

# **MX OIL PLC**

Financial Statements

For the year ended 31 December 2016



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## COMPANY INFORMATION

DIRECTORS:	Nicholas Lee (Non-Executive Chairman) Stefan Olivier (Chief Executive Officer) Nigel McKim (Chief Operating Officer) Sergio Lopez (Non-Executive Director) Richard Carter (Non-Executive Director)
REGISTERED OFFICE:	17 <sup>th</sup> Floor 110 Bishopsgate London EC2N 4AY
COMPANY NUMBER:	05311866
SECRETARY:	Shakespeare Martineau LLP
NOMINATED ADVISER:	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
BROKER:	Cornhill Capital Limited 4 <sup>th</sup> Floor 18 St Swithin's Lane London EC4N 8AD
REGISTRARS:	Computershare Investor Services Plc The Pavilions Bridgewater Road Bristol BS99 7NH
SOLICITORS:	Adams & Remers LLP Quadrant House 55-58 Pall Mall London SW1Y 5JH
INDEPENDENT AUDITOR:	haysmacintyre Statutory Auditor Chartered Accountants 26 Red Lion Square London WC1R 4AG

## CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 December 2016

### Introduction

During the year, MX Oil plc has continued to pursue its strategy as an oil and gas investing company. The Group is now focused principally on its investment in Nigeria having, for the time being, decided not to proceed any further with its interests in Mexico.

### Review of activities

In July 2015, the Group indirectly invested into a non-operated 5% revenue interest in OML 113, offshore Nigeria which includes the Aje Field. Two wells, Aje 4 and Aje 5, have now been drilled and, in May 2016, oil production commenced. Aje-4, the first well to go into production, has continued to produce since the date of first production. After an initial period of decline, associated with rising water, production has now stabilised. As previously announced, production from Aje-5 has been limited and has required subsurface intervention. This intervention is now completed and this well will be recommencing production.

The Group has, to date, been investing indirectly into OML 113 through Jacka Resources Nigeria Holdings Limited ("JRNH"), a wholly owned subsidiary of Jacka Resources Limited ("Jacka"). JRNH owns 100% of PR Oil and Gas Limited, the holder of the interest in OML 113. In August 2016, the Board decided to implement the final stage of its investment process by exercising its right to take full control of this investment through the acquisition of JRNH, for a nominal sum, from Jacka.

The Aje Field is believed to hold significant resources of gas and so in terms of next steps, the partnership has been progressing the field development plan for the development of the gas and has also held discussions with various potential gas off-takers. The partners in the Aje Field are therefore currently considering whether it would be more appropriate for the next stage of the field development to focus on gas production rather than drilling additional oil wells. It is expected that a CPR will be updated shortly with a focus on the gas using the new data obtained from the recent operational work on Aje 5. Previously, it was anticipated that a further well, Aje 6, would be drilled in the short term to increase oil production from the field, however, until the partners have concluded as to the most appropriate next steps, the drilling of this well will be deferred.

Also during 2016, the Group announced that it had signed a non-binding memorandum of understanding ("MOU") with the Government of Grenada with regard to making an investment in the exploration and development of hydrocarbons in a subterranean area adjoining the maritime boundary with Trinidad and Tobago. The area covered by the MOU includes underexplored prospective Grenada Tobago Basin acreage adjacent to the Venezuelan/Trinidadian Patao - Poinsettia gas trend. The MOU will form the basis for the negotiation of a more detailed Production Sharing Agreement ("PSA") which, if signed, is likely to occur during 2017. It is expected that the PSA will cover matters including, but not limited to, tenure and work programme including 2D seismic and, subject to these results proving encouraging, further exploratory phases including 3D seismic data acquisition.

### Management

During the year, the board has been further strengthened by the appointment of Richard Carter as a non-executive director.

### Financing

During 2016, the Group has raised over £7 million. These funds have principally been used to complete the financing of the Group's share of expenditure in connection with the Aje Field and for general working capital purposes.

### Outlook

The Group has made good progress and has an investment in an oil and gas licence which has now commenced production. The Group is also actively reviewing other interesting investment opportunities that could create additional value for shareholders going forward.

Nicholas Lee  
Non-executive Chairman

28 June 2017

## STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2016

The Directors present their Strategic Report for the Group for the year ended 31 December 2016. The Chairman's Statement on page 3 forms part of this report.

### RESULTS AND DIVIDENDS

For the year ended 31 December 2016 the Group made a loss after taxation of £1,336,000 (2015: £2,899,000). The Directors do not propose a dividend (2015: £nil).

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

In July 2015, the Company indirectly invested into a non-operated 5% revenue interest in OML 113, offshore Nigeria which includes the Aje Field. Two wells, Aje 4 and Aje 5, have now been drilled and, in May 2016, oil production commenced. Aje-4, the first well to go into production, has continued to produce since the date of first production. After an initial period of decline, associated with rising water, production has now stabilised. As previously announced, production from Aje-5 has been limited and has required subsurface intervention. This intervention is now completed and this well will be recommencing production.

The Company has, to date, been investing indirectly into OML 113 through Jacka Resources Nigeria Holdings Limited ("JRNH"), a wholly owned subsidiary of Jacka Resources Limited ("Jacka"). JRNH owns 100% of PR Oil and Gas Limited, the holder of the interest in OML 113. In August 2016, the Board decided to implement the final stage of its investment process by exercising its right to take full control of this investment through the acquisition of JRNH, for a nominal sum, from Jacka.

In October 2016, the Group received its first revenue from the Aje field. Total revenue from this source amounted to £1,571,000 for the year.

The Aje Field is believed to hold significant resources of gas and so in terms of next steps, the partnership has been progressing the field development plan for the development of the gas and has also held discussions with various potential gas off-takers. The partners in the Aje Field are therefore currently considering whether it would be more appropriate for the next stage of the field development to focus on gas production rather than drilling additional oil wells. It is expected that a CPR will be updated shortly with a focus on the gas using the new data obtained from the recent operational work on Aje 5. Previously, it was anticipated that a further well, Aje 6, would be drilled in the short term to increase oil production from the field, however, until the partners have concluded as to the most appropriate next steps, the drilling of this well will be deferred.

Also during 2016, the Company announced that it had signed a non-binding memorandum of understanding ("MOU") with the Government of Grenada with regard to making an investment in the exploration and development of hydrocarbons in a subterranean area adjoining the maritime boundary with Trinidad and Tobago. The area covered by the MOU includes underexplored prospective Grenada Tobago Basin acreage adjacent to the Venezuelan/Trinidadian Patao - Poinsettia gas trend. The MOU will form the basis for the negotiation of a more detailed Production Sharing Agreement ("PSA") which, if signed, is likely to occur during 2017. It is expected that the PSA will cover matters including, but not limited to, tenure and work programme including 2D seismic and, subject to these results proving encouraging, further exploratory phases including 3D seismic data acquisition.

In terms of financing, during the period, the Group raised additional equity funds of £6.7 million and In February 2016, additional finance of £600,000 was raised through the issue of 12% convertible loan notes. In June and October 2016, the balance of the loan notes not previously converted were repaid. In September 2016, the Group entered into a revolving loan facility of \$1,500,000, under which \$700,000 (£540,000) was drawn as at the year end. This facility was repaid in April 2017. Also during the year, the Company reorganised its share capital by subdividing the ordinary shares of 1p into new ordinary shares of 0.01p and the creation of 4,356,947,826 deferred shares of 0.1p.

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2016

### KEY PERFORMANCE INDICATORS ("KPIs")

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

The key performance indicators are therefore set out below:

<b>GROUP STATISTICS</b>	<b>2016</b>	<b>2015</b>
Net asset value	£12,254,000	£7,021,000
Net asset value – fully diluted per share	1.19p	1.91p
Closing share price	1.06p	2.05p
Market capitalisation	£12,039,000	£7,776,000

### 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.

### GOING CONCERN

As disclosed in Note 2, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board.

Stefan Olivier  
Director

28 June 2017





## DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2016

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

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

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

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

### AUDITORS

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

On behalf of the Board.

Stefan Olivier  
Director

28 June 2017

## CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 December 2016

### CORPORATE GOVERNANCE

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

Under the AIM rules the Group is not required to comply with all of the provisions of the UK Corporate Governance Code (the Code), however this is the Code the Directors refer to when considering the Group's governance arrangements.

### BOARD OF DIRECTORS

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

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

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

### COMMUNICATIONS WITH SHAREHOLDERS

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

### INTERNAL CONTROL

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

On behalf of the Board.

Stefan Olivier  
Director

28 June 2017

## REPORT ON DIRECTORS' REMUNERATION

FOR THE PERIOD ENDED 31 December 2016

### REMUNERATION

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

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

### DIRECTORS' EMOLUMENTS

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

Director	2016 £'000	2015 £'000
Andrew Frangos	8	96
Stefan Olivier	186	120
Nicholas Lee	98	50
Pat Mendoza	–	16
Sergio Lopez	69	63
Nigel Bruce McKim	124	20
Richard Carter	10	–
	<b>495</b>	<b>365</b>

Included in the remuneration for Nicholas Lee is £26,000 paid to ACL Capital Limited, a company controlled by him.

### WARRANTS

Warrants were issued to Stefan Olivier on 31 March 2014, exercisable at 1p per share, and to Sergio Lopez on 11 June 2015, exercisable at 2p per share. Further details of the warrants are disclosed in note 18.

	At 31 Dec 2016 Number of warrants	At 31 Dec 2015 Number of warrants
Stefan Olivier	22,750,000	22,750,000
Sergio Lopez	8,368,421	8,368,421
	53,868,421	53,868,421

In addition to the warrants detailed above Stefan Olivier is entitled to 12,552,632 warrants exercisable at 3p per share, subject to certain vesting and exercise conditions as set out in note 18.

### PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2016 (2015 £nil).

### BENEFITS IN KIND

The directors did not receive any benefits in kind for the year ended 31 December 2016 (2015 £nil).

On behalf of the Board.

Nicholas Lee  
Non-executive chairman

28 June 2017

## REPORT OF THE INDEPENDENT AUDITOR

FOR THE YEAR ENDED 31 December 2016

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MX OIL PLC

We have audited the financial statements of MX Oil plc for the year ended 31 December 2016 which comprise the Group income statement, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company statements of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and as regards the group financial statements, Article 4 of the IAS Regulation.

### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements, and the Strategic Report and Directors Report have been prepared in accordance with the applicable legal requirements. In light of our knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors Report.

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

We have nothing to report in respect of the following matters where 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 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.

Ian Cliffe  
Senior Statutory Auditor  
for and on behalf of haysmacintyre  
Statutory Auditor, Chartered Accountants  
28 June 2017

26 Red Lion Square  
London  
WC1R 4AG

## GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Continuing operations</b>			
Revenue	3	1,571	–
Administrative expenses		(2,311)	(1,233)
Share based payment expense		(146)	(400)
<b>Operating loss</b>	<b>4</b>	<b>(886)</b>	<b>(1,633)</b>
Joint venture losses		–	(806)
Investment income	5	–	1
Other gains and losses	6	(54)	(450)
Finance costs	7	(396)	(11)
<b>loss on ordinary activities before taxation</b>		<b>(1,336)</b>	<b>(2,899)</b>
Taxation	9	–	–
<b>Loss for the year</b>		<b>(1,336)</b>	<b>(2,899)</b>
<b>Basic and diluted loss per share:</b>	<b>10</b>		
From continuing and total operations		<b>(0.14)p</b>	<b>(1.02)p</b>

The accompanying notes form an integral part of these financial statements

## GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 December 2016

	Notes	GROUP		COMPANY	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>NON-CURRENT ASSETS</b>					
Development costs	11	14,461	–	–	–
Available for sale investments	12	–	8,532	–	8,532
Investment in subsidiaries	13	–	–	11,554	–
		<b>14,461</b>	<b>8,532</b>	<b>11,554</b>	<b>8,532</b>
<b>CURRENT ASSETS</b>					
Investments held for trading	14	–	39	–	39
Trade and other receivables	15	199	371	66	371
Cash and cash equivalents	16	334	224	334	224
		<b>533</b>	<b>634</b>	<b>400</b>	<b>634</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	2,156	310	674	310
Borrowings	18	584	1,158	584	1,158
		<b>2,740</b>	<b>1,468</b>	<b>1,258</b>	<b>1,468</b>
<b>NET CURRENT LIABILITIES</b>		<b>(2,207)</b>	<b>(834)</b>	<b>(858)</b>	<b>(834)</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred consideration		–	677	–	677
		–	677	–	677
<b>NET ASSETS</b>		<b>12,254</b>	<b>7,021</b>	<b>10,696</b>	<b>7,021</b>
<b>EQUITY</b>					
Share capital	19	8,336	7,659	8,336	7,659
Share premium	19	25,460	19,714	25,460	19,714
Loan note equity reserve		–	31	–	31
Reserve for options granted		172	172	172	172
Reserve for warrants issued		783	637	783	637
Retained deficit		(22,497)	(21,192)	(24,055)	(21,192)
Equity attributable to owners of the Company and total equity		<b>12,254</b>	<b>7,021</b>	<b>10,696</b>	<b>7,021</b>

The financial statements were approved by the Board and ready for issue on 28 June 2017.

Stefan Olivier  
Director

The accompanying notes form an integral part of these financial statements

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2016

	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 2015	5,879	13,967	–	172	237	(18,293)	1,962
Loss for the year and total comprehensive expense	–	–	–	–	–	(2,899)	(2,899)
Issue of new shares	1,780	6,185	–	–	–	–	7,965
Share issue costs	–	(438)	–	–	–	–	(438)
Issue of warrants	–	–	–	–	400	–	400
Issue of convertible loan notes	–	–	31	–	–	–	31
<b>At 31 December 2015</b>	<b>7,659</b>	<b>19,714</b>	<b>31</b>	<b>172</b>	<b>637</b>	<b>(21,192)</b>	<b>7,021</b>
Loss for the period and total comprehensive income	–	–	–	–	–	(1,336)	(1,336)
Issue of new shares	677	6,321	–	–	–	–	6,998
Share issue costs	–	(575)	–	–	–	–	(523)
Issue of warrants	–	–	–	–	146	–	146
Redemption and conversion of loan notes	–	–	(31)	–	–	31	–
<b>At 31 December 2016</b>	<b>8,336</b>	<b>25,460</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>(22,497)</b>	<b>12,254</b>

The accompanying notes form an integral part of these financial statements

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2016

	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 2015	5,879	13,967	–	172	237	(18,293)	1,962
Loss for the year and total comprehensive expense	–	–	–	–	–	(2,899)	(2,899)
Issue of new shares	1,780	6,185	–	–	–	–	7,965
Share issue costs	–	(438)	–	–	–	–	(438)
Issue of warrants	–	–	–	–	400	–	400
Issue of convertible loan notes	–	–	31	–	–	–	31
<b>At 31 December 2015</b>	<b>7,659</b>	<b>19,714</b>	<b>31</b>	<b>172</b>	<b>637</b>	<b>(21,192)</b>	<b>7,021</b>
Loss for the period and total comprehensive income	–	–	–	–	–	(2,894)	(2,894)
Issue of new shares	677	6,321	–	–	–	–	6,998
Share issue costs	–	(575)	–	–	–	–	(523)
Issue of warrants	–	–	–	–	146	–	146
Redemption and conversion of loan notes	–	–	(31)	–	–	31	–
<b>At 31 December 2016</b>	<b>8,336</b>	<b>25,460</b>	<b>–</b>	<b>172</b>	<b>783</b>	<b>(24,055)</b>	<b>10,696</b>

The accompanying notes form an integral part of these financial statements



## GROUP AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2016

	Note	GROUP		COMPANY	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>OPERATING ACTIVITIES</b>					
Loss for the period		<b>(1,336)</b>	(2,899)	<b>(2,894)</b>	(2,899)
Adjustments for:					
Share based payment expense		<b>146</b>	400	<b>146</b>	400
Loss/(gain) on disposal of investments		<b>54</b>	16	<b>12</b>	16
Movement in fair value of quoted investments		–	79	–	79
Joint venture expenses		–	–	–	902
Provision for amount due from joint venture partner		–	–	–	374
Investment income		–	(1)	–	(103)
Finance costs		<b>396</b>	11	<b>368</b>	11
Foreign exchange movement in liabilities		<b>108</b>	37	<b>108</b>	37
Impairment of joint venture investment		–	–	–	6
Operating cashflow before working capital changes		<b>(632)</b>	(2,357)	<b>(2,190)</b>	(1,177)
Decrease/(increase) in receivables		<b>172</b>	(79)	<b>305</b>	(347)
Increase/(decrease) in trade and other payables		<b>(380)</b>	246	<b>(392)</b>	246
Net cash outflow from operating activities		<b>(840)</b>	(2,190)	<b>(2,277)</b>	(1,278)
<b>INVESTMENT ACTIVITIES</b>					
Proceeds from disposal of investments		<b>72</b>	227	<b>72</b>	227
Purchase of investments held for trading		<b>(87)</b>	(147)	<b>(87)</b>	(147)
Development costs		<b>(4,459)</b>	–	–	–
Investment in Nigerian asset		–	(5,940)	–	(5,940)
Loans to subsidiary operation		–	–	<b>(3,022)</b>	–
Advances to joint venture operation		–	–	–	(912)
Investment income		–	1	–	1
Net cash outflow from investment activities		<b>(4,474)</b>	(5,859)	<b>(3,037)</b>	(6,771)
<b>FINANCING ACTIVITIES</b>					
Continuing operations:					
Issue of ordinary share capital		<b>6,666</b>	6,013	<b>6,666</b>	6,013
Share issue costs		<b>(575)</b>	(438)	<b>(575)</b>	(438)
Net proceeds from short term borrowings		<b>1,098</b>	1,178	<b>1,098</b>	1,178
Repayment of short term borrowings		<b>(1,676)</b>	–	<b>(1,676)</b>	–
Finance costs paid		<b>(89)</b>	–	<b>(89)</b>	–
Net cash inflow from financing activities		<b>5,424</b>	6,753	<b>5,424</b>	6,753
<b>Net increase/(decrease) in cash and cash equivalents from continuing and total operations</b>		<b>110</b>	(1,296)	<b>110</b>	(1,296)
Cash and cash equivalents at beginning of period		<b>224</b>	1,520	<b>224</b>	1,520
Cash and cash equivalents at end of period	16	<b>334</b>	224	<b>334</b>	224

The accompanying notes form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 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 2016. The comparative figures relate to the year ended 31 December 2015.

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

The Group has cash balances at the period end of £334,000 and since the year end, the Group has raised £5 million of new funding. Furthermore, the Directors have prepared cash flow forecasts through to 30 September 2017 which demonstrate that the Group is able to meet its liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

#### STATEMENT OF COMPLIANCE

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

- Amendments to IFRS 10, IFRS 12 and IAS 28 in respect of the application of the consolidation exemption to investment entities
- IFRS 9 in respect of Financial Instruments

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the financial statements of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### KEY ESTIMATES AND ASSUMPTIONS

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

#### AVAILABLE FOR SALE INVESTMENTS

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

#### SHARE BASED PAYMENTS

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

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

#### SALES REVENUE

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

#### TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet 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 balance sheet date.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### FINANCIAL ASSETS

Financial assets are recognised in the Group's balance sheet 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 balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

#### AVAILABLE FOR SALE INVESTMENTS

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### JOINT VENTURE

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Group has an ownership interest of more than 50 per cent because joint venture partners have equal control over management decisions. The Group's joint venture interests are held through a Jointly Controlled Entity (JCE). A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each party has a long term interest. The JCE is accounted for using the equity accounting method.

#### CASH AND CASH EQUIVALENTS

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

#### EQUITY

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

Equity comprises the following:

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

#### FINANCIAL LIABILITIES

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 2 PRINCIPAL ACCOUNTING POLICIES (continued)

#### SHARE BASED PAYMENTS

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

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

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

#### FOREIGN CURRENCIES

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

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

#### SEGMENTAL REPORTING

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**3 REVENUE**

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

**4 OPERATING LOSS**

	2016 £'000	2015 £'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration	546	365
Warrant/share based payment expense	146	400
Employee salaries and other benefits	136	47
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	17	15
fees payables to the Group's auditor and its associates for other services:		
Other assurance services	–	8

**5 INVESTMENT INCOME**

	2016 £'000	2015 £'000
Investment income	–	1
Interest on loan finance to joint venture	–	–
	–	1

**6 OTHER GAINS AND LOSSES**

	2016 £'000	2015 £'000
(Loss)/gain on disposal of investments	(54)	12
Net gain on derivative contracts	–	19
Movement in fair value of trading investments held at year end	–	(108)
Provision for amount owed by Mexican partner	–	(374)
	(54)	(450)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**7 FINANCE COSTS**

	2016 £'000	2015 £'000
Interest on convertible loan stock	302	11
Interest on revolving loan facility	94	–
	<b>396</b>	<b>11</b>

**8 EMPLOYEE REMUNERATION**

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

	2016 £'000	2015 £'000
Wages and salaries (including directors)	617	408
Share based payment expense	–	168
Social security costs	65	36
	<b>682</b>	<b>612</b>
<b>Directors remuneration:</b>		
Wages and salaries	495	365
Share based payment expense	–	168
Social security costs	51	32
	<b>546</b>	<b>565</b>

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

Only the directors are deemed to be key management. The average number of employees in the Group was 4 (2014:3).

**9 INCOME TAX EXPENSE**

	2016 £'000	2015 £'000
Current tax – continuing operations	–	–
	<b>2016 £'000</b>	<b>2015 £'000</b>
Loss before tax from continuing operations	<b>(1,336)</b>	<b>(2,899)</b>
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2015: 20%)	<b>(267)</b>	<b>(580)</b>
Expenses not deductible for tax purposes	<b>23</b>	<b>85</b>
Unrelieved tax losses carried forward	<b>244</b>	<b>495</b>
Total tax charge for the year	<b>–</b>	<b>–</b>

There are unrelieved tax losses of £16,900,000 (2015: £15,600,000) 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 2016

**10 EARNINGS PER SHARE**

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

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Loss attributable to owners of the Group		
- Continuing operations	<b>(1,336)</b>	(2,899)
Continuing and discontinued operations	<b>(1,336)</b>	(2,899)
	<b>2016</b>	2015
Weighted average number of shares for calculating basic and fully diluted earnings per share	<b>921,886,563</b>	283,826,937
	<b>2016</b>	2015
	<b>pence</b>	pence
<b>Earnings per share:</b>		
Loss per share from continuing and total operations	<b>(0.14)</b>	(1.02)

The weighted average number of shares used for calculating the diluted loss per share for 2015 and 2016 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.

**11 DEVELOPMENT COSTS****GROUP**

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Cost of investment in Jack Resources Nigeria Holdings Limited	<b>8,532</b>	–
Cash calls in respect of Aje 4 and Aje 5 wells	<b>5,929</b>	–
	<b>14,461</b>	–

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.

**12 AVAILABLE FOR SALE INVESTMENTS**

	GROUP AND COMPANY	
	<b>2016</b>	2015
	<b>£'000</b>	£'000
As at 1 January	<b>8,532</b>	–
Transfer to investment in subsidiaries	<b>(8,532)</b>	–
Issue of 43,380,325 ordinary shares at 4.5p per share	–	1,952
Cash investment	–	5,940
Deferred consideration	–	640
	–	<b>8,532</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**13 INVESTMENT IN SUBSIDIARIES**

On 10 August 2016, the Group completed the agreement for the acquisition of Jacka Nigeria Holdings Limited ("JNH"), a BVI registered company, in which Jack Resources Limited ("JRL") held the single issued share. JNH'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.

The comparative figures in the table below relate to the Company's investment in its other subsidiary, Geo Estratos MXOil, SAPI de CV ("GEMXO"), which was fully impaired in 2015.

	2016	2015
	£'000	£'000
Balance at beginning of period	–	274
Transfer from available for sale investments	<b>8,532</b>	–
Advances to meet cash calls on PROG	<b>4,460</b>	898
Repayments of loans to subsidiaries	<b>(1,438)</b>	–
Amounts due to suppliers at period end	–	8
Interest on financing loan	–	102
	<b>11,554</b>	1,282
MXO's share of GEMXO loss	–	(806)
Agreed amount due from GEO	–	(374)
Amounts written off	–	(96)
Impairment of investment	–	(6)
Balance at end of period	<b>11,554</b>	–

The Group's subsidiary companies are as follows:

<u>Name</u>	<u>Principal activity</u>	<u>Country of incorporation and principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>
Jacka Resources Nigeria Holdings Limited	Holding company	British Virgin Islands	100%
*P R Oil & Gas Nigeria Limited	Oil exploration & production	Nigeria	100%
Geo Estratos MXOil, SAPI de CV	Oil exploration	Mexico	100%

\*Indirectly held

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**14 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 all quoted (Level 1 investments) and are designated as at fair value through profit or loss.

	GROUP AND COMPANY	
	2016	2015
	£'000	£'000
<b>Level 1 Investments:</b>		
Fair value of investments brought forward	39	214
Purchases of investments	87	147
Proceeds from the disposal of investments	(72)	(227)
(Loss)/gain on disposal of investments	(54)	12
Movement in fair value of investments held at year end	–	(108)
Fair value of investments held for trading	–	39

**15 TRADE AND OTHER RECEIVABLES**

	GROUP		COMPANY	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade receivables	133	–	–	–
Amounts owed in respect of share issues	–	319	–	319
Other receivables	51	37	51	37
Prepayments and accrued income	15	15	15	15
	199	371	66	371

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 balance sheet date in 2016 and 2015 there were no trade receivables past due.

**16 CASH AND CASH EQUIVALENTS**

	GROUP AND COMPANY	
	2016	2015
	£'000	£'000
Cash at bank	334	224
Cash and cash equivalents	334	224

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**17 TRADE AND OTHER PAYABLES**

	GROUP		COMPANY	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Trade payables	146	229	146	229
Tax and social security	38	15	38	15
Other payables	1,903	–	433	–
Accruals and deferred income	69	66	57	66
	<b>2,156</b>	310	<b>674</b>	310

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

**18 BORROWINGS****Convertible loan notes**

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

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

	GROUP AND COMPANY	
	2016 £'000	2015 £'000
Liability component at 1 January	1,158	–
Nominal value of convertible Loan Notes issued	600	1,300
Issue costs	(64)	(122)
Equity component	–	(31)
Liability component at date of issue	1,694	1,147
Finance costs charged	302	11
Loan notes converted into shares (including interest)	(331)	–
Interest paid	(89)	–
Loan notes repaid	(1,576)	–
Liability component at 31 December	–	1,158
Total equity component at 1 January	31	–
Equity component on issue	–	31
Transfer to retained deficit on conversion and repayment of loan notes	(31)	–
Total equity component at 31 December	–	31

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**18 BORROWINGS continued****\$1,500,000 revolving loan facility**

In September 2016, the Group entered into a revolving loan facility for \$1,500,000. As at the year end, \$700,000 had been drawn under this facility.

	GROUP AND COMPANY	
	2016	2015
	£'000	£'000
Net proceeds of loan	490	–
Commitment fee	50	–
Accrued interest	16	–
Exchange difference	28	–
	<b>584</b>	–

**19 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 2015 (ordinary shares of 1p)	201,332,079	2,013	3,865,491,544	3,866	5,879	13,967
Shares issued in year	177,963,658	1,780	–	–	1,780	6,185
Share issue costs	–	–	–	–	–	(438)
At 31 December 2015	379,295,737	3,793	3,865,491,544	3,866	7,659	19,714
Shares issued (see note below)	60,800,003	608	–	–	608	147
Share reorganisation:						
Ordinary shares of 0.01p	440,095,740	44	8,222,493,370	8,222	8266	19,861
Shares issued (see note below)	701,045,591	70	–	–	70	6,174
Share issue costs	–	–	–	–	–	(575)
<b>At 31 December 2015</b>	<b>1,141,141,331</b>	<b>114</b>	<b>8,222,439,370</b>	<b>8,222</b>	<b>8,336</b>	<b>25,460</b>

**Share issues**

On 2 February 2016, 44,800,000 new ordinary shares of 1p were issued at 1.25p each as a result of a placing, raising £560,000 before expenses.

On 9 February 2016, 14,000,000 new ordinary shares of 1p were issued at 1.25p each as a result of a placing, raising £175,000 before expenses.

On 10 February 2016, 2,000,000 ordinary shares of 1p each were issued at 1p per share on the exercise of share warrants.

Following the approval of the shareholders on 18 February 2016 a share reorganisation took place whereby the 440,095,740 ordinary shares were subdivided on the basis of one new ordinary share of 0.01p and 99 deferred shares of 0.01p each for each ordinary share. The deferred shares were then consolidated on the basis of one new deferred share of 0.1p for every 10 deferred shares of 0.01p resulting from the share subdivision. The new deferred shares of 0.1p have the same rights and restrictions as the existing deferred shares.

On 24 February 2016, 3,264,000 ordinary shares of 0.01p each were issued at 1.25p per share on the conversion of loan notes and accrued interest, totaling £40,800.

On 1 March 2016, 23,247,000 ordinary shares of 0.01p each were issued at 1.25p per share on the conversion of loan notes and accrued interest, totaling £290,587.50.

On 14 March 2016, 333,333,333 new ordinary shares of 0.01p were issued at 0.75p each as a result of a placing, raising £2,500,000 before expenses.

On 31 May 2016, 341,201,258 new ordinary shares of 0.01p were issued at 1p each as a result of a placing, raising £3,412,013 before expenses.

Since the year end, the company issued 333,333,333 ordinary shares raising £5,000,000 before expenses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**19 SHARE OPTIONS AND WARRANTS****Warrants**

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

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

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

In total, the Group has approved the warrant instruments for the issue of 229,166,667 warrants, of which 139,166,667 warrants have vested and are capable of being exercised (1,250,000 of these warrants have been exercised), and 90,000,000 remain to be issued as the vesting conditions have not yet been met.

The significant inputs to the model in respect of the warrants issued in the year were as follows:

Issue date	14 Mar 2016	2 Feb 2016
Issue date share price	0.75p	1.325p
Exercise price per share	1p	1.25p
No. of warrants	66,666,667	4,116,000
Risk free rate	1.5%	1.5%
Expected volatility	50%	50%
Expected life of warrant	3 years	2 years
Calculated fair value per share	0.19308p	0.40914p

Warrants outstanding at 31 December 2016 and their weighted average exercise price are as follows:

	2016		2015	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price ** (pence)
Outstanding at 1 January	<b>71,250,000</b>	<b>1.28</b>	52,500,000	1.00
Issued	<b>70,782,667</b>	<b>1.01</b>	20,000,000	2.00
Exercised	(2,000,000)	1.00	(1,250,000)	1.00
Outstanding at 31 December	<b>140,032,667</b>	<b>1.15</b>	71,250,000	1.28

The total share-based payment expense recognised in the income statement for the year ended 31 December 2016 in respect of the warrants issued during the year was £146,000 (2015: £400,000).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 20 FINANCIAL INSTRUMENTS

#### RISK MANAGEMENT OBJECTIVES AND POLICIES

##### CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

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

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

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

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

##### MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £4,000 (2014: £21,000).

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**20 FINANCIAL INSTRUMENTS continued****CREDIT RISK**

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

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

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Cash and cash equivalents	<b>334</b>	224
Loans and receivables	<b>184</b>	356
	<b>518</b>	580

**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.

**FINANCIAL INSTRUMENTS**

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

**CATEGORIES OF FINANCIAL INSTRUMENTS**

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

	<b>2016</b>	2015
	<b>£'000</b>	£'000
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents	<b>334</b>	224
Investments held for trading (see FAIR VALUE MEASUREMENTS below)	–	39
Loans and receivables	<b>184</b>	356
Investments available for sale	<b>14,374</b>	8,569
<b>FINANCIAL ASSETS BY IFRS 7 FAIR VALUE HIERARCHY</b>		
Level 1 - Investments held for trading	–	39
Level 3 - Loans and receivables	<b>184</b>	356
Investments available for sale	<b>14,374</b>	8,569
	<b>14,558</b>	8,925

**FAIR VALUE MEASUREMENTS**

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

**20 FINANCIAL INSTRUMENTS continued**

## FINANCIAL LIABILITIES AT AMORTISED COST:

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

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Trade and other payables	<b>2,087</b>	229
Borrowings	<b>584</b>	1,158

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

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000
2016					
Interest bearing:					
Borrowings	–	584	–	–	–
Non-interest bearing:					
Trade and other payables	–	2,087	–	–	–
2015					
Interest bearing:					
Borrowings	–	–	1,456	–	–
Non-interest bearing:					
Trade and other payables	–	229	–	–	–

**21 CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2016 (2015: £Nil)

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2016

### 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.

Andrew Frangos is a director of Cornhill Capital Limited ("Cornhill"), the Group's co-broker and was a director of MX Oil until 18 January 2016. During the year, Cornhill was paid £291,000 in broking and corporate finance fees (2015: £165,000) and £575,000 commission on funds raised (2015: £430,000). In addition, Cornhill was issued with 70,782,667 warrants during the year to 31 December 2016 (2015: 620,690 warrants) (see note 18 for details). £24,000 was due to Cornhill at the year end (2015: £135,000)

In addition, under the Group's agreement with Jacka Resources Limited, Cornhill has received USD 500,000 of the USD 1 million due on production of first oil from the Aje field.

### 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.



