.7m)
- Loss after tax reduced to £849,000 (2017: £3.4m loss)
- Aje Field asset, in which ADM Energy holds 5% equity investment, continued to perform well:
    - Oil is being produced at a stable rate from two wells in the Aje Field (Aje-4 and Aje-5), part of OML 113
    - Two wells achieved a total produced volume of approximately 1,200,000 barrels of oil in 2018
    - Combined production from the two wells (as of April 2019) approximately 3,100 bopd (155 bopd net to ADM Energy)
    - Significant increase in reserves outlined by the Competent Person’s Report (“CPR”) completed in 2018 and updated in April 2019
    - Renewal of the OML 113 licence for another 20 years approved by the Minister of Petroleum Resources
    - Field Development Plan ("FDP") for the Turonian Aje gas project approved by the Nigerian Government
    - Plan for the next phase of the Aje Field expansion is being developed

POST PERIOD

- In March 2019, Aje completed its 10th lifting, equating to 17,323 barrels sold by the joint operators at $66.97 per barrel. At the project level, the Company's investment produced $1.16m revenue and net profit of approximately $600,000
- Aje partnership has fully paid the $9.8m licence renewal fee, thereby securing a 20 year extension of OML 113 (Aje Field) licence
- In April 2019, the Private office of His Highness Shaikh Ahmed Bin Dalmook Al Maktoum subscribed for 1,335,000,000 shares (equating to £534,000) and, as a result, holds 29.86% of the Company's shares
- The Company changed its name from MX Oil to ADM Energy
- Consolidated the ordinary shares on the basis of 1 share for every 100 shares, thereby reducing the number of shares in issue, after the issue of 36 shares, from 4,471,349,700 to 44,713,497 (the "Consolidation")

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 31 December 2018

Introduction

During the year, ADM Energy plc continued to pursue its strategy as an oil and gas investing company and is focused principally on its investment in Nigeria. At the same time, we continue to evaluate new opportunities in order to expand the investment portfolio of ADM Energy.

Review of activities

During the year, the two wells in the Aje Field within block OML 113 continued to produce at very steady rates with very limited decline.

In 2018, the first Competent Person's Report ("CPR") since July 2014 was completed on the Aje Field. This incorporated all the developments and new data generated by the project since the drilling of the Aje-5 well and its two side tracks.

As a result of production levels ahead of expectations at the Aje-4 and Aje-5 wells during 2018, a revised CPR was produced in April 2019 to further enhance our understanding of the field. The level of reserves reported in the CPR update of 2019 represents a further increase in particular to the recoverable oil estimates which we consider to be the best reflection for return on investment and cash generation.

Now that the Company has received the updated 2019 CPR, work is currently underway to develop the hydrocarbons in both the Turonian and Cenomanian. At the same time, the Aje partners were able to renew the production licence for a further 20 years. Modelling work on the best and most profitable development scenario is still underway. The Company expects to see further development drilling in 2020. The partnership has a strategy to develop the hydrocarbon reserves from Aje with the highest return on investment. As reported in the update on 15 April 2019, we anticipate that the Aje investment should start producing positive cashflow from 2020, a significant milestone for the Company.

Post-period, on 15 April 2019, we were pleased to announce that the private office of His Highness Shaikh Ahmed Bin Dalmook Al Maktoum acquired 29.86% by way of issue of new shares. His Highness has subsequently, in June 2019, been appointed to the position of President of the Company, with the name changing to ADM Energy plc. This is a significant and very exciting moment for us as His Highness intends to leverage his network and bring new opportunities and contacts to ADM Energy. The Company has offered his strategic investor a Board seat in anticipation that His Highness may be able to add considerable value through his knowledge, network, experience and access to capital.

"His Highness intends to leverage his network and bring new opportunities and contacts to ADM Energy"

Outlook

In summary, the ongoing development of Aje and the support of such a high profile strategic investor should make the next 12 months an exciting and transformative year for ADM Energy.

Our strategy is to build a larger, balanced portfolio of projects in line with its investing strategy. ADM Energy will aim to identify investment opportunities in undervalued production and near-production assets, primarily in Africa. The recruitment process for key executive management positions and independent non-executive directors is underway to provide additional support for what the Board believes is a significant opportunity to grow the business and create value for shareholders.

Richard Carter
Non-Executive Chairman
27 June 2019

STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2018

The Directors present their Strategic Report for the Group for the year ended 31 December 2018. The Chairman's Report on page 4 forms part of this report. The Company is an investing company quoted on AIM. Its principal focus is investing in the natural resources sector, particularly in oil and gas where it believes that it can make an attractive return for shareholders. The Company expects to generate returns for shareholders through the development of its investments. Currently, the Company's principal investment is in the Nigerian offshore licence OML 113 and to date the Company has been involved with maintaining and progressing its investment in OML 113 together with the joint operators from the development stage through to production. It is therefore expected that a return to shareholders will be delivered principally through capital growth.

Principal activities and review of the business during the year

Aje Field

In 2018, operations at the OML 113 licence continued to make good progress, underpinned by strong performance of the Turonian and Cenomanian reservoirs in line with the operating partners' expectations.

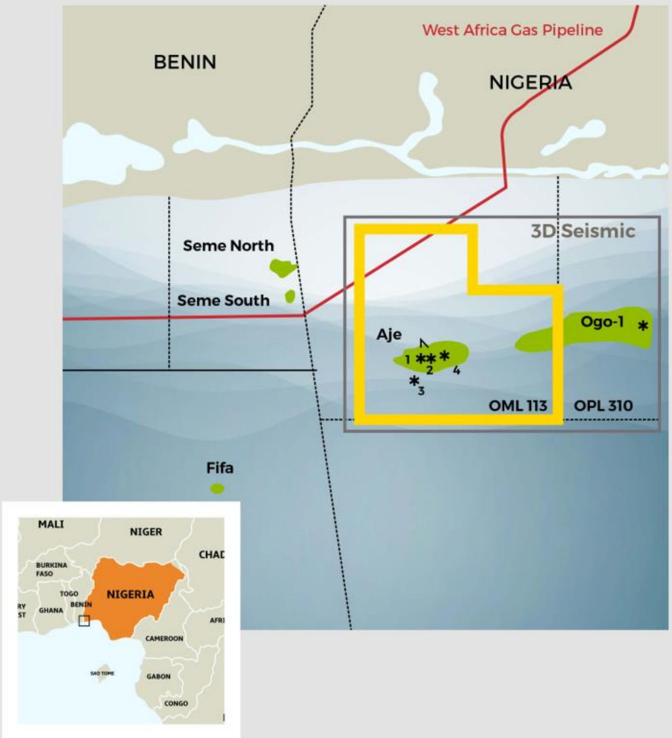
Combined production from the two wells in the Aje Field within block OML 113, Aje-4 and Aje-5, has, as of April 2019, stabilised at around 3,100 bopd (155 bopd net to ADM Energy). In total, the two wells achieved production of approximately 1,200,000 barrels of oil in 2018.

Material Increase in Aje Field Reserves

In 2018, the partners commissioned an updated CPR - the first since July 2014 - to re-evaluate the Aje Field and gain a better understanding of its hydrocarbon reserves. This CPR deployed new data about the underlying reservoir and related geology generated since the drilling of the Aje-5 well and its two side tracks (Aje-5ST1 and Aje-5ST2).

The CPR was completed by AGR TRACS International Limited ("AGR TRACS") in April 2018 for the period to 31 December 2017. It revealed that the partners' operations in the Aje Field since 2016 had unlocked a material increase in the project's reserves and resource position.

AJE FIELD



ADM Energy holds a 5% equity investment in the Aje Field in OML 113, which covers an area of 835 sq km offshore Nigeria. Aje has multiple oil, gas and gas condensate reservoirs in the Turonian, Cenomanian and Albian sandstones with five wells drilled to date.

As a result of production levels ahead of expectations at the Aje-4 and Aje-5 wells during 2018, a revised CPR was produced in April 2019 to further enhance the partners' understanding of the Aje Field using production history up to 31 December 2018.

The reserves reported in this latest CPR and from the 2018 CPR, completed by AGR TRACS, are summarised in the table below:

	2019 Gross MMboe	2019 Net entitlement to MXO MMboe	2018 Gross MMboe	2018 Net entitlement to MXO MMboe
1P Proven Reserves	82.4	5.2	78.2	5.0
2P Proven and Probable Reserves	138.2	8.9	127.1	8.2
3P Proven, Probable and Possible Reserves	220.8	12.8	215.0	12.7

STRATEGIC REPORT
FOR THE YEAR ENDED 31 December 2018

The level of reserves reported in the 2019 CPR update represented a further material increase compared to the previous report and highlighted the future potential of the Aje Field. Whilst the increase in the overall reserves estimate from the 2018 CPR is modest, the 2P recoverable oil reserves relating to the two producing wells have risen significantly from 2.96 MMbbls gross in 2018 to 4.73 MMbbls gross in 2019, a 60% increase despite the field having produced over 1m gross barrels over the course of 2018.

These CPR results confirm the commerciality of the Aje gas development, highlighting the need for a revision of the development plan once the field development scenario studies are completed. This will underpin a final investment decision on the development of the Aje reserves in the future.

In estimating reserves, contingent and prospective resources AGR TRACS has used the standard petroleum engineering techniques. These estimates are based on the joint definitions of the Society of Petroleum Engineers, the World Petroleum Congress, the American Association of Petroleum Geologists and the 2007 PRMS (Petroleum Resources Management System).

The updated CPR announcement released by the Company on 30 April 2019 and 2 May 2019 was reviewed by Wim Burgers, a qualified production geologist with more than 40 years' experience in the oil and gas industry, who has also reviewed the AGR TRACS report to which it relates.

Field Development Plan

A Field Development Plan for the Turonian Aje gas project was approved by the Nigerian Government in 2018. The FDP comprises several production wells in the Turonian, tied back to existing and new infrastructure. Consequently, in October 2018, the partners in the licence commissioned the preparation of static and dynamic modelling work by RPS Energy Consultants Ltd (“RPS”), to conduct an assessment of the potential development activity associated with the additional upside oil resources. The assessment was completed in April 2019.

Licence Renewal

The operator of the offshore licence in Nigeria, OML 113 has received consent from the Minister of Petroleum Resources for its renewal for another term of 20 years. The renewal is subject to the satisfaction of certain conditions, including a commitment to develop the gas potential of the licence. In addition, the Aje partners have now paid the $9.8m licence renewal fee in full.

Financial Review

Results and Dividends

For the year ended 31 December 2018, the Group increased revenue by 82% to £3.1m (2017: £1.7m). Loss after taxation reduced to £849,000 (2017: £3,435,000 loss). The Directors do not propose a dividend (2017: £nil). Cash and cash equivalents as at 31 December 2018 was £216,000 (31 December 2017: £50,000).

Funding

During the period, the Group raised additional equity of £1.5 million in two fundraisings. On 15 April 2019, the Group announced a placing to raise £680,000 before expenses, through the issue of 1,700,000,000 new ordinary shares at 0.04p per share. In connection with the placing, 800,000,000 warrants have been issued to the placees with an exercise price of 0.04p per share for a term of five years. In the short term the Group will require additional funding in order to meet its liabilities as they fall due and have a reasonable expectation that additional equity finance can be raised in order to continue in operational existence for the foreseeable future.

Outlook

The updated CPR report in 2019 provided an accurate and in-depth analysis of the Aje Field asset, with an increase in the level of reserves highlighting the future potential of the Aje Field. Based on the current performance of wells Aje-4 and Aje-5, and assuming no significant increase in the Company's overheads, ADM Energy expects to become cashflow positive in 2020, a significant milestone for the Company. In addition to the progress at Aje, the support received from the Private office of His Highness Shaikh Ahmed Bin Dalmook Al Maktoum, and subsequent appointment as President, will add considerable experience, enhanced networks, knowledge, and access to capital.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 December 2018

Key Performance Indicators ("KPIs")

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

The key performance indicators are therefore set out below:

GROUP STATISTICS	As at 31 December 2018	As at 31 December 2017
Net asset value	£15,164,000	£14,199,000
Net asset value – fully diluted per share	0.51p	0.86p
Closing share price	0.06p	0.53p
Market capitalisation	£1,663,000	£8,775,000

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. Details of other financial risks and their management are given in Note 19 to the financial statements.

Oil prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply from new oil sources, technological change, global economic conditions and the influence of OPEC can impact supply and demand and prices for our oil. Decreases in oil prices could have an adverse effect on revenue, margins, profitability and cash flows. Exchange rate fluctuations can also create currency exposures and impact underlying costs and revenues.

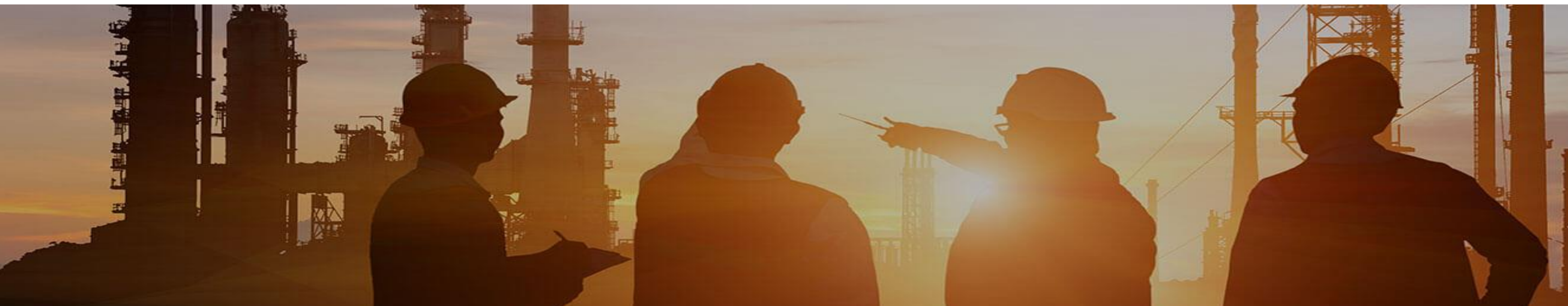
Going Concern

The partners involved in the OML 113 licence were able to renew the licence for 20 years. The Group has raised equity finance post year end to provide for ongoing working capital and the Directors have prepared cashflow forecasts supporting the use of the going concern basis of accounting. However, in the short term the Group will require additional funding in order to meet its liabilities as they fall due. Against this background and, as disclosed in Note 2, the Directors have a reasonable expectation that the Group has the ability to raise the additional equity finance required in order to continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing these Financial Statements. However, given the uncertainty surrounding the ability and likely timing of securing such finance the Directors are of the opinion that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

Annual General Meeting ("AGM")

The AGM of ADM Energy plc will be held at 10.00 am on Friday 2 August 2019 at the offices of Keystone Law, 48 Chancery Lane, London WC2A 1JF. The formal notice of the AGM and resolutions to be proposed are set out in the Notice of Annual General Meeting on the Company's investor relations website at www.admenergyplc.com.

On behalf of the Board.
Stefan Olivier
Director
27 June 2019



BOARD OF DIRECTORS

RICHARD CARTER
Independent Non-Executive Chairman

Richard (ACMA) joined ADM Energy Plc as a Non-Executive Director in July 2016. He has extensive experience of raising funds for public and private companies and has worked across media, telecoms, engineering and energy sectors in various senior roles. In September 2014, Richard joined Gate Ventures plc, an investment company focused on media and entertainment projects. As Chief Financial Officer, Richard oversees all investment transactions of Gate Ventures plc and serves on the boards of its investee companies Infinity House Productions, Ensygnia IP Ltd, and Playjam Holding Ltd. In 2007, Mr. Carter joined AIM quoted technology and telecommunications start up, Avanti Communications Group plc and was responsible for setting up the company's financial function, operations and processes and internal and external reporting procedures. In 2004, Mr. Carter joined International Publishing Company Limited (now Time Inc. UK Limited), where he worked closely with publishing editors to help drive revenue and reduce costs.

STEFAN OLIVIER
Chief Executive Officer

Stefan has been CEO since he founded ADM Energy Plc (previously MX Oil Plc) in early 2014. Stefan has worked on a large number of oil transactions during his thirteen years in Corporate Broking. Stefan has spent the last eight years focused on financing natural resources transactions via both equity and debt.

SERGIO LOPEZ
Independent Non-Executive Director

Sergio has been in the oil and gas industry for the last 13 years with experience ranging from finances to operations. Lewis Energy Group appointed Sergio as its Mexico Country Manager to coordinate a 15 year E&P contract with Pemex, which represented the first move by an American independent oil and gas company into Mexico since 1938. He negotiated a special budget to drill the first exploratory Eagle Ford Shale well in Mexico, named Emergente-1. This resulted in the first and only producer in the Eagle Ford Shale in Mexico called Habano. He earned his Bachelor in Business Administration in Accounting and Finances from the Tecnologico de Monterrey in Mexico.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2018

The Directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2018.

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	Resigned 22 October 2018
Sergio Lopez	
Nigel Bruce McKim	
Richard Carter	

With effect from 13 January 2019, Nigel McKim resigned as a director.

DIRECTORS' INTERESTS

Set out below are the Directors' beneficial holdings of ordinary shares in the Company as at 31 December 2018. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration. Updated percentage of capital as at 27 June 2019.

Name of director	Ordinary shares of 0.01p each Number	Percentage of capital %
Stefan Olivier	630,000	1.35%
Richard Carter	120,000	0.26%

Shareholdings have been adjusted for the 1 for 100 share consolidation approved by the shareholders on 7 June 2019.

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 27 June 2019 were as follows:

Name of shareholder	Ordinary shares of 0.01p each Number	Percentage of capital %
Shaikh Ahmed Bin Dalmook Al Maktoum Private Office Single Person Company LLC	13,350,000	28.70%
Lesoza Enterprise Limited	3,225,000	6.93%
Zhang Hao	3,098,479	6.66%
Winrose International Limited	2,225,000	4.78%

Shareholdings have been adjusted for the 1 for 100 share consolidation approved by the shareholders on 7 June 2019.

POST YEAR END EVENTS

On 15 April 2019, the Group announced a placing to raise £680,000 before expenses, through the issue of 1,700,000,000 new ordinary shares at 0.04p per share. In connection with the placing, 800,000,000 warrants have been issued to the placees with an exercise price of 0.04p per share for a term of five years.

On 7 June 2019 the shareholders approved a 1 for 100 share consolidation and the change of the Company's name to ADM Energy plc.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 December 2018

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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.

CORPORATE GOVERNANCE

With effect from 28 September 2018, new corporate governance regulations apply to all AIM quoted companies and require the Company to:

- provide details of a recognised corporate governance code that the board of directors has decided to apply; and
- 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 Directors recognise the importance of sound corporate governance while taking into account the Group's size and stage of development and the following two sections explain the Company's compliance with the new regulations.

AUDITORS

A resolution to re-appoint Haysmacintyre LLP as auditors will be put to the AGM.

On behalf of the Board.

Stefan Olivier
Director

27 June 2019

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2018

INTRODUCTION

All members of the Board believe strongly in the value and importance of good corporate governance and in accountability to all of ADM Energy's stakeholders. The statement below, explains the approach to governance, and how the Board and its Committees operate.

Changes to the AIM Rules on 30 March 2018 required AIM companies to apply a recognised corporate governance code by 28 September 2018.

The corporate governance framework which the Company operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each.

The following paragraphs set out the Company's compliance with the ten principles of the QCA Code.

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

The Company is an investing company quoted on AIM. Its principal focus is investing in the natural resources sector, particularly in oil and gas where it believes that it can make an attractive return for shareholders. The Company expects to generate returns for shareholders through the development of its investments. Currently, the Company's principal investment is in the Nigerian offshore licence OML 113 and to date the Company has been involved with maintaining and progressing its investment in OML 113 together with the joint operators from the development stage through to production. It is therefore expected that a return to shareholders will be delivered principally through capital growth.

The Board recognises that a challenge of the natural resource sector is the significant time and financial investment often required to commercialise a resource or reserve. In respect of OML 113, the Company is a small but important stakeholder and therefore a key challenge is to continually appraise the OML 113 opportunity from a financial and technical standpoint and to ensure that all further investment in this asset delivers realistic value opportunities for all shareholders.

- **Seek to understand and meet shareholder needs and expectations**

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Shareholders have the opportunity to discuss issues and provide feedback at meetings with the Company. In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. Investors also have access to current information on the Company though its website, www.admenergyplc.com and via Stefan Olivier, CEO who is available to answer investor relations enquiries and can be contacted on stefan@admenergyplc.com or enquiries@admenergyplc.com.

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

The Board recognises that the long-term success of the Company is reliant upon the efforts of its directors and employees, the efforts and activities of the joint operation partners and upon their contractors, suppliers and regulators. The Board has put in place a range of processes and systems to ensure that there is close Board oversight and contact with its key resources and relationships.

As an investing company, the Company recognises that it is likely further investment will be required as it develops the OML 113 asset and its portfolio of other investments. Accordingly, ensuring that the Company continually understands the requirements of shareholders in the context of the broader developments in its sector of operation is extremely important.

The Company's CEO is in regular dialogue with a number of the Company's shareholders, and feedback from this contact is used to shape subsequent communication with shareholders as a whole and the market more generally.

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2018

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

In addition to its other roles and responsibilities, the Audit and Compliance Committee (see composition details in Corporate Governance section of website, www.admenergyplc.com, is responsible to the Board for ensuring that procedures are in place, and are being effectively implemented to identify, evaluate and manage the significant risks faced by the Company. Within the scope of the annual audit, specific financial risks are evaluated in detail, including in relation to foreign currency, interest rates, liquidity and credit.

In terms of investment appraisal, this process is usually led by the CEO. The opportunities are then presented and discussed by the Board as a whole. Where necessary, the Company will also involve third party experts in the overall appraisal process.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. In addition, there are a range of Company policies that are reviewed at least annually by the Board. These policies cover matters such as share dealing and insider legislation. The Board currently takes the view that an internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the Directors. However, the Board will continue to monitor the need for an internal audit function.

The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Company, that an internal audit function was not required.

As noted in the Strategic Report on pages 5-7, the Board regularly reviews operating and strategic risks and considers in such reviews financial and non-financial information including:

- a review of the business at each Board meeting, focusing on any new decisions/risks arising;
- the performance of investments;
- selection criteria of new investments; and
- reports prepared by third parties.

- **Maintain the Board as a well-functioning, balanced team led by the Chair**

The QCA Code requires that the boards of AIM companies have an appropriate balance between executive and non-executive directors of which at least two should be independent.

The Board comprises the Non-Executive Chairman Richard Carter, CEO Stefan Olivier and Independent Non-Executive Director Sergio Lopez. The time commitment formally required by the Company is an overriding principal that each director will devote as much time as is required to carry out the roles and responsibilities that the director has agreed to take on. Biographical details of the current directors are set out within Principle Six below and on page 8. Executive and non-executive directors are subject to re-election intervals as prescribed in the Company's Articles of Association. At each Annual General Meeting, one-third of the Directors, who are subject to retirement by rotation shall retire from office. They can then offer themselves for re-election. The letters of appointment of all directors are available for inspection at the Company's registered office during normal business hours.

The Directors' receive fees for their services as directors which are approved by the Board, being mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board meets as regularly as necessary. It has established an Audit and Compliance Committee and a Remuneration Committee, particulars of which appear hereafter. Appointments to the Board are made by the Board as a whole and so the Company has not created a Nominations Committee.

The Board retains full control of the Company with day-to-day operational control delegated to the CEO and other Directors.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 December 2018

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

All members of the Board bring either relevant sector experience or public market's experience which the Company considers to be fundamentally important in its chosen area of operation and investment appraisal process. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Please see biographies of the Board of Directors on page 8.

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

Internal evaluation of the Board, its Committees and individual directors is important and will develop as the Company grows in the future. The expectation is that Board reviews will be undertaken on an annual basis to determine the effectiveness and performance in various areas as well as the directors' continued independence

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

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole. Therefore, the importance of sound ethical values and behaviour is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Board assessment of the culture within the Company at the present time is one where there is respect for all individuals, open dialogue within the Company and a commitment to best practice.

The Company has also adopted an anti-bribery policy which is clearly set out on the Company's website.

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

The Board schedule provides for six board meetings per annum and, in addition, meets ad-hoc as required. Notwithstanding the above, the Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

The **Audit and Compliance Committee** monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of the internal audit function and reviews external auditor independence. It also ensures that the Company is compliant with its relevant regulatory requirements.

The **Non-Executive Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual directors, the board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the group and its shareholders.

The **Executive Director** is responsible for implementing and delivering the strategy and operational decisions agreed by the board, making operational and financial decisions required in the day-to-day operation of the group, providing executive leadership to managers, championing the group's core values and promoting talent management.

The **Non-Executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the executive directors and ensure that the group is operating within the governance and risk framework approved by the Board.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the group evolves.

CORPORATE GOVERNANCE REPORT
FOR THE YEAR ENDED 31 December 2018

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

The Company communicates with shareholders through its period announcement, the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, www.admenergyplc.com.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2018

The Board is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board seeks to apply where appropriate the QCA Code, revised in April 2018 as devised by the Quoted Companies Alliance.

The QCA Code is constructed around ten broad principles and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

BOARD STRUCTURE

The Board has three directors, two of whom are non-executive. The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the Directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The non-executive directors bring a wide range of skills and experience to the Company, as well as independent judgment on strategy, risk and performance. The independence of each non-executive director is assessed at least annually, and all of the non-executive directors are considered to be independent at the date of this report.

The roles of the Chairman and CEO are separate, with their roles and responsibilities clearly divided and recorded. A summary of their roles is as follows:

The Chairman is responsible for leadership of the Board, ensuring its effectiveness and setting its agenda. The Chairman facilitates the effective contribution and performance of all Board members whilst identifying any development needs of the Board. He also ensures that there is sufficient and effective communication with shareholders to understand their issues and concerns.

The CEO is responsible for executing the strategy agreed by the Board and developing the Group objectives through leadership of the senior executive team. He will recommend to the Board any investment or new business opportunities which meet this strategy. He also ensures that the Group's risks are adequately addressed and appropriate internal controls are in place. The CEO is responsible for meeting with shareholders and ensuring effective communication.

ATTENDANCE AT MEETINGS

It is expected that all Directors attend Board and relevant Committee meetings, unless they are prevented from doing so by prior commitments, and that all Directors will attend the AGM.

During the year the Board met 4 times and all the Directors attended the meetings.

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee consists of Richard Carter (Committee Chairman) and Sergio Lopez. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration. The Committee makes recommendations to the Board, within agreed terms of reference regarding the levels of remuneration and benefits.

Remuneration Committee Report

On behalf of the Board, I am pleased to present the Remuneration Committee report for the financial period ended 31 December 2018. This report sets out the activities of the Audit Committee during 2018.

The Committee met 1 time during the year to determine the remuneration arrangements of the Directors and senior employees.

Remuneration policy

The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations. The objectives and core principles of the remuneration policy are to:

- ensure remuneration levels support the Group's strategy;
- ensure that there is an appropriate link between performance and reward;
- ensure alignment of Directors, senior management and shareholder interests;

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2018

- ensure that long-term incentives are linked to shareholder return;
- enable the Group to recruit, retain and motivate individuals with the skills, capabilities and experience to achieve its objectives; and
- strengthen teamwork by enabling all employees to share in the success of the business.

There are four elements of the remuneration package for the Executive Director and senior management:

- basic annual salary;
- benefits in kind;
- discretionary annual bonus; and
- long-term incentive plan.

Audit Committee

The Audit Committee consists of the non-executive Chairman, Richard Carter and another director soon to be appointed. The Audit Committee meets at least two times a year to consider the annual and interim financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

Audit Committee Report

On behalf of the Board, I am pleased to present the Audit Committee report for the financial period ended 31 December 2018. This report sets out the activities of the Audit Committee during 2018.

The Audit Committee is governed by terms of reference which are agreed by the Board and subject to annual review.

Principle responsibilities of the committee:

- Ensuring the financial performance of the Group is properly reviewed, measured and reported;
- Monitoring the quality and adequacy of internal controls and internal control systems implemented across the Group;
- Receive and review reports from the Group's management and auditors relating to the interim and annual accounts;
- Reviewing risk management policies and systems;
- Advising on the appointment, re-appointment and remuneration of independent external auditors, besides scheduling meetings with external auditors independent of management for discussions and reviews; and
- Reviewing and monitoring the extent and independence of non-audit services rendered by external auditors.

Areas of focus during 2018

The Committee met three times in 2018 to execute its responsibilities, two of which included the new Chair. Meetings focussed on audit planning, risk management, internal controls and the approval of the interim and final results including the key judgements associated with acquisition accounting, asset impairment review assumptions and calculations, creditor completeness reviews and the going concern requirements and statement.

Internal controls and risk

The Board assigns to the Committee the responsibility of monitoring and improving the Group's internal controls governing the finances of the business. The system of internal controls is vital in managing the risks that face the Group and safeguarding shareholders' interests.

Audit Process

The Committee reviews the findings of Haysmacintyre and then approves the scope of work to be undertaken for the next financial reporting year, including the associated audit fees. In addition, a review of the effectiveness of the external audit process is undertaken and an annual assessment of the external auditor's independence is made.

CHAIRMAN'S CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 December 2018

COMPANY CULTURE AND ETHICS

The Board of Directors seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours. A culture of ethics and compliance is at the core of a strong risk management program.

The Board of Directors of ADM Energy plc has adopted this code of ethics, to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest; promote the full, fair, accurate, timely and understandable disclosure of the Company's financial results in accordance with applicable disclosure standards; promote compliance with applicable governmental laws, rules and regulations; and deter wrongdoing.

Richard Carter
Non-Executive Chairman

27 June 2019

REPORT ON DIRECTORS' REMUNERATION

FOR THE PERIOD ENDED 31 December 2018

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

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

Director	2018 £'000	2017 £'000
Stefan Olivier	282	235
Nicholas Lee	79	88
Sergio Lopez	81	69
Nigel Bruce McKim	210	159
Richard Carter	74	42
	726	**593**

Shares were issued to Directors in October 2018 at the placing price of 0.1p in settlement of remuneration as follows:

Stefan Olivier	£53,000
Richard Carter	£12,000
Nigel Bruce McKim	£39,000
Nicholas Lee	£49,000

Of the total remuneration paid to Nicholas Lee £19,000 was paid as an ex-gratia payment.

As detailed in note 22, included in the remuneration for Nicholas Lee and Richard Carter are amounts invoiced by companies which are controlled by them.

WARRANTS

	At 31 Dec 2018 Number of warrants	At 31 Dec 2017 Number of warrants
Stefan Olivier	-	-
Sergio Lopez	8,368,421	8,368,421
	8,368,421	8,368,421

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.

The figures above are before the 1 for 100 share consolidation approved by the shareholders on 7 June 2019.

PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2018 (2017: £nil).

On behalf of the Board.

Richard Carter
Non-Executive Chairman

27 June 2019

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ADM ENERGY PLC

FOR THE YEAR ENDED 31 December 2018

OPINION

We have audited the financial statements of ADM Energy Plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the group income statement, the group and company statements of financial position, the group and company statement of changes in equity, the group and 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 2018 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 SME 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 RELATING TO GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2 of the financial statements concerning the group's ability to continue as a going concern. The disclosures indicate that in the short term the group would require additional funding to meet its liabilities as they fall due. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the company or group was unable to continue as a going concern.

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.

Going concern

Key Audit Matter	As at the year end the Group has net current liabilities of £1,198,000 indicating that the Group has insufficient cash reserves to meet its current obligations as they fall due. The Group received a cash advance of £650,000 in the year for future works planned in Grenada which is not going ahead and is repayable on demand.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 December 2018

	The Group's ability to trade depends on the Nigerian government renewing its Oil Mining License 113 for the Aje oil field, which expired in June 2018.
Audit response	Our audit work included, but not restricted to the following: 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 and the post year end lifting of oil and oil revenue. We reviewed the Group's fundraising activities post year end to provide for ongoing working capital but with the Grenada advance still outstanding. We reviewed correspondence and challenged managements assumption of raising additional equity finance to repay the Grenada advance. We reviewed the license documentation to satisfy ourselves that the license remains valid and has been extended for another 20 years.

Valuation of the intangible asset

Key audit matter	The ability of the parent Company to realise the carrying value of the investments held at 31 December 2018 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.
Audit response	Our audit work included, but was not restricted to the following: We reviewed the competent person's report and confirmed its consistency with managements forecasts and assessed the independence and competence of the expert. 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.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken based on the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider gross assets to be the financial metric of most interest to shareholders and other users of the financial statements, accordingly this consideration influenced our judgement of materiality.

We determined materiality for the Group to be £300,000 which is approximately 2% of gross assets.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality for the Group was set at £225,000.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ADM ENERGY PLC
FOR THE YEAR ENDED 31 December 2018

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £15,000. We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach is based on obtaining and maintaining a thorough understanding of the group's business, structure and scope in order to undertake a risk based audit approach. This approach requires us to identify relevant and appropriate key and significant risks of misstatement and determine
the most appropriate tailored responses to this risk assessment. The extent of our work is determined by the level of risk in each area and our assessment of materiality as discussed above.

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.

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 10, 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ADM ENERGY PLC

FOR THE YEAR ENDED 31 December 2018

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. This description forms part of our auditor's report.

USE OF OUR REPORT

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

Ian Cliffe (Senior statutory auditor)
for and on behalf of Haysmacintyre LLP,
Statutory Auditors
10 Queen Street Place
London
EC4R 1AG

Date: 27 June 2019

GROUP INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue	3	**3,127**	1,727
Operating costs		**(2,356)**	(2,565)
Administrative expenses		**(1,620)**	(1,495)
Operating loss	4	**(849)**	(2,333)
Other gains and losses	5	–	27
Finance costs	6	–	(1,129)
Loss on ordinary activities before taxation		**(849)**	(3,435)
Taxation	8	–	–
Loss for the year		**(849)**	(3,435)
Other Comprehensive income:			
Exchange translation movement		**404**	(746)
Total comprehensive income for the year		**(445)**	(4,181)
Basic and diluted loss per share:	9		
From continuing and total operations		**(0.04)p**	(0.24)p

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 December 2018

		GROUP		COMPANY	
		2018	2017	**2018**	2017
	Notes	**£'000**	£'000	**£'000**	£'000
NON-CURRENT ASSETS					
Intangible assets	**10**	**16,362**	14,984	**–**	–
Investment in subsidiaries	**11**	**–**	–	**14,738**	14,634
		16,362	14,984	**14,738**	14,634
CURRENT ASSETS					
Investments held for trading	**12**	**200**	179	**200**	179
Trade and other receivables	**13**	**29**	35	**29**	35
Cash and cash equivalents	**14**	**216**	50	**216**	50
		445	264	**445**	264
CURRENT LIABILITIES					
Trade and other payables	**15**	**1,643**	1,049	**1,104**	609
		1,643	1,049	**1,104**	609
NET CURRENT LIABILITIES		**(1,198)**	(785)	**(659)**	(345)
NET ASSETS		**15,164**	14,199	**14,079**	14,289
EQUITY					
Share capital	**17**	**8,499**	8,389	**8,389**	8,389
Share premium	**17**	**32,833**	31,533	**31,533**	31,533
Reserve for options granted		**172**	172	**172**	172
Reserve for warrants issued		**783**	783	**783**	783
Currency translation reserve		**(342)**	(746)	**–**	–
Retained deficit		**(26,781)**	(25,932)	**(28,208)**	(26,588)
Equity attributable to owners of the Company and total equity		**15,164**	14,199	**14,079**	14,289

The financial statements were approved by the Board and ready for issue on 27 June 2019.

Stefan Olivier
Director

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2018

	Share capital	Share premium	Loan note equity reserve	Reserve for options granted	Reserve for warrants issued	Exchange translation reserve	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	**8,336**	**25,460**	–	**172**	**783**	–	**(22,497)**	**12,254**
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)**
At 31 December 2017	**8,389**	**31,533**	–	**172**	**783**	**(746)**	**(25,932)**	**14,199**
Loss for the year	–	–	–	–	–	–	(849)	**(849)**
Exchange translation movement	–	–	–	–	–	404	–	**404**
Total comprehensive expense for the year	–	–	–	–	–	404	(849)	**(445)**
Issue of new shares	110	1,390	–	–	–	–	–	**1,500**
Share issue costs	–	(90)	–	–	–	–	–	**(90)**
At 31 December 2018	**8,499**	**32,833**	–	**172**	**783**	**(342)**	**(26,781)**	**15,164**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2018

	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
At 1 January 2017	**8,336**	**25,460**	–	**172**	**783**	**(24,055)**	**10,696**
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)**
At 31 December 2017	**8,389**	**31,533**	–	**172**	**783**	**(26,588)**	**14,289**
Loss for the period and total comprehensive expense	–	–	–	–	–	(1,620)	**(1,620)**
Issue of new shares	110	1,390	–	–	–	–	**1,500**
Share issue costs	–	(90)	–	–	–	–	**(90)**
At 31 December 2018	**8,499**	**32,833**	–	**172**	**783**	**(28,208)**	**14,079**

GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2018

		GROUP		COMPANY	
	Note	**2018**	2017	**2018**	2017
		£'000	£'000	**£'000**	£'000
OPERATING ACTIVITIES					
Loss for the period		**(849)**	(3,435)	**(1,620)**	(2,533)
Adjustments for:					
Loss/(gain) on disposal of investments		**–**	(7)	**–**	(7)
Finance costs		**–**	1,129	**–**	1,072
Foreign exchange adjustments		**–**	(35)	**–**	(35)
Operating cashflow before working capital changes		**(849)**	(2,348)	**(1,620)**	(1,503)
Decrease in receivables		**6**	164	**6**	31
Increase/(decrease) in trade and other payables		**594**	(1,072)	**495**	(30)
Net cash outflow from operating activities		**(249)**	(3,256)	**(1,119)**	(1,502)
INVESTMENT ACTIVITIES					
Proceeds from disposal of investments		**4**	303	**4**	303
Purchase of investments held for trading		**(25)**	(475)	**(25)**	(475)
Development costs		**(952)**	(1,113)	**–**	–
Loans to subsidiary operation		**–**	–	**(104)**	(3,080)
Net cash outflow from investment activities		**(973)**	(1,285)	**(125)**	(3,252)
FINANCING ACTIVITIES					
Continuing operations:					
Issue of ordinary share capital		**1,500**	6,575	**1,500**	6,575
Share issue costs		**(90)**	(449)	**(90)**	(449)
Net proceeds from short term borrowings		**–**	1,710	**–**	1,710
Repayment of short term borrowings		**–**	(2,919)	**–**	(2,919)
Finance costs paid		**–**	(504)	**–**	(447)
Net cash inflow from financing activities		**1,410**	4,413	**1,410**	4,470
Net (decrease)/increase in cash and cash equivalents from continuing and total operations		**188**	(128)	**166**	(284)
Exchange translation difference		**(22)**	(156)	**–**	–
Cash and cash equivalents at beginning of period		**50**	334	**50**	334
Cash and cash equivalents at end of period	14	**216**	50	**216**	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

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 2018. The comparative figures relate to the year ended 31 December 2017. 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 2018, the Group recorded a loss for the year of £849,000 and had net current liabilities of £1,198,000, after allowing for cash balances of £216,000.

In addition, the Group received an advance of £650,000 in connection with performing appraisal activities of certain oil and gas licences in Grenada. No appraisal activities have been performed to date and the amount is repayable on demand.

In the short term the Group will require additional funding in order to meet its liabilities as they fall due.

The Directors have a reasonable expectation that the Group has the ability to raise the additional funds required in order to continue in operational existence for the foreseeable future and they therefore continue to adopt the going concern basis of accounting in preparing these Financial Statements.

However, given the uncertainty surrounding the ability and likely timing of securing such finance the Directors are of the opinion that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the Group was unable to continue as a going concern.

STATEMENT OF COMPLIANCE

The following standard is effective for the first time for the financial period beginning 1 January 2018 and is relevant to the Company's operations:

• IFRS 9, 'Financial Instruments'. The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement.' The adoption of this standard has not had a significant effect on the Company's accounting policies related to financial assets and liabilities as majority are classified at fair value through profit or loss. The adoption of this standard did not require the restating of comparatives.

The following standards and amendments have been issued and are mandatory for accounting periods beginning on or after 1 January 2018 but are not relevant or have no material effect on the Company's operations or financial statements:

- IFRS 15, 'Revenue from Contracts with Customers'. This standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18, 'Revenue', IAS 11, 'Construction Contracts' and related interpretations.
- Amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2
- Transfers of Investment Property - Amendments to IAS 40
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs – 2014-2016 Cycle: IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

- Annual Improvements to IFRSs – 2014-2016 Cycle: IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4

Other standards in issue, but not yet effective, are not expected to have a material effect on the financial statements of the Company in future periods and have not been disclosed.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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.

EXPLORATION, EVALUATION and DEVELOPMENT COSTS

Exploration, evaluation and development costs relate to expenditure incurred on the development and evaluation of mineral resources. These costs are recorded as intangible assets until the mineral resource reaches the production stage. Upon completion of development and commencement of production, capitalised development costs as well as evaluation expenditures are fair valued on a net present value basis.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset and use or sell it
- the Group has the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

BASIS OF CONSOLIDATION

The consolidated financial statements present the results of ADM Energy 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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.

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 2018

3 REVENUE

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

4 OPERATING LOSS

	2018	2017
	£'000	£'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration	**798**	650
Employee salaries and other benefits	**44**	36
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	**24**	18

5 OTHER GAINS AND LOSSES

	2018	2017
	£'000	£'000
Gain/(loss) on disposal of investments	–	7
Refund of FX margin deposit previously written off	–	20
	–	27

6 FINANCE COSTS

	2018	2017
	£'000	£'000
Interest on convertible loan stock	–	–
Finance costs of other loan facilities	–	**1,072**
Interest on overdue cash calls	–	**57**
	–	**1,129**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

7 EMPLOYEE REMUNERATION

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

	2018	2017
	£'000	£'000
Wages and salaries (including directors)	**766**	626
Social security costs	**76**	60
	842	686

Directors' remuneration:

Wages and salaries (including employee benefits)	**726**	593
Social security costs	**72**	57
	798	650

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 (2017:4).

8 INCOME TAX EXPENSE

	2018	2017
	£'000	£'000
Current tax – continuing operations	–	–

	2018	2017
	£'000	£'000
Loss before tax from continuing operations	**(849)**	(3,435)
Loss before tax multiplied by rate of corporation tax in the UK of 19% (2017: 19.25%)	**(161)**	(661)
Expenses not deductible for tax purposes	**6**	21
Unrelieved tax losses carried forward	**155**	640
Total tax charge for the year	–	–

There are unrelieved tax losses of approximately £20,400,000 (2017: £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 2018

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.

	2018 £'000	2017 £'000
Loss attributable to owners of the Group		
- Continuing operations	**(849)**	(3,435)
Continuing and discontinued operations	**(849)**	(3,435)

	2018	2017
Weighted average number of shares for calculating basic and fully diluted earnings per share	**1,949,157,883**	1,439,477,518

	2018 pence	2017 pence
Earnings per share:		
Loss per share from continuing and total operations	**(0.04)**	(0.24)

The weighted average number of shares used for calculating the diluted loss per share for 2018 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 INTANGIBLE ASSET

GROUP

The intangible asset relates to the acquisition of a 5% revenue interest in the OML 113 licence, which includes the Aje Field ("Aje") and the further costs of bringing the Aje 4 and Aje 5 wells into production.

	2018 £'000	2017 £'000
Cost of investment in Jacka Resources Nigeria Holdings Limited	**14,984**	14,461
Cash calls in respect of Aje 4 and Aje 5 wells	**952**	1,113
Foreign currency exchange translation difference	**426**	(590)
	16,362	14,984

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; so no impairment provision is required. As the joint venture partners have been granted a new 20 year lease in 2018 the directors do not consider that any provision for decommissioning is required.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2018

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.

	2018	2017
	£'000	£'000
Balance at beginning of period	**14,634**	11,554
Advances to PROG	**104**	3,080
Balance at end of period	**14,738**	14,634

The Group's subsidiary companies are as follows:

Name	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
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 2018

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	
	2018	2017
	£'000	£'000
Fair value of investments brought forward	**179**	-
Purchases of investments	**25**	475
Proceeds from the disposal of investments	**(4)**	(303)
(Loss)/gain on disposal of investments	**–**	7
Movement in fair value of investments held at year end	**–**	–
Fair value of investments held for trading	**200**	179
Investments held at the year end were categorised as follows		
Level 1	**–**	4
Level 3	**200**	175
	200	179

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade receivables	**–**	–	**–**	–
Other receivables	**13**	13	**13**	13
Prepayments and accrued income	**16**	22	**16**	22
	29	35	**29**	35

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 2018 and 2017 there were no trade receivables past due.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

14 CASH AND CASH EQUIVALENTS

	GROUP AND COMPANY	
	2018	2017
	£'000	£'000
Cash at bank	**216**	50
Cash and cash equivalents	**216**	50

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade payables	**52**	91	**52**	91
Tax and social security	**24**	66	**24**	66
Other payables	**843**	824	**316**	394
Accruals and deferred income	**724**	68	**712**	58
	1,643	1,049	**1,104**	609

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

Included in accruals and deferred income is £650,000 advance received in connection with performing appraisal activities of certain oil and gas licences in Grenada. No appraisal activities have been performed to date and the amount is repayable on demand. The Directors have a reasonable expectation that the Group has the ability to raise additional funds required to repay this advance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

16 BORROWINGS

	GROUP AND COMPANY	
	2018	2017
	£'000	£'000
As at 1 January	–	584
Net proceeds of loans	–	1,710
Arrangement fees	–	90
Other finance charges	–	982
Exchange difference	–	–
	–	3,366
Settled by cash	–	(1,791)
Settled by the issue of shares	–	(1,575)
As at 31 December	–	–

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 2017 (ordinary shares of 0.01p)	1,141,141,331	114	8,222,439,370	8,222	8,336	25,460
Shares issued (see note below)	530,208,333	53	–	–	53	6,522
Share issue costs	–	–	–	–	–	(449)
At 31 December 2017	**1,671,349,664**	**167**	**8,222,439,370**	**8,222**	**8,389**	**31,533**
Shares issued (see note below)	1,100,000,000	110	–	–	110	1,390
Share issue costs	–	–	–	–	–	(90)
At 31 December 2018	**2,771,349,664**	**277**	**8,222,439,370**	**8,222**	**8,499**	**32,833**

The deferred shares have restricted rights such that they have no economic value.

Share issues in year

On 20 February 2018, 100,000,000 new ordinary shares of 0.01p were issued at 0.5p each as a result of a placing, raising £500,000 before expenses.

On 22 October 2018, 1,000,000,000 new ordinary shares of 0.01p were issued at 0.1p each as a result of a placing, raising £1,000,000 before expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

18 SHARE WARRANTS

As at 31 December 2015, the Company had approved the issue of 162,500,000 warrants, of which 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. Of the vested warrants 3,250,000 have been exercised and 49,250,000 have lapsed, so that as at 31 December 2018 there are 20,000,000 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 were exercisable at 1.25p per share for a period of 2 years from the date of issue and therefore lapsed during the year.

In March 2016, the Company issued 66,666,667 warrants to the Company's broker and certain other parties. The warrants were exercisable at 1p per share for a period of 3 years from the date of issue and were still exercisable at 31 December 2018, but lapsed in March 2019.

In total, at 31 December 2018, the Group has issued 143,282,667 warrants of which 3,250,000 have been exercised, 53,366,000 have lapsed, leaving 86,666,667 warrants exercisable at 31 December 2018. In addition there are 90,000,000 warrants which have been authorised for issue but have not been issued as the vesting conditions have yet to be met.

The 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 options 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.

	2018		2017	
	Number	**Weighted average exercise price (pence)**	Number	Weighted average exercise price (pence)
Outstanding at 1 January	**90,782,667**	**1.23**	140,032,667	1.15
Issued	–	–	–	–
Exercised	–	–	–	–
Lapsed	**4,116,000**	–	(49,250,000)	1.00
Outstanding at 31 December	**86,666,667**	**1.23**	90,782,667	1.23

The total share-based payment expense recognised in the income statement for the year ended 31 December 2018 in respect of the warrants issued during the year was £Nil (2017: £Nil).

The figures above are before the 1 for 100 share consolidation approved by the shareholders on 7 June 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

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 £20,000 (2017: £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:

	2018	2017
	£'000	£'000
Cash and cash equivalents	**216**	50
Loans and receivables	**13**	13
	229	63

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 2018

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 IFRS 9 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2018	2017
	£'000	£'000
FINANCIAL ASSETS:		
Cash and cash equivalents	**216**	**50**
Investments held for trading (see fair value measurements below)	**200**	**179**
Loans and receivables	**13**	**13**
Investments available for sale	**14,738**	**14,634**
FINANCIAL ASSETS BY IFRS 7 FAIR VALUE HIERARCHY		
Level 1 - Investments held for trading	–	4
Level 3 - Loans and receivables	**13**	13
Investments held for trading	**200**	175
Investments available for sale	**14,738**	14,634
	14,951	14,822

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".

20 FINANCIAL INSTRUMENTS continued

FINANCIAL LIABILITIES AT AMORTISED COST:

The IFRS 9 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2018	2017
	£'000	£'000
Trade and other payables	**919**	981
Borrowings	–	–

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	1-3 months	3 months to 1 year	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
2018					
Interest bearing:					
Borrowings	–	–	–	–	–
Non-interest bearing:					
Trade and other payables	–	919	–	–	–
2017					
Interest bearing:					
Borrowings	–	–	–	–	–
Non-interest bearing:					
Trade and other payables	–	981	–	–	–

21 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2018 (2017: £Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2018

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, £30,000 of Nicholas Lee's total remuneration was invoiced by ACL Capital Limited, a company controlled by him. This amount was settled by the issue of shares.

During the year, the remuneration for Richard Carter of £74,000 was invoiced by Bryant Park Consulting Ltd, a company controlled by him. £12,000 of this amount was settled by the issue of shares.

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.

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