

Building an integrated gas company in Cameroon

Victoria Oil & Gas Plc



Victoria Oil & Gas has built and operates a fully integrated domestic natural gas production and distribution business supplying industry in the port city of Douala, Cameroon.

We focus on rapid monetising of previously discovered, onshore gas deposits that can be developed into domestic energy solutions for local communities using safe, consistent and scalable natural gas solutions.

Through our 100% owned subsidiary, Gaz du Cameroun, we supplied an average of 10.23mmscf/d of gas to customers operating across different industries for both thermal and power consumption. We estimate that the potential gas market in Douala exceeds 150mmscf/d, and VOG is seeking to rapidly build sales to 100mmscf/d. GDC is the sole provider of gas in this rapidly developing African industrial hub.

The Company has substantially extended its acreage to approximately 3,500km² in the highly prospective Douala Basin through the addition of the Matanda and Bomono licence areas. A drilling programme on the Logbaba asset is underway to add further gas reserves to meet the growing demand.

VOG is committed to developing gas deposits in Cameroon and Africa for the benefit of all stakeholders.

This Report & Accounts covers the twelve-month period to 31 December 2016. The prior period covers the seven-month period to 31 December 2015. Following the trigger of “the Payout” with our partners RSM, there are also references to gross and net figures in relation to the Logbaba Project to show the attributable amounts to the Group.

Victoria Oil & Gas Plc	“Victoria Oil & Gas”, “VOG”, the “Company”
The Group	“Victoria Oil & Gas Plc and its subsidiaries”
Gaz du Cameroun S.A.	100% owned subsidiary, “GDC”, “Gaz du Cameroun”
ENEO Cameroun S.A.	Cameroon’s national electricity generating company, “ENEO”
Bomono	Bomono Block, 2,237km ² hydrocarbon licence in Cameroon
Logbaba	Logbaba Project, 20km ² hydrocarbon licence in Cameroon
Matanda	Matanda Block, 1,235km ² hydrocarbon licence in Cameroon

Please refer to full glossary, abbreviations and definitions section on page 88.

Highlights



Gas Production mmscf/d

10.23

10.23mmscf/d average gas production (12 mths/2015: 8.13mmscf/d)



Gas Sold mmscf

3,566

3,566mmscf gross gas sold (12 mths/2015: 2,868mmscf).



Revenue \$m

32.8

Revenue of \$32.8 million in 2016 (7 mths/2015: \$21.4 million).

Additional Pipeline km

15

15km of pipeline laid in 2016 as part of the Bonaberi extension. Total network now 50km.

Increased Licence Area km²

1,235

1,235km² Matanda Block added to Group's 20km² footprint in Douala Basin. Post period 2,237km² Bomono Block, subject to approvals, taking the total to approximately 3,500km².

New Resources tcf

2.8

2.8tcf net prospective resources in North Matanda Field in which the Group acquired a 75% participating interest.

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The Market



GDC's Customer Types

The port city of Douala is a growing industrial and manufacturing hub serving Cameroon and Central/West African markets. GDC supplies gas to customers including metal foundries, bottle manufacturers and glass kilns, food manufacturers, brewers and drinks producers, the local power grid and cement works.

Gas supplied via 50km pipeline network



Grid Power

Supply of gas to semi state-owned power stations, Logbaba and Bassa, operated by ENEO.



Thermal Customers

GDC supplies gas to a number of industrial customers for thermal use in boilers, process plants and furnaces.



Power Customers

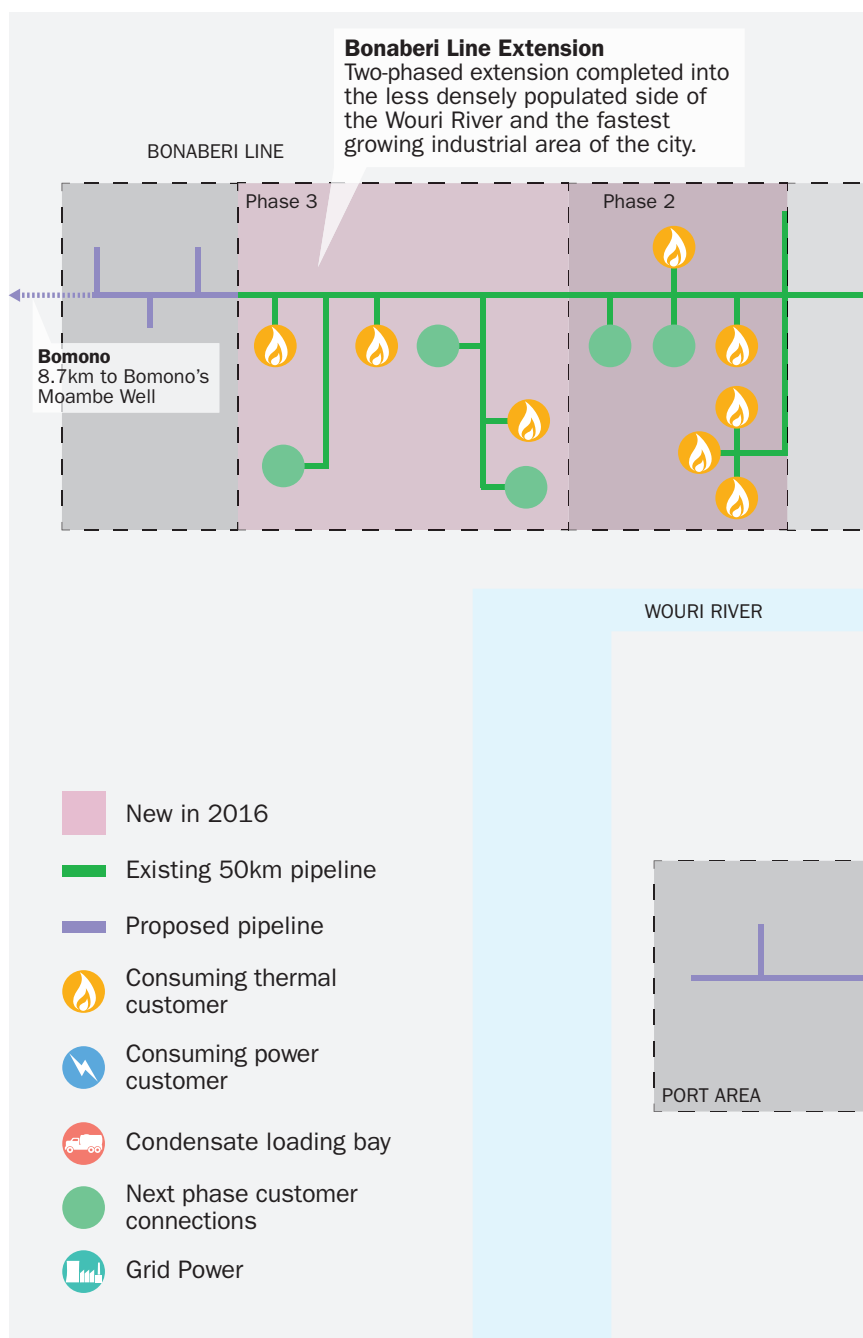
Gas supplied to industrial customers to gas-fired electricity generators for power generation. Proof-of-concept phase completed and now pure gas sales model.

Offloaded by tanker



Gas Condensate

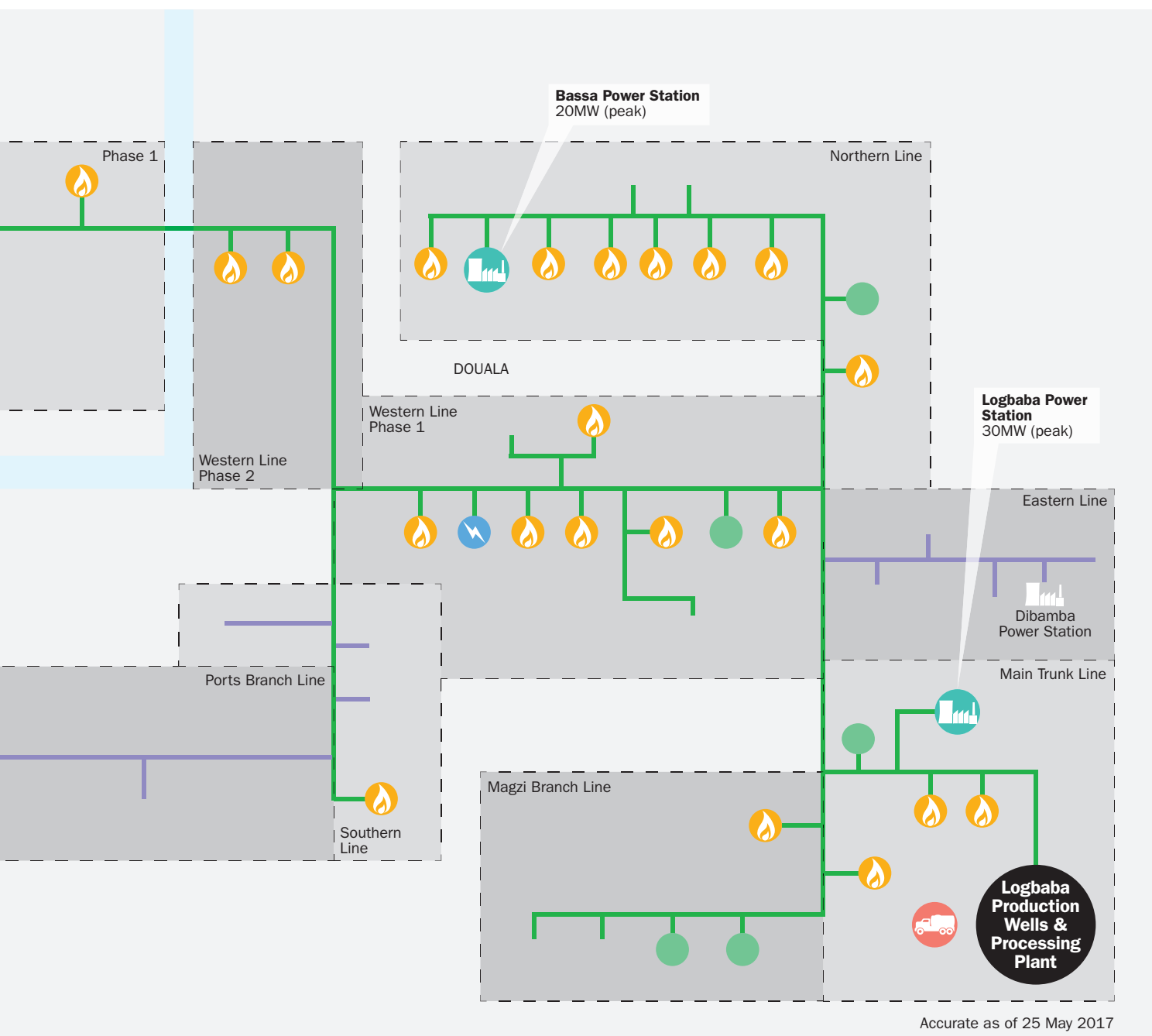
A by-product of the gas production process which is sold to a local oil refinery.



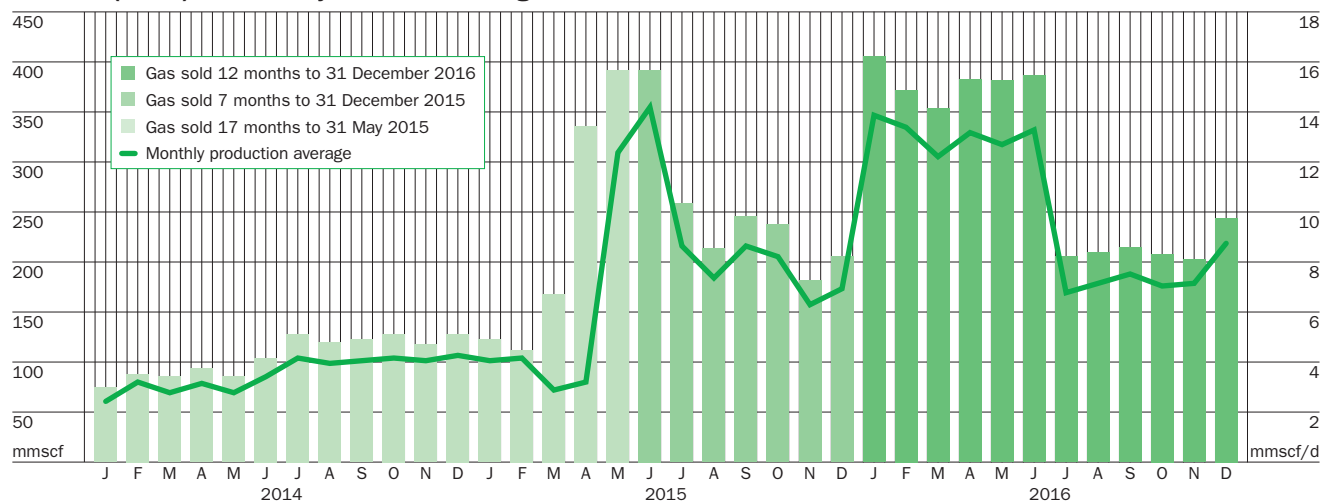
Some of our clients include:



The Market continued



Gas Sold (Gross) and Monthly Production Average



Our Business Model



Appraise

Identify undeveloped and 'stranded' gas reserves.

Appraise economic climate.

Assess how to bring this energy to markets and projects in the shortest time and at lowest cost.

Align our goals with local communities, customers and governments.



Develop

Sign letters of intent with potential customers.

Execute development plans.

Optimise extraction of gas, processing and infrastructure to deliver to market.



Deliver

Deliver first production to market and generate revenue.

Build consumption.

Expand customer types.

Ensure supply can meet demand and expansion plans.



In Practise

Appraise

Develop

Deliver

Logbaba

2008-2009

- VOG enters Cameroon as operator of Logbaba.

2009-2011

- VOG spuds the first onshore well in Cameroon since 1950s.
- Two wells drilled successfully (La-105, La-106).
- President Biya signs Exploitation Decree in 2011.

2012-Present

- July 2012 – First commercial gas and condensate production operations.
- End 2012 – Gas supply network constructed and first customers commissioned.
- Early 2015 – First grid power customer online.
- 2016 – Expansion into Bonaberi industrial area. Well programme La-107 and La-108 commenced.
- 2017 – Focus on completion of drilling programme and expansion of processing capacity.

Matanda

2015-Present

- Obtained 1,235km² neighbouring licence to Logbaba. Seismic interpretation underway to identify drill targets in short time.

Bomono

2016-Present

- Project appraisal and farm-in signed on 2,237km² Bomono Block, subject to government approvals.



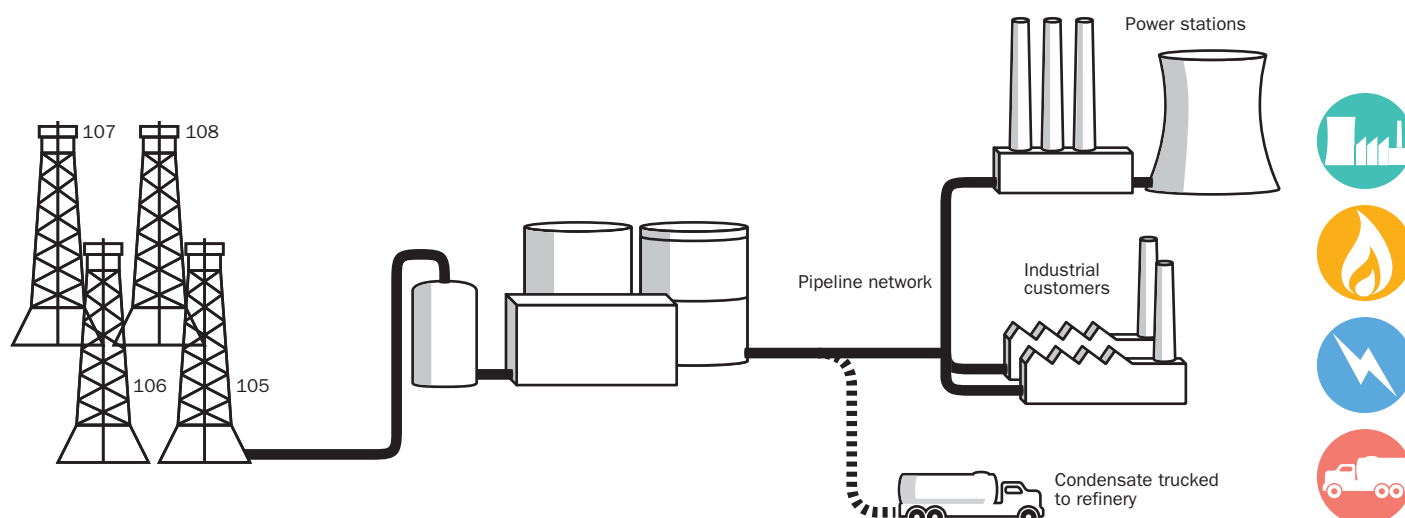
Gas to Market



Logbaba Wells

Processing

Distribution

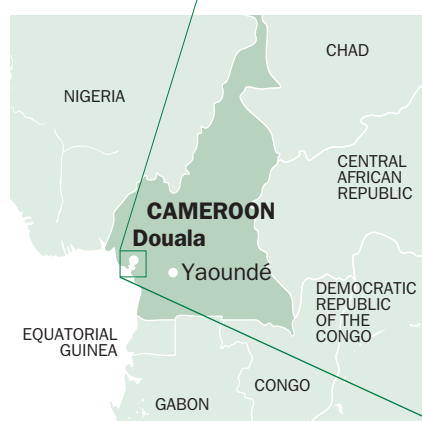


Gas Sources

Gas Field Locations

GDC has producing wells at the Logbaba field where two new wells are currently being drilled. A 75% interest in, and operatorship of, the Matanda Block was added to the Group's portfolio during the period. A farm-in agreement to the Bomono PSC was entered into in early March 2017 and at the date of reporting remains subject to government approvals.

Pipeline network reach



Chairman's Statement



“I believe that the transforming event that frames 2016 and early 2017 was the assignment of majority interests in the Matanda and Bomono licences.”

Dear Shareholders,

I am pleased to report to shareholders on the excellent progress that your Company achieved during 2016.

We changed the Company's accounting reference date in 2015, so this report and financial statements covers the calendar year to 31 December 2016. The prior period covers the seven-month period to 31 December 2015.

I believe that the transforming event that frames 2016 and early 2017 was the assignment of majority interests in the Matanda and Bomono licences. Whilst the Bomono assignment is pending regulatory approval, we believe that these additions present VOG with the opportunity to build significant long-term gas reserves in lower pressure formations than at Logbaba, resulting in more cost effective drilling and production programmes.

We have now taken a major step to secure VOG's future by assembling over 3,500km² of highly prospective land, surrounding the Logbaba operating field and our pipeline network that further establishes our presence in the Douala Basin in the Republic of Cameroon.

Sales Increased by 24%

At the beginning of 2016, we set a target of a 30% increase in gross gas sales against the calendar year to 31 December 2015. We achieved a 24% increase to 3.6bcf (2015: 2.9bcf), which I think is an outstanding result. This was anchored by gas sales to two Douala power stations and our expanding thermal gas customer base, especially on the Bonaberi side of the Wouri River. Looking back, our strategic decision to lay almost 1km of pipeline under the Wouri River in 2014, to be prepared for the expected industrial expansion in Bonaberi, was prescient. Many industries are now being established in this area and we are ready to supply gas to them.

Financial Highlights

During 2016, the Logbaba Project reached a production milestone ("Payout") after which GDC will now share 40% of revenues generated by the Project with its partner, RSM Production Corporation of Denver, USA ("RSM"). Attributable revenue for the year of \$32.8 million compares to \$21.4 million for the prior period. Underlying EBITDA for the period was a record \$13.1 million and this reflects the strong fundamentals in the business we have built.

One of the Logbaba wells, La-106, has not produced to its potential because of mechanical and borehole damage at the bottom of the well. Despite remediation efforts, which concluded in 2016, the well is now seen as an occasional producer for short periods of time when well La-105 is undergoing maintenance. Accordingly the Board has decided to write down the \$22.7 million carrying cost of this well. I would point out to shareholders that this has a non-cash impact on the Company.



Chairman's Statement continued



In addition to the La-106 write down, the 2016 financial statements also reflect a one-off settlement of a historical reserve bonus and a 1.2% royalty held by one of the original licensees of Logbaba, prior to GDC's entry into the Project. We have also made a provision for a land claim at Logbaba which we had previously disclosed as contingent.

The net loss of \$31.1 million for the year, or 28.74 pence per share (prior period: profit of \$0.2 million; earnings of 0.1 pence per share), primarily reflects these write downs and provisions. It does however, "clear the decks" to enable our future accounts and balance sheet to more truly reflect the outstanding performance of your Company.

At a cash flow and liquidity level, the Group finished the year in a strong position, with sufficient cash and headroom on debt facilities to cover its commitments on the Logbaba drilling programme.

What our Business is and what it can be

Shareholders and investors often ask me what our business is. This is not an easy question to answer, as we have some of the characteristics of an energy utility, but we also need to drill gas wells to add to reserves and enable production build out. We also control the full value chain from well head to customer gas meters.

I believe VOG is a unique company that has shown very special skills and considerable determination in developing a small, traditionally "stranded" gas deposit, installing a gas distribution network extending 50km into and around Douala to deliver gas to over twenty-five customers and securing long-term contracts at free market prices for this gas. So, in many respects it is not a question of what we are but a question of what we have done. The challenge we now face is building our fledgling business into one of four to five times our current size. I believe that this growth is achievable within five years.

We will require greater gas reserves and a growing demand for that gas. GDC is very well positioned, as the only onshore gas supplier in Cameroon, to meet this demand, which we believe is greater than 150mmscf/d of natural gas in the Douala region alone. Whilst our average daily production in 2016 was

about 10mmscf/d, we are aiming to capture 100mmscf/d of this market by 2021. This production cannot be met by the Logbaba Field alone, so we have long planned to have access, one way or the other, to gas resources on both the Matanda and Bomono Blocks as they were explored, appraised and developed by their previous owners.

We estimate that over \$350 million has been spent on Matanda and Bomono since 2010, three wells have been drilled (all tested gas), and 650 line-km of 2D seismic and 203km² of 3D seismic has been acquired, therefore de-risking the projects substantially and to VOG's advantage.

As events have unfolded, we are now in a very strong position, with majority stakes in three contiguous blocks, Logbaba, Matanda and Bomono (subject to approvals), and control of over 3,500km² of prime gas exploration and development territory, covering most of the onshore Douala Basin. These assignments, which cost the Company very little, will be seen in the future as "game changers" that allowed VOG to expand its business and maintain its position as a leading energy provider in Cameroon. I believe that the prospective resources in these blocks, coupled with the outstanding Logbaba production facilities and our existing gas distribution network, underpins our potential to achieve the 100mmscf/d production target. We are truly becoming a fully integrated gas company.

Our subsurface technical team is in the process of assessing all the data across the three blocks and I am very excited with the potential of the onshore prospects, which have never been assessed as a "whole" before. Work is currently underway to identify drillable targets in the Matanda and Bomono Blocks by the end of 2017, with a view to drilling wells in 2018-2019.

Among the prospects that have been identified internally is one with un-risked prospective resources of approximately 1tcf of gas in the onshore Matanda Cretaceous Logbaba Formation in a large structure near the Missellele-1 well. This structure is only some 8.7km from the current western leg of our pipeline on the Bonaberi side. There is still more work to do in identifying and evaluating further prospects on the blocks and I am very confident that as the sub-surface team continues its work more prospects of this quality and size will be identified.

"Africa has c600tcf of proven gas reserves, half of which are stranded on-shore; less than 10% have been developed and half of these are being flared. 1bcf/d of gas is being flared in the Gulf of Guinea alone. Gas to power projects in Africa should increase the power generation capacity by 400GW by 2040 and it would require more than \$100bn of investment."*

* Source: Stifel research note 31/10/2016

Chairman's Statement continued



The Logbaba Engine Room

We have built this Company on the Logbaba gas deposit and for the near future Logbaba will still be the “engine room”. Our focus in 2016 was to significantly increase production – this was achieved. Each year more than a hundred thousand new connections are made onto the power grid in Douala to satisfy the demands of people and businesses. This growth is not stopping, so last year we committed to drill two more development wells at Logbaba with the aim of increasing our Proven (1P) Reserves and to create two additional production wells. Drilling is ongoing, with target depths of both wells at the base of the Logbaba Formation, some 3,200m below surface.

The Logbaba drilling programme, which experienced a delayed start, is progressing, despite some challenges. These are complex, high temperature, high pressure wells. However, we are very excited that over 125m of gross gas bearing sands have been encountered in La-108. This is significantly more than the 85m of gross pay found in La-105 in 2010. When the wells are completed we expect to be transferring a portion of our Probable Reserves into the 1P category. The completion of the drilling programme will also trigger our processing plant expansion project to double the plant capacity to 40mmscf/d. This will enable us to supply more gas and take advantage of some of the bigger and longer term supply opportunities in the region.

In 2016, GDC's gas distribution network grew 15km into the expanding Bonaberi industrial area of the city. Early this year, we reached the 50km milestone of pipe laid, an outstanding credit to the Company and in particular our 100% Cameroonian pipeline team. Additional thermal customers along this extension were commissioned pre and post year-end. Douala's economy continues to grow and our gas network contributes to the attractiveness of the port city to new industrial businesses. We are witnessing this first-hand through our sales enquiries in GDC.

The uninterrupted gas supply to ENEO's two power stations over the course of the first two-year contract has been a successful milestone for GDC. The renewal negotiations are ongoing and ENEO continues to consume GDC gas at normal consumption rates for this time of year given the demand for power in Douala. Once results for the drilling programme are known, GDC will then be in a position to commit to negotiations that have been ongoing for some time with additional larger gas-to-power projects.

What we continue to achieve in Cameroon is exceptional.

Corporate Highlights

We continue to seek a buyer or partner for the West Medvezhye Project in Russia. A technical and economic review was carried out during 2016 which has identified that the block has significant oil potential based on the 103 well drilled in 2006, which has enabled a new project development plan to be prepared. With recovering oil prices, and improved investment climate in Russia, the sale potential has increased and initial marketing approaches have begun to potential buyers. We will continue to seek a solution that is in the best interests of the shareholders.

The Company announced the departure of Grant Manheim, Deputy Chairman and Robert Palmer, Finance Director in May 2016. Andrew Diamond was appointed Finance Director on 30 June 2016; the first full time Finance Director in the Company's history. In the same month Ahmet Dik assumed the role of CEO. Finally, with the appointment of our third Non-Executive Director, Roger Kennedy, in July 2016, the Company believes that it has strengthened its corporate governance over the course of the year.

During 2016, the Company's share price remained relatively static and did not reflect the excellent progress being made in Cameroon. However, the market responded positively in early 2017 and at the date of reporting our market capitalisation has increased by more than 70% since 31 December 2016. During the year we appointed new brokers; GMP First Energy and Shore Capital. These companies work closely with us and have provided active research coverage.

The Annual General Meeting will be held on 28 June 2017. At this meeting, shareholder approval will be sought for a capital reduction, comprising cancellation of the deferred shares and a reduction of the Company's share premium account. The Board considers it desirable to effect the capital reduction to be in a position to make dividend payments or other distributions to Shareholders as and when suitable circumstances arise. Further details regarding this are provided in the shareholder circular to be distributed by 5 June 2017. A copy will also be available on our website www.victoriaoilandgas.com.



Chairman's Statement continued



“With the drilling programme concluding, an expanding energy market in Douala, and the outstanding potential that Matanda and Bomono offer us, 2017 looks set to be an exciting year for the Company.”

I would like to thank our partners, in particular RSM, for their ongoing support on the Logbaba Project, and The National Hydrocarbons Corporation of Cameroon (“SNH”) for their invaluable in-country support.

As is always the case none of these achievements are gained without the hard work and commitment of the whole team. I would especially thank Ahmet Dik and Andrew Diamond, our key Executive Directors, Eric Friend, Managing Director of GDC and the Board of Directors, management and all our employees for their continued support.

With the drilling programme concluding, an expanding energy market in Douala, and the outstanding potential that Matanda and Bomono offer us, 2017 looks set to be an exciting year for the Company. I believe that the resources in these three blocks, coupled with the Logbaba production facilities and gas distribution network will underpin our growth in gas reserves and production to meet or exceed the 100mmscf/d target by 2021. We are becoming a fully integrated gas company with massive growth opportunities.

Kevin A. Foo
Executive Chairman
25 May 2017

Aerial photo of the Logbaba drilling site and processing plant.



Objectives & Strategy



The core corporate and operational objectives of the Group during the year and the development of our objective into 2017 are set out below. The Group is focusing on monetising its Cameroon assets and enhancing the expanding production capabilities.

Performance during the current year against objectives set out in the Report & Accounts to 31 December 2015

2016 Corporate Objectives

Objective	Performance
Corporate profile	75% interest assignment of Logbaba's neighbouring licence area, the 1,235 km ² Matanda Block during the period. Agreement entered into on the Bomono Block post period, further increases the Group's acreage interest. These assignments, in addition to the current drilling programme on the Logbaba Project, all contribute to the achievement of this objective.
Avoid shareholder dilution	The 2016/2017 drilling programme and 15km pipeline extension, the large capital projects during the period, have been financed by operational cash flows, partner contributions and utilisation of the BGFI Bank ("BGFI") debt facility with no recourse to the equity market.
Expand business within Africa	2016 saw the Group expanding within the Douala region, both in terms of additional pipeline construction and licence area. Opportunities in other parts of Africa continue to be reviewed but no commitments made to pursue any project.
Equity market valuation	The Company's value had not appreciated during the reporting year but post period the share price has appreciated considerably being more than 70% up since 31 December 2016.
Continue to enhance reporting, transparency and corporate governance	This annual report is the first to cover a full 12-month period to 31 December following our change in accounting reference date aligning our report and accounts with our quarterly operational updates. Significant Board changes during the period occurred as the Company continues to strengthen its internal expertise and make improvements in governance.

2016 Operational Objectives

Objective	Performance
Increase gas sales by 30%	Logbaba achieved a 24% increase in gross gas sales to 3.6bcf against 12-months to 31 December 2015.
Two-well Logbaba drilling programme for expansion of gas reserves	The two-well drilling programme has been the material focus of management over most of reporting period. Spudding of the first well took place on 1 November 2016, a four-month delay to forecasts. However, since spudding the drilling programme progressed and by year-end La-107 and La-108 had reached depths of 1,618m and 1,173m respectively.
Processing plant expansion	Engineering studies were completed during the year. Upon successful completion of the drilling programme, expansion of the processing plant will commence.
Expand customer base for increased capacity and pipeline	During the year GDC laid and commissioned 15km of pipeline over Phases II and III of the Bonaberi line extension. This was completed and three new customers were commissioned in this area prior to the year end. The pipeline network now spans approximately 50km in and around Douala.
Gas-to-power	The two ENEO-owned Logbaba and Bassa power stations' gas consumption continued into its second year of the contract with uninterrupted supply.
West Medvezhye Project, Russia	A technical and economic review was carried out during 2016. This enabled a new marketing plan to be prepared based on an oil project.
Reduce production and overhead costs	The operations in Cameroon have realised overhead cost reductions whilst maintaining safe and efficient operations.

Objectives & Strategy continued



2017 Strategy & Objectives

The core focus of the Group in 2017 is to develop and expand the Group's resources and gas available for sale, whilst at the same time expanding our market to ensure we monetise our assets profitably. This objective will require a resolute focus on delivery and manifests itself in the following strategies:

Objective

Completion of the two-well Logbaba drilling programme

The two-well drilling programme continues to be the material focus of management over 2017. Successful completion, addition of reserves and capital cost control of these wells is paramount, followed by the subsequent flow line and engineering work planned to tie production into the processing facility.

Increased gas reserves and resources

We expect to add new reserves as well as transfer reserves from Probable to Proven category. The completion of the Bomono transaction will also increase our asset portfolio. Progressing the work programme on Matanda also provides uplift opportunities.

Douala Basin development

With the addition of the Matanda and Bomono licence areas into the Group's portfolio, the Company intends to complete a development plan, covering the three blocks, to identify potential locations for future drilling campaigns. The Group continues to increase its in-house subsurface team to strengthen the technical expertise.

Market expansion

Renewal of the ENEO gas sales agreement is important in protecting GDC's current market share. Negotiations for additional gas-to-power opportunities are underway, but are contingent on the results from the current drilling programme. GDC will look to develop the pipeline network as investment cases are made.

Funding a growth objective

With the assignment of participating interests in the Matanda and Bomono Blocks, the Group is well positioned to grow and capture large segments of the market in which we operate. The expansions required to achieve this growth could be achieved with cash generated through operations, or accelerated via the raising of debt or equity funding. Successful management of capital and funding levels is key in achieving our growth objectives.

Maintain safety record

The Group prides itself on its safe operating track record and this continues to be a focus for 2017.

West Medvezhye Project, Russia

The recovering oil price environment at the end of 2016 has improved the sale potential of the project and marketing approaches are being reinitiated with our previously stated objective of selling or farming out the asset.



Chief Executive Officer's Review of Operations



“During 2016 GDC progressed from planning for gas sales expansion in 2015 to delivering a 24% increase in sales.”

I am pleased to report outstanding progress during 2016. We still have some way to go, but our achievements have positioned the Group extremely well for the future.

During 2016 GDC progressed from planning for gas sales expansion in 2015 to delivering a 24% increase in sales over a 12-month period. Any expansion of our business will also require an increase in gas reserves and processing capacity and by drilling two development wells, we expect to increase our resource base.

During the year, the Logbaba Project sold 3,566mmscf of gas (2,868mmscf for the 12-months to 31 December 2015). The average daily sales rate of gas for the year was 10.23mmscf/d (8.13mmscf/d for the comparable 12-months to 31 December 2015). Condensate sold during the period was 39,844bbbls (42,298bbbls for the 12-months to 31 December 2015). By any measure, Logbaba operations have had an outstanding year.

Growing Supply

The increased production is pleasing, but to take advantage of our unique position within this market the Group needs to expand its reserves and recoverable gas supplies. Once these are in place, we then need to increase our gas production capability.

To this end the Group has:

- Spudded and is drilling two development wells on Logbaba;
- Been assigned a 75% participating interest in the Matanda Block;
- Post year-end assignment an 80% participating interest in the adjacent Bomono Block, the completion of which is subject to Government and regulatory approvals; and
- Extended our subsurface expertise and initiated seismic reprocessing of the Logbaba, Matanda and Bomono fields with the objective of identifying target areas for future drilling.

Logbaba Drilling Programme

The 2016/2017 drilling programme was designed for two wells: La-107 and La-108 in the onshore Cameroon Logbaba Field to supplement the two existing Logbaba production wells: La-105 and La-106. The new Logbaba wells are required to meet the growing market demand for gas, develop Logbaba reserves and to move some of our Probable reserves into the 1P (Proven) reserve category. One of the wells, La-107 is a twin to the La-104 well drilled in 1957; the other well, La-108 is a 'step-out' well that is being drilled into a target location within the area of the Logbaba Field, that is considered to contain Probable gas reserves. Both wells are being drilled directionally from a drilling pad adjacent to the Logbaba gas plant and they are to be tied into our production facilities immediately after they are drilled and completed. La-107 is almost vertical; the La-108 'step-out' well is being drilled to intersect a target that is about 1,000m to the south-east of the Logbaba drilling pad.

Both wells are intended to be production wells completed in the Upper Cretaceous (Campanian and Santonian) Logbaba Formation, which is a thick sequence of interbedded sands and shales found at depths between 1,700m and 3,200m below the surface.



Chief Executive Officer's Review of Operations continued



A contract was signed with Savannah Oil Services Cameroon to provide a 1,500 HP Komako 1 Train Rig for the Project and the rig arrived in Cameroon in June 2016. The rig is mounted on tracks, allowing efficient batch drilling to be undertaken by moving the rig back and forth between the two wells.

Despite initial delays, on completion of a comprehensive Control of Well Review by an independent engineer on behalf of the insurance underwriter and a Comprehensive Rig Audit and Rig Acceptance Test by Bureau Veritas, drilling commenced and La-107 and La-108 spudded on 1 and 12 November respectively.

By 31 December 2016, La-108 had been drilled and cased to 1,173m where the 13³/₈" casing has been set. The 12¹/₄" hole section on well La-107 had been drilled to its target depth of 1,618m.

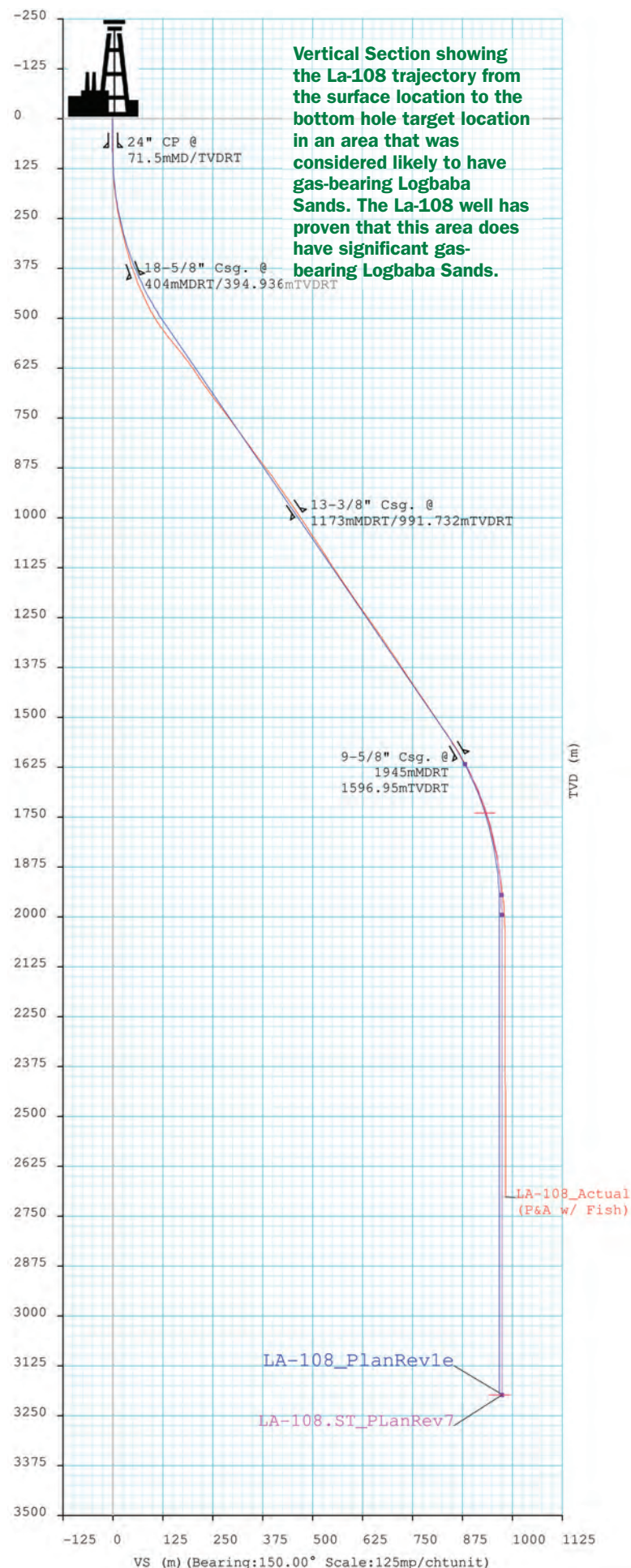
Since year-end, significant gas-bearing sands have been identified in the La-108 8¹/₂" hole section using Logging While Drilling (LWD) equipment and by monitoring formation gases encountered whilst drilling. Approximately 125m of gross gas-bearing sands were encountered between the top of the Logbaba Formation at 1,670m TVD (Total Vertical Depth) and 2,702m TVD. The La-108 well, once completed, is expected to contribute to an increase in Proven (1P) reserves by promoting some of the Logbaba Field Probable Reserves into the Proven category. For comparison, the main production well at Logbaba, La-105 encountered 85m of gross gas bearing sands when drilled in 2010.

La-107 is a twin of the Serepca La-104 well drilled in 1957 into an area that has proven gas in the Logbaba field and is intended to develop some of the Proven (1P) reserves.

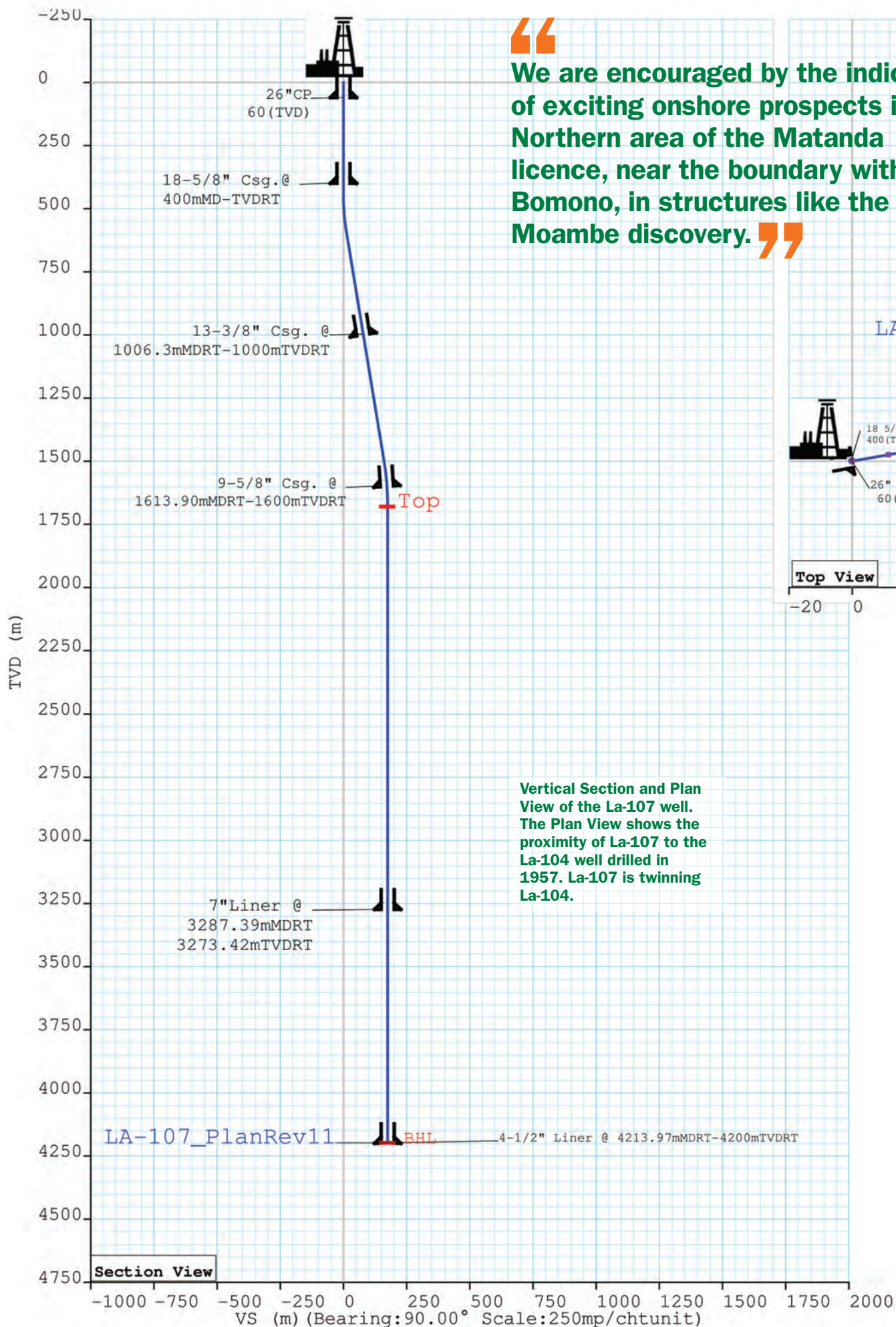
Post year-end, the 9⁵/₈" casing has been run and cemented in La-107 in preparation to drill the 8¹/₂" hole section through the Logbaba gas-bearing reservoir sands. The 9⁵/₈" casing run into La-107 included a DDV (Downhole Deployment Valve), which was successfully set with the casing to assist in the MPD (Managed Pressure Drilling) technology that has been employed during the drilling of the over-pressured Logbaba Formation. This is the first time that a DDV has been successfully deployed in Sub-Saharan Africa.

After setting the 9⁵/₈" casing in La-107 the rig was skidded to the La-108 well and the La-108 12¹/₄" hole section was drilled to its target depth of 1,953m MD (Measured Depth). The 9⁵/₈" casing, including the installation of a DDV as per La-107, was run and cemented in La-108. MPD equipment was rigged up and the La-108 8¹/₂" hole section was drilled through the Logbaba Formation to a depth of 3,076m MD (2,702m TVD). At that point, a mechanical problem with the drill string led to a gas kick and a well control incident. While the well was being brought under control, the drill pipe became differentially stuck in the well and the drill team was unable to retrieve it.

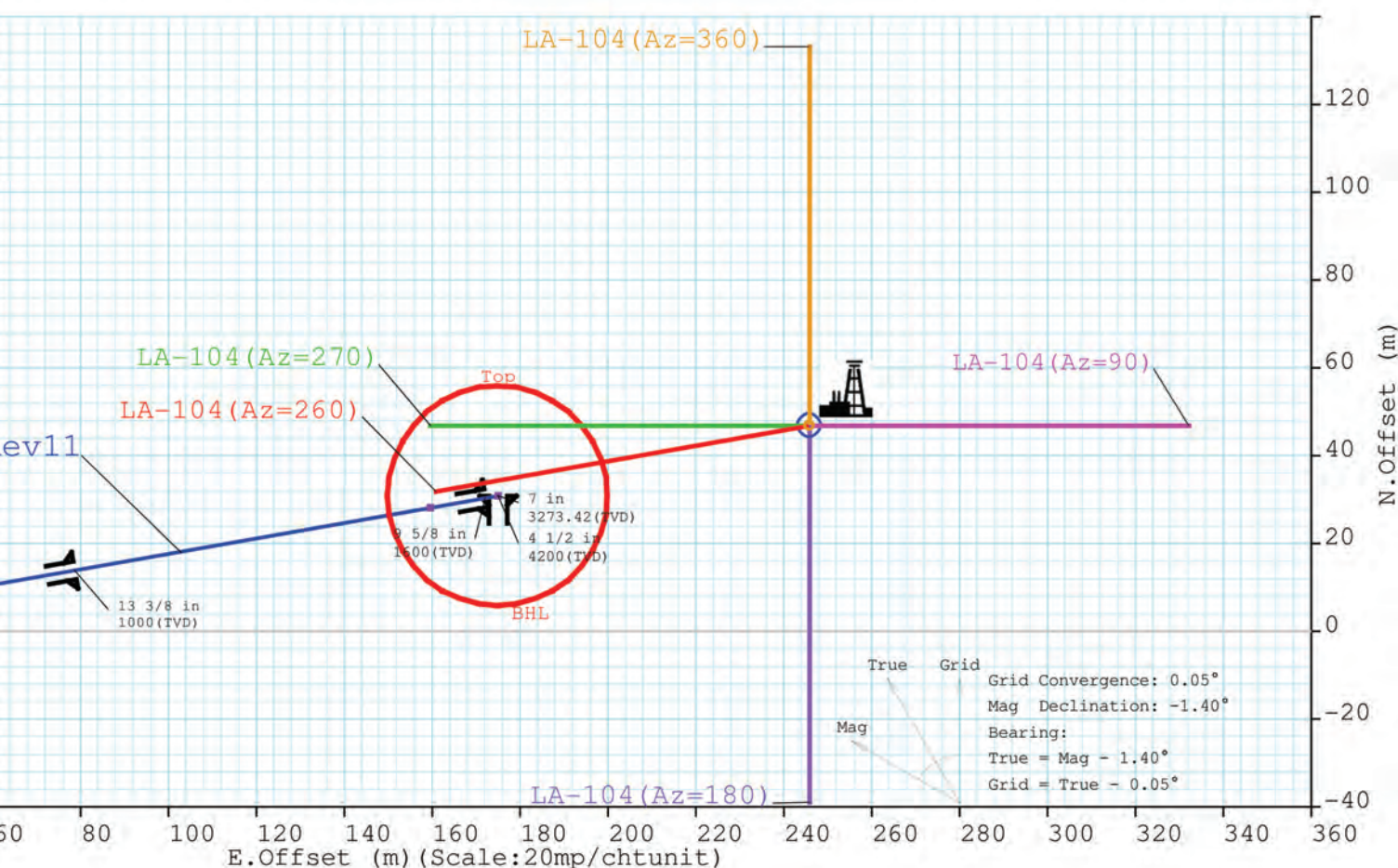
In late March 2017, a cement plug was placed in the La-108 8¹/₂" hole and engineering commenced to sidetrack the well. Whilst engineering work was carried out on the La-108 sidetrack the rig was skidded over to La-107 to drill the 8¹/₂" hole section, which is ongoing.



Chief Executive Officer's Review of Operations continued



Chief Executive Officer's Review of Operations continued



The well control and drill pipe issues, coupled with the planned La-108 sidetrack have resulted in a schedule slippage and an estimated budget increase of approximately \$8 million, taking the expected cost to complete both wells to approximately \$56 million. Planned completion of the wells is now Q3 2017, but it is expected that the wells will be under test before this. GDC's share of well costs will be covered by cash generation, existing cash and credit facilities.

Installation of temporary flow lines to connect La-107 and La-108 to the Logbaba processing facility on completion of the well testing are almost complete. Detailed design work has been completed for the permanent flowlines. Construction of the permanent flowlines will commence once the rig is removed.

Expansion of our gas processing facility is contingent on the results of the drilling programme. The engineering packages for different expansion scenarios are completed and are ready for quotations. This work will be carried once we have a clear indication of the production capability of the new wells.

Matanda and Bomono

As stated in the Chairman's letter to shareholders, we believe that the assignment of majority interests in Matanda and Bomono will prove to be transformational for the Group.

In February 2016, the Company announced a 75% interest assignment of Logbaba's neighbouring licence area, the 1,235km² Matanda Block from Glencore. Three wells drilled in the North Matanda Field and extensive 2D and 3D seismic data show a strong geological continuation between the Logbaba

and North Matanda fields. Work is ongoing to evaluate the gas potential of the block. The primary objective of this work was to identify drilling prospects with a high chance of success which can be brought rapidly into production.

Post the reporting period, the Company announced on 6 March 2017 that it had entered into a Farm-Out Agreement with EurOil Limited (a Bowleven Plc subsidiary) in relation to the Bomono production sharing contract ("PSC"). The assignment is still subject to Government approvals but once completed will result in the Group having an 80% working interest in the 2,237km² licence. During 2016, Bowleven completed extended flow tests on the Moambe well that exceeded 7mmscf/d. The intention is for gas produced from the Bomono PSC to be fed into GDC's pipeline network. GDC's current pipeline infrastructure is only 8.7km away from the Bowleven drilled wells.

During 2016, the Company strengthened our in-house subsurface technical expertise and this team has been reprocessing and interpreting existing seismic data from across all three blocks. This work is benefiting from the proximity of the Logbaba, Matanda and Bomono licence areas and the experience gained from operating the Logbaba field, allowing for the first time, a fully integrated analysis on the whole Douala Basin.

We are most encouraged by the exciting onshore prospects in the Northern area of the Matanda licence, near the boundary with Bomono, in structures like the Missellele and the Moambe discovery. There is also significant on-shore potential on the trend between the North Matanda discovery and the producing Logbaba Field.

Chief Executive Officer's Review of Operations continued



Meeting Demand of a Growing Market

During 2016, GDC added 15km to the Bonaberi line. GDC's pipeline network in Douala is now 50km, which is a real credit to our operating team. The earthworks for the Bonaberi extension were outsourced to a company contracted by the Government of Cameroon to lay bitumen along the main road through Bonaberi. By contracting their services to carry out the trenching work simultaneously with the construction work on the major road, a significant cost and time saving was achieved.

The investment case for the Bonaberi extension was supported by the demand from the industrial customers in the area. An additional benefit is that the extended line stretches closer to the Moambe well on the Bomono Block, which aligns with our strategy of bringing Bomono gas into the GDC pipeline network in the future.

Thermal Customers

Prior to the end of the reporting period three new thermal customers were consuming gas along this extension. Branch lines were commissioned up to Pressure Reducing Metering Systems units to four additional customers. Post year-end three of these customers have completed their downstream installations and are now consuming gas. Further customers along the line are at varying stages of readiness to consume our gas soon.

Encouragingly, our sales team at GDC is receiving new enquiries from businesses looking to move into the less densely populated Bonaberi area, which is currently the fastest growing industrial area in Douala. The availability of our gas from the pipeline network along the newly constructed road is an influencing factor in the attractiveness of this area. Additionally, there are positive signs of economic growth in the region as several of our existing customers are considering expansion of their operations in the near term.

Grid Power

The completion of a further calendar year of uninterrupted gas supply to our grid power customer ENEO has been a notable achievement for GDC. The Logbaba and Bassa power stations have consumed gas in accordance with the seasonal take-or-pay levels set out in the initial two-year contract. This contract expired on 22 April 2017. Negotiations for the renewal of this contract, in conjunction with Altaaqa Alternative Solutions Projects DWC-LLC, the provider of the gas fired generators, have progressed well, but at the date of reporting had not been concluded. GDC continues to sell gas from Logbaba to ENEO at normal consumption rates for this time of year given the demand for power in Douala.

Retail Power

GDC continues to seek solutions to the power generation requirements of its industrial customers. Those who were party to the original GDC retail power contracts that included the rental of Gensets have now sourced or are in negotiations for their own generators and GDC will continue to supply gas. Whilst power provision in the city has improved, large manufacturers still suffer power outages from the grid which can be very costly to businesses and so alternative solutions

remain in demand and dedicated gas to power generation continues to offer advantages to the heavy fuel oil alternative.

The Company has held discussions with additional potential large off-takers and other grid power producers. GDC needs to increase its reserves to supply these large customers before long-term supply contracts can be agreed.

Financial Performance

Revenue from attributable gas and condensate sales was \$32.8 million (prior period: \$21.4 million). Underlying EBITDA for the Group of \$13.1 million reflects a strong positive cash contribution, which is an encouraging reflection of the cash generative nature of the underlying business.

During 2016, the Logbaba Project reached a production milestone ("Payout") after which GDC will now share 40% of revenues generated by the Project with its partner, RSM.

GDC has two production wells at Logbaba, La-105 and La-106. La-106 has for some time under-performed and despite remediation steps, the well can no longer generate the volumes of gas that are expected from it. The Board of Directors has decided it is appropriate to write down the \$22.7 million carrying costs of this well.

The Group has a 60% participating interest in the Logbaba Project, however the concession agreement governing the Logbaba Block grants the Cameroonian State an option to acquire a 5% participation. When the Cameroonian State formalises its option to participate in the Logbaba Project, the Group's interest will be reduced to 57%.



Chief Executive Officer's Review of Operations continued



CSR

We pride ourselves on being more than just investors into the Cameroonian market place. Producing and selling gas safely is the cornerstone of all that we do, and I am pleased to report that the Company had another strong performance in our safety metrics. We continue to apply the highest safety standards in our operations and reinvest in training of our people, our customers, our suppliers and those in the communities in which we operate to ensure a culture of safe operating is expected and adhered to.

We are employers of 134 Cameroonians, providing healthcare to our employees and some 300 additional family members. We are large contributors to the local economy, contributing some \$12.5 million in 2016 through direct and indirect taxes in Cameroon.

We make every effort to work with, employ and support the local communities amongst whom we operate. Our efforts are set out in more detail in the CSR report on page 18.

West Medvezhye Project Update

I am pleased to report some positive developments at our Russian West Medvezhye Project. Whilst this project is written down in our accounts we have actively sought ways to attract a buyer or an investment partner. During 2016 we conducted a thorough technical review of the resource base and its prospectivity which concluded:

- The proven and probable resources in the 103 well which flowed oil from the Jurassic base were confirmed as 11.8mmbbls.
- The contingent resources for a development centred on the 103 discovery were estimated at 25mmbbls based on a P50 case for structural mapping and reservoir parameters.
- The upside P10 resource case would lead to 53mmbbls of oil reserves.
- We identified prospective un-risked resources in the Block of 722mmbbls oil and 3.9tcf gas. The risked prospective resources based on prospect chance of success are estimated at 200mmbbl oil and 1.2tcf gas respectively.
- Based on project investment to date of \$78.4 million, economic evaluation of the discovered resource base; (25mmbbl case) at a \$50/bbl (Brent) produced an NPV of \$81 million which achieves pay back from investment to date on a nominal basis.
- Upside cases lead to strongly positive NPVs.

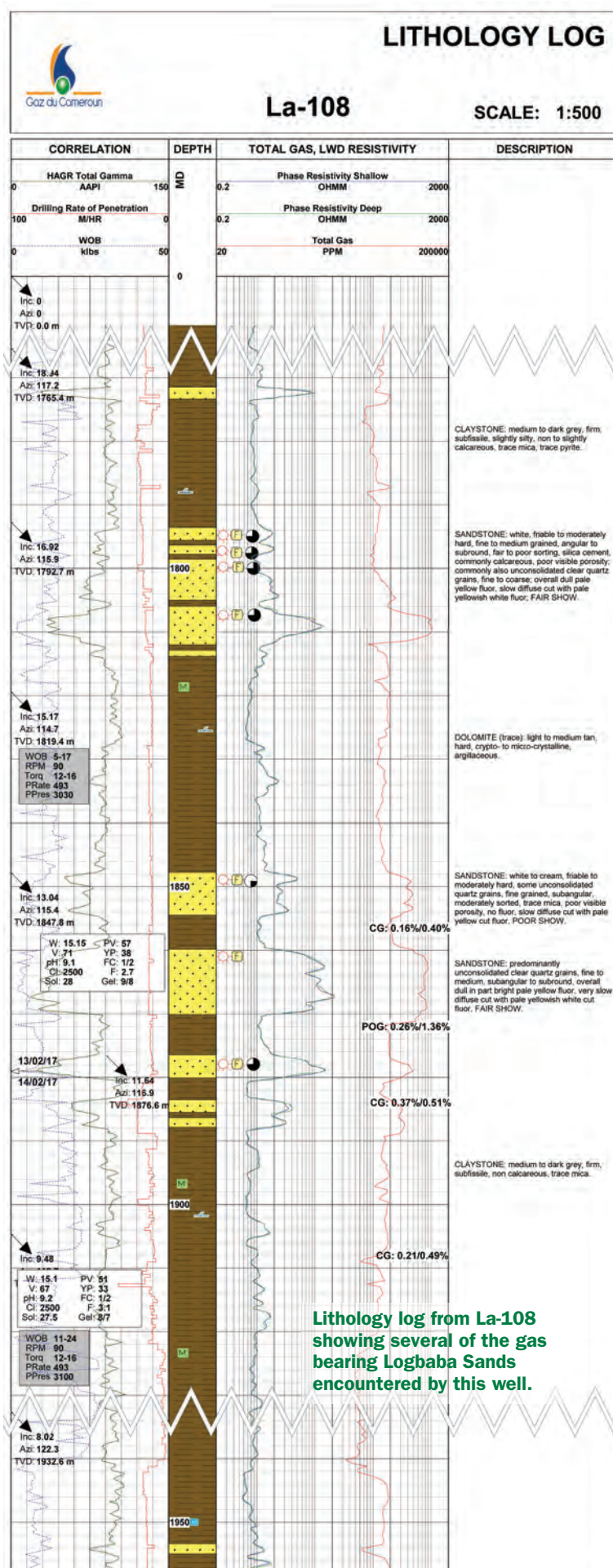
Based on this analysis, a new sales document has been prepared with the updated technical information and efforts increased to attract interest.

The operational achievements during the year are, as always, a product of the commitment and dedication of the Group's management and employees.

Ahmet Dik

Chief Executive Officer

25 May 2017



Corporate Social Responsibility Report



Our Community Commitment:

- Ensuring a safe working and operating environment
- Dialogue led local community partner initiatives
- Adhering to best practice environmental standards



134 employees
97% local Cameroonians
25% women



Medical insurance provided to 134 employees and 300 family members



\$12.5 million paid in local Cameroon direct and indirect taxes in 2016

Longmayangui Bridge Project (before and after).



The Group engages in CSR activities company-wide, however the focus is in Cameroon.

GDC

2016 saw an evolution in our community support initiatives as we engaged in our first full-scale local infrastructure project. All our community work undertaken within Cameroon is dialogue led, working with representative groups from those living and working in our area of operations. As GDC operates within a highly urban environment, some of the challenges faced by ourselves, and our neighbours are very context specific. In the case of 2016 'congestion and access' came to the fore of our issues list. Working with community leaders and local government our working group identified significant bottlenecks and congestion due to a limited passing area between the residential districts of Logmayangui and Diboum in Douala.

Using our own engineering expertise, as well as certified outside contractors, GDC was proud to begin building a two-way concrete road bridge with the local community and government members. This collaborative effort successfully concluded within six months and the bridge was certified as safe and commissioned in July 2016.

On a separate local infrastructure project, GDC has donated declassified pipes for use in channelling rainwater away from the road system to prevent damage. Douala is currently undergoing a major city wide road improvement programme and a robust pipe system will allow the significant run-off, especially during the wet season, to be channelled away from both tarmacked and bare roads alike.

While we have continued our commitment to health and education schemes, GDC always listens to new concerns relating to life-affecting issues from members of the local community. During 2016 GDC continued to contribute to local nutrition through donations to individuals and organisations. Education remains a key priority for GDC as equipment and supplies were provided to both local schools and pupils themselves.

In November 2016, GDC rapidly responded to support the Laquintinie Hospital following the tragic Eseka Train derailment by providing additional medical supplies to the hospital.



Corporate Social Responsibility Report continued



Direct benefit

GDC maintains an engaged and proactive relationship with local communities within Douala, Cameroon. As a domestic supplier of gas we see our contribution to the people of Cameroon as constituting three separate elements:

1. Supporting the provision of energy – As a domestic supplier of gas we contribute a major energy source to the Cameroon economy that allows those industries wishing to access it to be provided with a consistent, safe source of combustion. In supplying gas to support the power grid system in Douala GDC is contributing to the provision of power to homes in the city of Douala.

2. Fiscal contributions – We are a responsible and ethical company. We pay all applicable taxes and royalties as they become due and disclose our dealings in an appropriate and transparent manner.

3. Direct employment and skills training – 40% of the GDC senior management are Cameroon nationals and other senior positions are now filled in the majority by individuals from the region. 97% of GDC's employees are Cameroonian nationals. We maintain an equal opportunities employment policy and have defined skills and training programmes both internally and externally provided to develop our employees' careers. GDC is particularly proud of its staff retention record and we have reskilled a core team, that have been with us from the start, that have adapted their roles in step with our transition from E&P company to gas supply utility. The consistent, highly skilled work force we have within the Group is one of our key strengths.

Environment

GDC is subject to best practice standards and extensive regulations, which govern environmental protection. GDC is committed to uphold these standards and regulations as a minimum, and to keep these important matters under continuous review. GDC operates to ensure compliance with the standards expected of an international oil and gas exploration and production company. GDC focuses on achieving and demonstrating sound environmental performance by controlling the impacts of its activities, products and services on the environment consistent with its QHSE policies and objectives. Environmental care and performance are an integrated part of its operations.

At the outset of GDC's Logbaba Project 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 limited in 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.

The Group engaged an external consultant to undertake additional Environmental Impact Assessment in advance of the proposed additional drilling at the Logbaba Project. The report was completed and submitted to the relevant authorities during the year and has subsequently been approved.

The Group aims to minimise the use of natural resources, such as energy and water.

Health and Safety

Safety is paramount to GDC's operations both at the site of the gas processing plant and across the extensive pipeline network built under the city of Douala. All work is undertaken to the standards established by British Gas (the UK's major gas distributor). The majority of the gas pipeline network is buried underground and patrolled 24/7 by our safety patrol who work closely with local communities.

The Group engages external consultants to carry Hazard Studies on our operations to ensure GDC operates to a high standard of in relation to Emergency and Response Planning.

GDC operates its own QHSE Inspections and training programmes for employees and customers. It carries out emergency response and gas leak drills at the purpose build training centre located at the gas processing plant, along the pipeline network and on customer sites. GDC also works very closely with external parties such as the emergency services in Douala and SNH.

During 2016 the QHSE team have improved internal systems and operate Toolbox talks, a BBS Stop Card Structure and continue to move towards implementing Integrated Management Systems (IMS) that will support the Integration of ISO 9001, 14001 and OHSAS 18001 standards.

Labour Day Celebrations.



The Year in Pictures



Spudding of wells 105/106
In September, GDC spuds its first well, La-105, the first on-shore well in Cameroon since the 1950s.



Laying of first pipe and first gas production
Pipeline begins to be laid in Douala. Gas and condensate production begins through the newly constructed gas processing plant at Logbaba site.



Farm-in to Logbaba concession
VOG enters Cameroon in December and becomes operator of Logbaba. The gas field had been left undeveloped for over 100 years.



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

2008

2010

2012

2009

2011

Commencement of continuous gas supply to first customer
First gas consuming customers connected and commissioned in July 2012.

Reserves & Resources

As at 31 December 2016



Logbaba Reserves

			Gross ¹	Net (60%) ²
Proven (1P)	Gas	bcf	40	24
Probable (2P)	Gas	bcf	203	122
Possible (3P)	Gas	bcf	341	205
Prospective Resources	Gas	bcf	1,373	824

Matanda Resources

			Gross ³	Net (75%)
North Matanda				
P50 Prospective Resources	Gas	bcf	3,747	2,810

West Medvezhye Reserves

			Gross ⁴	Net (100%)
Proven + Probable (C1 + C2)	Gas	bcf	11.8	11.8
Proven + Probable (C1 + C2)	Oil	mmbbls	15.6	15.6
Prospective Resources	Gas	bcf	3,902	3,902
Prospective Resources	Oil	mmbbls	722	722

¹ From the Logbaba Field Reserves Report, August 2016, by Blackwatch Petroleum Services Ltd using the SPE/WPC/AAPG/SPEE Petroleum Resources Management System as the basis for its classification and categorisation of hydrocarbon volumes.

² Should SNH formalise its option to participate in the Logbaba Project the Group's participating interest will reduce to 57%.

³ From the Volumetrics Assessment for North Matanda, Cameroon, November 2015, by Exploration Reservoir Consultants Ltd.

⁴ C1 and C2 Reserves are from The Early Production Scheme for the Hydrocarbon Accumulation in the JN21 Reservoir of the West Medvezhye Oil Deposit, 2012, by Neftepoekt, OOO NTS, and Prospective Resources are from the Research Report: Refinement of the Geological-Geophysical Model of the West Medvezhye Licence Block, 2012, by LLC Mineral+. Both reports use the Russian Natural Resources Classification System as the basis for classification and categorisation of hydrocarbon volumes.

Inauguration of the process plant by President H.E. Biya
President Paul Biya officially inaugurates operations on 15 November 2013.

2014

Delivery of grid power
Gas supply commenced to first power station customers following agreement with ENEO leading to significant increase in gas production.

2015

2016

Continued expansion
In early 2017 GDC was delivering gas to over 25 customers through 50km of pipeline.

2017

2013

Pipeline crosses Wouri River
Pipeline successfully laid under the Wouri River extending gas network into Bonaberi.

Spudding of wells 107/108
In November 2016, GDC spuds La-107 and La-108 Wells.

Key Performance Indicators



The Group's key performance indicators ("KPIs") are important in assessing the overall health and performance of the business. The Group measures a range of operational, financial and non-financial metrics to help it manage its long-term performance and achieve the Group's strategy. The Group's objectives and strategies for 2017 are set out on page 11.

In 2016, the Group's focus was heavily on the execution of the capital projects on Logbaba. A summary of how we performed against the KPIs set for 2016 is included in the Objectives and Strategy section on page 10. The Board of Directors has reviewed the Group's KPIs to ensure they measure performance against the Group's strategies.

In 2015 the Group elected to change its accounting reference date to 31 December (previously 31 May). As a result of this change, the comparative disclosures are for the seven-month period to 31 December 2015. The different period lengths need to be considered when assessing the KPI performance.

PROJECT PERFORMANCE

Logbaba

In May 2016, the Logbaba Project reached a production milestone ("Payout"). GDC had previously received 100% of revenue from the Logbaba Project, however after Payout this reverts to its 60% participating interest. In the 'gas sold' metric this is indicated via the splitting of gas sold into gross and attributable values. As the financial metrics reflect attributable performance, the effects of Payout should be considered when assessing these KPIs.

Gas Sold (mmscf)

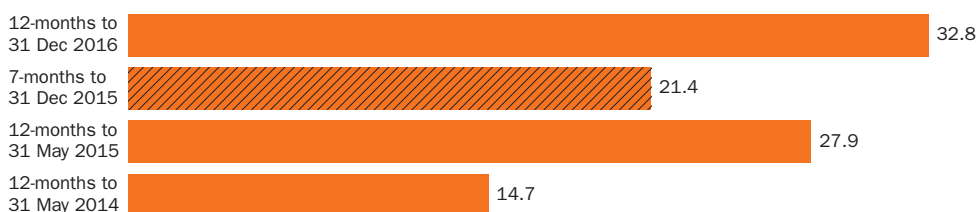


In 2017 the Company expects the Logbaba Project to maintain existing sales levels. The Company expects a reduction in attributable gas sales as the impact of Payout affects the full twelve-months of 2017.

A significant KPI for 2017 will be the renewal of the ENEO gas sales agreement.

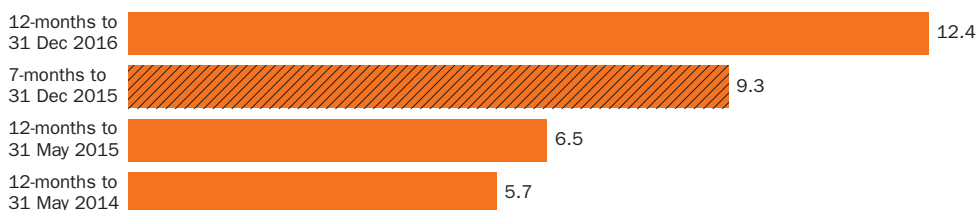
FINANCIAL PERFORMANCE

Revenue (US\$m)



As with gas sold, the Company expects the Logbaba Project to maintain existing sales levels in 2017, and a reduction in attributable gas sales as the impact of Payout affects the full twelve-months of 2017.

Operating Cash Flow (US\$m)



The Group remains cash flow generative despite the reduction in attributable revenue following Payout. In 2017 the Group expects a reduction in operating cash flows as a result of the reduced attributable revenues, but targets to exceed the operating cash flows achieved in the year to 31 May 2015, being the last relevant twelve-month period.

Key Performance Indicators continued



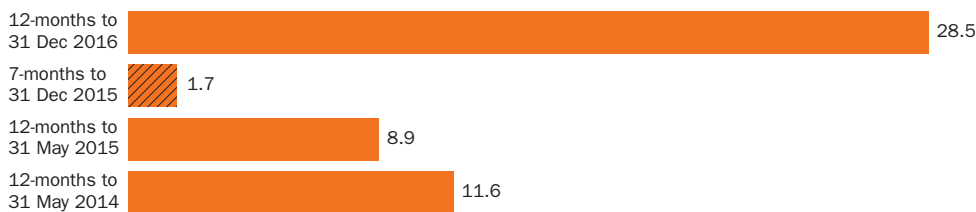
Securing Funding to Achieve Growth Objective

The Group set out an aggressive capital expenditure programme for 2016 and set itself an objective to finance these activities from operating activities and debt. This objective was achieved for 2016, however the drilling programme was not completed during the year and so this KPI is carried over to 2017 for the remaining cost of the drill programme.

The Group has an ambitious growth objective, which will require development of all of the Group's reserves, production facilities and downstream activities, in the near term. Ensuring the Group has sufficient liquidity and funding headroom through this development phase will allow the Group to dictate the pace of the expansion and is therefore an important measure of performance.

CAPITAL INVESTMENT & BUSINESS DEVELOPMENT

Capital Expenditure (US\$m)



The Group expended \$28.5 million on capital projects in 2016, principally the drilling programme and the pipeline extension into Bonaberi. Managing and controlling capital spend is fundamental to the sustainability of the Group. All pipeline development is preceded by an economic study to validate the investment case. The Bonaberi pipeline extension was carried out in 2016 within budget and on time. An important KPI for 2017 is to ensure the drilling programme is completed successfully.

Licence Area Under Control (km²)



A strategic objective in 2016 was to expand the business within Africa. During the year the Group was assigned a participating interest in the neighbouring Matanda Block, which significantly increased the Group's asset base. In 2017 the Group will seek to increase gas reserves and resources further with the completion of the acquisition of a participating interest in the Bomono PSC.

Health & Safety

Paramount to our operations in Douala is the health of our staff and the continued high safety track records that GDC maintains. The LTIFR was zero during the year (2015: 0.73).



Financial Review



“Maintaining sufficient liquidity and funding headroom will allow the Group to dictate the pace of growth initiatives.”

The Group has had a number of positive strategic and operational successes during 2016, but these have not been reflected in financial performance for the year. Gas produced and sold at Logbaba increased significantly during the year. Underlying EBITDA and operating cash flows were strong. Drilling of the new wells at Logbaba commenced during 2016, and the pipeline pushed out a further 15km bringing new customers onto the network. The Matanda assignment in 2016 and the recent Bomono assignment are transformational plays that will provide the opportunity to increase gas reserves to supply gas to an expanding gas market.

In November 2015 the Group elected to change its accounting reference date to 31 December and as a result the comparative period is for the seven-month period ended 31 December 2015 (“prior period”). The current period is for the year ended 31 December 2016 (“current period”).

A cost recovery milestone was reached on Logbaba on 31 May 2016 after which revenues are shared in accordance with the participating interests (“Payout”). GDC previously received 100% of Logbaba revenue as a recovery mechanism for costs incurred during the exploration phase of the Project. Post Payout GDC accounts for 60% of Project revenues. Aside from incurring 100% of the initial exploration costs, GDC contributes 60% towards all exploitation costs incurred on the Project. Whilst the attainment of this milestone should be viewed as a positive in terms of the development of the Project, Payout has had a significant impact on the Group’s revenue, performance and cash generated for the year.

GDC has two production wells at Logbaba, La-105 and La-106. La-106 has for some time under-performed, and despite remediation steps, the well can no longer generate the volumes of gas that are expected from it. The Board of Directors has decided it is appropriate to impair this well and has accordingly written off the remaining \$22.7 million carrying costs of the well at 31 December 2016. The well had not previously been impaired.

Despite the impact of Payout and the impairment recorded in the current period, the Underlying EBITDA reflects a strongly positive cash contribution, which is an encouraging reflection of the cash generative nature of the underlying asset.

On a positive note, the Group has previously mentioned that it would fund an ambitious 2016 investment plan, including the drilling programme and pipeline extension with operating cash and debt. The pipeline extension was completed during the year, and at year end the Group’s cash and available debt facilities were sufficient to complete the outstanding work on the \$56 million drilling programme at Logbaba.



Financial Review continued



Statement of Comprehensive Income

At a gross level the gas sold for the year of 3,566mmscf is a 24% increase on the 2,868mmscf sold in the full year 2015. After Payout, the attributable gas sold for the current period was 2,897mmscf (prior period: 1,736mmscf). Attributable gas sold for the current period was 81% of gross gas sold owing to the timing of Payout. Going forward attributable sales will be 60%, subject to the Cameroonian State formalising its option to participate in the Logbaba Project, in which case the Group's interest will be 57%.

The global recovery of the oil price has resulted in reduced pricing pressure as competitive energy alternatives have increased in price, and has also resulted in improved pricing on our condensate sales, which is linked to the price of Brent Crude. The average gas sales price for the current period was marginally lower than the prior period owing to the larger proportion of revenue generated by ENEO, GDC's grid power customer.

Revenue from attributable gas and condensate sales was \$32.8 million (prior period: \$21.4 million). The pipeline extension in Bonaberi was commissioned in Q4 of 2016, with new customers being connected late in the year and early in 2017. These new customers, mainly thermal, are expected to generate additional revenue going forward.

Net royalties, being the royalties paid less the Group's share of profit of associate (which represents the Group's 35% interest in Cameroon Holdings Limited, which in turn earns a royalty from GDC), was 11.5% of attributable revenue for the current period (prior period: 12.0%). The decrease is a result of the following factors:

- Once Payout occurred, the Group was no longer obliged to pay a 0.8% royalty to RSM; and

- In August 2016 the Group reached a mediated settlement of the disputed reserve bonus. The settlement included the termination of the 1.2% royalty which had been payable prior to that.

We are pleased to report that the reduction in fixed costs and overheads reflects management's efforts to reduce costs in the business. This positive result has been assisted by the capitalisation of costs incurred on capital projects (notably the two-well drilling programme and the 15km of pipeline extension during 2016), but has also been adversely affected by:

- Reserve bonus and 1.2% royalty settlement. In the prior period the Group raised a provision for \$5.0 million for the reserve bonus payment and disclosed a contingent liability for an additional \$5.0 million pending the outcome of the mediation. The mediated settlement, which included the termination of the 1.2% royalty, resulted in a final liability of \$11.2 million, with \$5.0 million having been paid during 2016 and the balance due over the next two years. This resulted in a profit and loss impact in the current year of \$2.6 million.
- The Group disclosed a contingent liability of \$1.6 million in the prior period relating to a land claim submitted in Cameroon. This matter has not been finally resolved, but developments in-country has led management to raise a provision for \$0.9 million in the current period. A further \$0.7 million remains contingent on the outcome.

	For the year ended 31 December 2016	For the 7-month period ended 31 December 2015	For the year ended 31 May 2015
Gas sales (mmscf) – Gross	3,566	1,736	1,979
Gas sales (mmscf) – Attributable	2,897	1,736	1,979
Condensate sales (bbls) – Attributable	32,696	26,055	29,700
Revenue (\$m) – Gross	40,554	21,379	27,931
Revenue (\$m) – Attributable	32,751	21,379	27,931
Net royalties (\$m)	3,779	2,582	2,918
Underlying EBITDA (\$m)	13,063	8,546	8,343
Impairment of Oil and Gas assets, net (\$m)	22,747	–	49,775
Loss before tax (\$m)	(29,999)	1,622	(52,181)
Loss after tax (\$m)	(31,145)	157	(50,808)
Diluted (loss)/earnings per share (cents)	(28.74)	0.14	(48.28)
Operating cash flow before working capital (\$m)	12,714	9,317	6,471
Cash working capital movement (\$m)	10,265	(7,197)	2,928
Capital invested (\$m)	27,024	1,691	8,909
Net cash (\$m)	1,781	5,997	5,093

Financial Review continued



Depreciation for the current period was \$18.7 million (prior period: \$7.5 million), which is largely variable and associated with the volumes of gas produced. The impairment of La-106 resulted in a non-cash charge of \$22.7 million in the current period (prior period: Nil), and will affect a revision of the basis for the unit-of-production depreciation on the oil and gas assets going forward.

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Operating (loss)/profit	(28,413)	1,041
Depreciation	18,729	7,505
Impairment of exploration and evaluation assets	22,747	–
Underlying EBITDA	13,063	8,546

Underlying EBITDA, which removes depreciation and impairment charges from the reported operating (loss)/profit, of \$13.1 million (prior period: \$8.5 million) reflects the strong underlying performance of the Logbaba Project.

The Group produced a loss before tax of \$30.0 million (prior period: profit of \$1.6 million), and a loss after tax of \$31.1 million (prior period: profit of \$0.2 million).

The diluted loss per share was 28.74 cents (prior period: earning of 0.14 cents).

Statement of Financial Position

Intangible assets of \$17.6 million (prior period: \$0.7 million) represent the costs incurred on the Logbaba drilling programme. Upon successful completion of the wells, the costs will be transferred to oil and gas assets within property, plant and equipment.

Trade receivables of \$8.8 million (prior period: \$14.5 million) benefited from receipt of RSM partner contributions and only accounting for 60% of trade receivables from Logbaba following Payout.

Trade and other payables of \$12.8 million (prior period: \$3.5 million) increased as a consequence of increased expenditure on the drilling programme, and the inclusion of the reserve bonus settlement obligation, which had previously been disclosed under provisions.

	31 December 2016 \$'000	31 December 2015 \$'000
Cash and cash equivalents	16,261	13,230
Borrowings: Current liabilities	(6,707)	(4,626)
Borrowings: Non-current liabilities	(7,773)	(2,607)
Net cash	1,781	5,997

Cash and cash equivalents of \$16.3 million (prior period: \$13.2 million) and net cash of \$1.8 million (prior period: \$6.0 million) reflects the positive liquidity position of the Group, despite the capital costs incurred during the year. \$10 million of funding has been drawn down against the new facility arranged with BGFI during the year. The headroom on the debt facilities at year-end was \$14.4 million (prior period: Nil).



Financial Review continued



Cash Flow Statement

Operating cash inflows, prior to the effects of working capital movements, was \$12.7 million (prior period: \$9.3 million), reflecting the impact of the revenue sharing post Payout.

Working capital decreased \$10.3 million (prior period: increase of \$7.2 million) owing to partner receipts, the sharing of trade receivables and larger drilling related payables and accruals.

Capital investment of \$27.0 million (prior period: \$1.7 million) relates mainly to spending on the drilling programme and pipeline expansion. As the CEO has explained in the Review of Operations, the drilling programme has encountered a number of geological and operational challenges, some of which have resulted in increases to the programme budget. The latest budget for the entire drilling programme is \$56 million, of which GDC will participate \$33.6 million. Having spent \$16.7 million to the end of 2016, the anticipated spend on the drilling programme in 2017 is \$16.9 million. At year-end the Group had cash and cash equivalents and debt headroom of \$30.8 million (prior period: \$13.2 million).

Commitments

The Group finalised its assignment of a 75% participation in the Matanda Block in April 2016. GDC's share of the Matanda work programme of \$7.1 million covers the period to mid 2018. The Logbaba Concession does not contain any work programme obligations. The Logbaba drilling programme gives rise to commitments during 2017 estimated at \$5.8 million at 31 December 2016.

Subsequent Events

Post year-end the Group acquired an 80% participating interest in the Bomono PSC. The Bomono Block neighbours the Group's Logbaba and Matanda Blocks, and has the existing Moambe well which exceeded 7mmscf/d during well flow tests which were carried out in early 2016. Bowleven Plc will remain as the operator and 20% participation holder. The deal is subject to various conditions precedent, including the granting by the Cameroonian State of a two-year provisional exploitation licence and various regulatory approvals required to formalise the transfer of the assignment. The deal includes:

- GDC installing a pipeline connection from the Moambe well to the existing GDC pipeline network, and the completion of civil engineering works at the Moambe wellhead necessary for the gas processing plant installation. The estimated capital cost of these works is \$6.0 million;
- A 3.5% royalty from GDC Bomono's production share of hydrocarbons, with an aggregate cap limiting the total royalty payments to US\$20 million; and
- £100,000 worth of the Company's ordinary shares.

The Bomono work programme, which includes the drilling of one well during the period of the provisional exploitation licence, commits GDC to an estimated \$8.0 million.

Reduction in Capital

The Company will be seeking shareholder approval at the AGM for a capital reduction, comprising the cancellation of the Company's deferred shares and a reduction of the Company's share premium account from \$230.4 million to nil. The amount by which the capital is reduced will be offset against the Company's retained deficit and there will be no change to the net assets of the Company, or the number of ordinary shares in issue or the rights attached to the ordinary shares.

The deferred shares to be cancelled were a by-product of the Company's capital reorganisation, which took place in 2014. The deferred shares carry no value or voting rights. The share premium reduction will enable the Company to make dividend payments or other distributions to Shareholders as and when suitable circumstances arise.

Should the resolutions for these actions be approved, the proposal requires sanction from the High Court to ensure the protection of creditors.

Looking Ahead

The Matanda and Bomono assignments provide a great opportunity to make inroads into the Douala energy market. Successful completion of the Logbaba drilling programme will lead to production capacity expansion and the opportunity to have meaningful discussions with prospective customers. Bomono, once completed, could allow the addition of gas into the pipeline network in relatively short order. Work towards developing the Matanda Field has already commenced.

Maintaining sufficient liquidity and funding headroom will allow the Group to dictate the pace of these growth initiatives. Managing our finances, while at the same time striving to achieve our ambitious growth objectives makes for an exciting 2017.

Andrew Diamond

Finance Director

25 May 2017

Principal 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 the risk. The controls and procedures and identified risks are discussed and reviewed annually by the Audit Committee and their findings and recommendations are reported to the Board.

The principal risks and uncertainties inherent in the Group's business model have been grouped into four categories: strategic, financial, operational and compliance. The risk items and the planned actions to mitigate these risks are listed below:

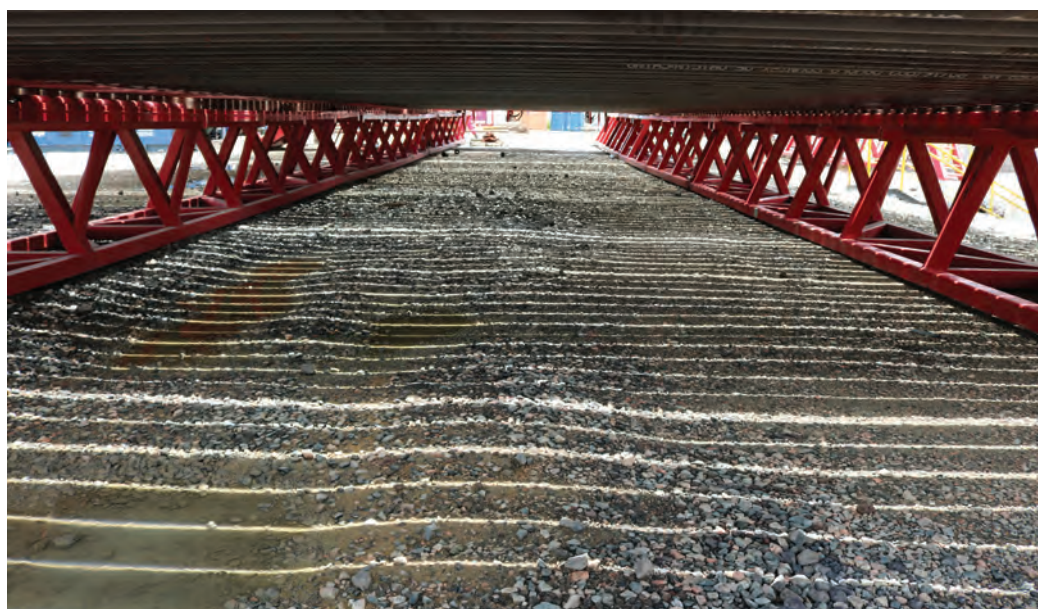
Risk or uncertainty	Mitigating action		
Strategic	The Group's strategy is predominantly driven by appraisal, development, production and monetisation of existing assets in Cameroon. There are risks inherent in appraisal, development and production of oil and gas reserves and resources.		
	Risk description:	Movement since December 2015:	Mitigating actions:
1. Field delivery risk	The Group's only producing asset is the Logbaba Project in Douala, Cameroon. There is a risk that the production from this Project may be insufficient to meet customer needs due to unexpected production issues. As consumption increases, so does the risk of well mechanical deterioration and the possibility that sand production will occur increases.	The level of risk has increased. The Group produced and sold 3.6bcf (net 2.9bcf) of gas during the year from La-105 and has impaired La-106 as it is not able to produce as expected.	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 two-well drilling programme at Logbaba is progressing which, if successful, would mitigate this risk. The eventual development of the Matanda and Bomono Blocks is also expected to reduce this risk further.
2. Single asset portfolio in one geographic region	The Group is dependent on one producing asset in Cameroon. Single asset status is a negative driving force on the Group's share price and a restriction on getting large institutional investors involved with the Group.	The Group was assigned a 75% participation in the Matanda Block in April 2016 and has been assigned an 80% participation in the adjacent Bomono Block post year-end (subject to regulatory approval), decreasing the level of risk.	Whilst the assignments are in the same geographic location, the risk is partially mitigated in that there is now more than one asset. The geological location is one in which the Group has a level of confidence and understanding. At present the focus will remain on applying all available resources to maximising returns within Cameroon.



Principal Risks & Uncertainties continued



Risk or uncertainty	Mitigating action		
Financial	Volatility in commodities, oil in particular, determines the pricing of the Groups condensate by-product, and also alters the price of competitive products (HFO). Other financial risks include foreign currency risk, liquidity risk, interest rate risk, and credit risk.		
3. Commodity price risk	<p>Risk description:</p> <p>The majority of the Group's revenues come from the sale of gas. The price of gas is volatile and influenced by factors such as 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. Similarly the revenues generated from the sale of condensate are affected by global oil prices.</p>	<p>Movement since December 2015:</p> <p>The risk decreased during the year as the oil price recovered, resulting in increasing prices of competing sources of energy, and the price of our condensate increased with the price of Brent Crude.</p>	<p>Mitigating actions:</p> <p>GDC signs longer-term gas sales contracts with its customers to avoid the volatility in the pricing within energy markets. The pricing is reviewed periodically and the comparative cost of alternative fuels is continually monitored. The price the Group charges for its condensate production is tied to Brent Crude, but this represents less than 10% of revenue.</p>
4. Access to funding	<p>Should the Group require additional funding to meet its growth objectives there is no guarantee that market conditions will permit the raising of the necessary funds by way of debt financing, issue of new equity or farming out of interests.</p>	<p>The risk remains unchanged. The Group signed a \$26 million equivalent debt facility during the year to support the Logbaba 2016/2017 capital expansion programme.</p>	<p>The Board reviews and approves an annual budget, and regularly reviews changes to Group cash flow projections. The Board considers different possible sources of funds and the timing of accessing the markets, including funds generated from sales, debt financing, convertible loans and raising equity. Management also manages this risk by regularly meeting with shareholders and the investor community and communicates through its website, investor relations and regulatory reporting.</p>



Principal Risks & Uncertainties continued



Risk or uncertainty	Mitigating action		
Operational	Exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities and/or pipeline expansions, technical difficulties, lack of access to key infrastructure, labour disputes, health and safety incidents and other acts of God are inherent to the business.		
	Risk description:	Movement since December 2015:	Mitigating actions:
5. Cost overruns on drilling programme	In 2016 the Group commenced drilling two wells into the Logbaba field. The management of cost overruns on the programme is a key risk in ensuring the profitability of the gas field in the future.	The risk has increased. The drilling programme is currently in progress. Uncontrollable subsurface conditions and a well control event have resulted in delays and cost increases. The expected costs to complete both wells has increased to approximately \$56 million, of which the Group will contribute \$34 million.	Active management of the drilling programme and continuous monitoring of activities and services on site.
6. Geological and development risks	Exploration activities are speculative and capital intensive and there is no guarantee of identifying commercially recoverable reserves. Further exploration activities will be required in Cameroon to meet future strategic objectives.	The risk remains unchanged. The Group has commenced with reprocessing of geological data for the Logbaba, Matanda and Bomono Blocks to identify future target drill sites.	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. For the current drilling programme: La-107 is a twin of La-104 and La-108 is a 'step-out' into an area intended to prove up more of the Groups probable reserves.
7. Title to assets and licence obligations	Title to oil and gas assets can be complex and may be disputed. Operations in Cameroon must be carried out in accordance with the terms of the concession contract or PSC, field development plan, annual work programmes and budgets which are agreed with SNH. Sanctions may be imposed for non-compliance under such agreements.	Unchanged.	The Group continues to maintain good relationships with both local and central government of Cameroon, mitigating this risk. The Directors and management 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.
8. Reliance on key customers	The Group is reliant on a relatively small number of key customers, particularly ENEO. The loss of one such customer could lead to a significant reduction in revenues.	The risk increased during the period as ENEO became the Group's largest customer. The ENEO contract expired on 22 April 2017.	Negotiations on the renewal of the ENEO contract are ongoing. ENEO has continued to consume GDC gas at volumes consistent with the energy demand in Douala at this time of year. Successful completion of the Logbaba drilling programme will allow GDC to access additional large off-take customers and diversify this risk.

Principal Risks & Uncertainties continued



Risk or uncertainty	Mitigating action		
Compliance	The Group's current business is dependent on the continuing enforceability of the PSCs, farm-in agreements and exploration and development licences. The Group's core operational activities are dependent on securing governmental approvals. Developments in politics, law, regulations and/or general adverse public sentiment could compromise the business.		
	Risk description:	Movement since December 2015:	Mitigating actions:
9. Political risk	The Group's principal assets are located in Cameroon and therefore the Group is exposed to country-specific risks such as the political, social and economic stability of Cameroon.	Unchanged. Boko Haram remains a concern, however this has been largely localised in the country's northern borders shared with Nigeria and has not directly impacted the Group's operations, which are located over 900km away in Douala. Apart from this threat, the political situation has remained largely stable.	The Group continues to establish strong relationships with local and national government which enable the Group to monitor the political and regulatory environment. To this end, the Group has engaged the services of a political advisor to ensure the Group's interests are protected. In addition, the Group maintains an insurance policy to protect against negative impacts of political violence on the Group's operations and business interruption.
10. Health, environmental and community relations	The Logbaba gas wells and pipeline network are located in the metropolitan area of Douala, Cameroon, with a population of 2.5 million. The scope and potential impact of the risks are increased by the diversity of our operations. The potential impact of a major event could be significant for our employees, contractors, local communities or the environment.	Unchanged.	The Group is committed to maintaining high environmental and community standards and continuously reviews procedures and monitors performance. The Group has engaged independent external consultants to periodically audit the social and environmental impact of operations in Cameroon and the management thereof.
11. Tax risk	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.	Unchanged.	The Group engages local tax specialists to advise on tax matters in the jurisdictions that we operate. GDC has provision in the Logbaba Concession Contract, granted by the Cameroonian Government, that it will not be adversely affected by changes in tax legislation. GDC makes every effort to comply with the Cameroonian tax authorities, whilst ensuring the tax legislation is fairly applied.

This Strategic Report was approved by the Board of Directors on 25 May 2017 and signed on its behalf by:

Kevin Foo
Executive Chairman

Directors & Other Information



Directors

Kevin Foo, Executive Chairman
 Ahmet Dik, Chief Executive Officer
 Andrew Diamond, Finance Director
 Iain Patrick, Independent Non-Executive Director
 John Bryant, Independent Non-Executive Director
 Roger Kennedy, Independent Non-Executive Director

Company Secretary

Leena Nagrecha

Company Number

5139892

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 Deloitte & Touche House
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 Dublin 2
 Ireland

Bankers

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 London E14 5HP

Solicitors

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 200 Strand
 London WC2R 1DJ

Nominated Adviser

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 26 Mount Row
 London W1K 3SQ

Joint Brokers

Shore Capital Stockbrokers Limited
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 14 Clifford Street
 London W1S 4JU

First Energy Capital LLP
 85 London Wall
 London EC2M 7AD

Registrars

Computershare Investor Services Plc
 The Pavilions
 Bridgwater Road
 Bristol BS99 6ZY



Kevin Foo MSc, DIC, Dip Met, MIMMM

Executive Chairman

Mr Foo has had a 40-year career in the resources industry working across five continents successfully developing into production a series of extractive operations. In 2004 he founded Victoria Oil & Gas Plc and was responsible for the refocus of the Company towards the commercialisation of domestic natural gas in Africa, leading to 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. Since September 2013, Mr Foo has assumed the role of Executive Chairman of the Company.



Ahmet Dik

Chief Executive Officer

Mr Dik has worked with both GDC and VOG since 2014 and was instrumental in expanding the Company's sales base. He joined the Board in 2015 and assumed the position of CEO in 2016. Previously he has been involved in the structuring and delivery of a wide range of oil and gas, minerals, resources and infrastructure projects worldwide. Mr Dik was part of the senior management team at Dominion Petroleum Ltd in 2007, an AIM-listed company, working on acquisition of its East African assets. Dominion was subsequently sold to Ophir Energy Plc. Primarily his work has been with major corporates, governments and sovereign wealth funds focused in Africa and the Middle East. As an originator of large-scale projects, Mr Dik has been involved in setting up corporate structures, raising funds at all levels and listing of companies on a number of stock exchanges.



Andrew Diamond

Finance Director

Mr Diamond joined the Board as Finance Director in 2016 having previously held the position of Group Financial controller. Prior to joining the Company he has held senior finance positions in a number of listed and private companies including: as Financial Controller for Gabriel Resources Limited, a TSX listed resource company, Head of Group Reporting for Subsea 7 S.A. (formerly Acergy MS), a subsea service provider to the oil and gas industry listed on the NASDAQ and Oslo Børs, and Financial Controller for Barloworld Holdings plc, a distributor for leading global brands, providing integrated rental, fleet management, product support and logistics solutions. Mr Diamond qualified as a Chartered Accountant at Deloitte in South Africa.

Directors & Other Information continued



John Bryant

Independent Non-Executive Director

Mr Bryant has extensive commercial and financial experience in the oil, gas and energy services sectors. He has held a number of senior executive positions in companies involved in power generation and distribution, gas distribution, renewable energy and oil and gas services. These have included operations in North America, Europe, Asia and Africa. Currently Mr Bryant is the Non-Executive Chairman of Weatherly International plc, the Senior Independent Director of IGas Energy plc and a Non-Executive Director of Pembridge Resources Plc, all AIM-listed companies. Mr Bryant holds an MSc in Economics from Reading University and graduated in Economics with a BA from Nottingham University, and is a fellow of the Institute of Directors and a fellow of the Royal Society of Arts.



Iain Patrick

Independent Non-Executive Director

Mr Patrick has 35 years' experience in the international oil and gas industry, working in more than 20 countries worldwide. After graduating with an LL.M in 1980, Mr Patrick worked as an oil industry lawyer before joining Monument Oil and Gas plc in 1988 where he held the position of Commercial Director until the sale of the company in 1999. Iain then co-founded PWX Limited, a consultancy providing business development support to a number of oil and gas companies, and has held senior executive positions and non-executive directorships in several AIM-listed oil and gas companies for over 15 years. Mr Patrick is currently CEO of the oil and gas consultancy, Trinity Energy Limited.



Roger Kennedy

Independent Non-Executive Director

Mr Kennedy has worked within the natural resources industry for over 20 years developing corporate's expansion strategies in addition to his roles as an investment manager and as a senior advisor. Currently he is also Chairman of KCP Limited, a private investment group. In 2012, he co-founded QKR Corporation Limited, a diversified mining investment company backed by sovereign funds, institutional investors and high-net-worth individuals and served as a director until 2014. Over the same period, he served as a director and Head of Business Development for Star Petroleum Limited, an upstream E&P company with oil licences in Libya, South Sudan, Uganda, Angola, Nigeria and the Caspian Sea. Prior to 2012, Mr Kennedy was Managing Director and Head of the Energy & Natural Resources Group, Asia Pacific at J.P Morgan Securities (Asia Pacific) Limited, where he rebuilt and managed a large Asia Pacific based team focused on oil and gas, metals and mining, power and chemicals. From 1994 to 2000 Mr Kennedy was Head of the Latin American Industrials Group (oil and gas, metals and mining, utilities, infrastructure and construction) and member of the M&A, Debt Capital Markets, Telecom and Natural Resources Investment Banking teams at Salomon Brothers Inc. Mr Kennedy has graduated from Oxford University with a D.Phil./PhD in Economics and Politics, holds a Juris Doctorate from New York University and is a member of the New York Bar Association.

Board of Directors site visit.



Corporate Governance Statement



The Company is subject to the continuing requirements of Alternative Investment Market (“AIM”) Rules and is committed to adhering to corporate governance standards appropriate for a company of this size and nature. The Company is not required to comply with the UK Corporate Governance Code published in April 2016 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 by 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

The Board of Directors currently has six members, comprising the Executive Chairman, Chief Executive Officer, Finance Director and three independent Non-Executive Directors. During the year, the Board was strengthened with the appointment of Andrew Diamond as a full-time Finance Director, effective 30 June 2016, and Roger Kennedy was appointed as an independent Non-Executive Director on 14 July 2016. Grant Manheim, Deputy Chairman and a Board member since the Company’s listing on AIM in 2004, retired on 31 May 2016. Robert Palmer, Finance Director and a Board member since the Company’s listing on AIM, did not stand for re-election following retirement by rotation at the Company’s Annual General Meeting on 29 June 2016.

The Executive Chairman is responsible for leadership of the Board. He is assisted by other Board members in formulating strategy and, once agreed by the Board, the Executive Directors are responsible for its delivery. 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 provides 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.

The Board holds six scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance which cannot be held over until the next scheduled meeting. During the current year, the Board held six scheduled meetings and also met a further six times at short notice. In addition, the Board approved matters by a written resolution on two occasions and appointed a committee to approve specific matters in three instances. All members of the Board attended two strategy away day meetings during the year. Details of the attendance of the Directors at eligible meetings, together with meetings of the audit and remuneration committees are set out below.

Directors	Board (scheduled)	Board (additional)	Strategy (scheduled)	Audit Committee	Remuneration Committee	Nominations Committee
Kevin Foo	6/6	6/6	2/2		5/5	1/1
Ahmet Dik	6/6	6/6	2/2			
Andrew Diamond ^a	3/3	1/1	1/1			
John Bryant	6/6	6/6	2/2	7/7	6/6	1/1
Iain Patrick	6/6	6/6	2/2	6/6	5/5	1/1
Roger Kennedy ^b	3/3	1/1	1/1	2/2	3/3	1/1
Grant Manheim ^c	2/2	4/5	1/1	1/1	2/2	
Robert Palmer ^c	2/2	4/5	1/1		1/1	

^a Andrew Diamond joined the Board on 30 June 2016

^b Roger Kennedy joined the Board on 14 July 2016

^c Grant Manheim retired from the Board on 31 May 2016 and Robert Palmer on 29 June 2016

Corporate Governance Statement continued



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.

The Company's Articles of Association requires one-third of the Directors to retire by rotation at each Annual General Meeting ("AGM") of the Company and each may be re-elected. Furthermore, every Director must stand for re-election once every three years. The Company's Articles also require any new Director appointed by the Board during the year to retire at the next AGM.

Audit Committee

The membership of the committee comprised Grant Manheim and John Bryant, following John McBurney's resignation on 17 November 2015, Chairman of the committee. Iain Patrick joined the committee on 1 March 2016 and was appointed Chairman. John Bryant remained as member of the committee during the year and Roger Kennedy joined the committee on 7 September 2016. Grant Manheim ceased to be a member of the committee effective 1 March 2016. The committee is now represented by the three independent Non-Executive Directors.

The Finance Director and other members of the finance team attend the committee meetings by invitation.

The committee meets at least four times per year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on complying with relevant legal requirements. The committee receives and reviews reports from management and the Group's auditors relating to the Group's Report & Accounts, the interim results and review of the accounting policies. Meetings are held at least three times a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the annual report remains with the Board of Directors. The committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work.

The committee, with management, reviews the effectiveness of internal controls.

Remuneration Committee

The Remuneration Committee was chaired by Grant Manheim until 22 February 2016 when he was replaced as chairman by John Bryant. Iain Patrick and Kevin Foo were appointed as members of the committee effective 22 February 2016 and Roger Kennedy was appointed a member of the committee on 7 September 2016. Robert Palmer, Finance Director, ceased to be a member of the committee on 22 February 2016 and Grant Manheim on 31 May 2016. The committee is now represented by the three independent Non-Executive Directors and the Executive Chairman.

The committee recommends to the Board 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 Board concerning bonuses and share awards. No Director participates in discussions or decisions concerning his own remuneration. Further details regarding matters considered by the Remuneration Committee during the year are outlined in the Remuneration Report.

The chairman of the committee will attend the AGM and respond to any shareholder questions on the committee's activities.

Nominations Committee

The Board appointed a Nominations Committee on 29 June 2016, with the Executive Chairman appointed as chairman of the committee and John Bryant and Iain Patrick as members. Roger Kennedy joined the committee on 7 September 2016. The committee is now represented by the Executive Chairman and the three independent Non-Executive Directors.

The committee oversees the composition of the Board (including skills, knowledge and experience), senior executive recruitment and succession, and the process for appointment of Directors. Prior to the appointment of the Nominations Committee, any decisions relating to Board nominations were taken on a clearly defined basis by the Board as a whole.

Corporate Governance Statement continued



Relations with Shareholders

The Directors attach great importance to maintaining good relationships with the shareholders. Extensive information about the Group's activities is included in the Annual Report & Accounts and the Interim Report. The Group also issues quarterly updates to shareholders.

Market sensitive information is regularly released to all shareholders in accordance with London Stock Exchange rules for AIM-listed companies. The Group is active in communicating with both its institutional and private shareholders. The AGM 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.

Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health and safety, compliance matters and risk management (as detailed in the Principal Risks and Uncertainties section) are reviewed on an ongoing basis. The Group's internal control procedures include Board approval for all significant projects, including corporate transactions and major capital projects. The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control. The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts, which the Board considers adequate in view of the size and nature of the Group's operations. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRSs"). The Audit Committee reviews draft Annual and Interim Reports before recommending them for approval to the Board. The Audit Committee discusses with the Executive Chairman, Finance Director and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Directors' Report



Principal Activities, Business Review and Future Developments

The principal activities of the Group are gas exploration, production and distribution in Cameroon. During the year, the Group continued the sale of gas and condensate to customers in Cameroon and development of the Group's strategy to increase gas sales in Cameroon. The main activity has been the ongoing development of the Logbaba gas and condensate field to supply gas to our customers in Douala, Cameroon, and the expansion of the gas pipeline distribution network to reach new customers. In 2016, the Group commenced implementation of plans to expand future reserves through a drilling programme at Logbaba, and completed the assignment of a participating interest in the Matanda Block. In early 2017, the Group concluded a farm-out agreement with Bowleven plc for the Bomono Block, subject to regulatory approvals. The focus in 2017 is to complete the drilling programme at Logbaba and to commence development of the Group's interests in Matanda and Bomono Blocks.

The Group has an exploration project in Russia, the 100%-owned West Medvezhye field, which is fully impaired. The Group continues to pursue ways to derive value from the asset through farm out, joint venture or sale.

The Group operates through overseas branches and subsidiary undertakings as appropriate to the fiscal environment.

Subsidiary undertakings of the Group are set out in Note 30. The Cameroonian operations are funded by operating cash flows and partner contribution, with certain capital projects being funded by debt or funds held centrally by the Group.

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 current year:

Executive Directors

Kevin Foo
Grant Manheim (retired 31 May 2016)
Robert Palmer (retired 29 June 2016)
Ahmet Dik
Andrew Diamond (appointed 30 June 2016)

Independent Non-Executive Directors

John Bryant
Iain Patrick
Roger Kennedy (appointed 14 July 2016)

Rotation and Election of Directors

In accordance with Article 102.1 of the Company's Articles of Association, Ahmet Dik will retire by rotation and stand for re-election. Roger Kennedy and Andrew Diamond, who were appointed by the Board during the year, will retire in accordance with Article 106 and stand for election.

Biographical details of the Directors as at the date of the Report & Accounts are available in the section Directors' Biographies.

Dividends

The Directors do not propose that a dividend be paid (prior period: 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 report and accounts 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 section 418 of the Companies Act 2006.

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

Substantial Shareholders

At 25 May 2017, the Company had received notification from the following shareholders of interests in excess of 3% of the Company's issued Ordinary Shares with voting rights:

Shareholder	Number of shares	Percentage of issued share capital
Majedie Asset Management Ltd	6,154,761	5.6%
Forest Nominees Limited (GC1)	5,541,000	5.0%
The Capital Group Companies, Inc.	4,815,758	4.4%

Share Capital

Details of changes to share capital in the year are set out in Note 23.

Directors' Report continued



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 year
- 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 funding 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 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

The AGM of the Company will be held in London on 28 June 2017. In addition to the usual business to be dealt with at the AGM, the Notice contains special business relating to:

- The renewal of authority for the Board to allot shares
- The dis-application of statutory pre-emption rights on equity issues for cash
- The reduction in share capital

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 in accordance with the Notes contained in the Notice of Annual General Meeting. The Notice of the Annual General Meeting and Proxy Form are available on the Company's website www.victoriaoilandgas.com.

By Order of the Board,

Leena Nagrecha
Company Secretary
25 May 2017

Directors' Remuneration Report



As an AIM-listed company, Victoria Oil & Gas is not obliged to implement the remuneration reporting requirement for premium listed companies set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, the Remuneration Committee ("the committee") has chosen to disclose the following information in the interests of greater transparency:

- An overview of the remuneration policy for the Group's executives endorsed by the committee following a review of the existing remuneration arrangements; and
- Remuneration arrangements including payments and awards made to the Directors for the current period.

Remuneration Committee

The remit of the committee is provided in the Corporate Governance section.

The committee is represented by three independent Non-Executive Directors and the Executive Chairman. John Bryant replaced Grant Manheim as chairman on 22 February 2016.

The committee has met six times during the year. In July 2015, the committee initiated a review of the executive remuneration arrangements to ensure these remain competitive and to enable the Company to recruit senior executives of the right calibre.

The committee has engaged the services of PwC to provide wholly independent advice on executive remuneration and to assist the Company in conducting this review. There were no other remuneration services provided by PwC to the Group since their appointment.

The details of the remuneration policy agreed by the committee are reflected in this Report.

Remuneration Policy

The Company's policy is to maintain levels of remuneration sufficient to recruit and retain senior executives of the required calibre who can deliver growth in shareholder value. The Company seeks to strike an appropriate balance between fixed and performance-related reward, forming a clear link between pay and performance. The performance targets will be aligned to the key drivers of the business strategy, thereby creating a strong alignment of interest between executives and shareholders.

The Company's remuneration policy consists of the following elements, which are explained in more detail below:

- Salary at market related levels to attract the right calibre executive; and
- Annual Bonus Plan to recognise performance during the financial year against targets aligned with shareholder value accretion.

The committee will continue to review the Company's remuneration policy on a regular basis and make amendments, if necessary, to ensure it remains fit for purpose for the Company, driving high levels of executive performance and remains competitive in the market.

Salary

The purpose of the base salary is to:

- reflect market rates to help recruit and retain key individuals;
- reflect the individual's experience, role and contribution within the Company; and
- ensure fair reward for carrying out their duties.

The committee reviews base salaries regularly to ensure that Executive Directors pay remains appropriate and competitively aligned with external market practices.

Bonus

Annual Bonus Plan

The annual bonus plan seeks to reward the Executive Directors for the achievement of challenging corporate, strategic and individual targets on an annual basis. The maximum potential bonus entitlement for Executive Directors under the plan is up to 100% of base salary and the allocation of bonus has been calculated based on defined performance metrics.

In order to align executives' interests with those of shareholders and manage cash costs, a proportion of the bonus will be paid in cash and a proportion in Company shares through the plan. The committee will determine on an annual basis the level of deferral of the bonus payment into the Company's shares, and the vesting period, up to a maximum of three years.

The performance targets for the current year were as follows:

- Relative Total Shareholder Return performance relative to the AIM All Share Oil and Gas index
- Gas production targets
- Reserves growth targets
- Operational efficiency targets (reduction of Group and operating costs)
- Secure additional operating licenses in Cameroon
- Management of capital funding for required activities

On the basis of the targets listed above, and on the basis that the Executives agreed to take the entire amount of their bonus in shares, the committee has proposed bonuses payable to the Executives as follows:

- Kevin Foo: \$123,460 in shares of the Company priced at 41.5 pence (240,964 shares).
- Ahmet Dik: \$222,228 in shares of the Company priced at 41.5 pence (433,735 shares).
- Andrew Diamond: \$105,250 in shares of the Company priced at 41.5 pence (205,422 shares).

The Company shares were priced on the volume weighted average price for the period 1 January 2016 to 28 April 2017. The Company shares are deferred with 50% vesting on 1 January 2018 and the remaining 50% vesting on 1 January 2019. The Company shares will be issued to the Executive Directors upon vesting.

Directors' Remuneration Report continued



The performance targets for the year ending 31 December 2017 include the following:

- Relative Total Shareholder Return performance relative to the AIM All Share Oil and Gas index
- Extension of the ENEO gas sales agreement
- Reserves growth targets
- Successful completion of the well drilling programme on Logbaba
- Agree and initiate development plans for Bomono and Matanda
- Management of capital funding for required activities

The annual bonus plan does not contain any claw back provisions.

Benefits

In order to retain and attract the Executive Directors, the committee has introduced a competitive benefits package and pensions arrangement. During the year, the Company has introduced medical insurance cover and pensions auto-enrolment for all UK-based employees. The Company makes a monthly contribution into a pension scheme nominated by Mr Dik and Mr Diamond at 15% of their respective salaries. The total value of the benefits for the Executive Directors is disclosed in the Directors' Remuneration table below.

The details of the Benefits are as follows:

Executive Director	Healthcare \$	Pension \$	Travel \$	Total \$
Kevin Foo	3,380	—	4,344	7,724
Ahmet Dik	13,045	80,211	—	93,256
Andrew Diamond	1,451	14,267	—	15,718

Long-Term Incentive

As a key component of the new remuneration policy, the Committee intends to introduce a long-term incentive plan. This is designed to align the interests of Executive Directors with those of shareholders and form a significant part of their performance-related pay.

Directors' Service Contracts

Executive Directors

Kevin Foo, Ahmet Dik and Andrew Diamond were employed under rolling contracts with notice periods of twelve months or less from the Company or Executive.

Non-Executive Directors

The Non-Executive Directors are appointed for an initial term of three years, with a notice period of one month from the Company or the Non-Executive Director. As at 31 December 2016, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at 31 December 2016
John Bryant	1 December 2014	1 December 2017	11 months
Iain Patrick	16 December 2015	16 December 2018	2 years
Roger Kennedy	14 July 2016	14 July 2019	2 years 7 months

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

Directors' Remuneration Report continued



Directors' Remuneration

Directors' remuneration in aggregate for the year ended 31 December 2016 was as follows:

	Salaries and fees \$	Annual cash bonus \$	Annual share-based bonus \$	Share-based payment \$	Benefits in kind \$	Settlement payment \$	Total \$
12-months to 31 December 2016							
Executive Directors							
Kevin Foo	403,255	–	123,460	–	7,724	–	534,439
Ahmet Dik	617,351	–	222,228	245,456 ^a	93,256	–	1,178,291
Andrew Diamond ^b	98,321	–	105,250	–	15,718	–	219,289
Grant Manheim ^c	66,613	–	–	–	–	155,785	222,398
Robert Palmer ^d	86,012	–	–	207,416 ^g	–	248,252	541,680
Non-Executive Directors							
John Bryant	107,535	–	–	–	–	–	107,535
Iain Patrick	107,827	–	–	–	–	–	107,827
Roger Kennedy ^e	46,753 ^f	–	–	–	–	–	46,753
	1,533,667	–	450,938	452,872	116,698	404,037	2,958,212
7-months to 31 December 2015							
Executive Directors							
Kevin Foo	268,549	151,699	–	963,699 ^g	5,188	–	1,389,135
Grant Manheim	100,258	–	–	–	–	–	100,258
Ahmet Dik ^h	107,965	–	–	–	–	–	107,965
Robert Palmer	108,184	42,476	–	–	–	–	150,660
Non-Executive Directors							
James McBurney ⁱ	57,363	–	–	–	–	60,223	117,586
John Bryant	71,613	–	–	–	–	–	71,613
Iain Patrick ^j	4,974	–	–	–	–	–	4,974
	718,906	194,175	–	963,699	5,188	60,223	1,942,191

^a Received 697,836 ordinary shares of 0.5 pence in the Company at 28.66 pence in lieu of cash bonus.

^b Appointed as Director on 30 June 2016.

^c Retired as Director on 31 May 2016.

^d Retired as Director on 29 June 2016.

^e Appointed as Director on 14 July 2016.

^f Received an advance payment of Director's fees for 2017 in December 2016, amounting to \$65,846. The advance is not reflected in this amount.

^g Options exercised to purchase shares from the ESOP Trust. Mr Palmer exercised his options after leaving the Company.

^h Appointed as Director on 27 October 2015.

ⁱ Resigned as Director on 17 November 2015.

^j Appointed as Director on 16 December 2015.

Directors' Remuneration Report continued



Salary

The Executive Directors did not receive any salary increases during the year ended 31 December 2016.

Existing Employee Share Option Plan ("ESOP")

The Company has a discretionary share incentive scheme whereby fully paid shares can be awarded by the trustees of the ESOP as a long-term incentive for the Directors, senior managers and staff. No awards have been under the scheme since March 2013. The Trustees of the ESOP have not subscribed for any shares since November 2012. The Trust transferred 469,312 shares during the current year and 330,000 shares in February 2017 following exercise of share options by two former directors (prior period: 1,506,612 shares to a current Director).

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2016 are set out in the table below:

	Ordinary Shares held		Ordinary Share Options held under ESOP			
	31 December 2015	31 December 2016	31 December 2015	Exercised during the year	31 December 2016	Exercise price
Executive Directors						
Kevin Foo	2,232,638	2,232,638	500,000 ^a	—	500,000 ^a	0.5 pence
Ahmet Dik	227,951	925,787	—	—	—	—
Andrew Diamond	4,000	4,000	—	—	—	—
Non-Executive Directors						
John Bryant	—	—	—	—	—	—
Iain Patrick	—	—	—	—	—	—
Roger Kennedy	—	—	—	—	—	—

^a The options are priced at 0.5 pence with an expiry date of 8 March 2023. As a result of the capital reorganisation implemented on 27 November 2014, options are also held for 2,006,812 deferred shares with an exercise price of 19.5 pence at 31 December 2015 and 31 December 2016. As set out in the circular to the shareholders dated 31 October 2014, the deferred shares have very limited rights and are therefore of negligible value.

John Bryant

Remuneration Committee Chairman

25 May 2017

Statement of Directors' Responsibilities



The Directors are responsible for preparing the Report and the Group and parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company Financial Statements for each financial period. Under that law, the Directors are required to prepare the Group Consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent Company Financial Statements in accordance with UK Generally Accepted Accounting Standards, adopting the exclusions permitted under Financial Reporting Standard 101 Reduced Disclosure Framework.

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 Group and parent Company and of their profit or loss for that period. In preparing the financial statements for the Group and the Company, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable and prudent;
- provide additional disclosures when compliance with the specific accounting standards is 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 the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company 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
25 May 2017

Andrew Diamond
Finance Director
25 May 2017

Independent Auditor's 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 December 2016 which comprise 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 Cash Flow Statement and the related Notes 1 to 32 in relation to the Consolidated Financial Statements and Notes A to J in relation to the Company Financial Statements. The financial reporting framework that has been applied in the preparation of the Consolidated Financial Statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, 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 December 2016 and of the Group's loss for the year then ended;
- the Consolidated 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 United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of Matter – Going Concern, Realisation of Intangible Assets, Realisation of Property, Plant & Equipment, Realisation of Investments in Subsidiaries and Associate and Recoverability of Amounts due from Subsidiaries

In forming our opinion on the financial statements, which is not modified, we draw your attention to:

- Note 3 to the Group's Consolidated Financial Statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of \$31.1 million for the year ended 31 December 2016. The Group are also currently in negotiations with ENEO with a view to reaching agreement on a new gas supply agreement. The previous ENEO contract expired on 22 April 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group had a cash balance of \$16.3 million at the balance sheet date. Cash flow projections prepared by the Directors indicate that the funds available are sufficient to meet the obligations of the Group for a period of at least twelve months from the date of approval of the financial statements. The Directors have prepared the financial statements of the Group on the basis that the Group is a going concern.
- Notes 14, 15 and 16 to the Group's Consolidated Financial Statements concerning the valuation of intangible assets, the valuation of property, plant and equipment and the valuation of the investment in associate and notes B and C to the Company Financial Statements concerning the valuation of the investment in subsidiaries and associate and the recoverability of amounts due from subsidiaries. The realisation of intangible assets of \$17.6 million, property, plant and equipment of \$81.4 million and the investment in associate of \$5.4 million included in the Consolidated Balance Sheet, and, investments in subsidiaries of \$12.4 million, investment in associate of \$4.5 million, and amounts due from subsidiaries of \$64.8 million included in the Company Balance Sheet is dependent on continued revenue growth from the Logbaba Project in Cameroon and the continued successful discovery and development of economic reserves.

The financial statements do not include any adjustments relating to these uncertainties and the ultimate outcome cannot, at present, be determined.

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 period 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.

Sinéad McHugh

(Statutory Auditor)

for and on behalf of Deloitte

Chartered Accountants and Statutory Auditor

Deloitte & Touche House, Dublin, Ireland

25 May 2017

Consolidated Income Statement

For the year ended 31 December 2016



	Notes	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Continuing operations			
Revenue		32,751	21,379
Cost of sales		(26,365)	(14,010)
Production royalties	28	(5,224)	(3,785)
Other cost of sales	8	(21,141)	(10,225)
Gross profit		6,386	7,369
Sales and marketing expenses		(39)	(121)
Administrative expenses	8	(12,816)	(7,092)
Other losses	6	(642)	(318)
Share of profit of associate	16	1,445	1,203
Impairment of oil and gas asset	4	(22,747)	–
Operating (loss)/profit		(28,413)	1,041
Finance income	7	–	1,216
Finance costs	7	(1,586)	(635)
(Loss)/profit before tax		(29,999)	1,622
Tax	9	(1,146)	(1,465)
(Loss)/profit for the period – attributable to shareholders of the parent		(31,145)	157
	Notes	Cents	Cents
(Loss)/earnings per share – basic	13	(28.74)	0.15
(Loss)/earnings per share – diluted	13	(28.74)	0.14

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
(Loss)/profit for the period	(31,145)	157
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	36	(7)
Total comprehensive (loss)/income for the period – attributable to shareholders of the parent	(31,109)	150

Consolidated Balance Sheet

At 31 December 2016



	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Assets:			
Non-current assets			
Intangible assets	14	17,638	692
Property, plant and equipment	15	81,434	111,434
Investment in associate	16	5,386	5,489
		104,458	117,615
Current assets			
Inventories		11	5
Trade and other receivables	17	8,838	14,470
Cash and cash equivalents	18	16,261	13,230
Deferred tax assets	9	850	2,217
		25,960	29,922
Total assets		130,418	147,537
Liabilities:			
Current liabilities			
Trade and other payables	19	9,943	3,467
Provisions	20	1,442	1,000
Borrowings	21	6,707	4,626
		18,092	9,093
Net current assets		7,868	20,829
Non-current liabilities			
Borrowings	21	7,773	2,607
Deferred tax liabilities	9	3,628	4,490
Provisions	20	3,144	5,963
Other payables	19	2,814	–
		17,359	13,060
Net assets		94,967	125,384
Equity:			
Called-up share capital	23	34,251	34,246
Share premium		230,436	230,194
ESOP Trust reserve	24	(843)	(1,015)
Translation reserve		(17,685)	(17,721)
Other reserves	25	66	315
Retained earnings – deficit		(151,258)	(120,635)
Total equity		94,967	125,384

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 25 May 2017.

Kevin Foo
Executive Chairman

Andrew Diamond
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016



	Share capital \$'000	Share premium \$'000	ESOP Trust reserve \$'000	Translation reserve \$'000	Other reserves \$'000	Retained earnings – deficit \$'000	Total \$'000
For the 7-month period ended 31 December 2015							
At 31 May 2015	34,240	229,556	(1,061)	(17,714)	3,321	(124,762)	123,580
Shares issued	6	638	–	–	–	–	644
Shares granted to ESOP members	–	–	11	–	–	964	975
Effects of movement in foreign exchange	–	–	35	–	–	–	35
Transfers to retained earnings	–	–	–	–	(3,006)	3,006	–
Total comprehensive income for the period	–	–	–	(7)	–	157	150
At 31 December 2015	34,246	230,194	(1,015)	(17,721)	315	(120,635)	125,384
For the year ended 31 December 2016							
At 31 December 2015	34,246	230,194	(1,015)	(17,721)	315	(120,635)	125,384
Shares issued	5	242	–	–	–	–	247
Warrants expired	–	–	–	–	(315)	315	–
Shares granted to ESOP members	–	–	3	–	–	207	210
Effects of movement in foreign exchange	–	–	169	–	–	–	169
Warrants Issued	–	–	–	–	66	–	66
Total comprehensive income for the period	–	–	–	36	–	(31,145)	(31,109)
At 31 December 2016	34,251	230,436	(843)	(17,685)	66	(151,258)	94,967

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 reserves

The other reserves consists of warrants valued at \$0.1 million. Transfers to retained earnings for the year ended 31 December 2016 include \$0.3 million relating to expired warrants.

Retained earnings – deficit

Retained earnings – deficit comprises accumulated losses in the current and prior periods.

Consolidated Cash Flow Statement

For the year ended 31 December 2016



	Notes	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Cash flows from operating activities			
(Loss)/profit for the period		(31,145)	157
Adjustments for non-cash and other items:			
Tax		1,146	1,465
Share of profit in associate		(1,445)	(1,203)
Finance income		–	(1,216)
Finance costs		1,586	635
Depreciation and amortisation		18,729	7,505
Other losses		642	318
Impairment of oil and gas asset		22,747	–
Shares vested by ESOP Trust		207	964
Share-based payments		247	692
		12,714	9,317
Movements in working capital			
Decrease/(increase) in trade and other receivables		5,326	(3,205)
(Increase)/decrease in inventories		(6)	16
Increase/(decrease) in trade and other payables and provisions		4,945	(4,008)
Net movements in working capital		10,265	(7,197)
Tax paid		(762)	(479)
Net cash generated from operating activities		22,217	1,641
Cash flows from investing activities			
Payments for intangible assets		(16,281)	(609)
Payments for property, plant and equipment		(10,743)	(1,082)
Proceeds from disposal of property, plant and equipment		–	382
Loan repayments received		91	–
Dividends received from associate		1,548	1,112
Net cash used in investing activities		(25,385)	(197)
Cash flows from financing activities			
Proceeds from borrowings		10,000	–
Repayment of borrowings		(2,680)	(3,864)
Finance costs paid		(287)	(98)
Net cash generated by/(utilised in) financing activities		7,033	(3,962)
Net increase/(decrease) in cash and cash equivalents		3,865	(2,518)
Cash and cash equivalents – beginning of period		13,230	15,963
Effects of exchange rate changes on the balance of cash held in foreign currencies		(834)	(215)
Cash and cash equivalents – end of period	18	16,261	13,230

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES

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

(i) Statement of Compliance

Victoria Oil & Gas Plc ("the Company") is a company incorporated in the United Kingdom and listed on the Alternative Investment Market stock exchange ("AIM"). The Consolidated Financial Statements incorporate the financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2016. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards adopted for use by the European Union ("IFRSs"). They have also been prepared in accordance with the Companies Act 2006.

The Company has elected to prepare its parent Company's financial statements in accordance with UK Generally Accepted Accounting Standards adopting Financial Reporting Standard 101 Reduced Disclosure Framework. These are presented on pages 82 to 87.

(ii) Basis of Preparation

The Consolidated Financial Statements are prepared under the going concern basis and using the historical cost convention except for certain financial instruments such as warrants, share-based payments and revenue that are measured at revalued amounts or fair values at the end of each reporting period. The Consolidated Financial Statements are presented in US Dollars, rounded to the nearest thousand (\$'000) except where otherwise indicated.

On 10 November 2015 the Company changed its accounting reference date from 31 May to 31 December. The Group is presenting its Consolidated Financial Statements for the year ended 31 December 2016 ("the current period") and the comparative disclosure is for the seven-month period ended 31 December 2015 ("prior period").

(iii) Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has the power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the Consolidated Income Statement and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

the financial and operating policy decisions of the investee but is not control or joint control over these policies. The Group's investment in CHL is accounted for as an investment in associates.

The results and assets and liabilities of associates are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 Gaz du Cameroun S.A. ("GDC") and RSM Productions Corporation ("RSM"). 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 and Matanda, 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.

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 and related incidental services 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(vi) Foreign Currencies

The presentation currency of the Group financial statements is US Dollars and the functional currency and the presentation currency of the 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. The Group's revenue is based on Gas Sales Agreements which are priced in US Dollars. 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 period, 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 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 period, unless exchange rates fluctuate significantly during that period 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.

(vii) 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 and evaluation assets include the cost of acquiring rights to explore. 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 and evaluation costs include an allocation of administration and salary costs, including share-based payments, as determined by management.

Exploration and evaluation 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. The remaining unimpaired costs are reclassified to oil and gas interests within Property, Plant and Equipment.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are not depreciated, but 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:

- 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;
- substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is neither budgeted nor planned;
- 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
- 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.

(viii) 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Plant and equipment

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

Depreciation of an asset begins when it is available for use, which 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 so as to write off the cost of the assets over their useful lives using the straight line method or the unit-of-production method, whichever is considered most appropriate. Calculations under the unit-of-production method are based on proved developed reserves. 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.

Impairment

Oil and gas assets are tested against the expected recoverable amount of the asset by comparing the carrying value of the asset against the future net cash flows expected. The asset being assessed can be either a well within a field or the field as a whole, whichever is considered most appropriate. Any impairment identified is charged to the Income Statement as part of the cost of operations.

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.

(ix) Inventory

Inventories consist of gas and condensate stocks. Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average basis.

(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) Borrowing Costs). 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 management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Non-current provisions 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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 current period 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.

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.

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 interest rate method.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 interest rate method.

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.

De-recognition 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) Tax

The tax expense represents the sum of the tax paid or payable and deferred tax.

The current tax payable is based on taxable profit for the current period or, in the case of the Group's operations in Cameroon, taxable profit or revenue (see Note 7). 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 in the respective jurisdiction at 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 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

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 in 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.

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. If warrants remain unexercised at expiry, the value of the expired warrants is transferred from the Share-Based Payment Reserve to Retained Earnings/Accumulated Deficit. For information on warrants outstanding and pricing assumptions (see Note 27).

(xviii) Critical Accounting Judgements

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).

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.

Impairment of La-106

Following the well remediation efforts in 2015 and ongoing, but unsuccessful, efforts to improve the productivity of well La-106 at Logbaba, the Directors determined that the carrying value of this well is unlikely to be recovered through ongoing production and have accordingly impaired the full carrying value of \$22.7 million at 31 December 2016.

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 in the current period were 24.6bcf (prior period: 24.6bcf) in the Logbaba field. The unit-of-production depreciation charged to the Income Statement for the current period, which was calculated, based on these reserves, was \$18.7 million (prior period: \$6.7 million). If the reserves were to vary by plus 10%, the unit-of-production depreciation for the current period would have decreased by \$1.6 million and if they were to vary by minus 10% the unit-of-production depreciation for the current period would have increased by \$2.0 million.

Following the impairment of well La-106 at 31 December 2016, management will review the unit-of-production basis in 2017.

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 \$20.8 million (prior period: \$14.8 million) would be recognised in the financial statements. A deferred tax asset of \$0.9 million has been recognised in the current period in relation to the Group's operations in Cameroon as it is considered likely that the operations will generate future taxable profit against which the unused tax losses will be able to be applied (prior period: \$2.2 million). No deferred tax asset has been recognised in the current period in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have unutilised tax losses.

(xix) 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 period. 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 period are discussed below.

Operating in Cameroon, Russia 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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 management believe that the Group has adequately recorded its assets and liabilities in the context of these uncertainties.

Provisions

Provisions for the current period were \$4.6 million (prior period: \$6.9 million). The provisions are based on present obligations as a result of past events, probable outflows and the ability to reliably measure. The laws and regulations concerning environmental assessments and site rehabilitation continue to evolve and, accordingly, the Group may be liable to substantial decommissioning and rehabilitation costs in the future relating to past and current operations. Management has applied their knowledge at the Balance Sheet date in measuring provisions, however the actual outcomes could vary from these measurements (see Note 20).

Impairment of assets

The Group has the majority of its assets in Cameroon, the United Kingdom and Russia. These assets are tested for impairment when there are indicators that the carrying value of the assets exceeds the recoverable value.

The Group's market capitalisation at 31 December 2016 was significantly lower than the carrying value of the Group's assets, which could be an indication of impairment of the Group's assets in Cameroon. Management considers this to be a result of negative market sentiment towards the oil and gas sector at present. The Group's impairment valuation and analysis of the Logbaba Project, which is based over the life of the project, supports the asset carrying values and accordingly no impairment has been recorded over the Logbaba assets.

Facts and circumstances may change with regard to the assets in these countries which may have a significant impact on the valuation of the carrying value of the respective assets.

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

Société Nationale des Hydrocarbures, the state-owned national oil and gas company of Cameroon, is entitled to acquire a 5% interest in the Logbaba Project but has not yet signed a participation agreement. Accordingly, these financial statements, and the financial statements for the comparative period, have been prepared on the basis that the Group and RSM have 60% and 40% interests respectively in the Logbaba Project.

2. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

In the current year the following new and revised Standards and Interpretations have been adopted, none of which have a material impact on the Group's annual results.

- IAS 1 (amendments) Disclosure initiatives
- IFRS 10, IFRS 12 and IAS 28 (amendments) Investment Entities: Applying the Consolidation Exception
- IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 16 and IAS 41 (amendments) Agriculture: Bearer Plants
- IAS 27 (amendments) Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs: 2012–2014 Cycle; Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

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 effective (and in some cases had not yet been adopted by the European Union):

- IFRS 9 Financial Instruments
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IAS 12 (amendments) Recognition of Deferred Tax Assets for Unrealised Losses
- IAS 7 (amendments) Disclosure Initiative
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



3. GOING CONCERN

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements.

During the year the Logbaba Project reached a production milestone after which revenues are shared in accordance with the participating interests ("Payout"). GDC previously received 100% of Logbaba revenue as a cost recovery mechanism for costs incurred during the exploration phase of the project. Revenue for the year, which from 31 May 2016 reflects the effects of Payout, was \$32.8 million (prior period: \$21.4 million).

Underlying EBITDA for the year of \$13.1 million (prior period: \$7.8 million) reflects the positive results being generated by GDC. During the year the Group generated cash from operating activities of \$12.7 million (prior period: \$9.3 million). The cash generated has been utilised to fund investing activities, notably the Logbaba drilling programme. The Group ended the year with cash and cash equivalents of \$16.3 million (prior period: \$13.2 million) and in a net cash position of \$1.8 million (prior period: \$6.0 million).

The Income Statement reports a loss of \$31.1 million for the year (prior period: profit of \$0.2 million).

The Directors have reviewed forecasts in respect of the operating activities and planned work programmes of the Group's Cameroonian and Russian assets. The expected operating cash flows plus available funds and available debt facilities, after allowing for funds required for administration and development costs, are expected to cover the cost of

these activities. The Group secured a \$26 million credit facility with BGFIBank Cameroon S.A. ("BGFI") during the current year, which is being used to support the exploration and development expenditure, and drilling programme for the Logbaba Field. Headroom on this facility at 31 December 2016 was \$14.6 million. The completion of the drilling programme and tying in of the new wells to the processing facility are the only essential capital projects for 2017. The Directors are of the view that the forecast operational performance, cash resources on hand, and available credit facility are sufficient to fund its participating interest in operations for the twelve-month period from the date of approval of these financial statements.

The ENEO contract expired on 22 April 2017. Negotiations to renew this contract are in progress, and the Directors expect the contract to be finalised in due course. There is an agreement between both parties to continue trading until the new contract is finalised. ENEO has continued to consume gas to the date of signature of these financial statements.

The Directors have concluded that the Group has adequate resources available to maintain the Group's operations and to continue in operational existence for the foreseeable future, and therefore 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.

4. IMPAIRMENT OF OIL AND GAS ASSET

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Impairment of carrying value of oil and gas asset – Logbaba well La-106	22,747	–
	22,747	–

The Directors carried out an impairment review of the Logbaba field. Despite remediation efforts, well La-106 at Logbaba can no longer produce commercial volumes of gas to support its carrying value. Accordingly, the well La-106 has been fully impaired as at 31 December 2016.

The Directors have assessed the remaining carrying value of the Oil and Gas assets and are satisfied the carrying amount is recoverable and no further impairment is required.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



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. For the purposes of segmental reporting, the Russia and Kazakhstan segments have been combined as the assets of these segments have both been fully impaired. 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:

Year to 31 December 2016	Cameroon \$'000	Russia and Kazakhstan \$'000	Corporate \$'000	Total \$'000
Revenue	32,751	–	–	32,751
Segment result	(23,540)	(224)	(4,649)	(28,413)
Finance costs	(1,125)	(300)	(161)	(1,586)
Loss before tax	(24,665)	(524)	(4,810)	(29,999)
Tax	(1,146)	–	–	(1,146)
Loss for the period	(25,811)	(524)	(4,810)	(31,145)
Total assets	108,349	93	21,976	130,418
Total liabilities	(30,485)	(553)	(4,413)	(35,451)
Other segment information				
Capital expenditure:				
Intangible assets	16,887	–	79	16,966
Property, plant and equipment	11,426	–	73	11,499
Depreciation and amortisation	18,714	–	15	18,729
Impairment of oil and gas asset	22,747	–	–	22,747
7-months to 31 December 2015				
	Cameroon \$'000	Russia and Kazakhstan \$'000	Corporate \$'000	Total \$'000
Revenue	21,379	–	–	21,379
Segment result	3,873	(479)	(2,353)	1,041
Finance Income	1,216	–	–	1,216
Finance costs	(519)	(18)	(98)	(635)
Profit/(loss) before taxation	4,570	(497)	(2,451)	1,622
Tax	(1,465)	–	–	(1,465)
Profit/(loss) for the year	3,105	(497)	(2,451)	157
Total assets	132,238	144	15,155	147,537
Total liabilities	(18,675)	(203)	(3,275)	(22,153)
Other segment information				
Capital expenditure:				
Intangible assets	609	–	–	609
Property, plant and equipment	1,076	–	6	1,082
Depreciation and amortisation	7,502	–	3	7,505

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



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 of \$32.8 million (prior period: \$21.4 million) related to sales of gas and condensate and related incidental services to 25 customers. Two customers each contributed 10% or more to the Group's revenue during the current period, contributing \$17.5 million and \$3.1 million respectively (prior period: two customers contributed 10% or more, contributing \$9.4 million and \$2.3 million respectively).

6. OTHER LOSSES

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Foreign exchange losses	(672)	(267)
Discount on settlement of debts	16	44
Loss on disposal of non-current assets	(42)	(95)
Other Income	56	–
	(642)	(318)

7. FINANCE INCOME AND COST

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Finance income		
Reversal provisions (see Note 20)	–	1,216
	–	1,216
Finance cost		
Loan interest	443	339
Unwinding of discount on provisions	1,142	291
Interest on obligations under finance leases	1	5
	1,586	635

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



8. (LOSS)/PROFIT BEFORE TAX

Other cost of sales includes:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Depreciation and amortisation	18,684	6,748
Operating costs	2,457	3,477
	21,141	10,225

The (loss)/profit before tax is stated after charging:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Administrative expenses comprise:		
Wages and salaries	4,405	3,172
Professional fees	3,709	2,741
Office and other administrative expenditure	1,695	1,061
Travel	270	206
Rent	494	237
Depreciation and amortisation	260	131
Other	1,983	(456)
	12,816	7,092
Directors' remuneration (see Note 11)	2,507	1,942
The analysis of auditor's remuneration is as follows:		
Fees for audit services	283	242

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



9. TAX

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Current tax	641	479
Deferred tax	505	986
Tax charge	1,146	1,465

The Group has two principal tax jurisdictions: the United Kingdom and The Republic of Cameroon.

United Kingdom

The main rate of UK corporation tax is 20% effective from 1 April 2015 (substantively enacted on 2 July 2013). The main rate of UK corporation tax will reduce to 19% effective from 1 April 2017. This change was substantially enacted on 26 October 2015. Furthermore, the main rate will reduce further from 19% to 17% from 1 April 2020. This change was substantially enacted on 6 September 2016.

Cameroon

The income tax rate enacted in Cameroon is 33% on taxable profits or 2.2% of turnover, whichever is higher. The concession contract for Logbaba specifies a tax rate of 38.5% on taxable profits or 1.1% of turnover, whichever is higher. GDC has unused tax losses in excess of taxable income, however, as revenue is being earned, the 1.1% tax rate applies and is reflected as current tax. The effect of this is shown below as 'tax on revenue'.

The corporation tax rates in the other countries in which the Group operates did not change during the current period.

The effective tax rate used in the tax rate reconciliation below is a weighted average of the tax rates in each of the tax jurisdictions in which the Group operates.

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
(Loss)/profit on ordinary activities before tax	(29,999)	1,622
Tax calculated at 22.9% (prior period: 18.1%)	(6,870)	294
Less the effects of:		
Impairment losses that are not deductible for tax	5,209	–
Share of profit in associate	(331)	(218)
Income that is exempt from taxations	–	(220)
Expenses not deductible for tax	402	101
Unutilisation of tax losses	3,799	1,168
Recovery of exploration cost	(1,928)	(1,549)
Deferred tax resulting from change in estimate	505	1,410
Tax on revenue	360	479
Total tax charge	1,146	1,465
	31 December 2016 \$'000	31 December 2015 \$'000
Deferred tax balances		
Deferred tax assets – current assets	850	2,217
Deferred tax liabilities – non-current liabilities	(3,628)	(4,490)
	(2,778)	(2,273)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



9. TAX CONTINUED

The deferred tax balances are analysed as follows:

	Tax losses \$'000	Other temporary differences \$'000	Total \$'000
Year to 31 December 2016			
Opening balance	2,217	(4,490)	(2,273)
(Credit)/charge to Income Statement	(1,367)	862	(505)
Closing balance	850	(3,628)	(2,778)
7-months to 31 December 2015			
Opening balance	3,627	(4,914)	(1,287)
(Credit)/charge to Income Statement	(1,410)	424	(986)
Closing balance	2,217	(4,490)	(2,273)

At the Balance Sheet date, the Group has aggregate unused tax losses of \$87.2 million (prior period: \$70.7 million) available for offset against future profit.

Of unused tax losses, \$1.4 million relates to the Group's operation in Cameroon. A deferred tax asset of \$0.9 million has been recognised in relation to the tax losses in Cameroon (prior period: \$2.2 million). Based on the Group's forecasts it is probable that near-term future taxable profits will be available against which the losses will be able to be utilised. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognised.

No deferred tax asset has been recognised in the current and the prior period 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 \$19.9 million (prior period: \$12.2 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 in Cameroon. During the current period the deferred tax liability was released in line with the amortisation of the related acquired assets.

10. EMPLOYEE INFORMATION

The average number of persons employed by the Group during the year was:

	For the year ended 31 December 2016 Number	For the 7-month period ended 31 December 2015 Number
Directors	6	6
Technical	74	75
Management and administration	90	90
	170	171

Staff costs for the above persons were:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Wages and salaries	5,096	3,037
Social security costs	238	135
	5,334	3,172

Wages and salaries costs include \$0.2 million relating to the exercise of an option to acquire shares (prior period: \$1.0 million).

Included in wages and salaries is \$0.9 million of staff costs which were capitalised within intangible assets and property, plant and equipment (prior period: Nil).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



11. DIRECTORS' REMUNERATION

Remuneration in respect of the Directors was as follows:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Directors' emoluments	2,958	1,942

Further details of individual Directors' remuneration are shown in the Directors' Remuneration Report.

12. KEY MANAGEMENT COMPENSATION

The compensation of the Directors and the eight (prior period: seven) other key management personnel (as defined within IAS 24 Related Party Disclosures) was as follows:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Wages and salaries	1,882	894
Employee bonuses	–	152
Share-based payments	453	964
Professional fees paid to consultants in key management positions	1,365	1,026
Cash bonuses paid to consultants in key management positions	–	42
Other non-cash benefits including pension	335	122
	4,035	3,200

The compensation figures reflect only the Group's participating interest in the Logbaba Project, where applicable.

Under the Pensions Act 2008, every UK employer must put certain staff into a pension scheme and contribute towards it. The Company auto-enrolled its eligible UK employees (five employees) in a defined contribution scheme on 1 January 2017, prior to the auto-enrolment deadline of 1 April 2017. The Company makes contributions to the defined contribution pension schemes of two directors. This is disclosed as a benefit in kind (see Directors' Remuneration Report). The Group does not provide any other post retirement benefits to its employees.

Notes to the Consolidated Financial Statements continued

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13. (LOSS)/EARNINGS PER SHARE

Basic loss or earnings per share is computed by dividing the loss after tax for the period available to ordinary shareholders by the weighted average number of ordinary shares in issue and ranking for dividend during the period, excluding those held by the ESOP Trust. Diluted loss per share is computed by dividing the profit or loss after tax for the period 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 period.

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

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
(Loss)/profit for the period	(31,145)	157
	For the year ended 31 December 2016 Number	For the 7-month period ended 31 December 2015 Number
Weighted number of ordinary shares for the purpose of basic earnings per share	108,355,563	106,588,728
Dilutive potential of share options and warrants	1,100,313	2,565,334
Weighted number of ordinary shares for the purpose of basic and diluted earnings per share	109,455,876	109,154,062
	For the year ended 31 December 2016 Cents	For the 7-month period ended 31 December 2015 Cents
(Loss)/earnings per share – basic	(28.74)	0.15
(Loss)/earnings per share – diluted	(28.74)	0.14

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



14. INTANGIBLE ASSETS

	Exploration and evaluation assets \$'000	Software \$'000	Total \$'000
Year to 31 December 2016			
Cost			
Opening balance	71,511	44	71,555
Additions	16,687	279	16,966
Effects of movement in foreign exchange	3,215	–	3,215
Closing balance	91,413	323	91,736
Accumulated amortisation			
Opening balance	70,840	23	70,863
Charge for the period	–	20	20
Effects of movement in foreign exchange	3,215	–	3,215
Closing balance	74,055	43	74,098
Carrying amount 31 December 2016	17,358	280	17,638
7-months to 31 December 2015			
Cost			
Opening balance	83,304	37	83,341
Additions	602	7	609
Effects of movement in foreign exchange	(12,395)	–	(12,395)
Closing balance	71,511	44	71,555
Accumulated amortisation			
Opening balance	83,235	15	83,250
Charge for the period	–	8	8
Effects of movement in foreign exchange	(12,395)	–	(12,395)
Closing balance	70,840	23	70,863
Carrying amount 31 December 2015	671	21	692

The exploration and evaluation assets relate to the Logbaba drilling programme.

The outcome of ongoing field development, and therefore whether the carrying value of intangible exploration and evaluation assets will be recovered, is inherently uncertain.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



15. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000	Oil and gas assets \$'000	Assets under construction \$'000	Total \$'000
Year to 31 December 2016				
Cost				
Opening balance	38,252	101,603	–	139,855
Transfers from assets under construction	2,891	–	(2,891)	–
Additions	235	6,576	4,687	11,498
Disposals	(198)	–	–	(198)
Impairment of oil and gas assets	–	(35,454)	–	(35,454)
Closing balance	41,180	72,725	1,796	115,701
Accumulated depreciation				
Opening balance	3,147	25,274	–	28,421
Disposals	(156)	–	–	(156)
Impairment of oil and gas assets	–	(12,707)	–	(12,707)
Charge for the period	1,246	17,463	–	18,709
Closing balance	4,237	30,030	–	34,267
Carrying amount 31 December 2016	36,943	42,695	1,796	81,434
7-months to 31 December 2015				
Cost				
Opening balance	37,583	102,102	661	140,346
Reclassification of opening balance	–	2,028	–	2,028
Transfer to plant and equipment	–	–	(1,060)	(1,060)
Transfer from assets under construction	1,060	–	–	1,060
Additions	183	500	399	1,082
Disposals	(574)	–	–	(574)
Reversal of capitalised costs	–	(3,027)	–	(3,027)
Closing balance	38,252	101,603	–	139,855
Accumulated depreciation				
Opening balance	2,720	16,273	–	18,993
Reclassification of opening balance	–	2,028	–	2,028
Disposals	(97)	–	–	(97)
Charge for the period	524	6,973	–	7,497
Closing balance	3,147	25,274	–	28,421
Carrying amount 31 December 2015	35,105	76,329	–	111,434

Assets under construction consists of expenditure relating to the pipeline network and surface infrastructure on the Logbaba Project in Cameroon.

The realisation of property, plant and equipment of \$81.4 million is dependent on the continued successful development of economic reserves.

During the year, the Group was assigned a 75% interest in the Matanda Block PSC. Included in the assignment was drilling equipment with a market value of approximately \$3.8 million.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



15. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Depreciation rates applied by the Group are as follows:

	For the year ended 31 December 2016	For the 7-month period ended 31 December 2015
Plant and equipment		
– Process plant	10 years	10 years
– Pipeline network (unit of production amortisation based on pipeline capacity)	6.0%	3.5%
– Other plant and equipment	4-10 years	4-10 years
Oil and gas interests		
– Logbaba wells La-105 and La-106 (unit of production based on 1P reserves)	35.8%	20.6%

16. INVESTMENT IN ASSOCIATE

The Company has a 35% interest in Cameroon Holdings Limited (“CHL”). See Note 29 for further information regarding CHL. The Company acquired the investment in CHL as a mechanism to buy back part of the royalty payable on the Logbaba revenue stream. 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%

CHL is equity accounted in the Group financial statements as follows:

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Opening balance	5,489	5,398
Share of profit of associate	1,445	1,203
Dividends received	(1,548)	(1,112)
Investment in associate	5,386	5,489

Summarised financial information for CHL is set out below.

Assets and liabilities

Current assets	–	431
Non-current assets	3,453	4,140
Current liabilities	(163)	(274)

Elements of comprehensive income

Revenue	4,913	3,483
Profit from continuous operations	4,129	3,438
Dividends declared	(4,424)	(3,178)

The shares of CHL are not actively traded and their fair value cannot be reliably measured. CHL's only source of income is the GDC royalty which it receives. The royalty income is dependent on the Group's share of revenue generated from the Logbaba Project, and is therefore subject to the same risks as the Group on the Logbaba Project. As a result there is a broad range of values that could be ascribed to the investment. In the absence of any impairment indicators, the investment is carried in the Consolidated Balance Sheet at cost with adjustments to recognise the Group's share of profit of CHL.

The realisation of the investment in associate of \$5.4 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

Please see Note 29 for details of the transactions between the Group and CHL during the year.

Notes to the Consolidated Financial Statements continued

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17. TRADE AND OTHER RECEIVABLES

	31 December 2016 \$'000	31 December 2015 \$'000
Amounts due within one year:		
Trade receivables	5,613	6,249
VAT recoverable	285	115
Prepayments	539	826
Other receivables	2,401	7,280
	8,838	14,470

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 period.

Trade Receivables

The credit period on sales of gas and condensate is typically 30 days. The Group's largest customer has credit terms of 14 days. Management may impose an interest charge on overdue receivables at the rate stipulated in the respective sales agreement.

Management review all receivables that are past their credit 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 current 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.

Of the trade receivables at the end of the year, \$2.3 million (prior period: \$0.9 million) is due from ENEO, the Group's largest customer. There are no other customers who represent more than 10% of the total balance of trade receivables.

Age of Trade Receivables that are Past Due but not Impaired

	31 December 2016 \$'000	31 December 2015 \$'000
31-60 days	1,516	485
61-90 days	449	201
91-121 days	225	206
121+ days	730	99
Total	2,920	991

Trade receivable days for the current period was 63 days (prior period: 107 days).

Movement in the Allowance for Doubtful Debts (Trade Receivables)

	31 December 2016 \$'000	31 December 2015 \$'000
Balance at beginning of the period	251	173
Additional allowance for the period	666	78
Balance at end of the period	917	251

Management assess receivables that are outstanding on a customer by customer basis to determine whether the amounts are recoverable.

Prepayments

Includes restricted cash held in Cameroon of \$0.4 million (prior period: \$0.4 million), pending the outcome of legal proceedings.

Other Receivables

Other receivables include a receivable from RSM of \$0.6 million (prior period: \$5.9 million). This relates to RSM's funding obligation for its 40% participating interest in the Logbaba Project.

Notes to the Consolidated Financial Statements continued

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18. CASH AND CASH EQUIVALENTS

	31 December 2016 \$'000	31 December 2015 \$'000
	16,261	13,230

Funds are held in various currencies 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. All cash held is available on demand.

The carrying amount of these assets approximates their fair value, and is held in the following denominations:

	31 December 2016 \$'000	31 December 2015 \$'000
US Dollar	15,424	7,948
Sterling	103	645
Euro	–	19
Central African Franc	648	4,509
Russian Rouble	41	64
Kazakh Tenge	45	45
	16,261	13,230

19. TRADE AND OTHER PAYABLES

	31 December 2016 \$'000	31 December 2015 \$'000
Amounts due within one year:		
Trade payables	3,752	598
Taxes and social security costs	703	362
Accruals	2,487	2,505
Other payables	3,001	2
	9,943	3,467
Amounts due greater than one year:		
Other payables	2,814	–
	2,814	–

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. Trade creditor days for the Group for the current period were 39 days (prior period: 21 days), based on the ratio of Group trade creditors at year-end to the amounts invoiced during the current period by trade creditors.

In the prior period, the Group disclosed that the counterparty to the reserve bonus had initiated arbitration proceedings over the timing of the reserve bonus payments. The provision for the reserve bonus at 31 December 2015 was a discounted \$5.0 million (see Note 20), with a further \$5.0 million disclosed as a contingent liability should the arbitration ruling favour the counterparty.

During the year a confidential settlement agreement was reached, which resolves all of the outstanding issues concerning the reserve bonus and terminates the 1.2% royalty payable to the counterparty, with \$3.0 million disclosed as a current liability under other payables, and a further \$3.1 million, discounted at 7% to \$2.8 million, disclosed as a non-current liability under other payables. The Directors believe the discounting rate is a reasonable reflection of both the time value of the money and the risks inherent in the liability (see Note 20).

Accruals includes \$0.3 million due to CHL under a royalty agreement (prior period: \$0.7 million) and \$1.2 million relating to operations in the Logbaba field. See Note 28 for details of the royalty obligation.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



20. PROVISIONS

	31 December 2016 \$'000	31 December 2015 \$'000
Decommissioning and rehabilitation provision	2,406	2,032
Reserve bonus provision (see note 19)	–	4,241
Production bonus provision	738	690
Provision for legal matters	1,442	–
	4,586	6,963
Disclosed as:		
Current liabilities	1,442	1,000
Non-current liabilities	3,144	5,963
	4,586	6,963

Non-current provisions represent the present value, as at the Balance Sheet date, of the amounts payable each period 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% p.a. (prior period: 7.0% p.a.).

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 Project and the West Medvezhye Project based on an estimate of the D&R costs and the period 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 2019 and in respect to the wells and plant for the Logbaba Project by the end of 2020 and 2022 respectively. Logbaba pipeline D&R is expected to be incurred over the next 20 years.

Assumptions have been made based on the current economic environment. Anticipated D&R in current terms are escalated to the date at which they are expected to be incurred. The inflation assumption is 5.0% p.a. (prior period: 5.0% p.a.). The discount rate used to determine the present value of the obligation was 7.0% p.a. (prior period: 7.0% p.a.). The Directors believe these assumptions are a reasonable basis upon which to estimate the future liability. These estimates and assumptions are reviewed at least bi-annually to take into account any material changes. However, actual D&R costs will ultimately depend upon future market prices of the necessary D&R works at the relevant time.

	For the year ended 31 December 2016 \$'000	For the 7-month period ended 31 December 2015 \$'000
Opening balance	2,032	1,738
Additional provision in period	–	384
Effect of movement in foreign exchange	39	(80)
Effect of change of discounting rate	–	(142)
Unwinding of discount charged to the Income Statement	335	132
	2,406	2,032

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



20. PROVISIONS CONTINUED

Reserve Bonus Provision

The Group was 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. In the prior period, the Group disclosed that the counterparty to the reserve bonus had initiated arbitration proceedings over the timing of the reserve bonus payments. The provision for the reserve bonus at 31 December 2015 was a discounted \$5.0 million, with a further \$5.0 million disclosed as a contingent liability should the arbitration ruling favour the counterparty.

During the year a confidential settlement agreement was reached, which resolves all of the outstanding issues concerning the reserve bonus and terminates the 1.2% royalty payable to the counterparty. The amount provided for \$5.8 million reflects the outstanding liability of the Group at year end (see Note 19).

	31 December 2016 \$'000	31 December 2015 \$'000
Opening balance	4,241	8,200
Additions	5,814	–
Reversal of capitalised costs (see Note 15)	–	(3,027)
Amount paid	(5,000)	–
Unwound discount previously charged	–	(1,074)
Unwinding of discount charged to the Income Statement	759	142
Transferred to trade and other payables	(5,814)	–
	–	4,241
Disclosed as:		
Current liabilities	–	1,000
Non-current liabilities	–	3,241
	–	4,241

Production Bonus Provision

Under the Logbaba Concession Contract, bonuses are payable to the Government of Cameroon when certain levels of production are achieved. The amounts payable are:

- \$0.5 million when the average gas production from the Concession area is greater than or equal to 500,000 cubic metres per day for a period of 60 consecutive days or, alternatively, when the cumulative gas production reaches 365,000,000 cubic metres, whichever occurs first, and
- \$1.0 million when the average gas production from the Concession area is greater than or equal to 1,000,000 cubic metres per day for a period of 60 consecutive days or, alternatively, when the cumulative gas production reaches 730,000,000 cubic metres, whichever occurs first.

Production levels have indicated that these production targets will be achieved, and therefore a provision of \$0.7 million (prior period: \$0.7 million) was recognised as a current liability. The provision represents the present value, as at the Balance Sheet date, of the amounts payable discounted at a rate that reflects both the time value of the money and the risks inherent in the liability.

Provision for Legal Matters

A provision of \$1.4 million has been recognised at the Balance Sheet date (prior period: Nil). In the prior period the Group disclosed a contingent liability of \$1.6 million relating to a land claim over land relating to the Logbaba Project. The matter has not been formally settled, however a provision of \$0.9 million has been raised for the most likely outcome. A further \$0.7 million is disclosed as a contingent liability (see Note 28) should the full claim be upheld.

The Group has also provided for an additional \$0.5 million for legal proceedings where Directors have assessed the outflow of economic resources to be probable.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



21. BORROWINGS

	31 December 2016 \$'000	31 December 2015 \$'000
Amounts due within one year:		
Loans	6,707	4,604
Finance lease liabilities	–	22
	6,707	4,626
Amounts in more than one year but less than five years:		
Loans	7,773	2,607
	7,773	2,607
Total borrowings	14,480	7,233

BGFIBank (“BGFI”)

In 2014, the Group signed a loan agreement with BGFI. The principal loan facility of XAF4.0 billion (equivalent to \$8.3 million at date of signing) has been fully drawn. The loan was for a four year term, with interest payable at the Cameroonian bank base rate less 1.75% p.a. (currently a net rate of 7.25% p.a.). The loan is secured by a pledge over the revenue stream of two customers. The outstanding balance at 31 December 2016 was \$2.5 million (31 December 2015: \$4.8 million), and is fully repayable in 2017.

During the current period, a second facility for XAF15 billion (equivalent to \$26.0 million at the date of signing) was secured with BGFI in order to fund capital projects on the Logbaba Project. The loan was for a term of sixty months, with interest payable at 7.15% p.a. Following a six-month grace period, repayment commenced, and is repayable in 54 monthly instalments. The loan is secured by a pledge over the revenue stream of an additional two customers. The outstanding balance at 31 December 2016 was \$9.4 million.

Noor Petroleum

The Group has a loan facility with United Arab Emirates based Noor Petroleum Limited. The facility is unsecured, incurs interest at 6.5% p.a., payable twice yearly and is repayable on demand. During the current period there were no repayments made against the facility. The balance owing on the loan as at 31 December 2016 was \$2.6 million (31 December 2015: \$2.4 million). The Directors do not consider this balance to be materially different from fair value. In March 2017, the Group repaid \$1.1 million, being the interest that had accrued on the facility, and has agreed to make monthly interest payments going forward.

22. NET CASH

	31 December 2016 \$'000	31 December 2015 \$'000
Cash and cash equivalents	16,261	13,230
Borrowings: Current liabilities	(6,707)	(4,626)
Borrowings: Non-current liabilities	(7,773)	(2,607)
	1,781	5,997

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



23. CALLED-UP SHARE CAPITAL

Allotted Called-Up and Fully Paid:

	31 December 2016		31 December 2015	
	Number	\$'000	Number	\$'000
Ordinary shares of 0.5 pence each:	110,193,098	867	109,495,262	862
Deferred shares of 19.5 pence each:	108,713,809	33,384	108,713,809	33,384
		34,251		34,246

On 23 December 2016, the Company issued 697,836 ordinary shares to a Director. The shares were issued at 28.66 pence per share. Shares issued are translated at the exchange rate prevailing at the date of issue.

The Company's ordinary shares have voting rights and are listed on AIM and the deferred shares have no voting rights.

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.

Shares held by ESOP Trust

At 31 December 2016, there were 892,501 ordinary shares and 3,481,125 deferred shares held by the ESOP Trust (31 December 2015: 1,361,813 ordinary shares and 3,481,125 deferred shares). The ESOP Trust issued 469,312 shares to a former Director on 31 July 2016.

24. 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.

25. OTHER RESERVE

	31 December 2016 \$'000	31 December 2015 \$'000
Opening balance	315	3,321
Share-based payments	207	964
Transfer of vested shares to retained earnings	(207)	(964)
Transfer of expired warrants to retained earnings	(315)	(154)
Transfer of expired convertible loan options to retained earnings	–	(2,852)
New warrants issued (See Note 27)	66	–
	66	315

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



26. 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.

It is the Group's policy that no trading in derivatives shall be undertaken. The Group has formerly issued hybrid financial instruments, containing embedded derivatives, which formed part of the Group's funding arrangements. There are presently no hybrid instruments or embedded derivatives in issue. Should the Group elect to raise funding with an instrument containing an embedded derivative, the Board will consider the associated risks 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 and other receivables and prepayments. 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.

Trade receivables consist of 25 customers from the Logbaba Project in Douala, Cameroon with operations in various industries including electricity generators, food processors, breweries, foundries, cement producers 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:

- 42% amounts due from subsidiaries of multinational companies with State participation;
- 21% amounts due from subsidiaries of multinational companies;
- 9% amounts due from Cameroonian companies with State participation; and
- 25% amounts due from other Cameroonian companies.

The Group rates the credit quality of the first three groups as high (making up 72% 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 17, 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 on liquid funds is limited because the Group holds the majority of its funds with banks with investment grade credit ratings.

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.

The Group's commitments have been fully met during the current period from cash flows generated from sales revenue from the Logbaba Project and proceeds from debt instruments. The Group does not have any derivative financial liabilities at the end of the current period. The Group's contractual maturity for its non-current financial liabilities is more than one year but not more than five years, with the exception of decommissioning and rehabilitation obligations in Cameroon.

After the Balance Sheet date the Group had applied for additional credit facilities in order to fund field development expenditure during 2018 to the extent that these requirements are not met by funds generated internally from operations and partner contributions. Controls over expenditure are carefully managed.

The Directors are confident of financing future exploration and development operations from internally generated funds, existing facilities and, should it be required, access to additional debt or equity.

Foreign Currency Risk

Although the Company is based in the UK, overseas operations are funded primarily in US Dollars which is converted to local currency to fund operations. The Group holds surplus cash in US Dollars, Sterling and Central African Francs, and buys other currencies 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



26. FINANCIAL RISK MANAGEMENT CONTINUED

The Group seeks to minimise its exposure to currency risk by holding surplus cash in US Dollars.

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:

	Monetary Assets		Monetary Liabilities	
	31 December 2016 \$'000	31 December 2015 \$'000	31 December 2016 \$'000	31 December 2015 \$'000
Central African Franc	8,290	11,988	15,189	8,305
Sterling	1,246	953	970	633
Euro	–	19	175	212
Russian Rouble	41	58	553	203
Kazakh Tenge	52	51	–	–
	9,629	13,069	16,887	9,353
US Dollar	15,470	14,631	14,936	8,310
	25,099	27,700	31,823	17,663

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

Foreign currency sensitivity analysis

If the US Dollar had gained/lost 5% against all currencies significant to the Group at 31 December 2016, the loss would have been less than \$0.4 million lower/higher (prior period: less than \$0.1 million lower/higher) and the net equity would have been less than \$0.4 million higher/lower (prior period: less than \$0.1 million higher/lower). Accordingly, the impact on the Company's Income Statement and net equity would be immaterial.

The Group secured a XAF15 billion loan facility during the year (see Note 21). At 31 December 2016 the total debt outstanding on the two facilities amounted to \$11.9 million equivalent (prior period: \$4.8 million equivalent), marking an increase in the foreign currency risk.

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 longer term, fixed-price gas contracts (two to five years) with customers. The contracted condensate sales price in the current period was a discount of \$1.50 per barrel to Brent Crude. For the current period, 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 (prior period: less than \$0.1 million).

Interest Rate Risk

The Group is exposed to interest rate risk. Where possible the Group borrows at fixed interest rates. The Group is currently in a net cash position (i.e. cash equivalents exceed borrowings), which affords the Group the potential of settling debt should variable interest rates become unfavourable. At 31 December 2016, the Group had the following outstanding borrowings:

- \$11.9 million from BGFI with interest payable at an average rate of 7.2% p.a.; and
- \$2.6 million from Noor Petroleum with interest payable at a fixed rate of 6.5% p.a.

See Note 21 for more information regarding these loans. A change in the Cameroonian bank base rate of 1% would affect the Group's profit before tax by less than \$0.2 million. The Noor Petroleum loan has a fixed rate and would have 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 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 against 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



26. FINANCIAL RISK MANAGEMENT CONTINUED

Gearing ratio

The Board considers the level of debt taking into consideration the status of projects in the development cycle and their ability to service any debt. A measure to monitor capital is the gearing ratio, that is, the ratio of net debt to equity. The Group is in a net cash position for both the current and prior periods (see Note 22).

The Board has satisfied itself that the Group will have sufficient operational capacity to service the Group's debt.

Categories of Financial Instruments

	31 December 2016 \$'000	31 December 2015 \$'000
Financial assets		
Cash and cash equivalents	16,261	13,230
Loans and receivables	8,838	14,470
Financial liabilities		
Loans and payables	27,237	10,700

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methods. 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



27. SHARE-BASED PAYMENTS

Warrants to subscribe for Ordinary Shares

The total number of warrants exercisable at the year end is 500,000 (prior period: 750,000) at a weighted average exercise price of 100 pence Sterling (prior period: 64 pence Sterling).

There were no warrants issued in the prior period. During the year the Company issued 500,000 warrants in the settlement of services received. 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:

	2016
Number of warrants	500,000
Weighted average exercise share price – pence Sterling	100
Option terms – years	1
Risk-free rate	0.45%
% expected volatility	71.6%
Expected dividend yield	Nil

During the year, 750,000 warrants expired (prior period: Nil).

Shares Granted Through ESOP Trust

During the current year, the ESOP Trust, which is consolidated as part of the Group, transferred 469,312 shares to a former director. In the prior period 1,506,813 shares were transferred to a related party, HJ Resources Limited. The fair value of the award was calculated by reference to market value at date of grant. An expense equal to the fair value of the equity instruments granted of \$0.2 million (prior period: \$1.0 million) was charged to the Income Statement. The corresponding credit was to the Share-Based Payment Reserve, and was transferred to Accumulated Deficit when the shares were issued. The weighted average price of shares transferred was 34.1 pence Sterling (prior period: 42.5 pence Sterling).

Share options

No share options were granted during the current or prior periods.

	31 December 2016 Number of options 000s	31 December 2015 Number of options 000s
Opening balance	1,299	2,856
Exercised	(469)	(1,507)
Expired	–	(50)
Closing balance	830	1,299

Share options are granted with a strike price of 0.5 pence Sterling, vest immediately and have a 10 year expiry term. The weighted average remaining life of the outstanding options at 31 December 2016 was 5.7 years (prior period: 6.1 years).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



28. ROYALTY OBLIGATIONS AND CONTINGENT LIABILITIES

Royalty Obligations

The Group has certain royalty obligations in respect of the Logbaba Project. The royalties and related expenses are as follows:

- 8% of gas production to the Cameroon State as provided by the Concession Contract. The royalty will become payable after recovery of Petroleum Costs, being defined as exploration costs, development costs, exploitation costs, construction costs and general overhead costs. At the Balance Sheet date, the Company had not accrued or paid any royalty to the Cameroon State as Petroleum Costs exceed gas revenue. The Group's interpretation of what constitutes Petroleum Costs has not been formally agreed to by the Cameroon State. Should the Group's interpretation prove incorrect and the 8% royalty be payable on all gas production without recovery of Petroleum Costs, the Group's liability at 31 December 2016 would be \$5.3 million (prior period: \$3.2 million);
- Sliding scale production royalty to CHL ranging from 0-15% of GDC revenue from the Logbaba Project for the life of the Logbaba field (0% up to \$30.0 million of cumulative GDC revenue from the Logbaba Project; 15% of cumulative revenue greater than \$30.0 million up to \$240.0 million; 6% of cumulative revenues in excess of \$240.0 million). All royalty payments are subject to 15% withholding tax in Cameroon. The Company has a 35% interest in CHL. See Note 16 and Note 29 for further information on CHL. The royalty expense relating to CHL in the current period was \$4.9 million (prior period: \$3.2 million);
- The Group had an obligation to pay 0.8% of total production to RSM until RSM became entitled to its participating interest share of revenue (Payout). RSM began to share revenue from 1 June 2016 and after this point the royalty was no longer payable. The royalty expense recorded in current year was \$0.1 million (prior period: \$0.2 million);
- The Group had a royalty obligation of 1.2% of the value of oil and gas produced, net of certain deductions, which was assumed on acquisition of Bramlin Limited. This obligation was settled during the year as part of the reserve bonus settlement (see Note 19). Royalty payments prior to settlement were \$0.2 million (prior period: \$0.2 million).

Other Contingent Liabilities

The Group had a customs bond from BGFI in support of the temporary import of Gensets. The portion of the bond which was attributable to the Group as at 31 December 2016 was \$0.8 million (31 December 2015: \$0.8 million). The customs obligations were settled after the Balance Sheet date and the bond was accordingly released.

In March 2016, the Logbaba Project received a land claim amounting to \$2.7 million. The claim states that certain property rights have been infringed by the Logbaba Project. The Group's maximum exposure is \$1.6 million, being its 60% participating interest. The Directors have provided \$0.9 million, representing the probable economic outflow. \$0.7 million is disclosed as a liability contingent on the outcome of the legal proceedings.

A contingent liability exists for a royalty of 2.5% of GDC's revenue from the Logbaba Project, which arose under commercial contracts for services. The royalty expense for the current year is disclosed as a contingent liability as the Group does not believe that this obligation exists. The contingent liability is \$0.6 million (prior period: Nil). The matter is subject to legal proceedings.

There are two BGFI loan facilities which are secured by a pledge over the revenue stream of four customers. Furthermore, the Company has provided a letter of support to BGFI to support the facility (see Note 21).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



29. RELATED PARTY TRANSACTIONS

The Consolidated Financial Statements include the financial statements of the Company and the subsidiaries listed in Note 30. 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 Note 10 and Note 11.

The following table provides details of transactions entered into by the Group with related parties:

	Director's other interest \$'000	Other \$'000
Year to 31 December 2016		
Purchases from related parties	229	360
7-months to 31 December 2015		
Purchases from related parties	–	209

Directors

Kevin Foo and certain members of his family are potential beneficiaries of a discretionary trust that owns HJ Resources Limited ("HJR"). HJR is a shareholder of Highcountry Investments Limited, which owed the Company \$10,698 as at 31 December 2016. HJR is also a shareholder in Logbaba Projects Limited. Amounts due were fully repaid after the Balance Sheet date. There were no other transactions during the year (prior period: None).

In December 2016, the Group paid \$65,845 to Roger Kennedy, as an advance of Director's fees for 2017.

Grant Manheim was paid \$57,974 for consultancy fees during the year, after he ceased to be a Director of the Company.

Cameroon Holdings Limited ("CHL")

In 2009, the Group signed agreements with a private company, CHL, to secure a drilling rig and provide drilling services and emergency funding to enable the Group to meet its work obligations to the Government of Cameroon for the Logbaba Concession. Part of the consideration was a royalty over the Group's share of the revenues from the Logbaba Concession (see Note 28). There was also an obligation to pay 15% of the first \$30 million of cumulative GDC revenue from the Logbaba Project to meet mobilisation and demobilisation costs of the drilling rig.

As per Note 16, the Company acquired a 35% interest in CHL from an unrelated party during the 2011 financial year. The remaining 65% of CHL is owned by Logbaba Projects Limited.

HJR (refer 'Directors' section above) has an indirect 43.4% shareholding in CHL due to its 67% interest in Logbaba Projects Limited, the controlling entity of CHL. Kevin Foo is excluded from the Board discussions and decisions in respect of the Group's investment in CHL and does not discuss CHL decisions with the Board nor seek the Board's view on CHL-related issues.

The following transactions took place between CHL and the Group during the current period:

- Royalties of \$4.9 million relating to CHL were expensed during the current period (prior period: \$3.2 million).
- CHL made \$0.1 million of loan repayments during the current period (prior period: Nil). The outstanding loan balance at 31 December 2016 was \$0.2 million (31 December 2015: \$0.3 million). The loan is interest free and does not have any fixed terms of repayment.
- CHL paid dividends of \$1.5 million to the Group (prior period: \$1.1 million).

The only transactions between the Group and CHL since the Company acquired its interest in CHL have been payment of royalties, payments related to mobilisation and demobilisation costs, dividends, and the repayment of loans.

Other Related Party Transactions

The Group employs the consulting services of AMV LLP ("AMV"). George Donne is a 25% partner of AMV and is related to Kevin Foo. Professional fees of \$0.2 million (prior period: \$0.2 million) were charged in relation to the consulting services provided by AMV to the Group. George Donne is also a director of Tremadog Investments Limited who provided \$58,000 of consultancy services to the Group during the year (prior period: Nil).

Robert Palmer is a former Director and a member of The Gallagher Partnership LLP, an accounting practice. These accounts include \$46,000 (prior period: Nil) in relation to general accounting services provided by The Gallagher Partnership LLP to the Company.

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 current or prior periods, and transferred 469,312 shares to a former Director during the current period (prior period: 1,506,813 shares transferred to HJR (see Directors section above)).

Notes to the Consolidated Financial Statements continued

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30. COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS

The holdings of the Group as at 31 December 2016 were:

Company	Country of incorporation	Registered address	Class of shares	Percentage of capital held	Nature of business
Victoria Oil & Gas Plc	England & Wales	1st Floor, Hatfield House, 52-54 Stamford Street, London, SE1 9LX			
Victoria Petroleum Ltd	England & Wales	1st Floor, Hatfield House, 52-54 Stamford Street, London, SE1 9LX	Ordinary	100%	Holding company
Victoria Oil & Gas International Ltd	British Virgin Islands	R G Hodge Plaza, 3rd Floor, Upper Main Street, Wickhams Cay 1, PO Box 3483, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Investment in exploration and development
ZAO SeverGas-Invest	Russia	Proezd 13, promzona, panel "C", Nadym, 629730, Yamal-Nenets Autonomous Okrug	Ordinary	100%	Exploration
Bramlin Ltd	Guernsey	Suite 7, Provident House, Havilland Street, St Peter Port, Guernsey, GY1 2QE	Ordinary	100%	Holding company
Gaz Du Cameroun S.A.	Cameroon	741 Rue Vasnitex, Bonapriso, PO Box 12874, Douala, Cameroon	Ordinary	100%	Exploration and production
Victoria Oil & Gas Central Asia Ltd	England & Wales	1st Floor, Hatfield House, 52-54 Stamford Street, London, SE1 9LX	Ordinary	100%	Holding company
Feax Investments Company Ltd	Cyprus	No. 332 St Andrews Street (332 Agiou Andreou Str.), Parician Chambers, 3rd floor, PO Box 54543, 3725 Limassol, Cyprus	Ordinary	100%	Holding company
Victoria Energy Central Asia UK Ltd	England & Wales	1st Floor, Hatfield House, 52-54 Stamford Street, London, SE1 9LX	Ordinary	100%	Holding company
Victoria Energy Central Asia LLP	Kazakhstan	2nd Floor, 1a, Temirkhanova str, Atyrau, 060002, Kazakhstan	Ordinary	100%	Representative office
Mogol LLP	Kazakhstan		Ordinary	100%	Dormant
Mogol Oil LLP	Kazakhstan		Ordinary	100%	Dormant
Cameroon Holdings Ltd	Guernsey	Suite 7, Provident House Havilland Street, St Peter Port, Guernsey, GY1 2QE	Ordinary	35%	Royalty holding company
Gaz du Cameroun Investments Ltd	Guernsey	Suite 7, Provident House, Havilland Street, St Peter Port, Guernsey, GY1 2QE	Ordinary	100%	Holding company
Gaz du Cameroun Matanda S.A.	British Virgin Islands	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Exploration and production
Gaz du Cameroun Sarl.	Cameroon	741 Rue Vasnitex, Bonapriso, PO Box 12874, Douala, Cameroon	Ordinary	100%	Licence operator

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2016



30. COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS CONTINUED

All of the Group's holdings are fully consolidated in the Group's Consolidated Financial Statements, with the exception of the Group's participating interest in both the Logbaba and Matanda Projects, which are accounted for as joint operations, and Cameroon Holdings Limited, which is equity accounted.

The Group has a 60% participating interest in the Logbaba Project, however the concession contract governing the Logbaba Block grants the Cameroonian State an option to acquire a 5% participation in the exploitation activities of the block. The State has indicated its intent to exercise this option, but the transaction has not been finalised. When the State formalises its participation, the Group's interest will be reduced to 57%.

The Group has a 75% participating interest in the Matanda PSC, however the PSC governing the Matanda Block grants the Cameroonian State an option to acquire a 5% participation in the exploitation activities of the block. Should the Cameroonian State exercise its option, the Group's interest would thereafter be reduced to 71.25%.

31. SUBSEQUENT EVENTS

In March 2017, the Group reached an agreement with Bowleven Plc ("Bowleven"), to acquire an 80% participating interest in the Bomono Block PSC, effective 1 January 2017. The consideration for the transaction was Nil, however the Group will complete the civil engineering works necessary for the gas processing plant installation at the Bomono site and extend the existing pipeline network. The estimated cost of these capital projects is \$6.0 million. EurOil Limited ("EurOil") a Bowleven subsidiary will also receive a 3.5% royalty from the Groups production share of hydrocarbons, with an aggregate cap limiting the total royalty payments to \$20 million. The transaction is subject to EurOil obtaining a two-year provisional exploitation licence and various regulatory approvals required to formalise the transfer of the assignment.

The Bomono work programme, which includes the drilling of one well during the period of the provisional exploitation licence, would commit GDC to an estimated \$8.0 million.

There were no other significant events after the Balance Sheet date that would have a material impact on the Consolidated Financial Statements.

32. CAPITAL AND OPERATING LEASE COMMITMENTS

At 31 December 2016, GDC had spent \$16.7 million relating to the drilling programme on the Logbaba Project (prior period: \$0.3 million). The capital commitments at 31 December 2016 on the drilling programme were \$5.8 million (prior period: Nil). GDC is committed to its 60% participating interest in the drilling programme and has spent the full commitment in 2017.

The Group has work programme commitments on the Matanda Project amounting to \$7.1 million, which under the terms of the exploration licence is due to be spent by April 2018.

The Group has operating lease commitments at 31 December 2016 as follows:

	2016 \$'000	2017-20 \$'000	Total \$'000
Operating lease commitments	230	155	385

Parent Company Balance Sheet

At 31 December 2016



	Notes	31 December 2016 \$'000	31 December 2015 \$'000
Assets:			
Non-current assets			
Software		79	–
Property, plant and equipment		77	17
Investment in associate	B	4,502	4,502
Investment in subsidiaries	B	12,410	12,400
		17,068	16,919
Current assets			
Trade and other receivables	C	65,450	99,163
Cash and cash equivalents	D	15,516	8,562
		80,966	107,725
Total assets		98,034	124,644
Liabilities:			
Current liabilities			
Trade and other payables	E	(1,702)	(1,018)
Provisions		(300)	–
Borrowings	F	(2,568)	(2,408)
		(4,570)	(3,426)
Net current assets		76,396	104,299
Net assets		93,464	121,218
Equity:			
Called-up share capital	G	34,251	34,246
Share premium		230,436	230,194
Other reserves		66	315
Retained earnings – deficit		(171,289)	(143,537)
Total equity		93,464	121,218

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 25 May 2017.

Kevin Foo
Executive Chairman

Andrew Diamond
Finance Director

Parent Company Statement of Changes in Equity

For the year ended 31 December 2016



	Share capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings – deficit \$'000	Total \$'000
For the 7-month period ended 31 December 2015					
At 31 May 2015	34,240	229,556	3,321	(144,450)	122,667
Shares Issued	6	638	–	–	644
Shares granted to ESOP members	–	–	–	964	964
Transfer expired warrants to retained earnings	–	–	(3,006)	3,006	–
Total comprehensive loss for the period	–	–	–	(3,057)	(3,057)
At 31 December 2015	34,246	230,194	315	(143,537)	121,218
For the year ended 31 December 2016					
At 31 December 2015	34,246	230,194	315	(143,537)	121,218
Shares issued	5	242	–	–	247
Warrants issued	–	–	66	–	66
Shares granted to ESOP members	–	–	–	207	207
Transfer expired warrants to retained earnings	–	–	(315)	315	–
Total comprehensive loss for the period	–	–	–	(28,274)	(28,274)
At 31 December 2016	34,251	230,436	66	(171,289)	93,464

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.

Other reserves

The other reserves consists of warrants valued at \$0.1 million. Transfers to retained earnings for the year ended 31 December 2016 include \$0.3 million relating to expired warrants.

Retained earnings – deficit

Retained earnings – deficit comprises accumulated losses in the current and prior periods.

Notes to the Parent Company Financial Statements

For the year ended 31 December 2016



A. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Victoria Oil & Gas Plc are summarised below.

Statement of Compliance and Basis of Preparation

These separate financial statements, of Victoria Oil & Gas Plc ("the Company"), for the year ended 31 December 2016, are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The separate financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

The financial statements have been prepared under the going concern basis and are presented in US Dollars, rounded to the nearest thousand (\$'000) except where otherwise indicated. They have been prepared under the historical cost convention except for the revaluation of certain financial instruments.

On 10 November 2015 the Company changed its accounting reference date from 31 May to 31 December and accordingly the comparative disclosure period is for the seven-month period ended 31 December 2015 ("prior period"). The current period is the twelve-month period ended 31 December 2016 ("the current period").

Exemptions

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The Company has taken advantage of the exemptions permitted under FRS 101 in relation to share-based payments, financial instruments, capital management, presentation of a cash flow statement and certain related party transactions.

Accounting Policies

The principal accounting policies adopted are the same as those set out in Note 1 to the Consolidated Financial Statements, except as noted below.

Fixed Asset Investments

Fixed asset investments, which comprise investments in subsidiary undertakings and associates, are stated at cost less impairment amounts.

Financial Support

The Company has issued letters of support in relation to the indebtedness of companies within the Group. The Company treats such letters as a contingent liability unless and until such time as it becomes probable that the Company will be required to make a payment.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2016



B. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Full details of significant investments held by the Company and the Group are detailed in Note 30 of the Consolidated Financial Statements.

Subsidiaries

	31 December 2016 \$'000	31 December 2015 \$'000
Cost:		
Opening balance	49,764	49,764
Additions	10	–
Closing balance	49,774	49,764
Impairment:		
Opening balance	(37,364)	(37,364)
Charge for the period	–	–
Closing balance	(37,364)	(37,364)
Carrying amount:		
Closing balance	12,410	12,400

Additions to investments relate to the share capital in Gaz du Cameroun Investments Ltd, a company registered in Guernsey, which was incorporated during 2016 as part of the Group's assignment of its 75% participation in the Matanda PSC.

The provision for impairment of assets relates to the Group's Russian exploration and evaluation asset in the West Medvezhye, which were fully impaired during the year ended 31 May 2015. The remaining investments relate to the Company's investment in Cameroon.

The realisation of investments in subsidiaries of \$12.4 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

Associate

The Company has a 35% interest in Cameroon Holdings Limited ("CHL"). See Note 16 of the Consolidated Financial Statements for further information regarding CHL.

The realisation of the investment in associate of \$4.5 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2016



C. TRADE AND OTHER RECEIVABLES

	31 December 2016 \$'000	31 December 2015 \$'000
VAT recoverable	96	51
Prepayments	61	20
Amounts due from subsidiaries	64,758	98,092
Other receivables	535	1,000
	65,450	99,163

Amounts Due from Subsidiaries

Amounts due from subsidiaries are non-interest bearing loans repayable on demand.

Amounts due from subsidiaries consists of \$58.5 million (prior period: \$90.8 million) from Gaz du Cameroun S.A. and \$6.3 million (prior period: \$6.3 million) from Bramlin Limited.

Of the \$64.8 million, \$0.9 million is Sterling-denominated and \$63.9 million US Dollar-denominated (prior period: \$1.1 million Sterling-denominated and \$97.0 million US Dollar-denominated).

The balance at 31 December 2016 is stated net of an impairment provision against the amount due from Gaz du Cameroun S.A. of \$22.0 million (prior period: Nil), Victoria Energy Central Asia LLP of \$17.8 million (prior period: \$17.8 million), from Victoria Oil and Gas Central Asia Limited of \$2.7 million (prior period: \$2.5 million) and from ZAO SeverGas-Invest of \$44.6 million (prior period: \$44.1 million). The impairment provision against the amount due from Gaz du Cameroun S.A. was raised during the year principally as a consequence of the impairment of well La-106 at Logbaba.

At the year end, the ESOP Trust owed the Company \$0.9 million (prior period: \$1.1 million) for shares subscribed for but not yet paid. Note 22 of the Consolidated Financial Statements provides details of the value of shares transferred from the ESOP Trust during the current period.

The realisation of intercompany receivables of \$64.8 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

D. CASH AND CASH EQUIVALENTS

	31 December 2016 \$'000	31 December 2015 \$'000
	15,516	8,562
Denomination:		
US Dollar	15,417	7,913
Sterling	99	630
Other	—	19
	15,516	8,562

E. TRADE AND OTHER PAYABLES

	31 December 2016 \$'000	31 December 2015 \$'000
Amounts due within one year:		
Trade payables	756	217
Taxes and social security costs	48	53
Accruals	898	748
	1,702	1,018

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2016



F. BORROWINGS & PROVISIONS

The Company borrowings relate to Noor Petroleum Limited and are disclosed in more detail in Note 21 of the Consolidated Financial Statements.

Provisions are disclosed in more detail in Note 20 of the Consolidated Financial Statements.

G. CALLED-UP SHARE CAPITAL

Details of the Company's called-up share capital are disclosed in Note 23 of the Consolidated Financial Statements.

H. LOSS FOR THE PERIOD

In accordance with Section 408 of the Companies Act 2006, the parent Company's Income Statement has not been presented in this document.

The loss for the year ended 31 December 2016 was \$28.3 million (loss for the prior period: \$3.1 million). The loss for the year ended 31 December 2016 includes a cost of \$22.0 million for the provision for doubtful recovery raised against the amount due from Gaz du Cameroun S.A. (prior period: Nil).

The auditor's remuneration for audit and other services is disclosed in Note 8 of the Consolidated Financial Statements.

I. RELATED PARTY TRANSACTIONS

Certain disclosures relevant to the Company are presented within Note 29 of the Consolidated Financial Statements. Company transactions with Group undertakings primarily consist of loan transactions and central service recharges.

The Company received \$1.5 million of dividends from CHL during the period (prior period: \$1.1 million). There were no further material transactions with non-wholly owned Group undertakings (prior period: Nil).

J. CONTINGENT LIABILITIES

A contingent liability exists for a royalty of 2.5% of GDC's revenue from the Logbaba Project, which arose under commercial contracts for services. The royalty expense for the current year is disclosed as a contingent liability as the Group does not believe that this obligation exists. The contingent liability is \$0.6 million (prior period: Nil). The matter is subject to legal proceedings.

At 31 December 2016 the Company had issued a parent Company guarantee for \$10.0 million to the Cameroonian State as assurance for the Matanda PSC work programme. The Company has also provided a letter of support to BGFI in relation to the facility (see Note 21).

Definitions, Abbreviations & Glossary

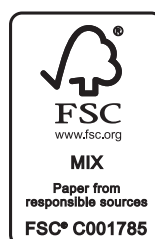


“\$”	US\$, currency of United States of America
“1P”	Proven – Reserves which on the available evidence are virtually certain to be technically and economically producible. For the purpose of this definition it has a better than 90% chance of being produced
“2C”	Best estimate of contingent gas and condensate reserves
“2P”	Proven + Probable – Reserves which are not yet proven but which are estimated to have a better than 50% chance of being technically and economically producible
“3P”	Proven + probable + possible – 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
“AFEX”	Afex Global Limited, owner of 25% participating interest in the Matanda PSC
“AGM”	Annual General Meeting
“AIM”	Alternative Investment Market, a sub-market of the London Stock Exchange
“bbl”	Barrel, or 42 US gallons
“bcf”	Billion cubic feet 1bcf = 0.83 million tonnes of oil equivalent
“Bomono”	Bomono Block, 2,237km ² hydrocarbon licence in Cameroon
“BGFI”	BGFIBank Cameroon S.A., an African bank with operations in Cameroon
“CHL”	Cameroon Holdings Limited of which the Company owns a 35% interest
“CNG”	Compressed Natural Gas
“the Code”	UK Corporate Governance Code September 2015
“the Company”	Victoria Oil & Gas Plc
“current period”	The twelve-month reporting period to 31 December 2016
“DDV”	Downward deployment valve
“D&R”	Decommissioning and rehabilitation
“Deferred Shares”	The deferred shares of 19.5 pence each in the capital of the Company to be created pursuant to the Sub-Division
“Douala Basin”	The Douala Basin is a divergent basin along the West African coast which developed by rifting between Africa and South America during break-up of Gondwanaland.
“E&P”	Exploration and production
“EBITDA”	Earnings before interest, taxes, depreciation and amortisation
“ENEO”	ENEO Cameroon S.A., Cameroon’s national electricity generating company
“ESOP”	Employee Share Ownership Plan
“FRS 101”	Financial Reporting Standard 101 Reduced Disclosure Framework
“GDC Matanda”	Gaz du Cameroun Matanda S.A.
“GDC”	Gaz du Cameroun S.A.
“GIIP”	Gas initially in place
“the Group”	Victoria Oil & Gas Plc and its subsidiaries
“GSA”	Gas sales agreement
“GTP”	Gas-to-power

Definitions, Abbreviations & Glossary continued



“HFO”	Heavy Fuel Oil
“HJR”	HJ Resources Limited
“HP”	horse power
“IFRS”	International Financial Reporting Standards
“KPI”	Key Performance Indicators
“Logbaba”	“Logbaba Project”, 20km ² hydrocarbon licence in Cameroon.
“LWD”	Logging whilst drilling
“LTIFR”	Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked.
“Lost time injuries”	All on-the-job injuries that require a person to stay away from work more than 24 hours, or which result in death or permanent disability. This definition comes from the Australian standard 1885.1– 1990 Workplace Injury and Disease Recording Standard
“Matanda”	Matanda Block, 1,235km ² hydrocarbon licence in Cameroon
“MD”	Measured depth
“mmbbl”	Million barrels
“mmbtu”	Million British Thermal Units of Energy
“mmscf”	Million standard cubic feet
“mmscf/d”	Million standard cubic feet per day
“MPD”	Measured pressure drilling
“MW”	Mega Watt
“Net Royalties”	Royalties paid less the Group’s share of profit of associate
“P50”	Prospective resources with a 50% probability that the size of the field is larger or smaller than indicated
“p.a.”	per annum
“Payout”	Production milestone on the Logbaba Project after which GDC shares Project revenues in accordance with participating interest. GDC previously received 100% of Logbaba Project revenue as a cost recovery mechanism for costs incurred during the exploration phase of the Project. Payout occurred on 31 May 2016.
“prior period”	The seven-month reporting period to 31 December 2015
“Prospective”	A potential accumulation that is sufficiently well defined to represent a viable drilling target
“PSC”	Production Sharing Contract for the Matanda block
“PwC”	PricewaterhouseCoopers LLP
“RSM”	RSM Productions Corporation
“scf”	Standard cubic feet
“SNH”	The National Hydrocarbons Corporation of Cameroon
“tcf”	Trillion cubic feet
“TVD”	Total Vertical Depth
“Underlying EBITDA”	Operating (loss)/profit adjusted for depreciation, amortisation and any recorded impairments
“VOG”	Victoria Oil & Gas Plc
“XAF”	Central African Francs; currency of Cameroon





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