



VICTORIA
OIL & GAS PLC

Annual Report &
Accounts 2014

www.victoriaoilandgas.com

Powering industry in Africa



Victoria Oil & Gas Plc (“VOG” or “the Company”) is an energy utility and hydrocarbon developer with flagship assets in Cameroon.

From gas production wells located in the port city of Douala, our energy utility subsidiary, Gaz du Cameroun S.A. (“GDC”), supplies energy products to major industries in the region. Customers are primarily supplied with gas through an extensive pipeline network built by GDC in the Douala area. GDC products include thermal gas, condensate and gas for electricity generation.

The Company also holds 100% of the West Medvezhye oil and gas project near Nady, Russia.

Becoming an energy utility company

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- Thermal and condensate gas markets established
- First customer Gensets connected proving viability of gas-to-electricity model
- National grid and CNG identified as next markets to expand into

Victoria Oil & Gas Plc

VOG has created an energy utility business that manages all gas supply stages from extraction to customer connection. The Company has onshore gas reservoirs in Cameroon to provide the industrial region of Douala with cost effective, clean and reliable energy solutions.

Gaz du Cameroun: Current Products

GDC looks to maximise its gas production across a range of varied energy product types. With a significant central pipeline network established in Douala, GDC's engineering teams help design and install any necessary conversion systems or power connections for new gas users.



Thermal

Supplying customers gas for thermal use such as in boilers, process plants and furnaces. The core customers are those in medium to heavy industry and we currently have 18 customers consuming gas for thermal use.



Gas condensate

Gas condensate, a by-product of the production of natural gas, is used as a cleaner and solvent, lantern and stove fuel and as a diluent in heavy oil production. Condensate can be taken by road tanker to various parts of the country. 14,107bbls were produced during the period.



Gensets (gas-fired electricity generation)

Gas supplied to dedicated 0.5-3.0MW generators for customers' factories and plants. We successfully installed the first 6 Gensets at 4 customer sites, resulting in an immediate increase in gas supply. GDC is looking to expand its gas-to-power business and develop the Genset model, sourcing units meeting specific customer needs.

Gaz du Cameroun: Future Products

The need for GDC gas in Cameroon is driven by high cost fuel sources such as HFO and a national deficit in power that leads to erratic electricity supply. GDC is working to develop new markets for its gas such as providing large scale supply to support the national power provider and through products that need low levels of infrastructure and capital expenditure, such as compressed natural gas. The strategy is to develop a broad spectrum of energy product types and markets.



Supplying the grid

With ENEO and the Cameroon Government, we aim to supply gas to Gensets at power stations in Douala. We ensure security of supply and have capacity to become the supplier to three power stations in Douala. Initial planned peak output from the first two of these stations is 50MW.



Compressed natural gas ("CNG")

We are currently evaluating a CNG project where CNG is transported by road tanker from a compressor station to customers without the capital-intensive requirement of a pipeline. CNG enables gas to be sold economically to businesses via a "virtual pipeline" within a 200km radius of the operations.



> Subsidiary Rebrand

Marking the formal inauguration of the Company's gas plant and pipeline in the City of Douala, Cameroon, and the transition from development to utility, the VOG subsidiary company was rebranded from "Rodeo Development Limited" to "Gaz du Cameroun S.A."

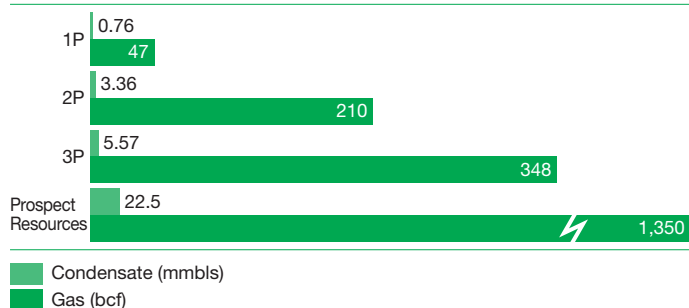
Operational Highlights

- 60% mmscf/d increase in gas production from 2.0mmscf/d to 3.2mmscf/d
- 81% increase in condensate production
- Roll-out of first gas-fired electricity generation sets commenced at commercial and industrial customer sites
- Signed supply agreements with major new customers
- Gas supply negotiations initiated with national electricity generator, ENEO Cameroon
- Company-wide review and improvements to operational and management processes

Financial Highlights

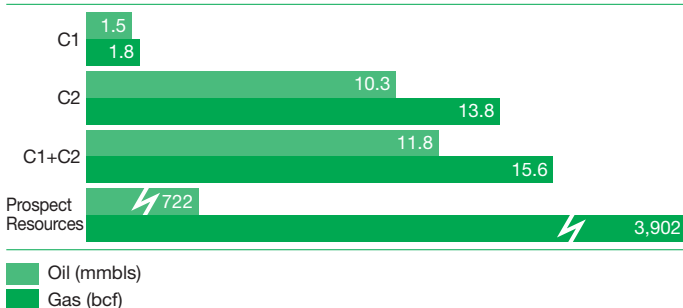
- Production levels mean we are now achieving operational cash break-even at Logbaba
- Draw down on the XAF 4.0 billion (\$8.3 million) BGFIBank loan facility
- Revenue of \$14.7 million in the 12 months to 31 May 2014, compared to \$6.9 million in the comparative 12 month period, reflecting the expansion of our customer network
- The Group made additions of \$10.8 million to the tangible assets of the Logbaba gas development in Cameroon
- Received \$20.4 million from RSM on cash call issued for participating interest share

Logbaba (Cameroon): Reserves*



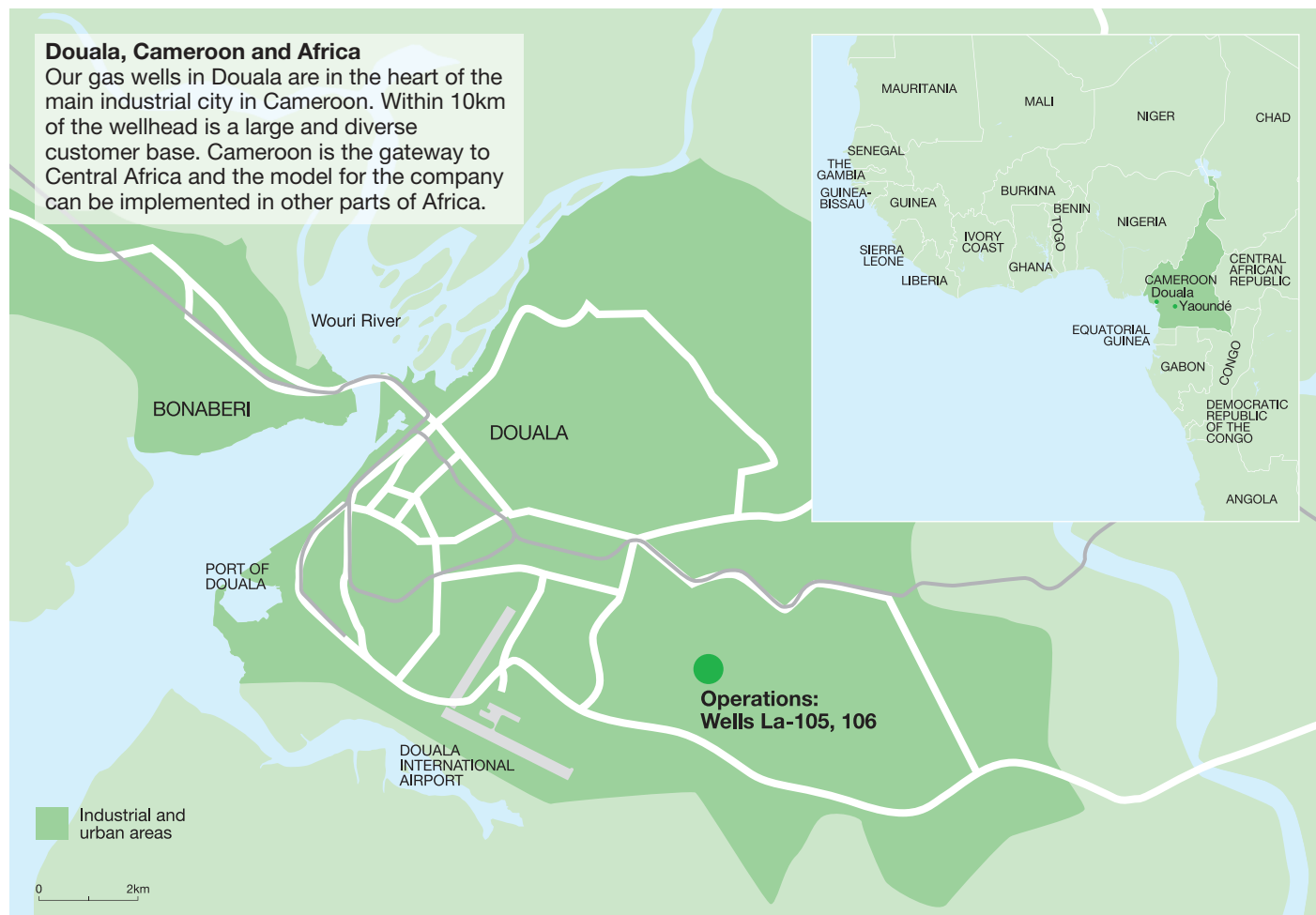
* As at 1 October 2014

West Med (Russia): Reserves**



** C1 and C2 Reserves Under Russian Natural Resource Classification

- Douala: a major industrial zone of west Central Africa, home to manufacturing and production businesses supplying both Cameroon and the region



> **Right:** Pipe crossing the Wouri River

Operations

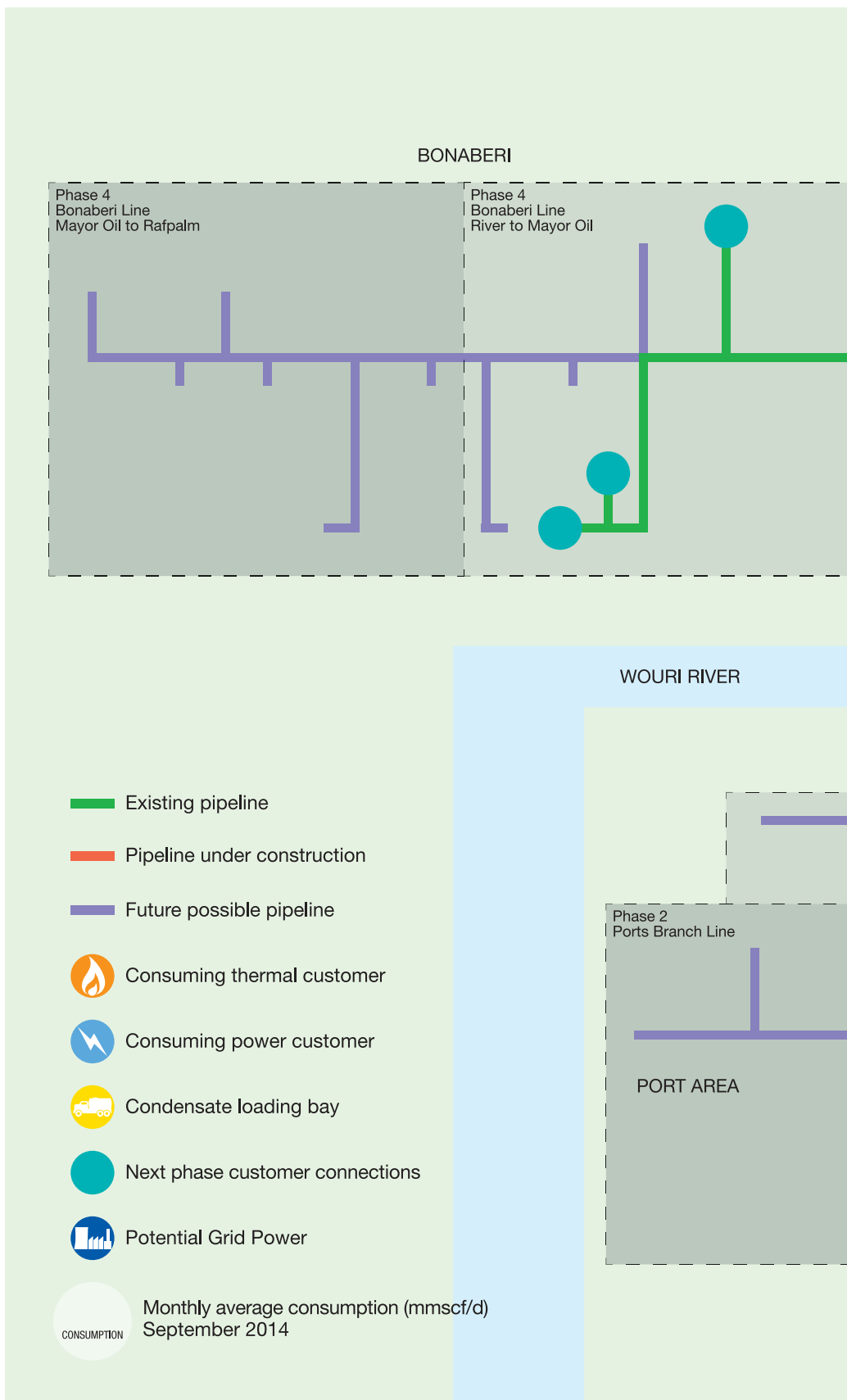
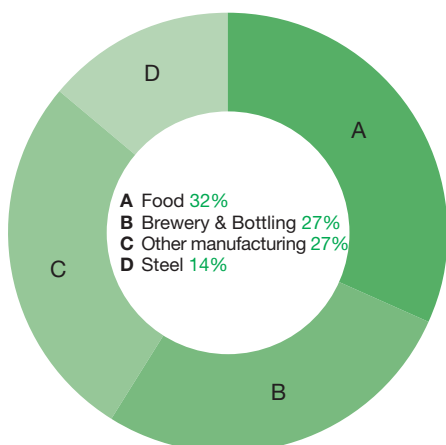
- Wells located within the city of Douala alleviating the need for extensive transport costs
- Gas utilised across several different product types
- Crossing under Wouri River opens up new market on Bonaberi shore

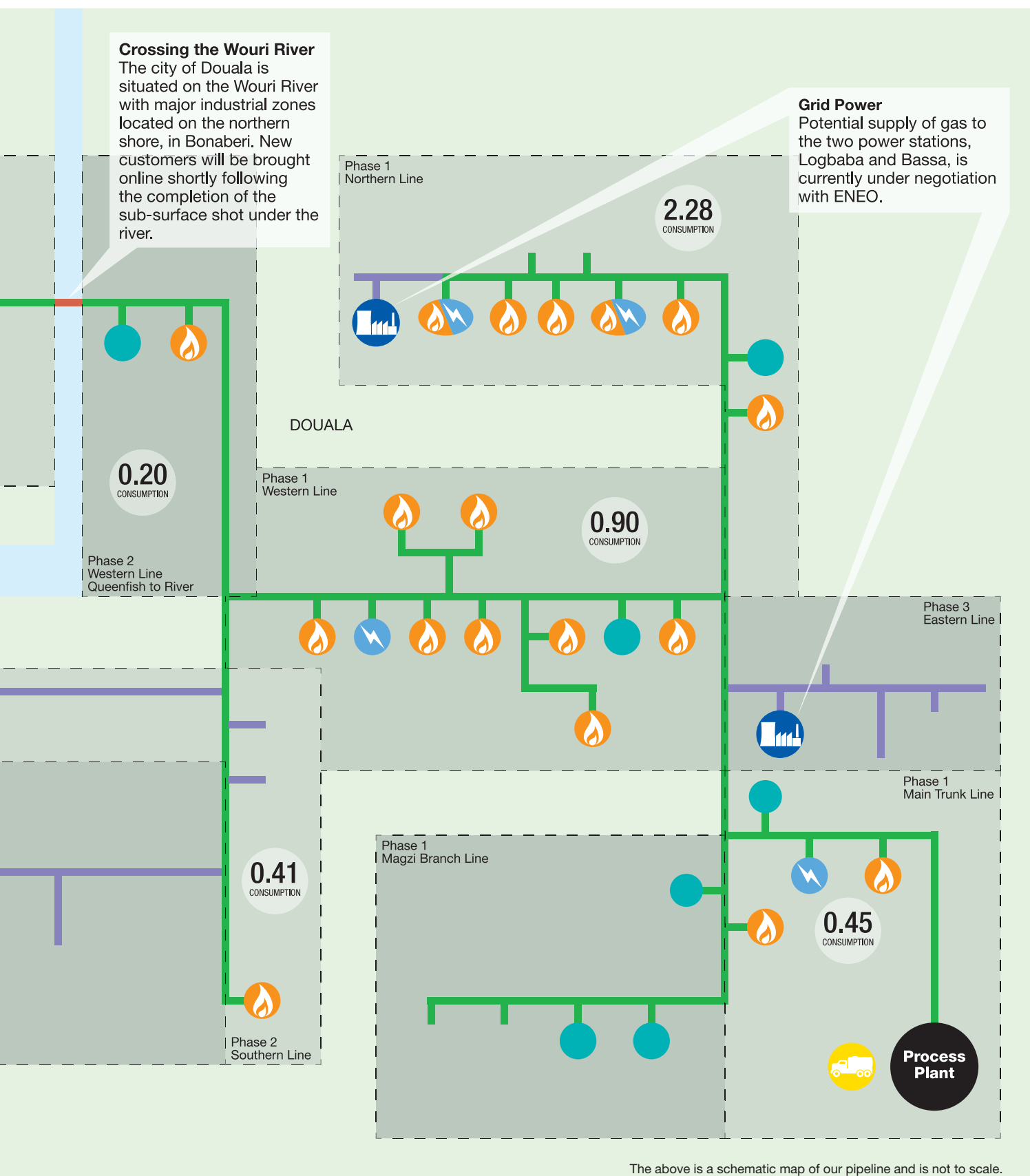
Gaz du Cameroun has completed two gas supply wells within the city of Douala and operates a wellhead-to-burner tip gas business. Douala is a major port city serving Central Africa and, in addition to being an import hub, is host to a range of major industrial complexes serving Cameroon and surrounding countries. 28.3km of pipeline has been laid, as at the end of September 2014, within the urban areas of Douala. The Wouri River is being crossed to provide gas to another of the city's key industrial zones located on the Bonaberi shore. GDC currently provides thermal gas, condensate and gas for small-scale electricity generation to customers.



Customers by sector in Douala

Our gas operations supply customers across a range of diverse industries. Douala is a major production hub for goods supplying both Cameroon and the surrounding region.





Chairman's Statement

- Major increases in gas supply
- Process and management changes across the Group
- Targeting new markets

Dear Shareholder,

I am pleased to report progress made by the Group this reporting year and to share our expectations for the immediate future.

I will begin by listing some of the key advances made by Victoria Oil & Gas Plc ("VOG" or "the Company") and its wholly owned subsidiary, Gaz du Cameroun S.A. ("GDC") during the financial year ended 31 May 2014 in which we:

- Initiated major changes to the management team in October 2013;
- Reversed the declining supply rate and delivered a 60% mmscf/d increase in gas supply;
- Increased production levels from a seven day average of 2.0mmscf/d to 3.2mmscf/d during the period;
- Rolled out the first gas-fired electricity generation sets ("Gensets") to industrial customers;
- Signed supply agreements with major new customers;
- Commenced negotiations for GDC to supply gas to the national electricity generator, ENEO Cameroon ("ENEO");
- Completed company-wide management training; and
- Improved the financial position of the Group.

Moving Forward

In the 2013 Chairman's Statement, I gave details of the changes being made so that our energy supply operations in Cameroon could start delivering real value to shareholders. I believe that these changes have led to tangible improvements and the process continues.

When I undertook the dual role of Chairman and acting CEO in September 2013, I implemented fundamental changes within the Group to secure near-term revenues and gas supply contracts.

One of the key drivers for change over the first part of this financial year was to ensure that shareholder capital invested to date was utilised efficiently to support GDC's operations. Specifically this meant increasing our cash flow to avoid having to return to the equity market for additional funds. I am pleased to say we have been successful in meeting that objective and that no shareholder dilution has occurred since the last equity issue in February 2013.

Our principal focus has been to move away from being an exploration and production company, to an integrated energy utility company with products to deliver into a new and growing African market.

Providing energy for Cameroon's industries

2008

- VOG enters Cameroon in December and becomes operator of Logbaba

2009

- In September, GDC spuds its first well, La-105, the first onshore well in Cameroon since the 1950s

2010

- The two-well drilling programme was completed successfully; well La-105 tested at 55mmscf/d and La-106 tested at rates up to 22mmscf/d

2011

- President Biya signs the Exploitation Licence on 29 April
- First delivery of gas in December



GDC is meeting the challenge of becoming a utility company, selling gas that competes against established and much more expensive fuels such as diesel, Heavy Fuel Oil ("HFO") and Light Fuel Oil ("LFO").

The changes within VOG were achieved by recognising the unique position we have in Cameroon and the first mover advantages that we enjoy, but at the same time understanding our market, our customers' real needs and the company structure and approach to business that we had applied, often with mixed success. Strong guidance in this rebuilding was provided by business management consultants, Gallop Solutions International Limited of Australia, and I can report that I am very pleased with the management, workforce and our overall business strategy in Cameroon.

Logbaba Gas Project, Cameroon

(60% owned by GDC, a VOG subsidiary, and 40% by RSM Production Corporation ("RSM") of Denver Colorado)

In November 2013 we were greatly honoured when the Head of State, His Excellency President Paul Biya, officially opened our gas plant and pipeline network. This event, attended by over 5,000 delegates from all over Cameroon was a solid endorsement by the President of Cameroon and his Government of our work in the country and the success we have achieved to date.

GDC achieved operational break-even on a cash flow basis in February 2014, with an average 3.2mmscf/d production rate achieved. The production rate was reached upon the successful connection of SOCAVER.

By early July 2014, GDC had reached a 3.9mmscf/d seven-day average and rolled out its first Gensets to major customers in Douala. A key element of our business strategy is to support electric power supply to Cameroon businesses, through small-scale Genset installations.

To balance this, we are fully engaged in a process to become a key energy provider to the country's national electricity generator, working with ENEO, (formerly Actis-Sonel), the private-public partnership that operates Cameroon's national electricity network.

We have achieved a lot. We have a secure customer base and hungry markets to sell gas to. Opportunities on the Bonaberi shore will open up with the crossing of the Wouri River. Discussions have progressed with new partners to help us grow the Genset business and we are looking to supplying the national utility company with gas. I am also excited by the prospect of developing a Compressed Natural Gas ("CNG") business which would allow us access to a much wider geographical range of customers.

2012

- Commencement of continuous gas and condensate production operations in July



2013

- Continued gas production and pipeline installation
- Progression into power generation for industrial customers
- President Paul Biya officially inaugurates operations on 15 November 2013



2014

- Negotiations with Cameroon state utility joint venture, ENEO, underway for gas supply to power stations
- Connecting industrial customers with significant gas usage
- First Gensets installed and connected at customer sites
- Wouri River crossing commenced



2015...

- Begin gas supply to first power stations in Cameroon following agreement with ENEO
- Expand thermal customer usage
- Develop CNG partnership and supply model
- Remediation of well La-106
- Roll-out of new electricity generation supply model for individual customers



Corporate

VOG is now a very different company compared to the one it was in May 2013. Changes at Board and executive level, and more effective sales, engineering, finance and consultancy teams are working together to bring new customers online and to progress our long-term goals. We are focused on effective and safe use of resources as well as on increasing cost efficiency and cash flow.

Following the arbitration decision handed down in December 2013, VOG received \$20.4 million from RSM in part payment of their share of Logbaba post-exploration costs and RSM agreed that any balance payable would be determined by an independent process managed by Akintola Williams Deloitte, Nigeria, a member firm of the global professional services firm Deloitte Touche Tohmatsu Limited.

In January 2014, GDC secured a XAF 4.0 billion (\$8.3 million) loan facility with BGFIBank ("BGFI"), an African bank with operations in Cameroon, to help fund our capital projects. Funds from the loan facility were used to complete the Dangote pipeline and installation of Gensets at customer sites. A further XAF 0.8 billion (\$1.7 million) customs bond was provided by BGFI to support the temporary

import of the Gensets. An agreement with the Customs Agency of Cameroon was concluded to ensure no duty was to be paid on the Gensets for a 12-month period and at the end of the 12-month period an automatic one year extension can be requested or the equipment can be re-exported with no customs duties payable.

We are also strengthening the Board of VOG and in June 2014 we welcomed James McBurney as an independent Non-Executive Director to the Company. In his career, James has headed up the European Natural Resources investment banking group at Bank of America Securities in London, which followed his role as a Managing Director with Merrill Lynch & Co. Inc.'s Energy & Power Group in New York. We are looking to make additional appointments to the Board in the near future.

The Company has been working to enhance our corporate profile and recognition in the equity markets. This work comprises of two initial key elements: appointing a new broker and a capital reorganisation. Numis Securities Limited ("Numis") is one of the UK's leading independent institutional stockbrokers and corporate advisors and has been appointed as a broker to VOG. With the support of Numis through their institutional research, sales and

From an E&P company to an energy utility

- > **Right:** Logbaba gas plant
- > **Far right, top:** Dangote cement plant under construction
- > **Far right, bottom:** Sub-surface auger



corporate finance teams we shall look to build real value for shareholders from future operational achievements.

In addition to the usual business being dealt with at the Annual General Meeting ("AGM") this year, the Company is seeking shareholder approval for a capital reorganisation, comprising a consolidation and a sub-division of shares. Following a period of consultation with constituents of the UK equity investment community, a consolidation is proposed by the Board in order to set the number of shares in issue that better reflects the Company's profile as an established revenue-generating supplier of gas listed on AIM. The Board believes that the capital reorganisation will support the Company's corporate profile in terms of delivering shareholder value. Accordingly, a consolidation of every 40 existing ordinary shares into one new consolidated ordinary share is proposed.

The AGM of the Company will be held on 26 November 2014 and a formal notice of the meeting as well as a detailed explanation of the capital reorganisation and each resolution to be proposed at the AGM is provided in the shareholder circular distributed to all shareholders on 31 October 2014. Copies of the circular are also available on our website www.victoriaoilandgas.com.

I would like to thank shareholders for their support through a year of substantial change in which we have made real progress. My belief is that VOG's next challenge will be to manage delivery of significant levels of gas to major new customers and markets.

Kevin Foo
Executive Chairman
22 October 2014

> **Right:** The presidential visit has given major national exposure to Gaz du Cameroun and positions the company as a recognised part of the country's domestic energy strategy



Key Performance Indicators

– We measure our progress through our key performance indicators (“KPIs”) which cover a range of operational and financial metrics and are closely aligned with delivering our strategy.

The Directors consider that the current principal KPIs for the Group should be set to monitor the key risks of health and safety and funding, assisting the Group in its ability to:

- Maintain a strong health and safety record;
- Grow sales of natural gas and condensate;
- Control and manage its operating and capital expenditures; and
- Manage its liquidity in order to fund the development of oil and gas deposits in Cameroon and Russia.

Production

Bcf

2014	0.8
2013	0.4

Performance

↑100%

Assessment

Business development initiatives and revenue generation

Performance and outlook

With the expansion of the Logbaba network GDC was able to reach new industrial complexes in Douala, especially within the port region of the Wouri River. Condensate sales to the local refinery have also increased as a consequence of the expansion of thermal gas supply into new areas.

Revenue

\$m

2014	14.7
2013	6.9

Performance

↑112%

Assessment

Business development initiatives and revenue generation

Performance and outlook

The Group is currently using approximately 20% of the capacity of the gas processing plant and sales are expected to grow significantly in the near future.

Cash Flows from Operating Activities

\$m

2014	13.6
(13.4)	2013

Performance

↑\$27m

Assessment

Ability to generate cash from operations

Performance and outlook

A series of large new thermal customers were connected during the period. Higher levels of sales have resulted in increased inflows of cash for the Group. Another major contributing factor to the increase in cash flows from operating activities for the period was the \$20.4 million received from RSM towards its share of Logbaba costs to date.

> **Right:** SABC Brewery: A free educational programme targeted towards customers that are being connected to the network was introduced during the year. The benefits of the programme are threefold: it provides training, builds awareness and acceptance of the Group's activities and it enables the Group to meet its duty of care to customers.



Capital Expenditure

\$m

2014	11.5
2013	9.7

Performance

↑ **19%**

Assessment

Ability to grow the business by investment in exploration and production assets

Performance and outlook

The Group made additions at the Logbaba gas development in Cameroon in the year, relating primarily to expansion of the pipeline network and development of gas-for-power capabilities. These projects are ongoing.

Gas Pipeline

km

2014	25.4
2013	17.4

Performance

↑ **8km**

Assessment

Cumulative pipe laid in km at end of financial period

Performance and outlook

Our main gas pipeline network was completed during the period with new spurs also being laid to customers with significant gas demand. Key pipeline routes adjacent to rail lines were completed following successful agreements with the Cameroon transport authorities and the pipe-laying teams' efficiency significantly improved during the year.

Health and Safety Performance

LTIFR

2014	0.50
2013	1.88

Performance

↓ **73%**

Assessment

Safe working conditions for employees and contractors – Lost time injuries frequency rate ("LTIFR")

Performance and outlook

A total of 397,602 man hours (2013: 771,540 man hours) were put in to our operations during the financial year by employees and contractors, principally in Cameroon, and we laid 8km of pipeline and connected five new customers to our network.

“Our motto continues to be ‘No Defect, No Injury and No Accident’. Consistent with this approach, we achieved a positive drop in our LTIFR rates of approximately 73% over the last year.”



> **Left:** Our safety team undertakes routine inspections of the network 24/7

1

Build a profitable utility business in Cameroon

VOG's key objective is to build our gas business and increase cash flow from the Company's flagship Logbaba gas deposit to fund further expansion in Cameroon and Africa. To date we have focused on the delivery of thermal gas to industrial customers, enabling GDC to secure cash flow and achieve operating cash break-even. While we shall continue to expand our thermal gas business it is important to develop a presence in all regional markets where gas can be utilised to establish a robust, long-term energy strategy with sustainable margins. The supply of gas for electricity generation is key to our market expansion. In addition we shall be looking at collaborative, low cost ventures to allow us to expand our geographic reach via portable energy products such as CNG.

2

Leverage our first mover advantage – having established a wellhead to customer model

With a significant gas supply infrastructure established in an area that is a key industrial region of west Central Africa, GDC is planning to maximise its position as an energy utility. We have established a track record as a consistent and low cost supplier of clean energy to Cameroon businesses and our approach is to use this growing reputation to meet the demand of markets in the Douala region where gas is needed. With drilling being planned near us by other companies, GDC has the opportunity to become a leading supply partner for new gas in the industrial sector of Douala.

3

Become a key part of Cameroon's national energy strategy

Energy shortages and lack of infrastructure are two of Africa's major hurdles to economic and social prosperity. We have established a track record of unlocking energy reserves within Cameroon for industrial use, efficiently supplying customers with low cost, cleaner energy compared to existing fuel types such as HFO. We are in negotiations with the Cameroon state energy utility, ENEO, aimed at supporting the national grid by providing gas to Gensets. Cameroon is seeing a major new phase of investment into its energy infrastructure and VOG has the opportunity to become an important part of supporting the national power plan.

4

Continue to be a reliable gas source for industrial customers in Douala

GDC is focusing on the extraction and supply of gas for customers. We are developing relationships with both finance and equipment partners to put in place frameworks that can assist current and potential clients to use our gas. As GDC looks to expand into new gas markets we shall work with groups experienced in generation engineering, road transportation, portable gas containment and support services to allow us to focus on delivering consistent levels of gas supply into our established infrastructure.



- > **Right:** Wouri River crossing team member
- > **Far right, top:** Logbaba power station
- > **Far right, bottom:** Condensate lifting

1

Increase near-term gas supply connections

The crossing of the Wouri River to the Magzi-Bonaberi industrial area allows us to supply gas products to new customers within Douala. Douala is seeing the development and expansion of major new industrial premises within the port area and GDC is looking to provide these customers with gas. We continue to identify potential customers around our pipeline and assess the building of spur lines that can deliver the quickest returns on capital on a case-by-case basis. Our intention is to progress the Genset model to a point where GDC is primarily a gas supplier and customers deal with all equipment issues through third-party finance and engineering partners introduced by our business development team.

2

Initiate work in grid power supply and CNG

GDC is optimistic that an agreement with the Cameroon state energy utility, ENEO, will be completed and that we will begin to supply gas to their power stations. The Logbaba and Bassa power stations, located within Douala are rated at a maximum of 50MW of power. In terms of entering the CNG market, GDC has undertaken a number of market studies, following consultation with containment and transportation providers and believes a 200km radius exists from the existing Logbaba plant for the economic distribution of such a product.

3

Maintain reliable and safe supply of gas

GDC has an excellent safety record for both workers and those who live in the communities adjacent to our operations. Every year we review how GDC can improve this record by working with, and listening to, all our key stakeholders. All operations at GDC are managed to British Gas safety standards.

GDC will undertake additional works on well La-106 in early 2015 and unlock further gas supply from the upper zones of the Logbaba structure.

4

Develop corporate profile

Following a year of building supply rates and undertaking major changes across both GDC and VOG, the Company is now well positioned to deliver shareholder value. In order to gain recognition in the equity markets for operational progress VOG is looking to strengthen its corporate profile, initially through two key elements: the appointment of a new broker and a capital reorganisation. The capital reorganisation, if accepted by shareholders, will consolidate the shares to significantly reduce the number in issue. Combined with the appointment of a broker and financial adviser with strong institutional contacts and research, the capital reorganisation will strengthen VOG's ability to build equity value in its shares.



> **Right, top:** Bassa power station

> **Right, bottom:** Logbaba power station

- Gas supply rates increased following new customer connections
- Genset roll-out to first customers commenced

Logbaba Gas Project, Cameroon

The period under review began with pipeline infrastructure being rolled out across Douala to establish the core gas distribution network. The work completed by GDC enabled us to understand the seasonal supply trends within the regional energy market and the real motivating factors which were driving customers to transfer from HFO for thermal needs. Usage of GDC thermal gas depends on customers having a consistent supply of electricity and customers who relied on the grid for electricity were unable to utilise thermal gas during the frequent brownout and blackout periods.

Observing the grid power supply issues Douala faced, coupled with requests from existing customers to provide electricity solutions, GDC began development of a gas-to-power strategy, as a result of which we decided to provide small-scale Gensets to facilitate the self-generation of electricity at selected customer sites.

In July 2013, a contract was signed with Energyst International France SAS (“Energyst”) for the operation and maintenance of six 1.5MW uniform Caterpillar generation units. The units were rented, therefore alleviating import duty on shipment into Cameroon. This approach was initially disputed by

Cameroon customs and the first Gensets were held at the port of Douala for over six months before being released in early 2014. These first Gensets were used to prove the concept of the power generation model and following its success we now plan to source bespoke sized Gensets for future customers.

During the first part of the financial year, pipeline expansion was seen as a priority for GDC and a 100 tonne horizontal directional drilling unit was purchased to pursue this objective. An operations supervision contract was also signed with Britanica Horizontal Directional Drilling Ltd (“Britanica”), initially for the river-bed drilling project under the Wouri River.

In October 2013, GDC operational priorities were reviewed and a decision was made to concentrate on near-term customer connections and to utilise the existing pipeline infrastructure more economically. As part of this review, a further economic analysis was undertaken of all existing gas supply agreements and new pipeline work was prioritised only if it could rapidly connect customers.

During January 2014, the Group made significant operational progress on a number of fronts. Pursuing the grid power supply strategy, GDC signed a collaboration agreement with ENEO, the private-public partnership that operates

Creating sustainable long-term value



> **Right:** Processing facility for the Logbaba gas and condensate project

Cameroon's national electricity network, to examine ways of increasing power supply by the use of Logbaba gas.

Our first project involves working with ENEO and selected Genset providers to connect gas to rented Gensets for power generation at two power stations, Bassa and Logbaba in Douala. Currently these stations use HFO and by installing rented units for an initial two year period, it will allow ENEO time to determine longer term solutions. The rental units are expected to have peak capacity of approximately 50MW. We expect to finalise contracts with ENEO soon and begin the roll out of power in early 2015.

Significant gas supply agreements were signed in January 2014, with Dangote for the provision of gas to a major cement plant under construction in Douala, and SOCAVER, the bottling plant operated by Société Anonyme des Brasseries du Cameroun ("SABC").

Post Period

Following the period ending 31 May 2014, GDC has continued to make significant progress. All six Gensets were installed at customer sites with successful connections to the GDC gas supply network and Socapursel, a food manufacturing business, was also connected for thermal gas usage. The pipeline to the Dangote construction site has been completed, ready for gas connection which is expected to occur in late 2014.

A re-negotiated agreement was signed with Energyst in July 2014 covering the supply of any future Gensets, giving GDC the flexibility to propose outright purchase or sale-and-leaseback arrangements to new customers as well as the

existing rental model. GDC is now working to deliver the next phase of Gensets to other thermal supply clients and new customers.

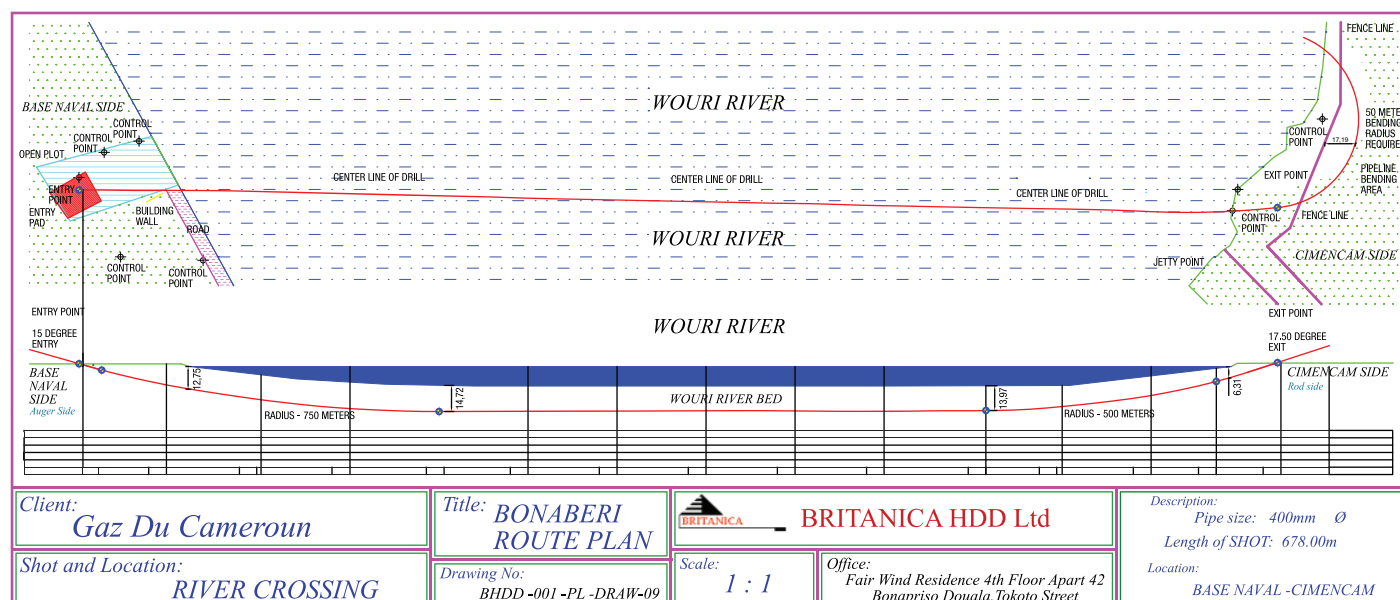
All pipe-laying operations have now also been outsourced to contractor, Britanica. The new Britanica contract is a fixed cost-per-metre agreement with all work approved by GDC management.

In July 2014, we announced a seven-day week average of 3.9mmscf/d and a 4.2mmscf/d average was established for the five-day working week when most GDC customers are at peak demand.

Condensate production increased during the period as higher levels of gas were produced for delivery through the pipeline infrastructure. In total 14,107bbls (2013: 7,774bbls) of condensate was produced at the wellhead to be sold to a local refinery.

The Wouri River crossing, connecting the Bonaberi shore to the main Logbaba gas pipeline, commenced in July 2014. Installation of 678m of 400mm gas pipe 15m under the Wouri River bed will extend the reach of the GDC gas supply network to a new major industrial area within Douala. In anticipation, we have laid 1.5km of pipeline on the North shore to three customers ready for connection to the main pipeline when it is completed.

A CNG project is also being evaluated. CNG would be transported by road tanker or rail from a compressor station to customers without the capital-intensive requirement of a pipeline. CNG enables gas to be sold economically to businesses via a 'virtual pipeline' within a 200km radius of our operations, therefore increasing our customer reach considerably.



West Medvezhye, Russia

Our 100%-owned West Medvezhye ("West Med") field has C1 plus C2 reserves of 14.4mmboe (under the Russian resource classification system, analogous to proven and probable reserves under Western conventions), from its discovery Well-103. In addition, our best estimate prospective resources of 1.4bboe have been calculated comprising 722mmboe of oil and condensate and 695mmboe of gas.

The West Med block, which covers 1,224km², is located in North-Western Siberia, in one of the most prolific oil and gas producing areas in the world. Administratively, the block is located in the Nadym sub-district of the Yamal-Nenets Autonomous District of Tyumen and our block neighbours are Gazprom's giant Medvezhye field and Urengoy gas and condensate fields. The main productive horizon in Western Siberia is the vast Bazhenov Shale, shown in recent studies to be geologically very similar to the liquids-rich Bakken Shale in the United States. A recent study estimated the Bazhenov resource at two trillion barrels of oil in place, around five times larger than the Bakken, and recoverable resources are believed to represent around 40% of all US shales combined.

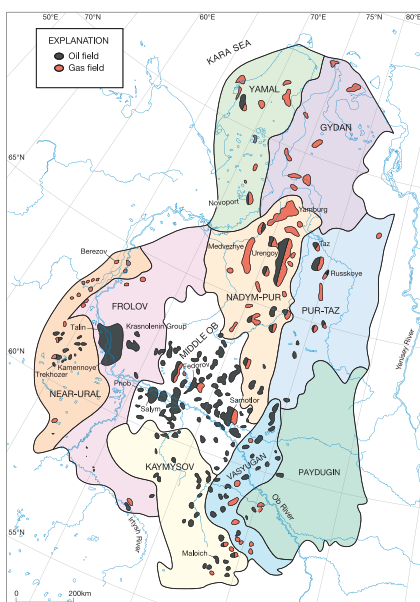
During the period, parties were engaged to investigate possible divestment or joint venture partnership opportunities in relation to further development of the West Med block and the Company continues to pursue options for our Russian assets.

During 2014, Russia has seen deterioration in diplomatic relations with other G8 regions primarily due to the Ukrainian situation and the destruction of a Malaysia Airlines plane over eastern Ukraine on 17 July. VOG continues to monitor both the situation and the sanctions targeted towards Russian companies and individuals, primarily enforced by the US and the EU, to assess potential implications for the Company's Russian assets. To date, gas supplies from Russian to regions including the EU remain unaffected by any sanctions, with measures mostly restricted to individual travel bans, loan agreements, arms sales, and the supply of certain technologies and services relating to the oil industry.

Kevin Foo
Executive Chairman
22 October 2014

West Med, Russia

- > **Right:** Map showing petroleum regions and oil and gas fields of West Siberian basin (Source: USGS)
The West Siberian basin is the largest petroleum basin in the world covering an area of more than 2 million km². The basin occupies a plain between the Ural Mountains and the Yenisey River.
- > **Far right:** Well-103 – winter in West Med





Gallop Solutions is a business management transformation company that is genuinely committed to helping companies structure their organisation, implement management systems and business intelligence tools, and create the culture and team synergies to enable efficient and profitable expansion.

GDC's evolution from a gas exploration company to that of a gas sales, distribution and pipeline network infrastructure company required a whole new management structure and philosophy to accommodate the evolving needs of the organisation, and Gallop Solutions was engaged by VOG and GDC to bring about this cohesion within its executive management and operational teams.

At the time of engagement of Gallop, GDC was experiencing static revenues due to lack of a clear operational management structure. There has been significant change to internal management over the past months and years and, as a result, there was significant need to strengthen the company's culture and improve staff morale and productivity as a backbone to GDC's future profitable expansion. The VOG Board had identified these shortfalls and engaged the services of Gallop Solutions.

Transforming companies involves empowering people – this is always a complex subject as there are many cultures, languages and histories of the various people involved. The challenges faced at GDC was how to overcome the barriers faced from past decisions, and focus the team on the right financial and operational areas of the company with everyone's full agreement and comradery.

Gallop Solutions intensively trained and assisted the executive team and staff at GDC in Douala and London to delineate clear lines of responsibility and accountability across the whole organisation, and smooth out lines of communication to improve overall productivity. Specifically, the following Gallop Solutions business intelligence tools were adopted by GDC to do this:

- An Organising Board was implemented to clarify positions and responsibilities within the company and the valuable outputs required of each role;
- An Organisation Information Centre was created which allows each division of the company to statistically monitor productivity and outputs on a week-by-week basis, and incentivise and motivate the internal team accordingly; and

- A cloud-based platform for internal communication of policies, procedures and job manuals for each position in the company to provide a backbone for each role within the company.

These business intelligence tools have allowed the executives and staff of GDC to drive the performance of the business to immediately improve the company's financial position, and also give the executive team key tools to provide clear leadership to continue to expand its operations with confidence.

Overall, with the support of Gallop Solutions, the implemented changes to GDC's organisational and financial management have led to increased productivity, efficiency and morale; have allowed GDC to focus on the strategic direction of the company; and add future value to the business.

With these foundations strongly in place, GDC will continue to grow and successfully deliver on the strategic plans set out by VOG management in London.



> **Right:** Thermal and electricity generation sets supplied to Guinness

- Communicating with key stakeholders
- Health and safety paramount
- Supporting local communities through employment and social schemes

Community Relations & Employees

The Group has successfully operated within Cameroon since 2009 and has unlocked the country's energy resources to supply the local economy in Cameroon with gas and electricity.

GDC is a Cameroon energy utility company, operated largely by the people of Cameroon who represent over 90% of the company's employees, with many of our staff having been with the company for over five years. We have undertaken significant levels of training within GDC and developed our people's skills across the business in areas such as pipe laying, safety, administration, management, sales and marketing and human resources. Throughout the Group our commitment to personal development and safety is paramount and we see our operations in Cameroon as an example of how to successfully work within a host country with both employees and local stakeholders.

Throughout the process of developing the Logbaba field, local consultation sessions have been run to help communities become aware of how operations are to move forward and for GDC to listen to concerns and feedback from the people of Douala. Our community interaction programmes have allowed GDC to pre-empt issues, in what is a highly populated urban area, and also to ensure that local people have been involved in paid work during all stages of development. One of the key measures of the success of the relationship we have built in the community is the proactive approach local people take to

ensure pipeline security. For example our safety teams receive feedback from community members if concerns arise over other companies planning subsurface work in areas where our gas pipe has been laid.

GDC also has in place an active community programme helping to benefit people in the city of Douala. Our approach is to liaise with communities; identify key needs and then develop projects ourselves or work in conjunction with established organisations. We look to ensure that a true cross section of community members participates in active schemes and have worked to develop ballot systems for selecting individuals to participate in certain programmes.

Work carried out in 2014 included:

- the sponsoring of the Logbaba District Hospital's breast and endometrial cancer screening programme during 2014;
- maintenance costs of the borehole supplying potable water to the local population of Ndogpassi;
- compensation payments made for pipeline construction disturbances;
- 90 local residents were employed as community workers for GDC activities;
- safety information and awareness meetings with local authorities and populations of residents;
- a stakeholder engagement and information meeting related to gas pipeline extension to the Bonaberi area; and

Understanding local issues



- > **Right, top:** Community members using Logbaba borehole
- > **Right, bottom:** Local children at gas plant inauguration
- > **Far right, top:** Logbaba District Hospital
- > **Far right, bottom:** Safety inspection at the pipeline

- GDC also contributed to:
 - Inspection ceremony of the Logbaba Brigade;
 - “Day of Excellence 2014” organised by the NYALLA’s General Bilingual High School; and
 - Final stage of inter university competitions: Cameroon Students Challenge.

Environment

The Group is subject to best practice standards and extensive regulations, which govern environmental protection. The Group is committed to uphold these standards and regulations as a minimum, and to keep these important matters under continuous review. When appropriate, adequate action and provision is immediately taken to ensure compliance with the standards expected of an international oil and gas exploration and production company.

The Group’s project in Cameroon involves two wells, a gas processing facility and a low-pressure gas distribution network. The Group commissioned an independent Social and Environmental Due Diligence study in the context of the Equator Principles, 2006 and the IFC Performance Standards, 2012. The project was identified as being of potential limited adverse social or environmental impact, and any impacts were likely to be few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.

In addition, the Group undertakes Environmental Impact Assessments before each development and uses external consultants to advise on appropriate actions and procedures.

The Group aims to minimise the use of natural resources, such as energy and water and is committed to full reinstatement as part of its environmental obligations.

West Medvezhye

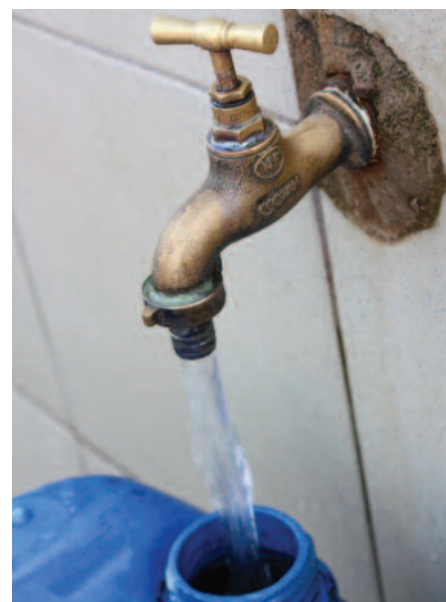
Work carried out in 2014 included:

- funding treatment for senior citizens, subsisting on government pensions, at rehabilitation sanatoriums;
- permanent labour contracts signed with ten local residents; and
- part sponsor of the traditional YNAO competitions of reindeer breeders.

The Group’s asset in Russia is in an environmentally sensitive area, however activities are currently focused on geological and geotechnical studies and resource evaluation. The Group’s Russian subsidiary, which owns the Russian asset, has been audited by the Ministry of the Environment and received a certificate of environmental compliance.

Work carried out in Russia in 2014 included the undertaking of two forest condition surveys followed by completion of related guidelines for rehabilitation of forest plots affected by the creation of winter roads and well pads.

> **Right:** Supplying potable water to the local population of Ndogpassi



Revenue and Results

The results for the year, and the Group's financial position at the end of the year, are shown in the attached financial statements.

The loss on ordinary activities after taxation of the Group for the year ended 31 May 2014 amounted to \$1.7 million (2013: \$15.9 million). This includes an adjustment of \$6.5 million resulting from the RSM arbitration decision as detailed in Note 4 to the financial statements.

As in the prior year, the Group's revenue of \$14.7 million (2013: \$6.9 million) was derived from the Logbaba gas and condensate field in Cameroon. The Group's sales related primarily to gas sold to industrial customers to meet thermal energy needs, and also included the sale of condensate, a by-product from gas production and processing.

The total gas sold during the year was 809mmscf (2013: 369mmscf). Thermal gas sales customers have signed long-term, exclusive gas sales agreements with a fixed US Dollar price for five years. The fixed US Dollar price is converted to Central African Francs ("XAF") and is payable in XAF. This helps us to manage our foreign currency exposure as the majority of our development and operating costs are in XAF but influenced by US Dollar prices for goods and services in our industry.

Condensate production is dependent on the amount of gas produced and averaged approximately 17 barrels per mmscf of gas during the year (2013: approximately 16 barrels per mmscf of gas), with 14,107bbls of condensate produced (2013: 7,774bbls). Condensate is priced relative to Brent Crude and is sold to a refinery in Limbe, just north of Douala. The average price achieved during the year was \$106.14/bbl (2013: \$104.75/bbl).

Cash Flow

Operating activities

RSM paid the Group \$20.4 million during the year, following the December 2013 arbitration decision in relation to RSM's working interest in the Logbaba gas development project (see Note 4 to the financial statements). Primarily as a result of this payment and the cash inflows from gas and condensate sales during the financial year, net cash generated from operating activities was \$13.6 million, compared to a deficit of \$13.4 million in the prior year.

Investing activities

As in the prior year, investing activities related primarily to the expansion of the pipeline network in Cameroon, with \$11.4 million of cash used (2013: \$9.5 million used).

Revenue increased by 112%



Financing activities

The Group has managed its cash requirements through operating cash flows and debt funding during the financial year, avoiding equity funding and the resultant dilution of shareholders. This has been a significant milestone for the Group as the Logbaba gas project has been accepted as a viable, profitable business model by external debt funders. The Group received \$5.2 million from debt funding (2013: \$2.8 million debt funding and net equity funding of \$41.6 million) and repaid \$3.6 million including finance costs (2013: \$9.8 million), generating a net inflow of \$1.6 million from financing activities in the year (2013: \$34.6 million).

Relationship with RSM

Under the Farmin Agreement ("Farmin") between GDC and RSM, GDC is entitled to all revenues from the Logbaba project until it has recovered the costs and expenses it incurred in carrying out its exploration commitments as detailed in the Farmin. During the period that GDC is entitled to all revenues, RSM is required to contribute to its participating interest share (currently 40%) of specified post-exploration costs, and RSM is entitled to an overriding royalty at the rate of 0.8% of production. RSM is also now considered part-owner of the pipeline network and other assets that have been purchased or constructed in Cameroon during the post-exploration phase, and assumes responsibility for liabilities incurred in relation to the post-exploration operations.

The financial effect of the RSM arbitration decision referred to in the 'Cash Flow' section above is explained in detail in Note 4 to the financial statements

Operating Costs

Cost of sales (excluding royalties) of \$6.3 million (2013: \$5.5 million) includes \$5.2 million (2013: \$2.3 million) of depreciation, depletion and amortisation, a non-cash item.

Administration costs are down compared to the prior year, to \$9.3 million (2013: \$11.2 million). This is due primarily to the effect of RSM again having a participating interest, reducing the Group's administrative expenses in Cameroon to 60% of the amount incurred on the project.

Finance Revenue and Finance Costs

As in the prior year, finance revenue relates primarily to the decrease in the fair value of embedded derivatives associated with the convertible loans which expired during the year. The fair value gain decreased to \$0.1 million from \$0.4 million in the prior year.

Finance costs were \$2.0 million (2013: \$4.7 million) and are detailed in Note 8 to the financial statements.

Capital Expenditure

Additions of \$10.8 million were made to property, plant and equipment during the year (2013: \$8.7 million), relating primarily to expansion of the pipeline network and development of gas-for-power capabilities. These projects will continue into the 2015 financial year.

Share-Based Payments

The only share-based payment during the year related to the issue of 30,000,000 warrants in settlement of finance arrangement fees. The warrants issue is detailed in Note 31 to the financial statements, and details of the associated loan are provided in Note 23.

Robert Palmer

Finance Director

22 October 2014

"The Group has managed its cash requirements through operating cash flows and debt funding during the financial year, avoiding equity funding and the resultant dilution of shareholders."

Principal Financial Risks & Uncertainties

- The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation
- The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage risk. These systems are discussed and reviewed annually by the Audit Committee and their findings reported to the Board

Principal risk	Detail	Mitigation	Movement in risk
Field delivery risk	The Group's only producing assets are wells La-105 and La-106 in Douala, Cameroon. There is a risk that the production from these wells may be insufficient to meet customer needs due to unexpected production issues.	The Group monitors the producing wells to ensure that there are no indicators of production problems and undertakes a pre-planned schedule of maintenance to ensure well integrity. The Group plans to undertake perforation work to enhance the flow rates and production from the wells to meet future customer demands.	As demand from customers increases and the producing life of the wells extends, this risk increases. The well maintenance programme is designed to meet this risk and to ensure continuity of supply.
Requirement for further funding	<p>The Group may require additional funding to implement its exploration and development plans and to finance its operational and administrative expenses. There is no guarantee that future market conditions will permit the raising of the necessary funds by way of debt financing, issue of new equity or farming out of interests. If unsuccessful, this may significantly affect the Group's ability to execute its long-term growth strategy.</p> <p>As stated in Note 4 to the financial statements, the Group is due a significant balance from RSM (pending completion of the independent review of the billing statement issued to RSM in December 2013). The Directors are of the view that the amounts due will be received, however if this does not occur, and/or RSM does not fulfil its ongoing funding obligations, the Group may be required to consider other funding options.</p>	<p>The Board regularly reviews Group cash flow projections and considers different possible sources of funds, including funds generated from sales, debt financing, convertible loans and raising equity.</p> <p>The Board also manages this risk by regularly meeting with shareholders and the investor community and communicates through its website, investor relations and regulatory reporting.</p>	<p>The move to operational break-even cash flow in Cameroon has reduced this risk.</p> <p>This overall risk has reduced during the year since RSM has returned as a partner in the Logbaba project, and the Group will only be required to fund 60% of certain costs relating to its activities in Cameroon going forward.</p> <p>The Directors believe that the Group's relationship with RSM is in good standing and the Directors will continue to foster this relationship.</p>
Geological and development risks	<p>Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves.</p> <p>Further exploration activities will be required in Cameroon to meet future strategic objectives.</p>	The Group's activities are in proven gas basins. The Group uses a range of geotechnical techniques to minimise risk prior to drilling and utilises independent reserves auditors to assess reserves and commercial viability.	<p>This risk has reduced this year as exploration activities have been reduced.</p> <p>However the need for further exploration in Cameroon in the future will increase this risk level.</p>
Political risk	The Group's principal assets are currently located in Cameroon and Russia and therefore the Group is exposed to country-specific risks such as the political, social and economic stability of these countries.	<p>The countries in which the Group operates are encouraging foreign investment and are politically stable.</p> <p>The Group's projects are longstanding and we have established strong relationships with local and national government which enable the Group to monitor the political and regulatory environment.</p>	<p>The political situation in Cameroon has remained stable throughout the year and this risk level has not changed.</p> <p>The political situation in Russia has become less certain in recent months. This does not have a direct influence on the Group, but does make the political climate for the divestment of the West Med asset more challenging.</p>

Principal risk	Detail	Mitigation	Movement in risk
Title to assets and licence obligations	<p>Title to oil and gas assets, particularly in Russia, can be complex and may be disputed.</p> <p>Operations in both Cameroon and in Russia must be carried out in accordance with the terms of each licence, field development plan, annual work programmes and budgets which are agreed with the relevant ministry for natural resources in the host country. Typically, the law provides that fines may be imposed and operations suspended, amended or terminated if an operator fails to comply with its obligations under such agreements or fails to make timely payments of levies and taxes for the sub-soil use or provide the required geological information or meet other reporting requirements.</p> <p>Successful title challenges could result in our activities being suspended or terminated.</p>	<p>The Directors monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests.</p> <p>We also manage the risk by each operating company having regular communication and meetings with the relevant government bodies to present and discuss current activities and future work plans in order to receive feedback from those bodies. This is particularly important as the Group has exploitation licences in Cameroon and Russia and there are no explicit work programme requirements.</p> <p>The Country Manager in each jurisdiction is responsible for monitoring compliance with licence obligations and changes to legislation applicable to the company and reports as necessary to the Board.</p>	<p>The situation on this risk has not changed in the year.</p> <p>The Group continues to maintain good relationships with both local and central government in the countries where it operates which mitigates this risk significantly.</p>
Credit risk	<p>Customers</p> <p>Substantially all of the Group's revenues will come from the sale of gas and associated condensate. Inability of the customers to pay for the gas or condensate purchased would have a negative effect on the revenue generated by the Group.</p> <p>RSM</p> <p>There is an outstanding receivable of \$8.6 million from RSM relating to unpaid cash calls. This is a significant element of the Group's planned funding strategy.</p>	<p>Customers</p> <p>The Group manages credit risk by pre-assessing the creditworthiness of counterparties and maintaining credit insurance.</p> <p>RSM</p> <p>If the RSM debt is not met, RSM's interest in the Logbaba project will be forfeited and the Group's interest will increase to 100% (up from its current 60% interest).</p> <p>The Directors are mindful of this receivable when reviewing Group cash flow projections and consider planned spend and alternative funding options accordingly.</p>	<p>Customers</p> <p>The overall credit risk has reduced as the number of customers in Cameroon increases.</p> <p>The risk will fall further when major power contracts are signed.</p> <p>RSM</p> <p>This is a new risk in the current period.</p>
Poor health, environmental and community relations	<p>The Group's operations in Russia are in an environmentally sensitive area.</p> <p>The Group's operations in Cameroon are located in the metropolitan area of Douala with a population of 2.5 million. Our gas wells are located on the outskirts of the city and our gas pipeline network is being laid throughout the city.</p> <p>The scope and potential impact of the risks are increased by the diversity of our operations.</p> <p>The potential impact of a major event could be significant for our employees, contractors, local communities or the environment and may result in a loss of revenue, production or shareholder value.</p>	<p>The Board is committed to maintaining high environmental and community standards and Board members review procedures and monitor performance.</p> <p>The Group has engaged independent external consultants to periodically audit the social and environmental impact of operations in Cameroon and the management thereof.</p> <p>The Group maintains insurances to manage the Group's financial exposure to an accident or other adverse event.</p>	<p>The Company has completed significant amounts of its infrastructure development in Cameroon.</p> <p>As operations turn towards targeting customers along the existing pipeline with limited additional pipeline installation, the risks reduce.</p>

Principal risk	Detail	Mitigation	Movement in risk
Commodity price risk	<p>Substantially all of the Group's revenues come from the sale of gas and associated condensate. The price of gas is volatile and influenced by factors beyond the Group's control. These factors include levels of supply and demand, exchange rates and political events. The price for gas is, in addition, influenced by more regional factors such as proximity to a market and the local cost of alternative fuels.</p> <p>Additionally, licence conditions and local legislation may require production to be sold locally and at a significant discount to world prices.</p>	<p>The Group has one producing asset, the Logbaba project in Cameroon, and has signed five-year, fixed-price gas sales contracts with industrial customers. The price charged represents a substantial saving to the current price for alternative fuels and therefore the risk of needing to reduce prices to remain competitive is low.</p> <p>The price the Group charges for its condensate production is tied to Brent Crude, but this represents less than 10% of revenue.</p> <p>In Russia our project economics are based on conservative base case assumptions and the Russian gas market is highly regulated.</p>	<p>The risk is unchanged from the previous period.</p> <p>The Group's gas sales are priced to be competitive to alternative fuel sources available to the customers. These alternatives are still significantly more expensive than the fixed price gas supplies.</p>
Tax risk	<p>The Group is subject to local and national taxes, which are subject to frequent change. The legislation often lacks clarity and there is the added risk of receiving substantial fines for non-compliance.</p>	<p>The Group has one producing asset in Cameroon. The fiscal regime in Cameroon has been very stable in recent years and the Company has provision in the Logbaba Concession Contract, granted by the Cameroonian Government, that it will not be adversely affected by changes in tax legislation.</p> <p>Recent changes in Russia are largely favourable to oil and gas companies, particularly those operating in tight reservoir environments.</p> <p>The Group engages local tax specialists to advise on tax matters in the jurisdictions that we operate.</p>	<p>This risk is unchanged.</p> <p>There have been no substantial changes in tax legislation in the year.</p>
Financial risk management	<p>Details of the Group's financial risk and management policies are set out in Note 30.</p>		

This Strategic Report was approved by the Board of Directors on 22 October 2014 and signed on its behalf by:

Kevin Foo
Executive Chairman

The Company is subject to the continuing requirements of AIM Rules and is committed to adhering to corporate governance standards appropriate for a company this size and nature. The Company is not required to comply with the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council ("the Code") nor issue a statement of compliance with it. The Directors support high standards of corporate governance and are committed to managing the Company in an honest and ethical manner. Where practical and appropriate for a company of this size and nature, the Company may have regards to the Code and the recommendations on corporate governance of the Quoted Companies Alliance.

The Board seeks to ensure that the Company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term.

Board

During the year, the Board of Directors was comprised of the Chairman and three Executive Directors for the full period and John Scott, the Chief Executive Officer, until his resignation on 27 September 2013. James McBurney was appointed Independent Non-Executive Director on 2 June 2014 and Austen Titford resigned as Executive Director on 16 July 2014. The Chairman, Kevin Foo, has assumed the role of interim Chief Executive Officer alongside his role as Chairman of the Board, and he therefore now holds the title of Executive Chairman. Kevin Foo is responsible for leadership of the Board and for the running of the Company's business, where he is assisted by other Board members in formulating strategy and its delivery once agreed by the Board. The structure of the Board ensures that no one individual dominates the decision making process. The Directors have significant and relevant resource exploration and production experience together with finance and corporate development skills.

The Board meets at least six times each year, providing effective leadership and overall management of the Group's affairs. The Board approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. A schedule of matters reserved for Board decision is maintained. This includes the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements.

Formal agendas, papers and reports are sent to the Directors in a timely manner prior to Board meetings. The Board delegates certain of its responsibilities to the Board committees, listed below, which have clearly defined terms of reference.

All Directors have access to the advice and services of the Company's solicitors and the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of his duties.

One-third of the Directors retire at each Annual General Meeting of the Company and each may be re-elected. Furthermore, every Director must stand for re-election once every three years.

At present, the Board does not consider a nominations committee necessary. When appropriate, any decision will be taken on a clearly defined basis by the Board as a whole.

Audit Committee

The audit committee is chaired by Grant Manheim, Deputy Chairman, and Kevin Foo, Executive Chairman, is the second committee member. James McBurney, Independent Non-Executive Director, was appointed a member of the committee on 25 June 2014. The Finance Director and other members of the finance team attend the committee meetings by invitation.

The committee meets at least twice per year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on. It meets the external auditors and reviews reports from the external auditors. Its full terms of reference are available on request and include: the review of the annual and interim financial statements and of accounting policies; the review with management of the effectiveness of internal controls; and the review with the Group's external auditors of the scope and results of their audit.

Remuneration Committee

The remuneration committee is chaired by Grant Manheim, Deputy Chairman, and Robert Palmer, Finance Director, is the second committee member. James McBurney, Independent Non-Executive Director, was appointed a member of the committee on 25 June 2014.

The committee sets the scale and structure of the Executive Directors' remuneration and that of senior management and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of the Executive Directors and senior management, the committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the full Board concerning the representations to be made to the ESOP for the allocation of incentive shares to employees. No Director participates in discussions or decisions concerning his own remuneration.

The Chairman of the committee will attend the Annual General Meeting and respond to any shareholder questions on the committee's activities.

Relations with Shareholders

The Directors attach great importance to maintaining good relationships with the shareholders. Extensive information about the Company's activities is included in the Annual Report and Accounts and the Interim Report. The Chairman also issues an update letter to shareholders from time to time. Market sensitive information is regularly released to all shareholders in accordance with Stock Exchange rules for AIM-listed companies. The Group is active in communicating with both its institutional and private shareholders. The Annual General Meeting provides an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. The Company presents at conferences and maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports and all announcements.

Current Directors

Kevin Foo, Executive Chairman
Grant Manheim, Deputy Chairman
Robert Palmer, Finance Director
James McBurney, Independent
Non-Executive Director

Company Secretary

Leena Nagrecha

Company Number

5139892

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Fox-Davies Capital Limited
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Registrars

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Directors' Biographies

Kevin Foo MSc, DIC, Dip Met, MIMMM Executive Chairman

Kevin has had a 40 year career in the resources industry. He has worked in five continents and has been responsible for developing mines in remote locations. He was the founder of Victoria Oil & Gas Plc in 2004 and was responsible for the acquisition of the Logbaba Project in Cameroon. He has held CEO and Chairman positions in several AIM-listed companies including Celtic Resources Holdings Plc, Eureka Mining Plc, Bramlin Limited and Bakyrchik Gold Plc. From the end of September 2013, Kevin has assumed the role of Executive Chairman of the Company.

Grant Manheim Deputy Chairman

Grant has extensive financial experience in the City of London gained over 38 years at N.M. Rothschild and Sons Limited with 25 years as a main Board Director. In addition to his financial experience, he also has knowledge of the oil and gas sector having been the Deputy Chairman of the Executive Committee of New Court Natural Resources Plc, a company whose business was the investment in and development of oil and gas properties in the United States.

Robert Palmer FCA Finance Director

Robert is a Chartered Accountant. He combines his role as Finance Director with his position as a senior partner in The Gallagher Partnership LLP, a business consultancy-based accountancy practice where he specialises in providing financial advice to small and medium sized enterprises. He holds a number of directorships in private companies.

James McBurney Independent Non-Executive Director

Mr McBurney has over 25 years' experience advising energy, power and gas companies. He headed the European Natural Resources investment banking group at Bank of America Securities in London from 2002 to 2005, which followed his role as a managing director with Merrill Lynch & Co. Inc.'s Energy & Power Group in New York where he advised many of the U.S.'s power and gas companies during and after the deregulation of the industries. Mr McBurney served for five years in the US Marine Corps and has an MBA from Harvard Business School and a BA from Yale College. Mr McBurney is currently a non-executive director of Sears Canada Inc.

Principal Activities, Business Review and Future Developments

The principal activities of the Group are oil and gas exploration, development and production in Cameroon. During the year, the Group continued the sale of gas and condensate to customers in Cameroon. The main activity in the year has been the ongoing development of the Logbaba gas and condensate field, including expansion of the gas pipeline distribution network, supplying gas to industrial customers for their thermal energy needs, and development of the Group's strategy to sell gas and rent equipment to enable industrial customers to generate their own onsite electrical power.

The Group has an exploration project in Russia, where activities continue to be focused on defining the next drilling location and obtaining regulatory approvals for a two-well programme.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment. Significant subsidiary undertakings of the Group are set out in Note 18. Operations are funded by sales generated locally, with the deficit covered from funds held centrally by the Group which is accessed by cash calls from each operation on a monthly basis.

A detailed review of the significant developments and operating activities of the Group, as well as the business environment, future prospects and the main trends and factors that are likely to affect the future development, performance and position of the Group's business are contained in the Strategic Report.

Directors

The following Directors held office during the year:

Executive Directors

Kevin Foo

Grant Manheim

Robert Palmer

Austen Titford

John Scott (resigned 27 September 2013)

James McBurney was appointed Independent Non-Executive Director effective 2 June 2014 and Austen Titford resigned as Executive Director effective 16 July 2014.

Biographical details of the current Directors are available on page 26.

Directors' remuneration

An analysis of Directors' remuneration is given in Note 12 to the financial statements.

The Company has a discretionary share incentive scheme whereby fully paid shares can be awarded by the Trustees of the Employee Share Ownership Plan ("ESOP") as a long-term incentive for the Directors, senior managers and staff. Under this scheme, the ESOP subscribes for shares up to a limit agreed annually by the shareholders. The Trustees of the ESOP did not subscribe for any shares during the year (2013: 63,500,000 shares). No discretionary awards were made from the ESOP during the year (2013: 33,750,000 shares).

A copy of the Service Agreement for each Director is available for inspection at the Company's Registered Office.

Dividends

The Directors do not propose that a dividend be paid (2013: Nil).

Directors' Indemnities

The Company maintained directors' and officers' liability insurance during the year and it remains in force at the date of this report.

Auditors

Each person who is a Director at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no information of which the Company's auditors are unaware; and
- The Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

Subsequent Events

Events which have occurred since 31 May 2014 are included in Note 37 to the attached financial statements.

Information set out in the Strategic Report

The Directors have chosen to set out the following information in the Strategic Report which would otherwise be required to be contained in the Directors' Report:

- Results for the financial period
- Principal risks and uncertainties
- Likely future developments

Going Concern

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements. The validity of the going concern concept is dependent on finance being available for the working capital requirements of the Group in order to finance the continuing development of its existing projects. Sufficient funds are available in the short term to fund the working capital requirements of the Group. The Directors believe that this will enable the Group and the Company to continue in operational existence for the foreseeable future and to continue to meet obligations as they fall due. Further information in respect of going concern considerations is set out in Note 3.

Annual General Meeting ("AGM")

The AGM of the Company will be held in London on 26 November 2014. In addition to the usual business to be dealt with at the AGM, the Notice contains special business relating to a proposed capital reorganisation, comprising a consolidation and sub-division of shares, the renewal of authority for the Board to allot shares and the dis-application of statutory pre-emption rights on equity issues for cash and adoption of new Articles of Association to reflect changes in relation to the capital reorganisation. Full details of these proposals are set out in a separate shareholder circular sent to all the shareholders and this also includes the Notice of Annual General Meeting. Shareholders should complete the proxy form received either by e-communications or by post and will also available on the Company's website (www.victoriaoilandgas.com) in accordance with the Notes contained in the Notice of Annual General Meeting.

By Order of the Board,

Leena Nagrecha
Company Secretary
22 October 2014

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also chosen to prepare the Company financial statements under IFRSs as adopted by the EU. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements for the Group and the Company, International Accounting Standard 1 requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

Kevin A. Foo
Executive Chairman
22 October 2014

Robert Palmer
Finance Director
22 October 2014

Independent Auditors' Report

To the members of Victoria Oil & Gas Plc

We have audited the financial statements of Victoria Oil & Gas Plc for the year ended 31 May 2014 which comprise of the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Cash Flow Statements and the related Notes 1 to 37. 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.

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

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter

Without modifying our opinion, we draw your attention to Notes 3, 15, 16, 17, 18 and 20 of the financial statements concerning going concern, the valuation of intangible assets, the valuation of property, plant and equipment, the valuation of investments, the recoverability of other receivables of \$9.6 million and of amounts due from subsidiaries. The ability of the Group and Company to continue as a going concern, the realisation of intangible assets of \$57.8 million, property, plant and equipment of \$121.7 million and unlisted investments of \$6.6 million included in the Consolidated Balance Sheet and investments in subsidiaries and advances of \$72.6 million and amounts due from subsidiaries of \$113.8 million and unlisted investments of \$6.6 million included in the Company Balance Sheet is dependent on continued revenue growth from the Logbaba gas project in Cameroon and the successful discovery and development of economic reserves in respect of the West Medvezhye project in Russia as outlined in Note 15, including the ability of the Group to raise sufficient finance to develop current projects. The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot, at present, be determined.

Separate Opinion in Relation to IFRSs as Issued by the IASB

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on Other Matter Prescribed by the Companies Act 2006

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

Matters on Which We Are Required to Report by Exception

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

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

Ciarán O'Brien
(Senior Statutory Auditor)

For and on behalf of Deloitte & Touche
Chartered Accountants and Statutory Auditor
Deloitte & Touche House, Dublin, Ireland
22 October 2014

For the year ended 31 May 2014

	Notes	2014 \$000	2013 \$000
Continuing operations			
Revenue	5	14,729	6,934
Cost of sales			
Production royalties	5	(3,953)	(1,100)
Other cost of sales	5	(6,295)	(5,519)
		(10,248)	(6,619)
Gross profit	5	4,481	315
Other income	5	11	51
Sales and marketing expenses	5	(620)	(437)
Administrative expenses	5, 9	(9,303)	(11,201)
Other losses	5, 6	(3,978)	(286)
Adjustment resulting from arbitration decision	4, 5	6,543	–
Operating loss		(2,866)	(11,558)
Finance revenue	5, 7	146	367
Finance costs	5, 8	(2,004)	(4,744)
Loss before taxation	5, 9	(4,724)	(15,935)
Income tax credit	5, 10	3,059	–
Loss after taxation for the financial year		(1,665)	(15,935)
		Cents	Cents
Loss per share – basic	14	(0.04)	(0.52)
Loss per share – diluted	14	(0.04)	(0.52)

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2014

	2014 \$000	2013 \$000
Loss for the financial year	(1,665)	(15,935)
Exchange differences on translation of foreign operations	1,348	1,000
Total comprehensive income/(loss) for the year	(317)	(14,935)

Consolidated Balance Sheet

As at 31 May 2014

	Notes	2014 \$000	2013 \$000
Assets:			
Non-current assets			
Intangible assets	15	57,797	59,970
Property, plant and equipment	16	121,772	133,038
Unlisted investments	17	6,600	6,600
Deferred tax assets	10	3,297	–
		189,466	199,608
Current assets			
Inventories	19	38	56
Trade and other receivables	20	14,026	5,793
Cash and cash equivalents	21	17,018	13,107
		31,082	18,956
Total assets		220,548	218,564
Liabilities:			
Current liabilities			
Trade and other payables	22	12,452	11,007
Borrowings	23	10,563	8,011
Convertible loan – debt portion	24	–	1,482
Derivative financial instrument	24	–	131
		23,015	20,631
Net current assets/(liabilities)		8,067	(1,675)
Non-current liabilities			
Borrowings	23	86	267
Deferred tax liabilities	10	6,599	6,599
Provisions	25	9,551	9,664
		16,236	16,530
Net assets		181,297	181,403
Equity:			
Called-up share capital	27	34,240	34,240
Share premium		229,556	229,556
ESOP Trust reserve	28	(1,165)	(1,061)
Translation reserve		(10,063)	(11,411)
Other reserve	29	4,197	4,583
Retained earnings – deficit		(75,468)	(74,504)
Total equity		181,297	181,403

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 22 October 2014.

Kevin A. Foo
Executive Chairman

Robert Palmer
Finance Director

As at 31 May 2014

	Notes	2014 \$000	2013 \$000
Assets:			
Non-current assets			
Property, plant and equipment	16	17	12
Unlisted investments	17	6,600	6,600
Investments in subsidiaries and advances	18	72,638	71,718
		79,255	78,330
Current assets			
Trade and other receivables	20	113,814	121,531
Cash and cash equivalents	21	14,381	12,625
		128,195	134,156
Total assets		207,450	212,486
Liabilities:			
Current liabilities			
Trade and other payables	22	2,020	1,889
Borrowings	23	5,299	4,137
Convertible loan – debt portion	24	–	1,482
Derivative financial instrument	24	–	131
		7,319	7,639
Net current assets		120,876	126,517
Net assets		200,131	204,847
Equity:			
Called-up share capital	27	34,240	34,240
Share premium		229,556	229,556
Other reserve	29	4,197	4,583
Retained earnings – deficit		(67,862)	(63,532)
Total equity		200,131	204,847

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 22 October 2014.

Kevin A. Foo
Executive Chairman

Robert Palmer
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 May 2014

	Share capital \$000	Share premium \$000	ESOP Trust reserve \$000	Translation reserve \$000	Other reserves \$000	Retained earnings/ (accumulated deficit) \$000	Total \$000
At 31 May 2012	20,803	200,059	(860)	(12,411)	5,440	(60,851)	152,180
Shares issued	13,437	32,519	(3)	–	–	–	45,953
Share issue costs	–	(3,022)	–	–	–	–	(3,022)
Shares purchased by ESOP Trust	–	–	(509)	–	–	–	(509)
Shares granted to ESOP members	–	–	266	–	–	1,270	1,536
Exchange adjustments	–	–	45	–	–	–	45
Transfer expired warrants to retained earnings	–	–	–	–	(1,012)	1,012	–
Warrants issued	–	–	–	–	155	–	155
Total comprehensive income/(loss) for the year	–	–	–	1,000	–	(15,935)	(14,935)
At 31 May 2013	34,240	229,556	(1,061)	(11,411)	4,583	(74,504)	181,403
Exchange adjustments	–	–	(104)	–	–	–	(104)
Transfer expired warrants to retained earnings	–	–	–	–	(701)	701	–
Warrants issued	–	–	–	–	315	–	315
Total comprehensive income/(loss) for the year	–	–	–	1,348	–	(1,665)	(317)
At 31 May 2014	34,240	229,556	(1,165)	(10,063)	4,197	(75,468)	181,297

Share premium reserve

The share premium reserve is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued, less direct and incremental share issue costs.

ESOP Trust reserve

The ESOP Trust reserve comprises of shares in the Company held by Victoria Oil & Gas ESOP Trust.

Translation reserve

The translation reserve represents the foreign exchange gain/loss on translation of financial statements of foreign subsidiaries.

Other reserve

The other reserve includes the share-based payment reserve and an amount of \$2.9 million which was the difference between the fair value on redemption and the redemption value of a convertible loan note settled in 2008.

Accumulated deficit

Accumulated deficit comprises accumulated losses in the current and prior years.

For the year ended 31 May 2014

	Share capital \$000	Share premium \$000	Other reserves \$000	Retained earnings/ (accumulated deficit) \$000	Total \$000
At 31 May 2012	20,803	200,059	5,440	(57,816)	168,486
Shares issued	13,437	32,519	–	–	45,956
Share issue costs	–	(3,022)	–	–	(3,022)
Shares granted to ESOP members	–	–	–	1,270	1,270
Transfer expired warrants to retained earnings	–	–	(1,012)	1,012	–
Warrants issued	–	–	155	–	155
Total comprehensive income/(loss) for the year	–	–	–	(7,998)	(7,998)
At 31 May 2013	34,240	229,556	4,583	(63,532)	204,847
Transfer expired warrants to retained earnings	–	–	(701)	701	–
Warrants issued	–	–	315	–	315
Total comprehensive income/(loss) for the year	–	–	–	(5,031)	(5,031)
At 31 May 2014	34,240	229,556	4,197	(67,862)	200,131

Share premium reserve

The share premium reserve is comprised of the excess of monies received in respect of share capital over the nominal value of shares issued, less direct and incremental share issue costs.

Other reserve

The other reserve includes the share-based payment reserve and an amount of \$2.9 million which was the difference between the fair value on redemption and the redemption value of a convertible loan note settled in 2008.

Accumulated deficit

Accumulated deficit comprises accumulated losses in the current and prior years.

Consolidated Cash Flow Statement

For the year ended 31 May 2014

	Notes	2014 \$000	2013 \$000
Cash flows from operating activities			
Loss for the year		(1,665)	(15,935)
Income tax credit recognised in the Income Statement		(3,059)	–
Finance revenue recognised in the Income Statement		(146)	(367)
Finance costs recognised in the Income Statement		2,004	4,744
Depreciation and amortisation of non-current assets		4,608	2,955
Other losses recognised in the Income Statement		3,978	286
Shares vested by ESOP Trust recognised in the Income Statement		–	609
		5,720	(7,708)
Movements in working capital			
Decrease/(increase) in trade and other receivables		4,727	(3,984)
Increase in inventories		(4)	(56)
Increase/(decrease) in trade and other payables		3,140	(1,696)
Net cash generated from/(used in) operating activities		13,583	(13,444)
Cash flows from investing activities			
Proceeds from disposal of intangible assets		115	–
Payments for intangible assets		(752)	(1,765)
Payments for property, plant and equipment		(10,807)	(7,763)
Interest received		15	17
Net cash used in investing activities		(11,429)	(9,511)
Cash flows from financing activities			
Proceeds from issue of equity shares		–	44,516
Payment of equity share issue costs		–	(2,867)
Proceeds from borrowings		5,234	2,783
Repayment of borrowings		(3,140)	(7,630)
Finance costs		(493)	(2,186)
Net cash generated from financing activities		1,601	34,616
Net increase in cash and cash equivalents		3,755	11,661
Cash and cash equivalents – beginning of year		13,107	1,887
Effects of exchange rate changes on the balance of cash held in foreign currencies		156	(441)
Cash and cash equivalents – end of year	21	17,018	13,107

For the year ended 31 May 2014

	Notes	2014 \$000	2013 \$000
Cash flows from operating activities			
Loss for the year		(5,031)	(7,998)
Finance revenue recognised in the Income Statement		(146)	(367)
Finance costs recognised in the Income Statement		871	2,446
Depreciation and amortisation of non-current assets		8	7
Other losses recognised in the Income Statement		(183)	211
Shares vested by ESOP Trust recognised in the Income Statement		–	345
		(4,481)	(5,356)
Movements in working capital			
Decrease/(increase) in trade and other receivables		11,006	(20,803)
(Decrease)/increase in trade and other payables		(4,081)	1,453
Net cash generated from/(used in) operating activities		2,444	(24,706)
Cash flows from investing activities			
Payments for property, plant and equipment		(15)	(1)
Payments for investments in subsidiaries and advances		–	(812)
Interest received		15	17
Net cash used in investing activities		–	(796)
Cash flows from financing activities			
Proceeds from issue of equity shares		–	44,516
Payment of equity share issue costs		–	(2,867)
Proceeds from borrowings		–	2,364
Repayment of borrowings		(756)	(5,775)
Finance costs		(180)	(973)
Net cash (used in)/generated from financing activities		(936)	37,265
Net increase in cash and cash equivalents		1,508	11,763
Cash and cash equivalents – beginning of year		12,625	1,236
Effects of exchange rate changes on the balance of cash held in foreign currencies		248	(374)
Cash and cash equivalents – end of year	21	14,381	12,625

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and Company are summarised below.

(i) Statement of Compliance

These financial statements, of Victoria Oil & Gas Plc and its subsidiaries ("the Group"), for the year ended 31 May 2014, have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). These financial statements have also been prepared in accordance with the International Financial Reporting Standards adopted for use by the European Union. They have also been prepared in accordance with the Companies Act 2006.

(ii) Basis of Preparation

The financial statements are prepared under the historical cost convention except for the revaluation of certain derivative financial instruments which have been measured at fair value. The financial statements are presented in US Dollars, rounded to the nearest thousand (\$000) except where otherwise indicated.

(iii) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 May each year. All Group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies in order to obtain benefits from their activities. Control is presumed to exist where the Company owns more than one half of the voting rights (which does not always equate to percentage ownership) unless it can be demonstrated that ownership does not constitute control. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The consolidated financial statements included all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating intercompany balances, transactions and unrealised gains.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquired, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the Income Statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based

payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the Consideration over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceed the Consideration, the excess is recognised immediately in the Income Statement as a bargain purchase gain.

The results of subsidiaries acquired or disposed of during the period are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Interests in joint operations

The Group's operations in Cameroon are conducted through a joint operation. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, such as is the case between GDC and RSM (refer Note 4). Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in the joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities jointly incurred;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

In these consolidated financial statements, the Group has recognised its interest in the joint operation in Logbaba, Cameroon as described above.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

For the year ended 31 May 2014

1. PRINCIPAL ACCOUNTING POLICIES continued

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(iv) Revenue

Sales revenue

Sales revenue comprises the fair value of consideration received or receivable for the sale of gas and condensate in the ordinary course of the Group's activities. Revenue is stated at the invoice value net of VAT.

Revenue from the sale of gas and condensate is recognised when the significant risks and rewards of ownership have been transferred to a third-party purchaser. Transfer of ownership occurs once the gas and condensate has been delivered as per the terms of the sales contract.

Interest income

Interest income is accounted for on an accrual basis by reference to the principal amount and the effective interest rate applicable.

(v) Production Royalties

Royalty expenses are recognised on an accrual basis at the time of sale of the hydrocarbons.

(vi) Inventory

Inventories consist of gas and condensate stocks. Inventories are stated at the lower of cost and net realisable value.

(vii) Foreign Currencies

The presentation currency of the Group financial statements is US Dollars and the functional currency and the presentation currency of the parent company is US Dollars. The individual financial statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency). The Group's expenses, which are primarily for development and operation of the Logbaba gas and condensate field, are incurred principally in Central African Francs and US Dollars but also Sterling, Euros, Russian Roubles and Kazakhstan Tenge. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US Dollars, the presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each Balance Sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was re-determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the Income Statement for the year, other than when a monetary item forms part of a net investment in a foreign operation, then exchange differences on that item are recognised in equity. Exchange differences

arising on the retranslation of non-monetary items carried at fair value are included in the Income Statement for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity.

The assets and liabilities of foreign operations are translated into US Dollars at the rate of exchange ruling at the Balance Sheet date and their income statements are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year in which case the exchange rates at the date of transaction are used. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Income Statement.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(viii) Intangible Assets

Exploration and evaluation assets

Expenditure incurred in respect of research of potential hydrocarbon exploration, prior to the Group acquiring an exploration licence, is expensed in the Income Statement.

Exploration expenditure relates to the initial search for deposits with economic potential. Evaluation expenditure arises from a detailed assessment of deposits that have been identified as having economic potential.

The costs of exploration assets include the cost of acquiring rights to explore. Rights and costs incurred in relation to evaluating the technical feasibility and commercial viability of extracting a hydrocarbon resource are capitalised as part of exploration and evaluation assets.

Exploration costs include an allocation of administration and salary costs, including share-based payments, as determined by management.

Exploration costs are capitalised until technical feasibility and commercial viability of extraction of reserves are demonstrable. At that point, all costs which have been capitalised to date and included in exploration and evaluation assets are assessed for impairment. All impairment losses are recognised immediately in the Income Statement. To the extent they are not impaired, they are reclassified as either tangible assets or intangible assets. Costs which are deemed to be intangible assets are written off over the life of the proved developed reserves on a unit-of-production basis (accounted for under IAS 38 Intangible Assets). Costs which are tangible are accounted for under IAS 16 Property, Plant and Equipment.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

- a) the period for which the Group has a right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

1. PRINCIPAL ACCOUNTING POLICIES continued

- b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- c) exploration for and evaluation of hydrocarbon resources in the specific area have not led to the discovery of commercially viable quantities of hydrocarbon resources and the entity has decided to discontinue such activities in the specific area; and
- d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Software

Software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is charged so as to write off the cost of software over its useful life using the straight line method.

(ix) Property, Plant and Equipment Components

Where an asset has a significant component or components, on initial recognition, the cost is allocated between the significant components, and each significant component is depreciated separately, based on its expected useful life. Components that are not individually significant are grouped together and are depreciated as a group based on its expected life.

Plant and equipment

Plant and equipment is stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use, that is when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation is charged so as to write-off the cost of plant and equipment over its useful life using the straight line method or unit-of-production method, whichever is considered most appropriate.

Oil and gas interests

Costs less assessed impairment losses are transferred to property, plant and equipment assets when technical feasibility and commercial viability of extraction of reserves are demonstrated.

Depreciation and depletion of costs is provided under the unit-of-production method based on proved developed reserves.

As at the end of the financial year, the accumulated depreciation charged to oil and gas interests equated to 5.04%.

Changes in estimates affecting unit-of-production calculations for depreciation and decommissioning provisions are accounted for prospectively.

Expected decommissioning costs of a property are provided on the basis of net present value of the liability. An equivalent amount is added to the oil and gas asset and charged to the Income Statement on a unit-of-production basis.

Assets under construction

Assets under construction are stated at cost less impairment losses. They are not depreciated until construction is complete and the assets are ready for use.

(x) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Income Statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 1(xi) below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(xi) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(xii) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount, taking into account the risks and uncertainties surrounding the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the Balance

For the year ended 31 May 2014

1. PRINCIPAL ACCOUNTING POLICIES continued

Sheet date and are discounted to present value where the effect is material. The amortisation or “unwinding” of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. The amortisation of the discount is shown as a finance cost, rather than as an operating cost.

Decommissioning and Rehabilitation (“D&R”) provision

D&R costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas.

The amount recognised as a D&R provision is the best estimate of the consideration required to settle the present obligation at the Balance Sheet date. D&R costs are a normal consequence of exploration, development and production activities and the majority of such expenditure is incurred at the end of the life of the field. Although the ultimate cost to be incurred is uncertain, the provision has been estimated in accordance with management’s expectation of the D&R costs and of the period when those costs are to be incurred.

The initial D&R provision, together with other movements in the provision, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates is included within exploration and evaluation assets or property, plant and equipment as appropriate. These costs are then depreciated over the lives of the assets to which they relate. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Balance Sheet date and the cost is charged to the Income Statement.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(xiii) Financial Instruments

Financial instruments are recognised in the Group’s Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurements, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the Income Statement when the loans and

receivables are de-recognised or impaired, as well as through the amortisation process.

The Group assesses, at each Balance Sheet date, whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the assets is reduced through use of an impairment account. The amount of the loss is recognised in the Income Statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the Income Statement.

Unlisted investments

Unlisted investments are stated at cost, less any accumulated impairments.

Investment in subsidiaries

Investments in subsidiaries are stated in the Company Balance Sheet at cost, less any accumulated impairments.

Advances to subsidiaries

Advances to subsidiaries represents funding by the Company of development expenditure incurred by subsidiaries for which repayment is neither planned nor likely to occur in the foreseeable future. These are treated as part of the Company’s net investment in the subsidiary.

Trade receivables

Trade receivables are measured at initial recognition at fair value, which is usually invoice value, and are subsequently measured at amortised cost using the effective interest rate method. In relation to trade receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an impairment account. Impaired debts are de-recognised when they are assessed as uncollectible.

VAT recoverable

VAT recoverable is recognised to the extent permitted under current legislation.

Cash and cash equivalents

Cash and cash equivalents is comprised of short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1. PRINCIPAL ACCOUNTING POLICIES continued

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities depending on the substance of the contractual arrangements entered into.

Trade payables

Trade payables classified as financial liabilities are initially measured at fair value, which is usually invoice value, and are subsequently measured at amortised cost using the effective rate method.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group de-recognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

Equity instruments

Equity instruments issued by the Company are recorded at the value of proceeds received.

(xiv) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction that is not a business combination and that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for

taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Unrecognised deferred tax assets are reassessed at each Balance Sheet date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(xv) Share-Based Payments

The Group has applied the requirements of IFRS 2 Share-Based Payment.

When the Group issues equity-settled share-based payments to suppliers or employees, they are measured at the fair value at the date of grant. Depending on the nature of the cost, the fair value at the grant date is expensed or capitalised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Where the value of the goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of an appropriate valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

(xvi) Employee Share Ownership Plan ("ESOP")

The Victoria Oil & Gas ESOP Trust was established on 22 February 2006 to hold ordinary shares purchased to satisfy share scheme awards made to the employees of the Group. Shares are transferred to the members of the scheme on grant date which is also the relevant vesting date.

For the year ended 31 May 2014

1. PRINCIPAL ACCOUNTING POLICIES continued

The Trust is consolidated in the financial statements in accordance with SIC 12 Special Purpose Entities. When the Trust purchases shares from the Company, the Company recognises an increase in Share Capital. From the perspective of the consolidated financial statements, the shares of the Company held by the Trust are treasury shares and are deducted from equity in accordance with IAS 32 Financial Instruments: Presentation, until the shares are transferred by the Trust to members.

If the transfer to members is a cost of the Company, the Company recognises an expense in its accounts. If the cost relates to a subsidiary, upon transfer of the shares to members, the Company recognises an increase in intercompany receivables and the subsidiary recognises the expense, or, if capital, the subsidiary recognises the increase in its assets. The corresponding credits are to the Share-Based Payment Reserve in the Company, and, as the grant date is also the relevant vesting date, the credits are immediately transferred to Retained Earnings/Accumulated Deficit.

(xvii) Warrants

The Company settles certain transaction costs by the issue of warrants. Each warrant entitles the holder to purchase an ordinary share in the Company at a specific price and within a certain time frame. The warrants are fair valued using an appropriate pricing model. Where the transaction relates to equity issue costs, the fair value of the warrants is credited to Share-Based Payment Reserve with a corresponding debit to Share Premium. For all other transactions, the fair value of the warrants is credited to Share-Based Payment Reserve with a corresponding debit to the Income Statement. For information on warrants outstanding and pricing assumptions, see Note 31.

(xviii) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Impairment of intangible assets

The intangible assets of the Group are included in the Consolidated Balance Sheet at 31 May 2014 at \$57.8 million (2013: \$60.0 million). The assessment of intangible assets for any indications of impairment involves judgement. If an indication of impairment exists, a formal estimate of the recoverable amount is performed and an impairment loss recognised to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount is determined as the higher of fair value less costs to sell and value in use. This assessment requires judgement as to: the amount of potential reserves; likely future commerciality of the asset; when such commerciality should be determined; future revenues; capital and operating costs; the discount rate to be applied to such revenues and costs; and the ability to raise sufficient finance to develop the Group's projects. There have been no significant changes to the assumptions during the year.

The West Medvezhye project in Siberia is an exploration and evaluation asset and is included in the Consolidated Balance Sheet at 31 May 2014 at \$57.5 million (2013: \$59.4 million). In the view of management, none of the impairment indicators listed in IFRS 6 Exploration for and Evaluation of Mineral Resources are present. In forming this view, the management compared the carrying value at the reporting date with the expected discounted cash flows from the project. To do this, management used production profiles based on its estimates of proven and probable reserves and a range of assumptions including internal estimates of oil, gas and condensate prices, development expenditure requirements and a pre-tax discount rate of 8.5%.

Going concern

The assessment of the Group's ability to execute its strategy by funding future working capital requirements involves judgement.

The Directors monitor future cash requirements and are confident that the Group is able to continue as a going concern and no adjustment is required to the financial statements. Further information regarding going concern is outlined in Note 3.

As part of the assessment, management reviewed budgets and cash flow forecasts and compared the requirements to available resources, existing funding facilities and potential sources of additional funds.

Exploration and evaluation

The assessment of the classification of costs between intangible assets and tangible assets and whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider the nature of each cost incurred and whether it is deemed appropriate to capitalise it and the appropriate classification. Costs which can be demonstrated as project-related and not corporate costs are included in the cost of exploration and evaluation assets or the cost of property, plant and equipment, depending on the stage of the project. The amount of exploration and evaluation assets is shown in Note 15 as \$57.8 million (2013: \$60.0 million).

Unit-of-production depreciation method

The Group's policy is to use the unit-of-production method of depreciation based on proved developed reserves for depreciation and amortisation of its oil and gas assets. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the amount of estimated reserves. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Changes in proved developed reserves will prospectively affect the unit-of-production depreciation charges to the Income Statement. Proved developed reserves used in the calculation of unit-of-production depreciation were 24.6bcf in the Logbaba field. The unit-of-production depreciation charged to the Income Statement for the year ended 31 May 2014 which was calculated based on these reserves was \$3.6 million (2013: \$1.2 million). If the reserves were to vary by plus 10%, the unit-of-production depreciation for the year would have varied by \$0.3 million and if they were to vary by minus 10% the unit-of-production depreciation for the year would have varied by \$0.4 million.

For the year ended 31 May 2014

1. PRINCIPAL ACCOUNTING POLICIES continued

Deferred tax assets

The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. In the event that all tax losses could be utilised, a deferred tax asset of \$12.2 million (2013: \$14.3 million) would be recognised in the financial statements. A deferred tax asset of \$3.3 million has been recognised in the year in relation to the Group's operations in Cameroon as it is now considered likely that the operations will generate future taxable profit against which the unused tax losses will be able to be applied. No deferred tax asset has been recognised in the year in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have accrued tax losses.

Adjustment resulting from arbitration decision

Details of the arbitration judgement are included in Note 4 to these financial statements. The arbitration decision was handed down in December 2013 and these financial statements include an adjustment at the beginning of the financial period, on 1 June 2013, to recognise the financial implications of the decision as at the start of the period. The adjustment includes a credit to the income statement of \$6.5 million at 1 June 2013 in relation to RSM's share of prior period operating expenses. The Directors are of the view that this treatment is appropriate in the context of the information that became available in the current year.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the Balance Sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Operating in Russia, Cameroon and Kazakhstan

The Group's activities are conducted through its investments and subsidiaries operating in the oil and gas industry. These operations are subject to political, economic and regulatory uncertainties prevailing in these countries.

The legislation regarding taxation and foreign exchange transactions is constantly evolving and many new laws and regulations are not always clearly written and their interpretation is subject to the opinions of local inspectors.

It is not possible to quantify the potential impact of changes in the above on these financial statements as there are too many possible variables and outcomes, but the Directors believe that the Group has adequately recorded its assets and liabilities in the context of these uncertainties.

Decommissioning and Rehabilitation ("D&R") provision

The amount of provisions in respect of D&R costs of \$1.7 million (2013: \$2.5 million) is based on legal requirements currently enacted or substantially enacted, assumptions regarding the life of certain exploration, development and production assets, expected site restoration costs, current prices for similar activities and the discount rate.

The laws and regulations concerning environmental assessments and site rehabilitation continue to evolve and, accordingly, the Group may be liable to substantial costs in the future relating to past and current operations.

Refer to Note 25 for further details on the D&R provisions recognised in the current year.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Senior management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining fair values are disclosed in Note 24, Note 30 and Note 31.

The Directors do not expect the key sources of estimation uncertainty to be resolved in the next twelve months.

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Application of new and revised International Financial Reporting Standards ("IFRSs")

In the current year, the Group has applied the following new IFRS issued by the International Accounting Standards Board that is mandatorily effective for an accounting period that begins on or after 1 January 2013.

IFRS 13 – Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payments, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

For the year ended 31 May 2014

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS continued

IFRS 13 defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2013 comparative period (please see Note 24, Note 31 and Note 30 for the 2014 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

The Group did not adopt any other new IFRSs or Interpretations in the year that had a material impact on the Group's financial statements.

Standards and Interpretations in issue but not yet adopted

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet mandatorily effective (and in some cases have not yet been adopted by the EU):

Name of New Standards/Amendments	Effective from
IAS 32 (Amendment December 2011) – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 10, IFRS 12 and IAS 27 (Amendment October 2012) – Investment Entities	1 January 2014
IFRIC 21 – Levies	1 January 2014
IAS 36 (Amendment May 2013) – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendment June 2013) – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IAS 19 (Amendment November 2013) – Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to IFRSs: 2011-13 Cycle (December 2013)	1 July 2014

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group. None are expected to have a material impact.

3. GOING CONCERN

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements particularly as the Income Statement reports that the Group incurred a loss of \$1.7 million for the year ended 31 May 2014 (2013: \$15.9 million) and the Consolidated Balance Sheet shows that the Group had net current assets of \$8.1 million at the year-end date (2013: \$1.7 million net liabilities). Net current assets includes the receivable from RSM of \$8.6 million (refer Note 20) and current borrowings of \$4.4 million relating to the Noor Petroleum loan and \$5.0 million relating to the BGFI loan (refer Note 23), all of which remain outstanding as at the date of this report.

At 31 May 2014, the Group had \$17.0 million of cash (2013: \$13.1 million). At 21 October 2014, the Group had cash of \$8.5 million. Based on their forecasts, the Directors expect that if the Group were to terminate its exploration and development programme, the Group would generate enough revenue to fund its base operations for the 12 month period from the date of approval of these financial statements.

The Directors have also reviewed forecasts in respect of the operating activities and planned work programmes of the Group's Cameroonian and Russian assets. The funds and facilities available, after allowing for funds required for administration and development costs, are expected to cover the cost of these activities. In the event of a delay in build-up of gas sales, the Group will reschedule the development expenditure.

On this basis, the Directors have concluded that the Group and Company currently have adequate resources available to maintain the Group and Company's base operation and to continue in operational existence for the foreseeable future.

Given the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

For the year ended 31 May 2014

4. ADJUSTMENT RESULTING FROM ARBITRATION DECISION

Under the Operating Agreement between the Group and RSM in relation to the Logbaba gas and condensate project, the Group issues cash calls in order for RSM to fund its share of costs. In July 2011, RSM failed to make cash calls as they became due, and as such, the Directors were of the view that RSM had defaulted in meeting its obligations under the agreement, and had forfeited its 40% participating interest in the project. RSM challenged the default through arbitration.

On 11 December 2013, the International Chamber of Commerce ("ICC") published its decision on the arbitration brought by RSM against the Group. The Tribunal found that RSM was in default for non-payment of the cash calls, but ruled that the forfeiture had not been established to the level of certainty required by Texas Law. As a result of the arbitration, RSM's participating interest has been reflected in these financial statements.

For the year ended 31 May 2013 (the comparative period for the purposes of this report), the financial statements were prepared on the basis that RSM had forfeited its interest in the Logbaba Concession as that was the legal contractual position pending clarifications in the arbitration, which the Directors expected to be resolved in the Group's favour.

These financial statements for the year ended 31 May 2014 include an adjustment as at 1 June 2013 necessary to reflect the ICC arbitration decision on the participating interests in the Logbaba gas and condensate project. The adjustment has resulted in:

- a credit of \$6.5 million to the income statement in relation to RSM's share of prior period operating expenses. An analysis of these costs which were expensed through the income statements in prior periods, is as follows:

	\$000
Cost of sales	
Production royalties	222
Other cost of sales	2,207
Increase in gross profit	2,429
Sales and marketing expenses	165
Administrative expenses	3,164
Other gains	(116)
Increase in operating profit	5,642
Finance costs	901
Income statement adjustment	6,543

- the following balance sheet reclassifications to record the transfer to RSM of its participating share of assets and liabilities incurred on the project. Previously these assets and liabilities had been accounted for as if they were held 100% by the Group:

	\$000
Assets:	
Non-current assets	
Intangible assets	(220)
Property, plant and equipment	(17,487)
Current assets	
Inventories	(22)
Trade and other receivables	(862)
Liabilities:	
Current liabilities	
Trade and other payables	2,423
Borrowings	1,550
Non-current liabilities	
Borrowings	107
Provisions	854
Balance sheet adjustment at 1 June 2013	(13,657)

For the year ended 31 May 2014

4. ADJUSTMENT RESULTING FROM ARBITRATION DECISION continued

- recognition of a receivable from RSM for the balance of the two adjustments above:

	\$000
Income statement adjustment (see above)	6,543
Balance sheet adjustment (see above)	13,657
Receivable from RSM at 1 June 2013	20,200

Société Nationale des Hydrocarbures ("SNH"), the state-owned national oil and gas company of Cameroon, is entitled to acquire a 5% interest in the Logbaba Concession but has not yet signed a participation agreement. Accordingly, these financial statements have been prepared on the basis that the Group and RSM have 60% and 40% interests respectively in the Concession. In the event that SNH signs the participation agreement for its 5% interest, the interests of the Group and RSM will be reduced to 57% and 38% respectively, and SNH will be required to reimburse 5% of costs relating to the project to date. Discussions are ongoing with SNH regarding its potential participation, and the Directors remain of the view that SNH is likely to sign a participation agreement.

Following the arbitration decision handed down in December 2013, RSM paid \$4.1 million in settlement of the outstanding July 2011 cash call (the subject of the second arbitration). Additionally, the Group issued cash calls of:

- \$24.0 million being RSM's participating interest share of incurred expenses since the end of the first arbitration (July 2011); and
- \$2.0 million being the January 2014 advance on RSM's participating interest share of forecasted expenses for the month.

RSM failed to pay the two additional cash calls when they became due, and the Group issued notices of default for the overdue cash calls. To avoid forfeiting its participating interest, RSM commenced emergency arbitration proceedings against the Group in January 2014. A settlement was reached between the parties whereby RSM agreed to pay \$16.3 million towards the cash calls for expenses with an agreement for an audit to determine the final balance payable by or to be refunded to RSM. RSM withdrew its emergency application to the ICC and third arbitration request, and the Group withdrew the notices of default served on RSM.

To date, RSM has paid the Group a total of \$20.8 million towards its share of costs in relation to the Logbaba Concession.

The independent professional services firm, Akintola Williams Deloitte, Nigeria ("Deloitte Nigeria"), was appointed by RSM and the Group to carry out agreed-upon procedures on the billing statement issued by the Group to RSM, and to report the factual findings resulting from their work, in order for RSM and the Group to come to an agreement about the final balance payable by, or to be refunded to, RSM.

Deloitte Nigeria's field work was completed in September 2014, and as at the date of this report a process of review is underway where the parties can submit comments on the report. Following the review period, a final document will be issued by Deloitte Nigeria to the parties. Under the terms of the Settlement Agreement, Deloitte Nigeria's decision is final.

The main financial effects for the Group of RSM resuming its 40% participating interest is that, for the Cameroon operations:

- The Group is entitled to 100% of revenue from sales of hydrocarbons until its Initial Work Commitment costs are recovered (these relate primarily to the costs of drilling wells La-105 and La-106), after which RSM will become entitled to its participating interest share of revenue.
- The Group's responsibility for certain post-exploration costs is reduced to 60%.
- The Group is required to pay an overriding royalty of 0.8% to RSM until RSM becomes entitled to its participating interest share of revenue.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

5. SEGMENTAL ANALYSIS

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about the Group that are regularly reviewed by the chief operating decision maker. The Board is deemed the chief operating decision maker within the Group. The Group has one class of business: oil and gas exploration, development and production and the sale of hydrocarbons and related activities. This is analysed on a location basis. Only the Cameroon segment is generating revenue, which is from the sale of hydrocarbons. The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

The following tables present revenue, loss and certain asset and liability information regarding the Group's business segments for the year ended 31 May 2014 and comparative information for the year ended 31 May 2013:

Twelve months to 31 May 2014	Cameroon \$000	Russia \$000	Kazakhstan \$000	Corporate \$000	Total \$000
Revenue	14,729	–	–	–	14,729
Production royalties	(3,953)	–	–	–	(3,953)
Other cost of sales	(6,295)	–	–	–	(6,295)
Gross profit	4,481	–	–	–	4,481
Other income	11	–	–	–	11
Sales and marketing	(620)	–	–	–	(620)
Administrative expenses	(4,667)	(251)	(250)	(4,135)	(9,303)
Other losses	(70)	(57)	(3,098)	(753)	(3,978)
Adjustment resulting from arbitration decision	6,543	–	–	–	6,543
Operating loss	5,678	(308)	(3,348)	(4,888)	(2,866)
Finance revenue	–	–	–	146	146
Finance costs	(1,105)	(28)	–	(871)	(2,004)
Profit/(loss) before taxation	4,573	(336)	(3,348)	(5,613)	(4,724)
Income tax credit	3,059	–	–	–	3,059
Profit/(loss) after taxation for the financial year	7,632	(336)	(3,348)	(5,613)	(1,665)
Total assets	147,615	57,630	88	15,215	220,548
Total liabilities	(32,831)	(364)	(12)	(6,044)	(39,251)
Twelve months to 31 May 2013	Cameroon \$000	Russia \$000	Kazakhstan \$000	Corporate \$000	Total \$000
Revenue	6,934	–	–	–	6,934
Production royalties	(1,100)	–	–	–	(1,100)
Other cost of sales	(5,519)	–	–	–	(5,519)
Gross profit	315	–	–	–	315
Other income	51	–	–	–	51
Sales and marketing	(437)	–	–	–	(437)
Administrative expenses	(5,027)	(572)	(307)	(5,295)	(11,201)
Other losses	(58)	(17)	–	(211)	(286)
Operating loss	(5,156)	(589)	(307)	(5,506)	(11,558)
Finance revenue	–	–	–	367	367
Finance costs	(2,271)	(28)	–	(2,445)	(4,744)
Loss before taxation	(7,427)	(617)	(307)	(7,584)	(15,935)
Income tax expense	–	–	–	–	–
Loss after taxation for the financial year	(7,427)	(617)	(307)	(7,584)	(15,935)
Total assets	145,748	59,515	120	13,181	218,564
Total liabilities	(29,137)	(369)	(9)	(7,646)	(37,161)

For the year ended 31 May 2014

5. SEGMENTAL ANALYSIS continued

Information about major customers

For the purposes of IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer. Under this measure, revenues from sale of hydrocarbons of \$14.7 million (2013: \$6.9 million) related to sales of gas and condensate to 15 customers. Five customers each contributed 10% or more to the Group's revenue in 2014, contributing \$3.5 million, \$2.3 million, \$2.0 million, \$1.9 million and \$1.6 million respectively (2013: two customers contributed 10% or more, contributing \$2.0 million and \$1.7 million respectively).

6. OTHER LOSSES

	2014 \$000	2013 \$000
Foreign exchange losses	3,919	256
Loss on disposal of non-current assets	59	30
	3,978	286

7. FINANCE REVENUE

	2014 \$000	2013 \$000
Interest income	15	17
Fair value gain on embedded derivatives	131	350
	146	367

The fair value gain represents a decrease in the fair value of the embedded derivatives in the convertible loan notes described more fully in Note 24. At each year end, and immediately prior to redemption or conversion, the embedded derivatives are revalued to fair value.

8. FINANCE COSTS

	2014 \$000	2013 \$000
Convertible loan interest	149	1,150
Loan interest	548	597
Loan finance fees	331	797
Interest on obligations under finance leases	156	1,099
Unwinding of discount on provisions	624	556
Other interest expense	196	545
	2,004	4,744

9. LOSS BEFORE TAXATION

	2014 \$000	2013 \$000
The loss before taxation is stated after crediting/(charging):		
Directors' remuneration (Note 12)	1,792	1,351
Fair value gain on embedded derivatives	(131)	(350)

The analysis of auditors' remuneration is as follows:

	2014 \$000	2013 \$000
Fees payable to the Group auditors for the audit of the Group's annual accounts	277	309
Fees paid to the Group auditors for other services	–	70
	277	379

\$180,000 of the above annual audit fees relate to the Company (2013: \$150,000).

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

9. LOSS BEFORE TAXATION continued

	2014 \$000	2013 \$000
Administrative expenses comprise:		
Wages and salaries	4,229	4,543
Professional fees	2,538	2,735
Office and other administrative expenditure	1,546	2,444
Travel	342	321
Rent	212	415
Depreciation and amortisation	240	743
Other	196	–
	9,303	11,201

10. INCOME TAX

	2014 \$000	2013 \$000
Current tax	(238)	–
Deferred tax	3,297	–
Income tax credit	3,059	–

Factors affecting the tax credit:

Loss on ordinary activities before tax	(4,724)	(15,935)
Tax calculated at 31% (2013: 29%)	(1,464)	(4,630)

Effects of:

Effect of expenses not deductible for tax	107	1,164
Effect of finance costs not deductible for tax	240	445
Fair value adjustment on derivatives not taxable	(41)	(81)
Unutilised tax losses	1,158	3,102
Net deferred tax asset recognised in respect of tax losses	(3,297)	–
Other	238	–
Total income tax credit	(3,059)	–

The main rate of UK corporation tax reduced from 23% to 21% effective from 1 April 2014 (substantively enacted on 20 March 2013). The corporation tax rates in the other countries in which the Group operates did not change during the year. The increase in the effective tax rate for 2014 was due to the proportionate increase in loss on ordinary activities attributable to Cameroon where the corporate tax rate, including local surcharge, charged on taxable profits is 38.5%.

Income tax in Cameroon is charged at 38.5% on taxable profits or 1.1% of turnover, whichever is higher. The operations in Cameroon are in a loss position for taxation purposes, however, as revenue is being earned, the 1.1% tax rate applies. The effect of this is shown above as 'other'.

	2014 \$000	2013 \$000
Deferred tax balances		
Deferred tax assets	3,297	–
Deferred tax liabilities	(6,599)	(6,599)
	(3,302)	(6,599)

At the Balance Sheet date, the Group has unused tax losses of \$39.3 million (2013: \$57.3 million) available for offset against future profit.

Of unused tax losses, \$8.5 million relates to the Group's operations in Cameroon, which are now generating revenue. A deferred tax asset of \$3.3 million has been recognised in relation to the tax losses in Cameroon (2013: no deferred tax asset recognised), as it is probable that future taxable profits will be available against which the losses will be able to be utilised. The Group has assessed the recoverability and anticipates that the asset will be realised by the end of the tax year ended 31 December 2015. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognised.

For the year ended 31 May 2014

10. INCOME TAX continued

No deferred tax asset has been recognised in either year in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have accrued tax losses. Accordingly, at the year-end, deferred tax assets amounting to \$12.2 million (2013: \$14.3 million) have not been recognised.

The deferred tax liability arose on the acquisition of GDC (formerly Rodeo Development Limited) by Bramlin Limited prior to Bramlin Limited becoming part of the Group, and relates to property, plant and equipment.

11. EMPLOYEE INFORMATION

The average number of persons employed by the Group during the year was:	2014 Number	2013 Number
Directors	4	5
Technical	70	63
Management and administration	76	81
	150	149
Staff costs for the above persons were:	2014 \$000	2013 \$000
Wages and salaries	5,995	6,348
Social security costs	518	519
	6,513	6,867

Included in the above is \$2.3 million (2013: \$2.0 million) of staff costs which were capitalised within exploration and evaluation assets and property, plant and equipment.

12. DIRECTORS' REMUNERATION

All Directors' remuneration was paid in cash in 2014.

	2014 \$000	2013 \$000
Kevin Foo*	573	310
John Scott	197	101
Grant Manheim	248	173
Robert Palmer†	269	190
Austen Titford	505	313
Philip Rand	–	264
	1,792	1,351

* Part paid to HJ Resources Limited

† Paid to The Gallagher Partnership LLP

John Scott was the only Director remunerated for less than one year (resigned 27 September 2013).

The Executive Chairman was the highest paid Director and received \$573,000. In 2013, the Executive Director was the highest paid Director and received \$313,000.

The number of Directors to whom retirement benefits are accruing is nil and all remunerations were short-term employee benefits.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

13. KEY MANAGEMENT COMPENSATION

	2014 \$000	2013 \$000
The compensation paid to key management personnel is set out as follows:		
Wages and salaries	2,242	2,063
Payment in shares	–	1,384
Professional fees paid to consultants in key management positions	585	844
	2,827	4,291

Key management comprises the Directors of the Company and its subsidiaries, the Chief Operating Officer and the General Managers of each operation. The Company does not provide a pension scheme or other post-employment benefits to any employees, including Directors.

14. LOSS PER SHARE

Basic earnings or loss per share is computed by dividing the profit or loss after tax for the year available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the year, excluding those held by the ESOP Trust. Diluted earnings or loss per share is computed by dividing the profit or loss after taxation for the financial year by the weighted average number of ordinary shares in issue, each adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

The following table sets forth the computation for basic and diluted loss per share.

	2014 \$000	2013 \$000
Numerator:		
Numerator for basic and diluted loss per share – loss for the financial year	(1,665)	(15,935)
	Number	Number
Denominator:		
Denominator for basic and diluted loss per share	4,209,301,277	3,048,827,596
	Cents	Cents
Loss per share – basic and diluted	(0.04)	(0.52)

Basic and diluted loss per share are the same, as the effect of any potential shares is anti-dilutive and is therefore excluded.

For the year ended 31 May 2014

15. INTANGIBLE ASSETS

Group	Exploration and evaluation assets	Software	Total
Twelve months to 31 May 2014	\$000	\$000	\$000
Cost			
Opening balance	93,838	104	93,942
Adjustment resulting from arbitration decision (refer Note 4)	(199)	(42)	(241)
Exchange adjustments	(2,737)	–	(2,737)
Additions	883	–	883
Disposals	(172)	–	(172)
Closing balance	91,613	62	91,675
Accumulated amortisation and impairment			
Opening balance	33,948	24	33,972
Adjustment resulting from arbitration decision (refer Note 4)	(11)	(10)	(21)
Exchange adjustments	(97)	–	(97)
Charge for the year	10	14	24
Closing balance	33,850	28	33,878
Carrying amount 31 May 2014	57,763	34	57,797
Group	Exploration and evaluation assets	Software	Total
Twelve months to 31 May 2013	\$000	\$000	\$000
Cost			
Opening balance	92,186	23	92,209
Exchange adjustments	782	–	782
Additions	965	81	1,046
Disposals	(95)	–	(95)
Closing balance	93,838	104	93,942
Accumulated amortisation and impairment			
Opening balance	33,997	–	33,997
Exchange adjustments	29	–	29
Disposals	(78)	–	(78)
Charge for the year	–	24	24
Closing balance	33,948	24	33,972
Carrying amount 31 May 2013	59,890	80	59,970

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

15. INTANGIBLE ASSETS continued

Segmental Analysis

Twelve months to 31 May 2014

	Cameroon \$000	Russia \$000	Total \$000
Opening balance	558	59,412	59,970
Adjustment resulting from arbitration decision (refer Note 4)	(220)	–	(220)
Exchange	–	(2,640)	(2,640)
Additions	–	883	883
Disposals	–	(172)	(172)
Charge for the year	(24)	–	(24)
Closing balance	314	57,483	57,797

Twelve months to 31 May 2013

	Cameroon \$000	Russia \$000	Total \$000
Opening balance	501	57,711	58,212
Exchange	–	753	753
Additions	81	965	1,046
Disposals	–	(17)	(17)
Charge for the year	(24)	–	(24)
Closing balance	558	59,412	59,970

Exploration and evaluation assets at 31 May 2014 represent exploration and related expenditure on the Group's licences and permits in the geographical areas noted above. The realisation of these intangible assets by the Group is dependent on the discovery and successful development of economic reserves and the ability of the Group to raise sufficient funds to develop these interests. Should the development of economic reserves prove unsuccessful, the carrying value in the Balance Sheet will be written-off.

The Directors have considered whether facts or circumstances exist that indicate that exploration and evaluation assets are impaired and considered that no impairment loss is required to be recognised as at 31 May 2014 because no impairment indicators exist.

The Directors are aware that by its nature there is an inherent uncertainty in exploration and evaluation, and therefore inherent uncertainty in relation to the carrying value of capitalised exploration and evaluation assets.

The realisation of this intangible asset is dependent on the discovery and successful development of economic reserves and is subject to a number of significant potential risks including:

- funding requirements (see Note 3);
- geological and development risks;
- political risk;
- title to assets and licence obligations;
- commodity price risk; and
- tax risk.

A more detailed explanation of these and risks associated with the production phase is provided in the Strategic Report.

Should the discovery and successful development of economic reserves prove unsuccessful, the value included in the Balance Sheet would be written off to the Income Statement.

The West Medvezhye licence in Russia represents a large exploration prospect which includes an oil discovery made in 2006 for which a 20 year exploitation licence has been granted. Because of constraints on the availability of both human and financial resources to the Group, management has focused its efforts and available resources primarily on the development of the Logbaba project in Cameroon. However, the Group has also completed geochemical, passive seismic surveys and reprocessed seismic data on its asset in Russia as part of integrated geological studies. The purpose of this programme is to identify the location and size of prospects, the hydrocarbon potential and ultimately to decide on the next drilling locations. The Board continues to appraise all strategic options for maximising the Group's return on investment including a variety of development scenarios, funding strategies and sale of the asset. In completing their assessment of the recoverable amount of the Group's investment to date in the project, the Directors have taken into account the various options outlined above and the risks associated with each option. The Directors are unable to test their view of the recoverable amount of the assets against current market data for similar assets as there is insufficient data available.

Having reviewed the exploration and evaluation expenditure, the Directors are confident that the capitalised value of the asset is recoverable and are satisfied that the value of the asset is not less than its carrying value at 31 May 2014.

For the year ended 31 May 2014

16. PROPERTY, PLANT AND EQUIPMENT

Group				
	Plant and equipment \$000	Oil and gas interest \$000	Assets under construction at cost \$000	Total \$000
Twelve months to 31 May 2014				
Cost				
Opening balance	33,025	102,786	3,093	138,904
Adjustment resulting from arbitration decision (refer Note 4)	(12,151)	(4,966)	(1,167)	(18,284)
Additions	283	759	9,765	10,807
Transfer to plant and equipment	–	–	(8,826)	(8,826)
Transfer from assets under construction	8,826	–	–	8,826
Disposals	(9)	–	–	(9)
Closing balance	29,974	98,579	2,865	131,418
Depreciation				
Opening balance	1,383	4,483	–	5,866
Adjustment resulting from arbitration decision (refer Note 4)	(249)	(548)	–	(797)
Disposals	(7)	–	–	(7)
Charge for the year	518	4,066	–	4,584
Closing balance	1,645	8,001	–	9,646
Carrying amount				
31 May 2014	28,329	90,578	2,865	121,772
Group				
Twelve months to 31 May 2013				
Cost				
Opening balance	2,869	104,839	26,572	134,280
Additions	2,506	1,947	4,211	8,664
Transfer to plant and equipment	–	–	(27,690)	(27,690)
Transfer from assets under construction	27,690	–	–	27,690
Reclassification of development funding obligation	–	(4,000)	–	(4,000)
Disposals	(40)	–	–	(40)
Closing balance	33,025	102,786	3,093	138,904
Depreciation				
Opening balance	696	2,266	–	2,962
Disposals	(27)	–	–	(27)
Charge for the year	714	2,217	–	2,931
Closing balance	1,383	4,483	–	5,866
Carrying amount				
31 May 2013	31,642	98,303	3,093	133,038

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

16. PROPERTY, PLANT AND EQUIPMENT continued

Segmental Analysis

Twelve months to 31 May 2014

	Cameroon \$000	Russia \$000	Corporate \$000	Total \$000
Cost				
Opening balance	136,530	2,351	23	138,904
Adjustment resulting from arbitration decision (refer Note 4)	(18,284)	–	–	(18,284)
Additions	10,792	–	15	10,807
Disposals	–	–	(9)	(9)
Closing balance	129,038	2,351	29	131,418

Depreciation

Opening balance	3,556	2,299	11	5,866
Adjustment resulting from arbitration decision (refer Note 4)	(797)	–	–	(797)
Disposals	–	–	(7)	(7)
Charge for the year	4,576	–	8	4,584
Closing balance	7,335	2,299	12	9,646

Carrying amount

31 May 2014	121,703	52	17	121,772
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Twelve months to 31 May 2013

	Cameroon \$000	Russia \$000	Corporate \$000	Total \$000
Cost				
Opening balance	131,907	2,351	22	134,280
Additions	8,663	–	1	8,664
Disposals	(40)	–	–	(40)
Reclassification of development funding obligation	(4,000)	–	–	(4,000)
Closing balance	136,530	2,351	23	138,904

Depreciation

Opening balance	659	2,299	4	2,962
Disposals	(27)	–	–	(27)
Charge for the year	2,924	–	7	2,931
Closing balance	3,556	2,299	11	5,866

Carrying amount

31 May 2013	132,974	52	12	133,038
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Oil and gas assets are depreciated on a unit-of-production basis as per Note 1(ix).

Assets under construction comprise of expenditure on the uncompleted sections of the pipeline network and surface infrastructure on the Logbaba gas and condensate project in Cameroon.

For the year ended 31 May 2014

16. PROPERTY, PLANT AND EQUIPMENT continued

	Plant and equipment 2014 \$000	Plant and equipment 2013 \$000
Company		
Cost		
Opening balance	27	26
Additions	15	1
Disposals	(9)	–
Closing balance	33	27
Depreciation		
Opening balance	15	8
Disposals	(7)	–
Charge for the year	8	7
Closing balance	16	15
Carrying amount:		
Closing balance	17	12

17. UNLISTED INVESTMENTS

	Group and Company 2014 \$000	2013 \$000
Unlisted investments	6,600	6,600

In the 2011 financial year, the Company acquired a 35% interest in Cameroon Holdings Limited (“CHL”) for a total cost of \$6.6 million. CHL is controlled by Logbaba Projects Limited, a company in which HJ Resources Limited (see Note 35) has a significant interest. Details of the investment are as follows:

Company	Principal activity	Place of incorporation and operation	Proportion ownership interest and voting power held by the Group
Cameroon Holdings Limited	Oil and gas services	Guernsey	35%

The shares of CHL are not actively traded and their fair value cannot be reliably measured. CHL's income stream is dependent on a number of variables, including:

- the ability to access funding;
- the level of proven and probable reserves;
- the size of the market for gas and speed of development; and
- the medium- to long-term selling price for gas.

As a result of the above, there is a broad range of values which could be ascribed to the investment. In the absence of any impairment indicators, the Company continues to carry the investment at cost at initial recognition of the asset.

Despite the interest in CHL being above 20%, the Directors of the Company do not consider that the Company has significant influence over CHL, and therefore CHL has not been classified as an associate. The Company acquired the investment in CHL as a mechanism to buy back part of the royalty payable on the Logbaba revenue stream rather than to be an active participant in CHL. The key factors in determining that the Company does not have significant influence are:

- the Company does not have a CHL board representative;
- the Company is not involved in the policy-making or other managerial decisions of CHL;
- there is no interchange of managerial personnel; and
- CHL and the Company do not provide essential technical information to one another.

Furthermore, CHL is controlled by another shareholder which owns 65% of CHL. Please refer to Note 35 for more information.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

18. INVESTMENTS IN SUBSIDIARIES AND ADVANCES

	2014 \$000	Company 2013 \$000
Investments in subsidiaries	29,789	29,789
Advances to subsidiary	42,849	41,929
	72,638	71,718

Segmental Analysis of Investments in and Advances to Subsidiaries

Unlisted

Russian Federation	60,238	59,318
Republic of Cameroon	12,400	12,400
Investments in and advances to subsidiaries	72,638	71,718

Investments in Subsidiaries Investments

Cost:

Cost of investments at beginning of the year	49,764	49,764
Cost of investments at end of the year	49,764	49,764

Impairment:

Opening balance	(19,975)	(19,975)
Closing balance	(19,975)	(19,975)

Carrying amount:

Closing balance	29,789	29,789
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The investments in the Company's Balance Sheet were \$17.4 million in respect of West Medvezhye (2013: \$17.4 million) and \$12.4 million in the Logbaba project (2013: \$12.4 million).

Advances to Subsidiary

	2014 \$000	Company 2013 \$000
Opening balance	41,929	41,092
Money advanced during year	920	837
Closing balance	42,849	41,929

Advances to subsidiary include an amount of \$42.9 million (2013: \$41.9 million) due from the Company's Russian subsidiary, ZAO SeverGas-Invest. The Directors are of the view that these advances are in substance part of the Company's net investment in the Russian operations, as settlement is neither planned nor likely to occur in the foreseeable future. The project is explorative in nature and there exists uncertainty regarding successful development of reserves and timing thereof. The loan is unsecured and the Company has not accrued interest on these intercompany advances on the basis that settlement is not likely to occur in the foreseeable future.

Additional advances by the Company to subsidiaries are included in Note 20.

For the year ended 31 May 2014

18. INVESTMENTS IN SUBSIDIARIES AND ADVANCES continued

Holdings

The principal holdings of the Group are:

Company	Country of incorporation	Class of shares	Percentage of capital held	Nature of business
Victoria Petroleum Limited	England & Wales	Ordinary	100%	Holding company
Victoria Oil & Gas International Limited	British Virgin Islands	Ordinary	100%	Investment in exploration and development
ZAO SeverGas-Invest	Russia	Ordinary	100%	Exploration
Bramlin Limited	Guernsey	Ordinary	100%	Holding company
Gaz du Cameroun S.A.	British Virgin Islands	Ordinary	100%	Exploration and production
Victoria Oil & Gas Central Asia Limited	England & Wales	Ordinary	100%	Representative office
Feax Investments Company Limited	Cyprus	Ordinary	100%	Holding company
Victoria Energy Central Asia UK Limited	England & Wales	Ordinary	100%	Holding company
Victoria Energy Central Asia LLP	Kazakhstan	Ordinary	100%	Representative office

The principal activity of these undertakings for the relevant financial period was exploration for, and development of, oil and gas assets. The investments of the Group at 31 May 2014 principally represent investments in the Logbaba gas and condensate project in Cameroon, which was acquired as part of the Bramlin Limited acquisition, and the West Medvezhye project in Russia. Following a review by the Company of the carrying amounts of its subsidiary undertakings for impairment, the investment in Kemerkol was fully impaired in 2009.

As outlined in Note 15, the value of the investments is dependent on the successful discovery and development of economic reserves. Also refer to the Strategic Report for a detailed review of the risks involved.

19. INVENTORIES

	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Condensate and gas inventory	38	56	–	–

An adjustment of \$22,000 was made to inventory at 1 June 2013 as referred to in Note 4.

20. TRADE AND OTHER RECEIVABLES

	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Amounts due within one year:				
Trade receivables	3,787	3,075	–	–
VAT recoverable	413	91	130	90
Prepayments	238	735	61	63
Amounts due from subsidiaries	–	–	113,009	120,992
Other receivables	9,588	1,892	614	386
	14,026	5,793	113,814	121,531

In determining the recoverability of a receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the end of the reporting period.

Trade Receivables

The credit period on sales of gas and condensate is typically 30 days. No interest is charged on trade receivables for the credit period. Thereafter, management may impose an interest charge at the rate stipulated in the sales agreement of 6% per annum.

The Directors review all receivables that are past their agreed terms and assess whether any amounts are irrecoverable, which is determined with reference to information from an external credit rating agency on the current financial conditions of the customer and their past payment record.

Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

20. TRADE AND OTHER RECEIVABLES continued

Age of Trade Receivables that are Past Due but not Impaired

	2014 \$000	Group 2013 \$000
31-60 days	462	683
61-90 days	21	201
91-120 days	2	3
121+ days	381	–
Total	866	887
Average age (days)	115	62

Movement in the Allowance for Doubtful Debts (Trade Receivables)

	2014 \$000	Group 2013 \$000
Balance at beginning of the year	–	–
Amounts written off during the year as uncollectible	11	–
Balance at the end of the year	11	–

Amounts Due from Subsidiaries

The value of the amounts due from subsidiaries is dependent on the successful discovery and development of economic reserves. Note 15 highlights a number of significant potential risks concerning this. Refer also to the Strategic Review for a detailed analysis of the risks involved. Amounts due from subsidiaries are neither past due nor impaired.

Other Receivables

Other receivables past due but not impaired relate to costs which are reimbursable from gas sales customers. The costs were incurred for equipment purchases and works at customer premises in order to ensure the customer was able to use the gas sold to it by the Group. In order to hasten the customer connection process, the Group funded such conversions for certain customers and issued customers with payment plans for settlement of the debts.

Age of Other Receivables that are Past Due but not Impaired

	2014 \$000	Group 2013 \$000
31-60 days	191	–
61-90 days	43	–
91-120 days	43	–
121+ days	234	–
Total	511	–
Average age (days)	134	–

Movement in the Allowance for Doubtful Debts (Other Receivables)

	2014 \$000	Group 2013 \$000
Balance at beginning of the year	–	–
Amounts considered uncollectible and part of cost of pipeline	866	–
Balance at the end of the year	866	–

For the year ended 31 May 2014

20. TRADE AND OTHER RECEIVABLES continued

Receivable from RSM

Total other receivables include \$8.6 million due from RSM. This relates to RSM's funding obligation for its 40% participating interest in the Logbaba Concession. It reflects RSM's share of all assets, liabilities and costs relating to the Logbaba concession in the post-exploration period. As described in Note 4, the prior period financial statements were prepared on the basis that RSM had forfeited its interest in the Logbaba Concession. However, the Arbitration decision handed down in December 2013 did not uphold the forfeiture, and as a result, these financial statements reflect RSM's 40% participating interest, resulting in an adjustment of \$20.2 million to debtors as at 1 June 2013.

As at 31 May 2014, RSM had made payments of \$20.8 million towards its funding obligation. Note 4 outlines details of the cash calls issued to RSM in December 2013, the subsequent settlement reached, and the status of the agreed-upon procedures engagement being conducted by Deloitte Nigeria. The Directors believe that the Group will receive in full the amounts due to it from RSM, as there is an agreed procedure to resolve the differences between the parties. If the debt is not met, RSM's interest in the Logbaba project will be forfeited and the debtor will be reallocated to property, plant and equipment to reflect the Group's increased ownership of the project.

21. CASH AND CASH EQUIVALENTS

	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Cash	17,018	13,107	14,381	12,625

Funds are held in US Dollars, Sterling, Central African Francs, Russian Roubles, Kazakh Tenge and Euros in order to enable the Group to trade and settle its debts in the currency in which they occur and in order to mitigate the Group's exposure to short-term foreign exchange fluctuations. Cash is also held in floating rate accounts or deposits maturing in three months or less. All cash held is available on demand.

The carrying amount of these assets approximates to their fair value.

Denomination	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Sterling	443	10,642	438	10,639
US Dollar	13,930	1,671	13,926	1,671
Euro	25	315	17	315
Central African Franc	2,467	355	–	–
Russian Rouble	69	4	–	–
Kazakh Tenge	84	120	–	–
	17,018	13,107	14,381	12,625

22. TRADE AND OTHER PAYABLES

	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Amounts due within one year:				
Trade payables	7,776	8,955	1,734	1,264
Taxes and social security costs	901	305	62	125
Accruals	3,564	1,747	224	500
Other creditors	211	–	–	–
	12,452	11,007	2,020	1,889

It is the Group's normal practice to agree terms of transactions with suppliers, including payment terms which are typically 30 days from receipt of invoice. The Group accrues interest at 5% on \$2.4 million (2013: \$3.7 million) due to drilling services companies which is overdue and expected to be repaid from Group cash flows in the next 12 months.

Trade creditor days for the Company for the year ended 31 May 2014 were 116 days (2013: 137 days), based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

The carrying value of these liabilities approximates to their fair value.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

23. BORROWINGS

	2014 \$000	Group 2013 \$000	2014 \$000	Company 2013 \$000
Amounts due within one year:				
Loans from other entities	10,464	4,137	5,299	4,137
Finance lease liabilities	99	3,874	–	–
	10,563	8,011	5,299	4,137
Amounts in more than one year but less than five years:				
Finance lease liabilities	86	267	–	–

BGFIBank (“BGFI”)

In January 2014, the Group signed a loan agreement with BGFI of Cameroon. The principal facility of XAF 4.0 billion (equivalent to \$8.3 million at date of signing) was taken out to fund pipeline extensions, customer connection work, and installation of Gensets at customer premises. The facility was for an initial term of six months, renewable once on the same terms for a further six month period, with interest payable at a rate of 7.25% per annum. Following the second six-month loan, if unpaid, the loan converts into a three-year-term loan with the same interest rate, repayable in 36 monthly instalments. As at the date of this report, the six-month loan has been renewed once and the intention is that the loan will convert into a three-year-term loan. The portion of the loan owing which is attributable to the Group as at 31 May 2014 was \$5.0 million.

Noor Petroleum

In December 2007, the Company created a \$10.0 million unsecured convertible loan note facility with United Arab Emirates based Noor Petroleum Limited, a company of which former Company Director, Rashed Al Suwaidi, is a director. \$2.0 million was drawn down on 29 January 2008 and \$1.0 million on 6 January 2009.

Based on the original terms of the agreement, the notes were due for repayment on 31 December 2012, and bore interest at the rate of 2.5% per annum, payable biannually, and convertible into ordinary shares of the Company at a conversion price of 16.5 pence per ordinary share. The loans remain outstanding but are no longer convertible into ordinary shares as they were not converted by 31 December 2012. They are payable on demand and accrue interest, as per the original terms of the agreement, at 6.5% per annum. The balance owing on the loans as at 31 May 2014 was \$4.4 million (2013: \$4.1 million), which has been classified as a current liability. The Directors do not consider this balance to be materially different from fair value.

Secured Loan

In October 2013, the Group entered into a loan agreement secured by certain assets used in the pipeline construction activities in Cameroon. The Group as Operator of the Logbaba Concession received \$0.4 million. The loan is for a term of 24 months with repayment by equal monthly instalments. Interest is charged at a fixed rate of 20.9%. The portion of the loan owing which is attributable to the Group as at 31 May 2014 was \$0.2 million.

Other Loans

In July 2013, a convertible loan was renewed on non-convertible terms (refer Note 24). The loan had a term of six months and bore interest at the rate of 15% per annum, repayable in arrears. As part of refinancing the loan, the Company issued 30 million warrants to the lender. Refer to Note 31 for more details.

The loan was renewed in January 2014 for a further six months term. At 31 May 2014, the balance owing on the loan was \$0.9 million. The loan was repaid in full after the year end.

Finance Lease Liabilities

Finance lease liabilities are carried at amortised cost. These borrowings are secured by the assets leased. More details are provided in Note 26.

For the year ended 31 May 2014

24. CONVERTIBLE LOAN NOTES

	Group and Company	
	2014	2013
	\$000	\$000
Amounts due within one year:		
Debt		
Convertible loan notes 2013	–	1,482
	–	1,482
Derivative financial instruments		
Convertible loan notes 2013	–	131

Convertible Loan Notes 2013

In January 2013, the Company entered into two convertible loan agreements for £500,000 each. The loans had a six month term and bore interest at the rate of 15% per annum, repayable in arrears on the repayment date. The lenders had the option to convert the principal and interest into ordinary shares in the Company. The loans expired in July 2013 and were not converted. One of the loans was repaid in full, and the other was renewed on non-convertible terms and is now recognised in borrowings. Refer to 'other loans' in Note 23 for more details.

Prior to expiration, the loans were accounted for as hybrid financial instruments and the fair value of the derivative financial instruments was calculated using a Monte Carlo simulation model for the conversion option. Refer to Note 1 (xviii) for the definition and basis for valuation of the host note and determination of the applicable interest rate.

The inputs used were as follows:	2013
Remaining option term – years	0.10
Conversion price – pence Sterling	1.50
Risk-free rate	0.32%
Expected volatility	29.12%
Dividend yield	Nil

25. PROVISIONS

	2013	2012
	\$000	\$000
Decommissioning and rehabilitation provision	1,737	2,501
Reserve Bonus provision	7,664	7,163
Employee benefits	150	–
	9,551	9,664

Provision for Decommissioning and Rehabilitation ("D&R") Costs

The D&R provision represents an internal estimate of the present value of D&R costs relating to the Logbaba gas and condensate project and the West Medvezhye project based on an estimate of the D&R costs and the year when those costs are likely to be incurred. The provision in respect to the well locations on the West Medvezhye field is expected to be incurred by the end of 2017 and in respect to the wells and plant for the Logbaba gas and condensate project over the next 20 years.

Assumptions have been made based on the current economic environment. The Directors believe these assumptions are a reasonable basis upon which to estimate the future liability. These estimates are reviewed at least bi-annually to take into account any material changes to the assumptions. However, actual D&R costs will ultimately depend upon future market prices of the necessary D&R works at the relevant time.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

25. PROVISIONS continued

	2014 \$000	Group 2013 \$000
Decommissioning and rehabilitation costs		
At 1 June	2,501	2,404
Adjustment resulting from arbitration decision (refer Note 4)	(854)	–
Exchange adjustments	(33)	–
Additional provision in year	–	9
Unwinding of discount charged to the Income Statement	123	88
	1,737	2,501

Reserve Bonus Provision

Bramlin Limited is liable to pay a bonus determined four years after commencement of hydrocarbon production by reference to the reserves of the field, as assessed at that time, with a maximum amount of \$10.0 million payable over a period of not less than four years from the date of calculation of the reserves. The Directors have provided for the full amount of the bonus being payable based on the expected reserves four years from first production. The provision represents the present value, as at the Balance Sheet date, of the amounts payable each year discounted at a rate that reflects both the time value of the money and the risks inherent in the liability. The Directors have used a discount rate of 7.0% per annum (2013: 7.0% per annum).

	2014 \$000	Group 2013 \$000
Reserve bonus		
At 1 June	7,163	6,695
Unwinding of discount charged to the Income Statement	501	468
	7,664	7,163

Employee Benefits

The provision for employee benefits represents an estimate of amounts that the Group will be obliged to pay to employees in Cameroon if they leave service at retirement age. This obligation arises from the National Collective Agreement for Companies Operating in the Exploration, Production and Refining of Hydrocarbons in Cameroon.

	2014 \$000	Group 2013 \$000
Employee benefits		
At 1 June	–	–
Additional provision in year	150	–
	150	–

26. OBLIGATIONS UNDER FINANCE LEASES

Motor Vehicles

During the year ended 31 May 2013, the Group entered into contracts to finance the purchase of motor vehicles to support the Logbaba gas and condensate project. The finance leases for all vehicles are for a term of 36 months with repayment by equal monthly instalments. The implied interest rate underlying the Group's obligations under the finance lease is a fixed rate of 10.6%.

Processing Facility for Logbaba Gas and Condensate Project

The Group's finance lease in relation to the processing facility for the Logbaba gas and condensate project expired in December 2013, and the Group is currently in negotiations to make the final payment to finalise the purchase of the processing facility. As at 31 May 2014, the amount owing for the purchase of the processing facility was included in trade payables (see Note 22).

For the year ended 31 May 2014

26. OBLIGATIONS UNDER FINANCE LEASES continued

The Group's obligations under finance leases are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Not later than one year	121	4,127	99	3,874
Later than one year and not later than five years	89	310	86	267
	210	4,437	185	4,141
Less: future finance charges	(25)	(296)	–	–
Present value of minimum lease payments	185	4,141	185	4,141

Included in the consolidated financial statements as:	Group	
	2014 \$000	2013 \$000
Current borrowings (refer Note 23)	99	3,874
Non-current borrowings (refer Note 23)	86	267
	185	4,141

27. CALLED-UP SHARE CAPITAL

Allotted, Called-Up and Fully Paid:

	Group and Company	
	2014 \$000	2012 \$000
Ordinary shares of 0.5p each:		
Opening balance: 4,348,552,329 shares (2013: 2,601,717,264)	34,240	20,803
Issued during the year: Nil shares (2013: 1,746,835,065)	–	13,437
Closing balance: 4,348,552,329 shares (2013: 4,348,552,329)	34,240	34,240

Shares issued are translated at the exchange rate prevailing at the date of issue.

The Directors of the Company continue to be limited as to the number of shares they can allot at any time and remain subject to the allotment authority granted by the shareholders pursuant to section 551 of the Companies Act 2006.

Standby Equity Distribution Agreement (SEDA)

On 1 April 2009, the Company entered into a £5.0 million SEDA with YA Global Master SPV Limited (the Investor) which was extended to £10.0 million on 17 June 2009. The SEDA was renewed on 16 May 2013 for £10.0 million for a period of 36 months.

The SEDA enables the Company, at its discretion, to draw down funds in exchange for ordinary shares in the Company in tranches subject to the terms of the agreement. The primary terms of the agreement are:

- The Company may draw down an amount up to £200,000 per tranche. Higher amounts may be drawn down if agreed with the Investor in advance of the drawdown.
- The purchase price of the ordinary shares shall be 95% of the lowest daily Volume Weighted Average Price of the ordinary shares in the five trading days following the notification of a draw down.
- The Investor is also entitled to a placing fee of 3% of each draw down.

£2.0 million was drawn down on the SEDA in the year ended 31 May 2013 in part-settlement of the loan owing to YA Global Master SPV Limited.

At 31 May 2014, £8.0 million of the facility remained undrawn (2013: £8.0 million).

For the year ended 31 May 2014

28. ESOP TRUST RESERVE

The Victoria Oil & Gas ESOP Trust is consolidated in these accounts as if it were a subsidiary undertaking in accordance with SIC 12. The ESOP Trust Reserve eliminates the cost of the shares in the Company held by the ESOP Trust, by treating these as treasury shares.

The balance of the reserve is analysed separately in the Consolidated Statement of Changes in Equity and reflects the subscription for new shares by the ESOP Trust.

29. OTHER RESERVE

	Group and Company	
	2014	2013
	\$000	\$000
At 1 June	4,583	5,440
Share-based payments	315	155
Transfer of expired warrants to retained earnings	(701)	(1,012)
	4,197	4,583

Other reserve includes an amount of \$2.9 million in respect of settlement of an embedded derivative following the early redemption of an associated convertible loan note and a reserve for share-based payments. The amount of the reserve brought forward and attributable to warrants that expired in the period was transferred to retained earnings during the year. Further details of share-based payments in the year are given in Note 31.

30. FINANCIAL RISK MANAGEMENT

The Group's financial instruments comprise cash balances and various items such as trade receivables and trade payables which arise directly from trading operations.

Except for embedded derivatives contained in hybrid financial instruments, the Group does not enter into any derivative transactions and it is the Group's policy that no trading in derivatives shall be undertaken. The issue of hybrid financial instruments forms an important part of the Group's funding of working capital and the associated risks are considered by the Board at that time.

The main financial risks arising from the Group's financial instruments are as follows:

Credit Risk

Credit risk is the risk that the Group's counterparties will cause the Group financial loss by failing to honour their obligations. The Group's receivables relate primarily to cash and cash equivalents, trade receivables, prepayments, and reimbursable customer conversion costs. The Group manages credit risk by pre-assessing the creditworthiness of counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Directors from time to time.

The Group credit risk on liquid funds is limited because the Group only holds funds with banks with investment grade credit ratings. Low-credit-quality receivables are managed such that, in the opinion of the Directors, the Group's credit risk is at acceptable levels.

Trade receivables consist of twelve customers for gas (with seventeen customer sites) from the Logbaba project in Douala, Cameroon with operations in various industries including food processors, breweries, foundries and chemical companies, and the refinery in Limbe, to which the Group sells the condensate produced from the project.

Trade receivables neither past due nor impaired are comprised of:

- 44% amounts due from subsidiaries of multinational companies;
- 10% amounts due from subsidiaries of multinational companies with State participation;
- 24% amounts due from Cameroonian companies with State participation; and
- 22% amounts due from other Cameroonian companies.

The Group rates the credit quality of the first three groups as high (making up 78% of trade receivables). The credit quality of other local Cameroonian companies is lower, but the Group mitigates this risk by implementing the safeguards outlined above, in Note 20, and in the Strategic Report.

The Group has policies in place to ensure that sales are made to customers with adequate creditworthiness and where appropriate credit insurance cover is purchased. After the initial evaluation and acceptance the Group subsequently monitors customer credit quality and imposes credit limits to limit its exposure on all accounts receivable.

The credit risk of the Company relates to cash and cash equivalents, and to amounts due from subsidiaries in respect to exploration, evaluation and development expenditure (described further in Note 15 and Note 16).

For the year ended 31 May 2014

30. FINANCIAL RISK MANAGEMENT

The credit risk on liquid funds is limited because the Company only holds funds with banks with investment grade credit ratings.

The credit risk on receivables from subsidiaries is significant and relates to the discovery and successful development of economic reserves by the subsidiary undertakings. Given the nature of exploration and development and the need to fund operations through to commercialisation of the field the Directors manage the risk by reviewing business plans and budgets of the subsidiary undertakings with a view to ensure expenditure is value enhancing and therefore that the amounts receivable will be recoverable subject to successful implementation of those plans.

There is no difference between the carrying amount of trade and other receivables and the maximum credit risk exposure.

Liquidity Risk

The Group's liquidity exposure is confined to meeting obligations under short-term trade payables agreements and under longer term borrowing arrangements. The needs are monitored by regular forecasting of operational cash flows and financial commitments. The exposure is considered significant. The risk is managed by managing the level of commitments at any point in time and agreeing extended payment terms with suppliers. When negotiating longer term borrowings, the Group endeavours to secure terms that allow conversion to new shares.

The Group's commitments have been fully met during the period from cash flows generated from sales revenue from the Logbaba gas and condensate project and debt funding. The Directors are confident of financing future exploration and development operations from internally generated funds, existing facilities and access to debt and equity. Controls over expenditure are carefully managed.

The Group does not have any derivative financial liabilities at the end of the year. The Company's and the Group's contractual maturity for its non-current financial liabilities is more than one year but not more than five years.

Foreign Currency Risk

Although the Group is based in the UK, it has significant investments in overseas subsidiaries which operate in Cameroon and Russia. These overseas operations are funded primarily in US Dollars (and occasionally in Euros and Sterling) which is largely converted to local currency to fund operations. The Group holds surplus cash in US Dollars, Sterling and Euros, and buys Roubles, Central African Francs and Kazakh Tenge as required, at the most advantageous rates available, to meet short-term creditor obligations and fund other expenditure.

The Group is exposed at any point in time to exchange rate fluctuations.

The Group seeks to minimise its exposure to currency risk by closely monitoring exchange rates and restricting the buying and selling of currencies to predetermined exchange rates within specified bands.

The functional currency of the majority of the Group's operations is US Dollars, and the reporting currency is US Dollars. The carrying amounts of the Group's significant foreign currency denominated monetary assets and liabilities at the reporting dates are as follows:

Group	Monetary Assets		Monetary Liabilities	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Sterling	760	11,116	1,905	4,434
Russian Rouble	87	32	362	368
Kazakh Tenge	84	120	12	9
Central African Franc	7,613	5,556	8,847	3,513
Euro	25	315	294	222
	8,569	17,139	11,420	8,546
US Dollar	22,475	1,761	27,831	22,016
	31,044	18,900	39,251	30,562

Company	Monetary Assets		Monetary Liabilities	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Sterling	1,986	12,223	1,767	2,783
Euro	17	315	187	185
	2,003	12,538	1,954	2,968
US Dollar	126,192	121,618	5,365	4,671
	128,195	134,156	7,319	7,639

The Group does not utilise swaps or forward contracts to manage its currency exposures.

For the year ended 31 May 2014

30. FINANCIAL RISK MANAGEMENT continued

Foreign currency sensitivity analysis

If the US Dollar had gained/lost 5% against all currencies significant to the Group at 31 May 2014, the loss would have been \$0.1 million lower/higher (2013: \$0.4 million) and the net equity would have been \$1.4 million higher/lower (2013: \$1.5 million). Accordingly, the impact on the Company's Income Statement and net equity would be immaterial.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. This risk principally relates to sale of gas and condensate and is included in the analysis of financial risk factors in the Strategic Report. For sales of gas, the risk is substantially reduced by entering into five-year, fixed-price gas contracts. The contracted condensate sales price in the year was a discount of \$1.50 to Brent Crude. For the year ended 31 May 2014, it is estimated that a general weakening of one percentage point in Brent would decrease the Group's profit before tax by less than \$0.1 million (2013: \$0.1 million).

Interest Rate Risk

The Company manages its interest rate exposure principally by borrowing at fixed rates of interest. At the year end, the Group had the following outstanding borrowings:

- \$5.0 million from BGFI with interest payable at a fixed rate of 7.25% per annum;
- \$4.4 million from Noor Petroleum and associated loans with interest payable at a fixed rate of 6.5% per annum;
- other loans of \$0.9 million with interest payable at a fixed rate of 15% per annum;
- secured loans of \$0.2 million with a fixed rate of 20.9% per annum; and
- finance lease liabilities of \$0.2 million with an implied interest rate of 10.6% per annum.

Refer to Note 23 and Note 26 for more information regarding these loans. As these are fixed rate loans, there would be no impact from a change in base rates.

Capital Management

The objective of managing capital is to maximise shareholder value. The capital structure of the Group and Company consists of equity attributable to equity holders of the Parent Company, comprising issued capital, reserves and retained earnings.

The Group meets its capital management objectives by reviewing the capital structure from time to time during the year in relation to its future capital expenditure requirements based on forecasts prepared by management. When required, the Board decides on the mix and level of capital to raise in order to enable it to achieve the Group strategy. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The Board considers the level of debt taking in to consideration the status of projects in the development cycle and their ability to service any debt. It monitors capital on the basis of the net debt ratio, that is, the ratio of net debt to equity. The gearing ratio at the end of the reporting period was as follows:

	Group		Company	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Debt	(10,649)	(9,891)	(5,299)	(5,750)
Cash and cash equivalents	17,018	13,107	14,381	12,625
Net funds	6,369	3,216	9,082	6,875
Equity	181,297	181,403	200,131	204,847
Gearing ratio	3.51%	1.77%	4.54%	3.36%

In relation to the above, debt is defined as long- and short-term borrowings as described in Note 23 and Note 26, and equity includes all capital and reserves.

For the year ended 31 May 2014

30. FINANCIAL RISK MANAGEMENT continued**Categories of Financial Instruments**

	Group		Company	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Financial assets				
Unlisted investments	6,600	6,600	6,600	6,600
Investments in subsidiaries and advances	–	–	72,638	71,718
Cash and cash equivalents	17,018	13,107	14,381	12,625
Loans and receivables	14,026	5,793	113,814	121,531
Financial liabilities				
Loans and payables	23,101	20,898	7,319	7,639

The Directors consider that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values. All of the above financial assets are unimpaired.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each material class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Certain financial assets and financial liabilities are valued at amortised cost less any credit risk provision against the cost of assets. Due to the short-term nature of these assets and liabilities, the Directors are of the opinion that such values approximate to their fair values at 31 May 2014 and 31 May 2013.

There were no financial instruments carried at fair value in 2014.

31. SHARE-BASED PAYMENTS

Other than as disclosed below, no grants of warrants or options were made in the current or prior year.

Warrants to Subscribe for Ordinary Shares

Details of warrants outstanding during the year are as follows (monetary amounts are denominated in pence Sterling, this being the currency in which the shares are quoted):

	2014		2013	
	Number of warrants 000s	Weighted average exercise price Pence	Number of warrants 000s	Weighted average exercise price Pence
1 June	45,633	4.4	63,246	5.0
Granted during the year	30,000	1.6	5,250	3.0
Expired	(11,076)	3.8	(22,863)	5.7
	64,557	3.2	45,633	4.4

During the year, the Company issued 30,000,000 warrants in settlement of finance agreement fees (2013: 5,250,000 warrants to Fox-Davies Capital Limited in settlement of placing arrangement fees). Refer to Note 23 for details of the loan related to the granting of the warrants.

Each warrant entitles the holder to purchase an ordinary share in the Company. The warrants have been fair valued using a Black-Scholes option pricing model. The inputs into the Black-Scholes model were as follows:

	2014	2013
Number of warrants	30,000,000	5,250,000
Weighted average share price – pence Sterling	1.6	3.0
Option term – years	2.5	3.0
Share exercise price – pence Sterling	1.6	3.0
Risk-free rate	0.44%	0.44%
% expected volatility	96%	103%
Expected dividend yield	Nil	Nil

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

31. SHARE-BASED PAYMENTS continued

The expected volatility was determined based on the historical movement in the Company's share price over a period equivalent to the option period. The total fair value of the warrants of \$315,000 was charged to Finance Costs (2013: \$155,000 was charged to the Share Premium Account) with a corresponding credit charged to Share-Based Payment Reserve. During the year no warrants were exercised (2013: Nil).

The total number of warrants exercisable at the year end is 64,556,247 (2013: 45,632,692). The aggregate of the estimated weighted average fair values of these options is \$1.3 million (2013: \$1.7 million).

Shares Granted Through ESOP Trust

During the year, the ESOP Trust, which is consolidated as part of the Group, did not transfer any shares to employees and Directors (2013: 33,750,000 shares, vesting at the date of grant, were transferred to employees and Directors).

Shares Issued in Lieu of Salary

No shares were issued in lieu of salary to Directors or employees during the financial year (2013: 1,428,764 to Directors and 512,415 to employees).

Shares Issued in Settlement of Professional Fees and Contractor Services

No shares were issued to suppliers in lieu of cash payments during the year (2013: 28,089,141 shares).

32. NON-CASH TRANSACTIONS

During the 2014 financial year, the Group entered into the following non-cash financing activities which are not reflected in the statement of cash flows:

- Warrants issued in settlement of loan finance fees of \$0.3 million (2013: Nil).

The comparative numbers for 2013 financial year include the following investing and financing activities which are not reflected in the statement of cash flows:

- Shares transferred to employees and Directors from the ESOP Trust of \$1.5 million. Of the \$1.5 million recognised in 2014, \$0.9 million related to 2012.
- Shares issued in settlement of professional fees and contractor services of \$1.0 million.
- Shares issued in lieu of salary of \$0.1 million.
- Warrants issued in settlement of share issue costs of \$0.2 million.

33. FINANCIAL COMMITMENTS

Royalty Obligations

The Group has certain royalty obligations in respect to its revenues from hydrocarbon sales relating to the Logbaba gas and condensate project. The royalties are as follows:

- 8% to the State of Cameroon as provided by the Concession Contract.
- 0.8% to RSM until RSM becomes entitled to its participating interest share of revenue (after the Group has recovered all of its costs and expenses incurred during the exploration phase).
- Royalties averaging 8.3% over the project life which were assumed on acquisition of Bramlin Limited or arose under commercial contracts for the provision of drilling and other services.

Operating Leases

The Group has certain operating lease obligations in respect to offices and expatriate staff accommodation with terms of between one and two years. The Group does not have an option to purchase the leased properties at the expiry of the lease periods.

	2014 \$000	2013 \$000
Minimum lease payments under operating leases recognised as expenses in the year	283	440
Non-cancellable operating lease commitments due within one year	186	218

Operating lease commitments include contracts with minimum notice periods. The above are the minimum notice period commitments.

For the year ended 31 May 2014

34. PARENT COMPANY INCOME STATEMENT

As permitted by section 408 of the Companies Act 2006, the Parent Company's Income Statement has not been presented in this document. The loss after taxation of the Parent Company for the year is \$5.0 million (2013 loss: \$8.0 million).

35. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and the subsidiaries listed in Note 18. The Company is the ultimate parent entity of the Group.

Related parties include key management personnel. Payments (including share-based payments) to Directors and other key management are set out in Notes 12 and 13.

The following table provides the total amount of transactions entered into by the Company with other related parties:

	2014			2013		
	Subsidiaries	Directors	Key management personnel	Subsidiaries	Directors	Key management personnel
Investments in subsidiaries	27,789	–	–	29,789	–	–
Advances to subsidiaries	42,849	–	–	41,929	–	–
Purchases from/(recharges to) related parties during the year	(1,342)	5	432	(510)	–	844
Loans repaid to related parties during the year	–	–	–	–	407	–
Cash advances to/(from) related parties during the year	(7,983)	13	–	22,848	–	–
Amounts due from/(to) related parties at the year end	113,009	–	–	120,992	–	–

Amounts due from subsidiaries are non-interest bearing loans repayable on demand. Of the \$113.0 million, \$1.2 million is Sterling-denominated and \$111.8 million US Dollar-denominated (2013: \$1.1 million Sterling-denominated and \$119.9 million US Dollar-denominated).

The balance at 31 May 2014 is stated net of an allowance against the amount due from Victoria Energy Central Asia LLP of \$17.6 million (2013: \$17.6 million) and from Victoria Oil and Gas Central Asia Limited of \$4.4 million (2013: \$5.1 million). There were also movements during the year as a result of changes in foreign exchange rates.

There was no intergroup trading or transactions between Group subsidiaries.

Directors

Robert Palmer is a Director of the Company and a member of The Gallagher Partnership LLP, an accountancy practice. These accounts include \$5,000 (2013: \$4,000) in relation to general accountancy services provided by The Gallagher Partnership LLP to the Company.

The Company made cash advances for reimbursable expenses amounting to \$13,000 to Grant Manheim, the Deputy Chairman, during the year. The amount outstanding at the end of the financial year was \$12,000.

Cameroon Holdings Limited ("CHL")

On 9 July 2009, through its subsidiary GDC, the Group signed agreements with a private company, CHL, for the provision of drilling services for the Logbaba project at a discounted day rate and to receive from CHL \$4.0 million of funding for operational expenses in exchange for a sliding scale production royalty from GDC averaging 4.5% of GDC revenue over the life of the Logbaba project. As per Note 17, the Company acquired a 35% interest in CHL from an unrelated party during the 2011 financial year.

HJ Resources, a company owned by a discretionary trust of which Kevin Foo and certain members of his family are potential beneficiaries, is indirectly a significant shareholder in CHL. However, Kevin Foo is excluded from the Board discussions and decisions in respect of the Company's investment in CHL. He does not discuss CHL decisions with the Board and does not seek the Board's view on CHL-related issues.

All drilling services were completed before 31 May 2010. \$2.0 million was paid to CHL during the year by GDC (2013: \$471,000), and \$875,000 was payable at 31 May 2014 (2013: \$164,000). Prior to the production royalty transactions, the only transactions between CHL and the Group took place prior to the Company acquiring its interest in CHL.

Key Management Personnel

Radwan Hadi is included in key management personnel due to his position as Chief Operating Officer of the Company, and he is also a Director of Blackwatch Petroleum Services Limited, a firm of upstream oil and gas consultants. These accounts include professional fees of \$0.4 million (2013: \$0.8 million) in relation to oil and gas technical services provided by Blackwatch Petroleum Services Limited to the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 May 2014

35. RELATED PARTY TRANSACTIONS continued

Employee Share Ownership Plan ("ESOP")

The Victoria Oil & Gas ESOP Trust purchases and holds ordinary shares in the Company to satisfy scheme awards made to the employees of the Group. The Trust did not purchase any shares in the 2014 financial year (2013: purchased 63,500,000 shares at a nominal value of £0.005 each for a total of \$509,000) and did not transfer any shares to employees (2013: 33,750,000).

At the year end, the Trust owed the Company \$1.2 million (2013: \$1.1 million) for shares subscribed for but not yet paid.

36. CONTINGENT LIABILITIES

	Group		Company	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Contingent liabilities	995	–	–	–

In January 2014, the Group as Operator of the Logbaba Concession obtained a customs bond of XAF 800 million (\$1.7 million) from BGFI of Cameroon in support of the temporary import of Gensets. The bond is for a minimum period of twelve months. The portion of the bond which was attributable to the Group as at 31 May 2014 was \$1.0 million.

37. SUBSEQUENT EVENTS

Board Appointments and Resignations

James McBurney was appointed as Independent Non-Executive Director effective 2 June 2014.

Austen Titford resigned as Executive Director effective 16 July 2014.

Capital Reorganisation

At the Annual General Meeting to be convened on 26 November 2014, the Company will be seeking shareholder approval to consolidate 40 existing ordinary shares into 1 share and for this to be immediately subdivided into 1 new ordinary share of 0.5 pence and 1 deferred ordinary share of 19.5 pence.

“AGM”	Annual General Meeting
“AIM”	Alternative Investment Market, a sub-market of the London Stock Exchange
“bbl(s)”	Barrel(s), or 42 US gallons.
“bboe”	Billion barrels of oil equivalent
“bcf”	Billion cubic feet; 1 bcf = 0.83 million tonnes of oil equivalent
“BGFI”	BGFIBank; an African bank with operations in Cameroon
“Britanica”	Britanica Horizontal Directional Drilling Ltd
“CHL”	Cameroon Holdings Limited
“CNG”	Compressed Natural Gas
“the Code”	UK Corporate Governance Code September 2014
“the Company”	Victoria Oil & Gas Plc
“Deloitte Nigeria”	Akintola Williams Deloitte, Nigeria
“ENEO”	ENEO Cameroon S.A.; Cameroon state energy utility
“Energyst”	Energyst International France SAS
“ESOP”	Employee Share Ownership Plan
“Farmin”	Farmin Agreement between GDC and RSM
“GDC”	Gaz du Cameroun S.A.
“Gensets”	Gas-fired electricity generation sets
“the Group”	Victoria Oil & Gas Plc and its subsidiaries
“HFO”	Heavy Fuel Oil
“ICC”	International Chamber of Commerce
“IFRS”	International Financial Reporting Standards
“KPI”	Key Performance Indicator
“LFO”	Light Fuel Oil
“LTIFR”	Lost time injuries frequency rate
“mmbbls”	Million barrels
“mmboe”	Million barrels of oil equivalent
“mmscf/d”	Million standard cubic feet per day
“Numis”	Numis Securities Limited; a leading UK independent institutional stockbroker
“Proven”, “Proved” or “1P”	Reserves which on the available evidence are virtually certain to be technically and economically producible. For the purpose of this definition it has a better than 90% chance of being produced.
“Probable” or “2P”	Reserves which are not yet proven but which are estimated to have a better than 50% chance of being technically and economically producible.
“Possible” or “3P”	Reserves which at present cannot be regarded as ‘probable’ but are estimated to have a significant but less than 50% chance of being technically and economically producible.
“Prospect”	A potential accumulation that is sufficiently well defined to represent a viable drilling target
“RSM”	RSM Production Corporation
“SABC”	Société Anonyme des Brasseries du Cameroun
“SNH”	Société Nationale des Hydrocarbures; the state-owned national oil and gas company of Cameroon
“VOG”	Victoria Oil & Gas Plc
“West Med”	Our 100%-owned West Medvezhye field
“XAF”	Central African Francs
“YNAO”	Yamalo-Nenets Autonomous Okrug (Russia) is a region in the city of Nadym

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