

For personal use only

DORIEMUS PLC

Annual Report and Financial Statements

Year Ended 31 December 2016

Company Registered Number 03877125

DORIEMUS PLC

**Annual Report and financial statements
for the year ended 31 December 2016**

Contents

Chairman's Statement incorporating the Strategic Report	1
Corporate Governance Statement	5
Report of the Directors for the year ended 31 December 2016	6
Independent Auditors' Report to the Members of Doriemus plc	9
Statement of Comprehensive Income for the year ended 31 December 2016	10
Statement of Changes in Equity for the year ended 31 December 2016.....	11
Statement of Financial Position at 31 December 2016.....	12
Statement of Cash Flows for the year ended 31 December 2016.....	13
Notes forming part of the financial statements for the year ended 31 December 2016.....	14

DIRECTORS:	David Lenigas – Executive Chairman Hamish Harris – Executive Director Donald Strang – Non-executive Director Grant Roberts – Non-executive Director
SECRETARY:	Donald Strang
REGISTERED OFFICE:	Suite 3B 38 Jermyn Street London SW1Y 6DN
REGISTERED NUMBER:	03877125
AUDITORS:	Chapman Davis LLP 2 Chapel Court London SE1 1HH
CORPORATE ADVISER:	Peterhouse Corporate Finance Limited New Liverpool House 15 Eldon Street London EC2M 7LD
BROKER:	Optiva Securities Limited 2 Mill Street London W1S 2AT
SOLICITORS:	Hill Dickinson LLP The Broadgate Tower 20 Primrose Street London EC2A 2EW

For personal use only

DORIEMUS PLC
("Doriemus" or "the Company")

Chairman's Statement incorporating the Strategic Report

2016 and the early part of 2017 (post reporting period) has seen significant advances towards oil production from both our Brockham and Horse Hill oil assets in the UK's onshore Weald Basin near London's Gatwick Airport and as we move towards drilling the second production well at the Lidsey Oil Field this year.

Overview:

The Company owns three valuable oil and gas assets in the new UK onshore oil province centred around the new Kimmeridge oil discoveries in the Weald Basin south of London. We firmly believe that all of these assets hold a very real chance of being significant UK onshore oil producing areas over the coming year with Doriemus set to benefit significantly with the commencement of positive cash flow from at least Brockham and Lidsey. We also believe that the new oil production from the Weald Basin may well prove to be of significant strategic importance to the UK in the years to come, especially considering the recent declines seen in the UK's North Sea offshore oil production and as the country moves to separate from the European Union, making indigenous oil production more important.

Brockham Oil Field:

(Doriemus holds a direct 10% interest Brockham, operated by Angus Energy Plc, the "Operator")

The 8.9km² Brockham Oil Field ("Brockham"), in the Weald Basin, is held under UK Licence PL235 (Production Licence).

On 3 March 2017 (post year end), it was announced that the Brockham X4Z well, designed to evaluate the Portland, Corallian and Kimmeridge formations at Brockham (including an evaluation of the Kimmeridge reservoir that had been demonstrated by the Horse Hill discovery only 8km to the South), was drilled to a total depth of 1,391m.

The Brockham X4Z well was intended to establish whether the reservoir reported at the adjacent Horse Hill discovery extended further north into the Brockham Licence.

The preliminary results from Brockham X4Z well confirmed very similar thickness of reservoir and properties to those reported at Horse Hill. The gross thickness of Kimmeridge in Brockham X4Z was found to be some 385m thick. The two limestone intervals (each around 30m) tested in Horse Hill are also seen in the Brockham well and the reservoir properties appear to be very similar to Horse Hill, based on electrical logging evidence.

The Operator used Weatherford's Ultra Wave Acoustic borehole imaging tool for first time in Europe. This tool made it possible to directly see fractures in the borehole. The Ultra Wave information confirmed not only evidence of natural fractures in the two main limestones intervals previously tested at Horse Hill, but also confirmed abundant natural fractures were evident in sections of the interbedded shales and limestones between and below the two main limestones. Around 200m of the reservoir showed this potential.

Geochemical analysis on the drilling samples showed total organic content through the Kimmeridge section of between 2-12%, exceeding Horse Hill in places. Furthermore, evidence showed that the highest organic content corresponds to the limestones and, in particular, the intervals in between the limestones which have natural fracturing. Whilst organic content is not the same as oil content, it is indicative of those sections where oil content will be the highest. This supports the potential for some 200m of reservoir of interest. Initial Tmax and Hydrogen Index readings also corresponded with Horse Hill's data.

Therefore, based on the evidence so far, the Operator has confidence that the well will be similar to Horse Hill and perhaps, given that the reservoir is potentially much thicker in zones not previously tested, the final flow results could be even better.

In addition, oil shows were observed in the Portland and Corallian formations whilst drilling the Brockham X4Z well. Currently, the Brockham number 2 well is a temporarily suspended producer from the Portland reservoir and the Operator is confident of additional oil production from the Portland reservoir from the Brockham X4Z well in due course. The good indications of both gas and oil in the Corallian formation, below the Kimmeridge, is still being evaluated.

After a major surface refit of the site infrastructure to accommodate extra oil production, steps are now in hand to install new production facilities for the well and to prepare for the production as soon as the necessary OGA approvals are in place. The Operator is targeting completion for production in spring/summer 2017.

Lidsey Oil Field:

(Doriemus holds a direct 20% interest in the onshore Lidsey Oil Field. Operated by Angus Energy Plc, the "Operator")

The 5.3km² Lidsey Oil Field ("Lidsey"), is located in the southern portion of the UK's onshore Weald Basin, and is held under UK Licence PL 241 (Production Licence).

On 2 May 2017 (post year end) the Operator announced that following the West Sussex County Council approval, it had also received permission from the UK Environment Agency to drill the Lidsey-X2 horizontal production well at the Lidsey production oil field, license PL 241. The Group will now seek the required approvals from the Health and Safety Executive ("HSE") and Oil and Gas Authority ("OGA").

The Lidsey Oil Field has planning consent for the development and operation of a three wellhead and beam pump oil production facility plus ancillary works at its Lidsey Oil Field. As permitted by the site planning consent, the first well has already been drilled at the site (Lidsey-X1) and the tophole/cellar is completed and installed to enable a second well to be drilled (Lidsey-X2). This second well has not yet been drilled and is planned to be drilled to a depth of approximately 1,000 metres and will target the upper crest of the Great Oolite reservoir that has been producing oil from the Lidsey-X1 well which was first discovered in 1987, and until now has been temporarily suspended back in February 2016 to allow for site works. Lidsey-X2 will also assess the Kimmeridge formation which is located above the Great Oolite reservoir.

Investment in Horse Hill Developments Limited ("HHDL"): (Doriemus holds a 10% interest in HHDL. Operated by HHDL)

The Company currently owns a 10% interest in a special purpose company, Horse Hill Developments Limited, which is the operator and 65% interest holder in two Petroleum Exploration and Development Licences ("PEDL") PEDL137 and PEDL246 in the northern Weald Basin between Gatwick Airport and London.

The PEDL137 licence covers 99.29 square kilometres (24,525 acres) to the north of Gatwick Airport in Surrey and contains the Horse Hill-1 ("HH-1") discovery well. PEDL246 covers an area of 43.58 square kilometres (10,769 acres) and lies immediately adjacent and to the east of PEDL137.

The HH-1 well is located approximately 7.5 kilometres southeast of Doriemus's producing Brockham Oil Field.

In August 2015, Schlumberger independently verified Huston based Nutech's previous Horse Hill OIP estimates contained in PEDL137 and PEDL246. Schlumberger estimated a Mean Oil in Place ("OIP") of 10,993 billion barrels of oil ("mmbbl"), with Kimmeridge OIP of 8,262 mmbbl. Schlumberger's Mean OIP estimates are therefore 19% higher in total than Nutech's P50 OIP estimate over the two Horse Hill licences and they were 58% higher in the Kimmeridge.

After receiving permits from the Environment Agency and the Oil and Gas Authority for the flow testing of the Horse Hill-1 discovery well, flow testing operations commenced in February 2016 and were completed in March 2016. Flow testing far exceeded all expectations resulting in an aggregate stable oil rate of 1,688 barrels ("bbl") per day of very high quality oil, from the Lower Kimmeridge, Upper Kimmeridge and Upper Portland reservoirs. The produced oil contained no water and no clear indication of any reservoir pressure depletion was observed during the original flow testing.

Based on analysis of published reports from all significant UK onshore discovery wells, the 1,688 bbl per day flow rate is likely to be the highest aggregate stable rate recorded from any onshore UK discovery well.

The way forward on Horse Hill will now involve seeking regulatory permissions to conduct extended production tests from all 3 zones at the site, followed by a horizontal sidetrack in the Kimmeridge and a possible new Portland development well.

(Note: All of the reviews and reports mentioned above state that the OIP volumes estimated should not be construed as recoverable resources or reserves.)

Investment in Greenland Gas & Oil Plc (2.82% interest in GGO)

The Company currently owns 2.82% equity shareholding in Greenland Gas & Oil Plc ("GGO"), a UK based oil and gas exploration company focused solely on Greenland, which in June 2015 was granted oil exploration and exploitation licences over 4,200km² located onshore in south-eastern Greenland in a region known as the Jameson Land Basin.

Public Trading Platform for the Company's shares:

On 15 March 2016, the Company's ordinary shares commenced trading on the ISDX Growth Market (Now called NEX Exchange) under the ticker DOR and ceased trading on the London AIM market.

The Company's Board had determined that due to the possible delisting of trading of its shares on the London AIM market, and to keep the Company's shares trading on a regulated platform and given the size and stage of development of the Company, that the London NEX Exchange Growth Market provides shareholders with the most appropriate listing platform on which to promote the Company's growth strategy.

The Reason for the Move from AIM to ISDX:

Going back a number of years, the Company had previously announced on 12 September 2014 that the disposal of TEP Exchange ("TEP") had been completed. This concluded the transition of the Company from the historical TEP Exchange Group Plc, whose primary business was unsuccessful in the licensing and on-line advertising of TEP's proprietary electronic platform, to a company with a new focus of investing in conventional oil and gas production and exploration activities in Europe.

This disposal constituted a change of business for the purpose of Rule 15 of the AIM Rules for Companies and therefore the Company was, with effect from 12 September 2014, re-classified as an investing company.

As an investing company it was required to make an acquisition or acquisitions which constituted a reverse takeover under the AIM Rules or otherwise implement its investing policy within the next 12 months.

The existing investments in HHDL, Lidsey and Brockham made by the Company prior to the disposal of TEP and the adoption of the new investing policy pursuant to AIM Rule 15 did not count towards the consideration as to whether the Company had implemented its investing policy pursuant to AIM Rule 8.

The Company attempted to otherwise implement its investing policy by investing the majority of its available cash in suitable investments.

The investment committee conducted due diligence on several further investment opportunities in the oil and gas sector in Europe with potential for growth in relation to implementing its investing strategy. However these minority investments were not deemed sufficient for the Company to be considered to have implemented its investing policy pursuant to AIM Rule 8. It was considered, under the circumstances, that the investment in GGO and potential reverse takeover of GGO represented the best opportunity for the Company to implement its investing strategy.

On 11 September 2015, the Company announced that it had acquired an initial 2.82% equity shareholding in Greenland Gas & Oil Plc ("GGO"), a UK based oil and gas exploration company focused solely on Greenland, and had entered into an option agreement (the "Option") to acquire a further 60.56% of the existing share capital of GGO which expired on 31 March 2016. Exercise of the Option in full would have constituted a reverse takeover under AIM Rule 14 and the Company therefore requested that dealings in its Shares be suspended from trading on AIM with immediate effect. However, as a reverse takeover was not completed the Company's Shares were cancelled from AIM pursuant to AIM Rule 41 on 14 March 2016. The Company had elected not to exercise the Option following further due diligence and due to the current low oil price environment.

On 15 March 2016, the Company was admitted to trading on the ISDX Growth Market in order to take advantage of that market's profile, broad investor base, liquidity and access to institutional investors. The Directors believe that the Admission will (i) provide liquidity for current and future investors in the Company; and (ii) provide the Company with the flexibility to implement its Investing Policy going forward in order to create greater Shareholder returns.

New Public Trading Platforms:

The Company is cognizant of the limited level of trading activity of its shares on the NEX Exchange, and in order to address this the Company is working with its advisors to seek a potential listing on the LSE Standard List and also considering dual listing the Company's shares on a senior recognised stock exchange outside of the UK. The paperwork required to apply for a move to the LSE Standard List is both complex and complicated due primarily to the requirements of the UKLA listing rules obtain full Competent Persons Reports on all of the Company's oil assets and work in this regard remains ongoing.

Board Changes:

On 27 June 2016, Mr David Lenigas was appointed as the new Executive Chairman of the Company with Grant Roberts assuming the position of Non-Executive Director. David Lenigas has extensive first hand corporate and operational experience with all of Doriemus's oil assets, having previously served as Executive Chairman of UK Oil & Gas Investments Plc.

Results for the period:

Loss for the year to 31 December 2016 amounted to £1,032,000 (2015: £310,000 loss) which included £380,000 loss (2015: £nil) on the full equity swap settlement, a share based payment charge of £207,000 (2015: £nil) and approximately £215,000 (2015: £nil) of professional fees in relation to the Company's AIM de-listing and listing on the NEX Exchange Growth market. £55,000 (2015: £99,000) related to Oil Field expenses and the remaining £176,000 (2015: £ 268,000) related to regulatory costs and other corporate overheads.

Total revenue for the period was £1,000 (2015: £57,000).

Outlook:

Oil Production on its way!

2017 and beyond should prove to be an exciting period ahead for the Company and its shareholders as Doriemus moves towards being a serious contributor to new UK onshore oil production and being an active player in opening up the ultimate potential of the Weald Basin. The past few years has seen a significant amount of shareholders funds spent on drilling and evaluating new oil wells in the Weald Basin and it is now time to see oil production lifted from the reservoirs discovered in the Kimmeridge near Gatwick Airport.

We will hopefully see our Brockham Oil Field producing substantial amounts of oil from very wide pay intervals in the Kimmeridge formation and will work closely with our partners on the possibility of drilling a number of new production side-tracks and new production wells once the Brockham X4Z well comes in to full production over the spring/summer of 2017.

We will continue to seek out further investments in line with the Company's investing strategy and will also work closely with HHDL and Angus Energy on potentially increasing our oil production and reserves from the existing operating fields. Also as per our investment strategy, the board will also look opportunistically at investing in or acquiring, an appropriate percentage holding, possibly including management, of a company or companies and businesses in the global oil and gas sector.

The directors would like to take this opportunity to thank our shareholders, staff and consultants for their continued support.

David Lenigas
Executive Chairman
9 May 2017

DORIEMUS PLC

Corporate Governance Statement

Doriemus PLC is committed to high standards of corporate governance. Companies on the NEX Growth Market, as operated by NEP Exchange Limited, are not required to comply with the Combined Code.

The Board

The Board of Doriemus PLC consists of two Executive Directors and two Non-Executive Directors. The composition of the Board ensures no one individual or group of persons dominates the decision making process.

The Board is responsible to the shareholders for setting the direction of the Company through the establishment of strategic objectives and key policies. The Board meets on a regular basis and considers the strategic direction, approves major capital expenditure, and any other matters having a material effect on the Company. Presentations are made to the Board on the activities and both the Executives and Non-Executive Directors undertake visits to operations.

All Directors have access to management, including the Company Secretary, and to such information as is needed to carry out their duties and responsibilities fully and effectively.

Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the Company at its expense. All Directors are subject to election by shareholders at the first annual general meeting following their appointment. In addition, Directors will retire and stand for re-election at least once every three years in accordance with the Company's Articles of Association.

The interests of the Directors in the shares and share options of the Company serve to align their interests with the shareholders generally. The Company does not consider this to have an adverse effect on their independence.

Internal controls

The Directors are responsible for the Company's systems of internal control and reviewing its effectiveness. Any such system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatement or loss.

Internal controls and business risks were monitored in the course of 2016 through regular Board meetings. The key business risks monitored by the Board are set out in the Report of the Directors.

Communication with shareholders

The Board recognises it is accountable to shareholders for the performance and activities of the Company.

The forthcoming Annual General Meeting of the Company will provide an opportunity for the Chairman to present to the shareholders a report on current operations and developments and enable the shareholders to express their views about the Company's business.

Committees

Audit and Remuneration Committees have been established. The Audit Committee comprises D Strang (Chairman) and G Roberts. The Remuneration Committee comprises D Strang (Chairman) and G Roberts. The Directors do not consider that, given the size of the Board, it is appropriate to have a Nominations Committee. The appropriateness of such a committee will, however, be kept under regular review by the Company.

The role of the Remuneration Committee is to review the performance of the executive Director and to set the scale and structure of his remuneration, including bonus arrangements. The Remuneration Committee also administers and establishes performance targets for the Company's employee share schemes and executive incentive schemes for key management. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, and receives and reviews reports from management and the Company's auditors on the internal control systems in use throughout the Company's year and its accounting policies.

DORIEMUS PLC

Report of the Directors for the year ended 31 December 2016

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2016.

Principal activities and business review and future developments

The principal activity of the Company is to invest in and / or acquire companies and / or projects with clear growth potential, focusing on businesses that are available at attractive valuations and hold opportunities to unlock imbedded value, mainly focusing in the mining, and oil & gas sectors.

A review of the business and future developments is given in the Chairman's statement incorporating the strategic report, on pages 1-4.

Key Performance Indicators

Due to the current status of the Company, the Board has not identified any performance indicators as key.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Company involve the ability to secure funding in order to finance the acquisition and exploitation of oil and gas assets and fluctuating commodity prices.

In addition, the amount and quality of the Company's oil and gas resources and the related costs of extraction and production represent a significant risk to the Company.

Financial Risk Management Objectives and Policies

The Company's principal financial instruments are available for sale assets, trade receivables, trade payables and cash at bank. The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Company's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk and this is summarised below.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of equity and its cash resources. Further details of this are provided in the principal accounting policies, headed 'going concern'.

Going Concern

The Directors note the losses that the Company has made for the year ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 30 April 2018 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

Results, dividends

The statement of comprehensive income is on page 10 and shows the result for the year of £1,032,000 (loss) (2015: £310,000 loss). No dividends were paid in the current or prior years, and no dividends are proposed.

Events after the end of the reporting period

Events after the end of the reporting period have been fully detailed in Note 18 to the financial statements.

DORIEMUS PLC

Report of the Directors for the year ended 31 December 2016 (Continued)

Directors' Remuneration and interests

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Directors' emoluments and payments made for professional services rendered are set out in note 3 to the Financial Statements.

All the directors below served during throughout the period unless otherwise stated;

David Lenigas – appointed 27 June 2016
Donald Strang
Hamish Harris
Grant Roberts

Each of the directors hold fully vested options over ordinary shares, Donald Strang Grant Roberts, and Hamish Harris each hold 150 million, and David Lenigas holds 300 million options (total options held by directors is 750,000,000), all of which are exercisable at 0.05p each up until 30 June 2021.

Substantial Shareholdings

As at 8 May 2017, the Company had been notified of the following substantial shareholdings in the ordinary share capital:

Name	Number of ordinary shares	Percentage of ordinary shares %
JIM Nominees Limited	1,274,733,496	10.18%
Forest Nominees Limited	1,100,000,000	8.78%
SL Investment Management Limited	1,071,199,998	8.55%
Wealth Nominees Limited	734,684,004	5.87%
Barclayshare Nominees Limited	718,901,305	5.74%
Hargreaves Lansdown (Nominees) Limited	654,910,142	5.23%
TD Direct Investing Nominees (Europe) Limited	511,148,182	4.08%
Forum Energy Services Limited	500,000,000	3.99%

The market price of the Company's shares at the end of the financial year was 0.0365p; the highest and lowest share prices during the year were 0.065p and 0.025p respectively. Note, the Company's shares had been suspended on AIM from 11 September 2015 until listing on NEX on 15 March 2016.

Policy on Payment of Creditors

It is the Company's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and to pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Company does not have a standard or code dealing specifically with the payment of suppliers.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end payables is therefore not meaningful.

DORIEMUS PLC

**Report of the Directors
for the year ended 31 December 2016 (Continued)**

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the Company and of its profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union 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 Company will continue in business.

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.

Website publication

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to Auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, Chapman Davis LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

David Lenigas
Director

9 May 2017

Independent Auditors' Report to the Members of Doriemus plc

We have audited the financial statements (the "financial statements") of Doriemus PLC for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow and the related notes. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2016 and of the company loss and company's cash flows for the year then ended;
- the 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 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.

Keith Fulton (Senior Statutory Auditor)
for and on behalf of Chapman Davis LLP
Chartered Accountants and Statutory Auditors
London

9 May 2017

DORIEMUS PLC

Statement of Comprehensive Income
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	2	1	57
Cost of sales		(54)	(99)
Gross (loss)		(53)	(42)
Administrative expenses		(442)	(251)
Share based payment charge		(207)	-
Depletion & impairment charge		(1)	(4)
(Loss) from operations	4	(703)	(297)
Finance expense	5	-	(13)
(Loss) on equity swap settlements	11	(380)	-
Unrealised gain on AFS investments		51	-
(Loss) before income tax		(1,032)	(310)
Income tax expense	6	-	-
(Loss) attributable to the owners of the company and total comprehensive income for the year		(1,032)	(310)
Other comprehensive income			
Fair value adjustment of equity swap		-	(34)
Transfer to income statement on equity swap settlement		314	-
Other comprehensive income for the year net of taxation		314	(34)
Total comprehensive income for the period attributable to equity holders of the company		(718)	(344)
Earnings per share			
Basic earnings per share	7	(0.01)p	(0.004)p
Diluted earnings per share	7	(0.01)p	(0.004)p

The notes form an integral part of these financial statements.

DORIEMUS PLC

Statement of Changes in Equity
for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Hedging reserve £'000	Retained earnings / Accumulated losses £'000	Total £'000
At 31 December 2014	57	2,940	236	(280)	(1,032)	1,921
Issue of Share capital	20	1,180	-	-	-	1,200
Share issue costs	-	(82)	-	-	-	(82)
Transactions with owners	20	1,098	-	-	-	1,118
(Loss) for the year	-	-	-	-	(310)	(310)
Unrealised (loss) on equity swap	-	-	-	(34)	-	(34)
Total comprehensive loss for the year	-	-	-	(34)	(310)	(344)
At 31 December 2015	77	4,038	236	(314)	(1,342)	2,695
Issue of Share capital	48	1,278	-	-	-	1,326
Share issue costs	-	(95)	-	-	-	(95)
Share based payment charge	-	-	207	-	-	207
Share options cancelled	-	-	(202)	-	202	-
Transactions with owners	48	1,183	5	-	202	1,438
(Loss) for the year	-	-	-	-	(1,032)	(1,032)
Transfer to income statement	-	-	-	314	-	314
Total comprehensive loss for the year	-	-	-	314	(1,032)	(718)
At 31 December 2016	125	5,221	241	-	(2,172)	3,415

The notes form an integral part of these financial statements.

DORIEMUS PLC

Statement of Financial Position
at 31 December 2016

	Note	2016 £'000	2016 £'000	2015 £'000	2015 £'000
Assets					
Non-current assets					
Intangible assets	8		250		-
Oil & gas properties	9		1,101		1,047
Available for sale investments	10		<u>1,058</u>		<u>850</u>
			2,409		1,897
Current assets					
Trade and other receivables	12	730		437	
Cash and cash equivalents		<u>537</u>		<u>719</u>	
Total current assets			<u>1,267</u>		<u>1,156</u>
Total assets			3,676		3,053
Liabilities					
Current liabilities					
Trade and other payables	13	(261)		(244)	
Derivative financial instruments	11	<u>-</u>		<u>(114)</u>	
Total current liabilities			<u>(261)</u>		<u>(358)</u>
Total liabilities			<u>(261)</u>		<u>(358)</u>
Net assets			<u>3,415</u>		<u>2,695</u>
Equity attributable to owners of the parent					
Share capital	14		125		77
Share premium account			5,221		4,038
Share based payment reserve			241		236
Hedging reserve			-		(314)
Retained earnings			<u>(2,172)</u>		<u>(1,342)</u>
Total equity			<u>3,415</u>		<u>2,695</u>

The financial statements were approved by the Board of Directors and authorised for issue on 9 May 2017.

David Lenigas
Director

Donald Strang
Director

Company registered number 03877125

The notes form an integral part of these financial statements.

DORIEMUS PLC

Statement of Cash Flows
for the year ended 31 December 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
(Loss) from operations	(703)	(297)
<i>Adjustments for:</i>		
Depletion & impairment charge	1	4
Share based payment charge	207	-
(Increase)/decrease in trade and other receivables	(4)	150
Increase/(decrease) in trade and other payables	17	(12)
Net cash (outflow) from operating activities	<u>(482)</u>	<u>(155)</u>
Cash flows from investing activities		
Payments for intangible assets/OGP's	(106)	-
Loans advanced to related parties	(289)	(179)
Payments for AFS investments	(157)	(250)
Net cash used in investing activities	<u>(552)</u>	<u>(429)</u>
Cash flows from financing activities		
Proceeds from Issuance of ordinary share capital	947	1,200
Share issue costs	(95)	(82)
Finance expense paid	-	(13)
Net cash generated in financing activities	<u>852</u>	<u>1,105</u>
Net (decrease)/increase in cash and cash equivalents	(182)	521
Cash, cash equivalents and bank overdrafts at beginning of year	<u>719</u>	<u>198</u>
Cash and cash equivalents at the end of year	<u>537</u>	<u>719</u>
<i>Cash and cash equivalents comprise:</i>		
Bank & cash available on demand	<u>537</u>	<u>719</u>

**Notes forming part of the financial statements
for the year ended 31 December 2016**

1 Accounting policies

Background information

Doriemus plc is incorporated and domiciled in Great Britain. The address of Doriemus plc's registered office is Suite 3B, 38 Jermyn Street, London, SW1Y 6DN which is also the Company's principal place of business. Doriemus plc's shares are listed on the NEX Exchange Growth Market as operated by NEX Exchange Limited ("NEX"). The Company delisted from the AIM market of the London Stock Exchange on 14 March 2016, and commenced trading on the NEX on 15 March 2016. These Financial Statements (the "Financial Statements") have been prepared and approved by the Directors on 9 May 2017 and signed on their behalf by Donald Strang and David Lenigas.

Investing policy

The investment objective of the Company is to provide Shareholders with an attractive total return achieved primarily through capital appreciation. Further, the Directors intend to take an active approach to investments made by the Company and to adhere to the following guidelines:

- (a) Geographic focus: The Company's principal focus is on projects or businesses with part or whole connection or relationship to Europe.
- (b) Sector focus: The Company intends to invest in, or acquire, companies or projects within the oil and gas sector with the potential for growth if the Board considers that there is an opportunity to generate an attractive return for Shareholders. The Directors believe that opportunities exist to create value for Shareholders through a properly executed, acquisition led strategy in the oil and gas sector.
- (c) Types of investment and control of investments: In selecting investment opportunities in line with the Investing Policy, the Board will focus on companies, projects, businesses, joint ventures or production agreements that are available at attractive valuations and hold opportunities to unlock embedded value. Where appropriate, the Board may seek to invest in businesses where they can add their expertise to the management of the business and to utilise their significant industry relationships and access to finance. The ability to work alongside a strong management team to maximise returns through revenue growth will be something the Board will focus upon initially. The Company's interest in a proposed investment or acquisition (as the case may be) may range from a minority position to full ownership. Additionally, the proposed investments:
 - (i) may be in either quoted or unquoted companies;
 - (ii) may be made in companies, partnerships, equity, debt or other loan structures, joint ventures or direct or indirect interests in assets or projects; and
 - (iii) may be made by direct investment or acquisition.
- (d) Investment number and size: Taking into account the Company's available resources, there is no limit on the number or size of investments which the Company may make. Accordingly, the Company's financial resources may be invested in a number of propositions or in just one investment, which may be deemed to be a Reverse Takeover under the NEX Rules. Therefore, there shall be no restriction on the amount of such available financial resources the Company may invest in any one investment. Any transaction constituting a Reverse Takeover under the NEX Rules will also require Shareholder approval and re-admission to the NEX Growth Market of the enlarged entity under NEX Rule 60.

The Board expects that investments will typically be held for the medium to long term, although short term disposal of assets cannot be ruled out if there is an opportunity to generate an attractive return for Shareholders. The Board will place no minimum or maximum limit on the length of time that any investment may be held and in most circumstances, it will be dependent on market conditions. The Company may be both an active and a passive investor depending on the nature of the individual investment.

Where the Company builds a portfolio of related investments, it is possible that there may be cross holdings between such assets. The Board considers that as investments are made, and new promising investment opportunities arise, further funding of the Company may also be required. The Company does not currently intend to fund any investments with debt or other borrowings but may do so in future, if appropriate. The Articles do not contain any restrictions on borrowing and/or leverage limits. The Board may also offer new Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies (including, for example, delays in collecting accounts receivable, unexpected changes in the economic environment and operational problems).

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Investing policy (continued)

The Company will not have a separate investment manager. Through the Investment Committee, the Company proposes to carry out a comprehensive and thorough project review process in which all material aspects of a potential project or business will be subject to rigorous due diligence, as appropriate.

It is anticipated that returns to Shareholders will be delivered primarily through an appreciation in the Company's share price rather than capital distribution via regular dividends. In addition, there may be opportunities to spin out businesses in the form of distributions to Shareholders or make trade sales of business divisions and therefore contemplate returns via special dividends. Given the nature of the Investing Policy, the Company does not intend to make additional regular periodic disclosures or calculations of net asset value outside of the requirements for an NEX Growth Market quoted company. It is anticipated that the Company will hold investments for the medium to long term although where opportunities exist for shorter term investments the Company may undertake these. In compliance with Rule 51 of the NEX Rules, if the Company (as an Investment Vehicle) has not substantially implemented its Investing Policy after the period of one year following Admission, it will seek Shareholder approval in respect of the subsequent year for the further pursuit of its Investing Policy.

As an Investment Vehicle, the Company is required to substantially implement its Investing Policy within a period of two years following Admission. In the event that the Company has not undertaken a transaction constituting a Reverse Takeover under Rule 57 of the NEX Rules, or if it has otherwise failed to substantially implement its Investing Policy within the two-year period, NEX will suspend trading of the Company's Shares in accordance with Rules 78 and 52 of the NEX Rules.

The Directors intend to review the Investing Policy on an annual basis and, subject to their review and in the absence of unforeseen circumstances, the Company intends to adhere to the Investing Policy. Changes to the Investing Policy may be prompted, inter alia, by changes in government policies or economic conditions which alter or introduce additional investment opportunities. It is the intention of the Company to invest its cash resources as far as practicable in accordance with the Investing Policy. However, due to market and other investment considerations, it may take some time before the cash resources of the Company are invested.

It is intended that the Company's existing cash resources will be used to meet general working capital requirements, to undertake due diligence on potential target acquisitions and to make further investments in accordance with the Company's Investing Policy described above.

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the company through all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and EU adopted IFRICs (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("adopted IFRSs"), and in accordance with those parts of the Companies Act 2006 applicable to those companies preparing their accounts under IFRS. The financial statements have been prepared under the historical cost convention.

For personal use only

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Going Concern

The Directors noted the losses that the Company has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 30 April 2018 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Company remains a going concern. At 31 December 2016, the Company had cash and cash equivalents of £537,000 and no borrowings. The Company has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

New standards, amendments and interpretations adopted by the Company

No new and/or revised Standards and Interpretations have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 are not material to the Company.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.
- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Revenue

Revenue is generated from one main source of income currently. In the current year, revenue is being generated from the Company's Farm-in interests, on an accrued monthly basis, along with the associated costs.

Revenue from the production of oil, in which the Company has an interest with other producers, is recognised based on the Company's working interest and the terms of the relevant production sharing contracts. Differences between oil lifted and sold and the Company's share of production are not significant.

Expenses

Expenses are recognised in the period when obligations are incurred and matched against when the related revenue is recognised.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Financial assets

The company classifies its financial assets into categories as set out below, depending on the purpose for which the asset was acquired.

Cash and cash equivalents

Includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.

Trade and other receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at cost, less provision for impairment, if appropriate.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position, and also include amounts due from invested entities.

Financial liabilities

The company classifies its financial liabilities into one of the following categories, depending on the purpose for which the liability was acquired:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method
- Bank and other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.
- Income received in advance is recorded as deferred income on the balance sheet.

Share capital

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The company's ordinary and deferred shares are classified as equity instruments.

Reserves

Share capital is the amount subscribed for ordinary shares at nominal value.

Retained earnings / accumulated losses represent cumulative gains and losses of the company attributable to equity shareholders.

Share based payment reserve represents the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Company from time to time as part of the consideration paid.

Hedging reserve represents the unrealised gains or losses on the company's derivative financial instruments, on fair value revaluation.

For personal use only

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Intangible assets – Exploration of mineral resources

Acquired intangible assets, which consist of mining rights, are valued at cost less accumulated amortisation.

The company applies the full cost method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. All costs associated with mining development and investment are capitalised on a project by project basis pending determination of the feasibility of the project. Such expenditure comprises appropriate technical and administrative expenses but not general overheads.

Such exploration and evaluation costs are capitalised provided that the company's rights to tenure are current and one of the following conditions is met:

- (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- (ii) the activities have not reached a stage which permits a reasonable assessment of whether or not economically recoverable resources exist; or
- (iii) active and significant operations in relation to the area are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any exploration and evaluation costs previously capitalised in respect of that area are written off to profit or loss.

Amortisation does not take place until production commences in these areas. Once production commences, amortisation is calculated on the unit of production method, over the remaining life of the mine. Impairment assessments are carried out regularly by the directors. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist.

The asset's residual value and useful lives are reviewed and adjusted if appropriate, at each reporting date. An assets' carrying value is written down immediately to its recoverable value if the assets carrying amount is greater than its listed recoverable amount.

Oil and gas properties and other property, plant and equipment

(i) Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the decommissioning obligation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Oil and gas properties and other property, plant and equipment (continued)

(ii) Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area.

The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

(ii) Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Provision for rehabilitation / Decommissioning Liability

The Company recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field. Any decommissioning obligations that arise through the production of inventory are expensed when the inventory item is recognised in cost of goods sold.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Company considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as a finance cost. The Company recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements. Changes in estimates are accounted for prospectively.

(i) Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(a) Contingencies

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

(ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(a) Hydrocarbon reserve and resource estimates

Hydrocarbon reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Company's oil and gas properties. The Company estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves and the proportion of the gross reserves which are attributable to the host government under the terms of the Production-Sharing Agreements. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The current long-term Brent oil price assumption used in the estimation of commercial reserves is US\$75/bbl. The carrying amount of oil and gas development and production assets at 31 December 2016 is shown in Note 9.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

(a) Hydrocarbon reserve and resource estimates (continued)

The Company estimates and reports hydrocarbon reserves in line with the principles contained in the SPE Petroleum Resources Management Reporting System (PRMS) framework. As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Such changes may impact the Company's reported financial position and results, which include:

- The carrying value of exploration and evaluation assets; oil and gas properties; property, plant and equipment; and goodwill may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the Units of Production (UOP) method, or where the useful life of the related assets change
- Provisions for decommissioning may require revision — where changes to the reserve estimates affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

(b) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

(c) Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to the proved reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

(d) Recoverability of oil and gas assets

The Company assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) each reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (see (a) *Hydrocarbon reserves and resource estimates* above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs.

(e) Decommissioning costs

Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties. The Company assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change — for example, in response to changes in reserves or changes in laws and regulations or their interpretation.

Therefore, significant estimates and assumptions are made in determining the provision for decommissioning.

As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case by case basis, taking into account factors such as the expected gross cost or timing of abandonment, and is approved by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required

(f) Fair value measurement

The Company measures financial instruments, such as derivatives, at fair value at each balance sheet date. From time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash-generating unit (CGU) at FVLCD.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. From time to time external valuers are used to assess FVLCD of the Company's non-financial assets. Involvement of external valuers is decided upon by the valuation committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The valuation committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Changes in estimates and assumptions about these inputs could affect the reported fair value.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

1 Accounting policies (Continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on disallowed expenses, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

2 Revenue and segmental reporting

The company's current revenue is all generated in the United Kingdom from oil & gas production in accordance with its farm-in agreements, within the United Kingdom. However with this segment in its infancy, and with the only major related transactions being the carrying value of the oil & gas properties assets as described in note 9, no further segmental analysis is deemed useful to disclose currently. The revenue from this segmental was £1,000 (2015: £57,000)

Subject to further acquisitions, the company expects to further review its segmental information during the forthcoming financial year and update accordingly.

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

3 Staff and director costs	2016	2015
	£'000	£'000
Staff costs, including directors, consist of:		
Fees and remuneration for management services	234	81

The company had no employees other than the directors. No pension contributions were made in respect of the directors (2015: £nil). The key management personnel of the group are the board of directors and their remuneration is disclosed below;

	Fees and salaries	Share based payments	Total
	£'000	£'000	£'000
2016			
D Lenigas	-	83	83
D Strang	9	42	51
H Harris	9	41	50
G Roberts	9	41	50
	<u>27</u>	<u>207</u>	<u>234</u>
	Fees and salaries	Share based payments	Total
	£'000	£'000	£'000
2015			
D Strang	36	-	36
H Harris	36	-	36
G Roberts	9	-	9
	<u>81</u>	<u>-</u>	<u>81</u>

Directors' fees totalling £22,000 have been accrued and remain unpaid as at 31 December 2016. (2015: £117,000)

4 Loss from operations	2016	2015
	£'000	£'000
Loss from operations is stated after charging:		
Fees payable to the company's auditor for the audit of: Parent company and consolidated financial statements	10	15
Fees payable to the company's auditor for other services - Taxation services	-	-
Depletion & impairment charge	1	4

5 Finance expense	2016	2015
	£'000	£'000
Equity swap facility fee	-	13

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

6 Taxation	2016	2015
	£'000	£'000
Current tax expense:		
UK corporation tax and income tax of overseas operations on profits for the period	-	-
Total income tax expense	-	-

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

Loss for the period	(1,032)	(310)
Standard rate of corporation tax in the UK	20%	20/21%
Loss on ordinary activities multiplied by the standard rate of corporation tax	(206)	(63)
Expenses not deductible for tax purposes	41	-
Future income tax benefit not brought to account	165	63
Current tax charge for period	-	-

No deferred tax asset has been recognised because there is uncertainty of the timing of suitable future profits against which they can be recovered.

7 Earnings per share

The calculation of the basic and diluted earnings per share is based upon:

	2016	2015
Basic earnings per share (pence)	(0.01)	(0.004)
Diluted earnings per share (pence)	(0.01)	(0.004)
 (Loss)/profit attributable to equity shareholders	 (£1,032,000)	 (£310,000)
	Number	Number
Weighted average number of shares - basic	8,528,596,407	7,350,988,902
Weighted average number of shares - diluted	9,298,596,407	7,490,958,902

The diluted number of shares includes 770 million share options (2015: 140million share options) as described in Note 15. However the impact of the share options are considered to be anti-dilutive.

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

8 Intangible assets

	Licences & Exploration costs £'000	Total £'000
Cost		
1 January 2015	1,051	1,051
Transfer to oil & gas properties	(1,051)	(1,051)
At 31 December 2015	-	-
Additions	250	250
At 31 December 2016	250	250
Amortisation and impairment		
At 1 January 2015, 31 December 2015, 1 January 201 and at 31 December 2016	-	-
Net book value		
At 31 December 2016	250	250
At 31 December 2015	-	-

On 10 August 2016 the Company entered into an agreement to acquire a 5% beneficial interest in the onshore Isle of Wight oil & gas licence "PEDL 331", in the United Kingdom. Consideration paid for the total 5% interest totalled £200,000. During 2016, the Company incurred direct exploration costs in relation to the Company's investment in Greenland Gas & Oil Ltd, and its respective exploration licences.

Impairment Review

At 31 December 2016, the directors have carried out an impairment review and have considered that no impairment write-down is required (2015: £nil). The directors are of the opinion that the carrying value is stated at fair value.

9 Oil & gas properties

	Oil & Gas Properties £'000	Total £'000
Cost		
At 1 January 2016	1,051	1,051
Additions	55	55
At 31 December 2016	1,106	1,106
Depletion & impairment		
At 1 January 2016	4	4
Depletion charge	1	1
At 31 December 2016	5	5
Net book value		
At 31 December 2016	1,101	1,101
At 31 December 2015	1,047	1,047

Impairment review

The Oil & Gas properties comprise the 20% participating interest in the Lidsey Oil Field, in the United Kingdom and the 10% participating interest in the Brockham Oil Field, also in the United Kingdom.

The Directors have carried out an impairment review as at 31 December 2016, and determined that an impairment charge is not currently required. The Directors based this assessment on continuing operational work schedules that are ongoing to improve operational efficiencies.

For personal use only

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

10 Available for sale financial assets

	2016 £'000	2015 £'000
Investment in Listed & unlisted securities		
Valuation at 1 January	850	600
Additions at cost	157	250
Unrealised gain on market value movement	51	-
Valuation at 31 December	1,058	850
The available for sale investments splits are as below:		
Non-current assets – unlisted – at cost	850	850
Non-current assets – listed – at market value	208	-
	1,058	850

On 11 September 2015, the Company acquired an initial 2.82% equity shareholding in Greenland Gas & Oil Plc ("GGO"), a UK based oil and gas exploration company focused solely on Greenland, for a cash consideration of £250,000. In addition, the Company entered into an option agreement (the "Option") to acquire a further 60.56%, on a fully diluted basis, of the existing issued share capital in GGO, however the Company decided not to pursue the exercising of the option agreement which expired on 31 March 2016, but does remain a 2.82% equity shareholder of GGO.

Available-for-sale investments comprise investments in listed and unlisted which if listed are traded on stock markets throughout the world, and are held by the Company as a mix of strategic and short term investments.

11 Derivative Financial Instrument

On 10 December 2013, the Company announced that it had entered into an equity swap agreement ("the Equity Swap Agreement") with YAGM over 400,000,000 of the Subscription Shares ("the Swap Shares"). In return for a payment by the Company to YAGM of £400,000 ("the Initial Escrowed Funds"), twelve monthly settlement payments in respect of such payment were to be made by YAGM to the Company, or by the Company to YAGM, based on a formula related to the difference between the prevailing market price (as defined in the Equity Swap Agreement) of the Company's ordinary shares in any month and a 'benchmark price' that is 10% above the Subscription Price.

During the year ended 31 December 2015, no monthly settlements were made in regards to the Swap Agreement, and further deferral of the agreement was made on 21 October 2015 for fee of £13,000 which has been paid by the Company. The monthly settlements were then due to recommence from March 2016, once the Company had listed on the ISDX Growth Market. The fair value of the swap at 31 December 2015 was based on the last closing share price of the Company prior to its suspension on AIM in September 2015.

During the year ended 31 December 2016, the Company fully settled the equity swap by way of the issue of shares to YAGM for the total value of £180,000, a total of 514,285,714 shares were issued for this settlement on 1 December 2016, resulting in a total realised loss of £380,000 to the company.

	2016 £'000	2015 £'000
Fair Value as at 1 January	(114)	(80)
Transfer to income statement	314	-
Loss on settlement	(380)	-
Settled during the year	180	-
Fair value adjustment to 31 December	-	(34)
Fair Value carried forward as at 31 December	-	(114)

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

12 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	-	-
Loan to related party (See Note 17)	658	369
Other receivables	35	30
Prepayments and accrued income	37	38
	<u>730</u>	<u>437</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

13 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	111	32
Other payables	113	57
Accrued liabilities and deferred income	37	155
	<u>261</u>	<u>244</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

14 Share capital

	Ordinary Shares Number	Nominal Value £'000
Ordinary shares of 0.001p each Allotted, called up and fully paid As at 31 December 2014	<u>5,739,999,998</u>	<u>57</u>
12 March 2015 – Placing for cash at 0.06p per share	2,000,000,000	20
At 31 December 2015	<u>7,739,999,998</u>	<u>77</u>
10 August 2016 – Non-cash issue at 0.04p per share	500,000,000	5
24 October 2016 – Open offer for cash at 0.035p per share	2,471,999,999	25
2 December 2016 – Placing for cash at 0.035p per share	714,285,714	7
12 December 2016 – Cash at par value of 0.0001p per share to the Employment Benefit Trust	1,100,000,000	11
At 31 December 2016	<u>12,526,285,711</u>	<u>125</u>

Dividends Paid

During the years ended 31 December 2016 and 31 December 2015, the Company paid no dividends.

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

14 Share capital (continued)

Capital Management

The Company's capital comprises the ordinary shares 0.001p (2015: 0.001p) each, as shown above.

The Company's objectives when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Share Options

The Company has as at 31 December 2016, 770,000,000 (2015: 140,000,000) share options issued through its share schemes. During the year 750,000,000 share options were issued. (2015: nil) The share options in issue have exercise prices of 0.05p & 0.22p per share, and are exercisable up to 30 June 2021 & 14 November 2018 respectively. The Company also cancelled 120,000,000 of the existing options in issue. (2015: nil)

Warrants in issue

As at 31 December 2016, nil warrants remained outstanding. (2015: nil) No warrants were issued during the year. (2015: nil)

Employment Benefit Trust ("EBT")

The Company established on 12 December 2016 a share incentive plan ("SIP") and effective as of 12 December 2016. The purpose of the SIP is to incentivise officers, employees and consultants of the Company by the award of ordinary shares in the capital of the Company ("Ordinary Shares") for no cost. Ordinary Shares under this plan will not exceed 10 per cent of the Company's issued share capital from time to time without the prior approval of shareholders of the Company.

The Company also established on 12 December 2014, an employee benefit trust called the Doriemus Employee Benefit Trust ("EBT") to implement the use of the SIP. The EBT is a discretionary trust for the benefit of directors, employees and consultants of the Company and its subsidiaries.

Accordingly, the trustees of the EBT subscribed for 1,100,000,000 new ordinary shares of 0.001p each in the Company, at par value per share at an aggregate cost to the Company of £11,000, such shares representing 9.63% of the so enlarged issued share capital of the Company. The shares held in the EBT are intended to be used to satisfy future awards made by the Company's Remuneration Committee under the SIP. It is intended that any individual awards under the scheme will be subject to vesting and performance conditions. There have been no further subscriptions during the year ended 31 December 2016.

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

15 Share based payments

The expense recognised for employee services received during the period is shown in the following table:

	2016 £'000	2015 £'000
Expenses arising from equity settled share-based payments; Share options issued and vested	207	-

Share options held by directors, employees and third parties are as follows:

Grant date	Expiry date	Exercise price £	Outstanding as at 31 December 2016 Number
15 November 2013	14 November 2018	0.0022	20,000,000
30 June 2016	30 June 2021	0.0005	750,000,000

A modified Black-Scholes model has been used to determine the fair value of the share options on the date of grant. The fair value is expensed to the income statement on a straight-line basis over the vesting period, which is determined annually. The model assesses a number of factors in calculating the fair value. These include the market price on the date of grant, the exercise price of the share options, the expected share price volatility of the Company's share price, the expected life of the options, the risk-free rate of interest and the expected level of dividends in future periods.

16 Related party transactions

The company had the following amounts outstanding from its investee companies (Note 12) at 31 December:

	2016 £'000	2015 £'000
Horse Hill Development Ltd ("Horse Hill")	657	369

The above loan outstanding is included within trade and other receivables, Note 12. The loan to Horse Hill has been made in accordance with the terms of the investment agreement whereby it accrues interest daily at the Bank of England base rate and is repayable out of future cashflows.

Remuneration of Key Management Personnel

The remuneration of the directors, and other key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures

	2016 £'000	2015 £'000
Short-term employee benefits	27	81
Share-based payments	207	-
	234	81

For personal use only

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

17 Financial instruments

Financial risk management

The Board of Directors sets the treasury policies and objectives of the company, which includes controls over the procedures used to manage financial market risks.

It is, and has been throughout the period under review, the company's policy that no major trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments are:

- interest rate risk;
- liquidity risk;
- credit risk.
- market risk.
- Commodity price risk

Interest rate risk

The company borrows only in sterling at both fixed and floating rates of interest. At the year end, all borrowings were at variable rates.

Liquidity risk

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and overdrafts as well as funding from shareholders.

Credit risk

The company has no significant concentration of credit risk.

Market risk

The company's current exposure to market risk is fundamentally linked to its own share price, as a result of the currently active equity swap arrangement.

The Board agrees and reviews policies and financial instruments for risk management. The primary objectives of the treasury function are to provide competitively priced funding for the activities of the company and to identify and manage financial risk.

Commodity price risk

The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas products through its farm-in arrangements.

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices. The analysis is based on the assumption that the crude oil price moves 10% resulting in a change of US\$4.35/bbl (2015: US\$4.50/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

Increase/decrease in crude oil prices	Effect on profit before tax for the year ended 31 December 2016 Increase/(Decrease)	Effect on profit before tax for the year ended 31 December 2015 Increase/(Decrease)
	£'000	£'000
Increase US\$4.35/bbl (2015: US\$4.50)	-	6
Decrease US\$4.35/bbl (2015: US\$4.50)	(-)	(6)

For personal use only

Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)

17 Financial Instruments (Continued)

Principal financial instruments

The principal financial instruments used by the company from which financial instrument risk arises, are as follows:

Financial assets

	2016 £'000	2015 £'000
Trade receivables	-	-
Other receivables	35	30
Other loans	658	369
Cash and cash equivalents	537	719
Total financial assets classified as loans and receivables	<u>1,230</u>	<u>1,118</u>

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

At 31 December 2016 and 2015 the carrying amounts of financial assets approximate to their fair values.

Financial liabilities

	2016 £'000	2015 £'000
Trade payables - current	111	32
Other payables	13	57
Accrued liabilities	37	155
Derivative financial instrument – equity swap arrangement	-	114
Total financial liabilities measured at amortised cost	<u>261</u>	<u>358</u>

To the extent trade and other payables are not carried at fair value in the statement of financial position, book value approximates to fair value at 31 December 2016 and 2015.

All financial assets and liabilities are due in less than 1 year.

The Company is exposed through its operations to one or more of the following financial risks:

Liquidity risk

Liquidity risk arises from the company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the company will encounter difficulty in meeting its financial obligations as they fall due.

Short term liquidity risk is managed by preparing forecasts together with obtaining and reviewing the adequacy of banking facilities. There is currently no long-term liquidity risk.

Market operational and pricing risks

The company operates only in the United Kingdom. The company's only revenue is derived from income from its farm-in agreements. The level of income is entirely dependent on the production and operation of the oil fields by its existing operator. And the subsequent exposure to the movement in oil price in the market.

For personal use only

**Notes forming part of the financial statements
for the year ended 31 December 2016 (Continued)**

17. Financial Instruments (Continued)

Credit risk

The credit qualities of financial assets that are neither past nor impaired are considered to be good, as they are primarily trade receivables and cash held with the Lloyds Bank. There are no financial assets which are past due or impaired.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "AA" are accepted.

Cash flow interest rate risk

The company has minimal risk towards interest rate changes, other than those effects on interest being received on cash held in the company's bank accounts.

Currency risk

The company is not directly exposed to currency risk as its assets, liabilities, revenue and expenditure are denominated in Sterling.

18 Events after the end of the reporting period

There no events after the end of the reporting period to disclose.

19 Commitments and contingencies

The directors have confirmed that there were no contingent liabilities or capital commitments which should be disclosed at 31 December 2016. No provision has been made in the financial statements for any amounts in relation to any capital expenditure requirements of the Company's farm-in agreements, and such costs are expected to be fulfilled in the normal course of the operations of the Company.

20 Ultimate controlling party

There is not considered to be an ultimate controlling party of the company.

For personal use only