



Victoria Oil & Gas Plc

Victoria Oil & Gas Plc is a fully-integrated onshore gas producer and distributor with operations located in the port city of Douala, Cameroon.

Through the Company's wholly-owned subsidiary, Gaz du Cameroun S.A., VOG has developed and delivers a fully integrated domestic gas to energy solutions for local industry and communities. GDC provides thermal and power solutions using safe, consistent and scalable solutions to a diversified range of customers via its 50km gas distribution pipeline network.

Victoria Oil & Gas Plc is listed on the AIM market of the London Stock Exchange under the ticker VOG.

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"
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ENEO Cameroun S.A.	Cameroon's national electricity generating company, "ENEO"
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 90.

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Chairman's Letter



Dear Shareholders,

In this year's letter I will address the important challenges that we faced and overcame in 2017, discuss those challenges that remain and outline the strategy for the next couple of years. As both a shareholder and Director I have reflected in some depth on the assets we have, the business we have built and the challenges that keep us awake at night.

Our Company was listed on AIM 14 years ago and has operated in the FSU and Africa. We have never been a company with a large market capitalisation or had ready access to capital; however, we have survived and overcome the massive oil and gas price fluctuations, the seemingly endless technical challenges to progress our upstream and downstream activities and the occasional company threatening economic or political problems, which taken together, or each alone, is very creditable.

In Cameroon, we have built a company that is recognised by our peers as an outstanding entrepreneurial example of creating a cash generating business from stranded gas deposits. It is a model that, under the right conditions, can be replicated across Africa's multitude of stranded gas deposits. We were honoured to receive the prestigious "Project of The Year" award at this year's Africa Assembly of the Oil and Gas Council meeting in Paris.

We all have invested in VOG shares because we believe in the future of the Company. It is my and our management's primary objective to deliver the real value of the Company to our shareholders. As Chairman, I am also very aware of the extreme patience that our shareholder base has and their resilience in sharing these challenges with us. Thank you.

Our Assets

As a natural resources veteran, I always look at the resource base that nature has provided us and how we have managed to extract those resources and build something of value. On Logbaba, we finished drilling two production wells in 2017, albeit painfully over budget and behind schedule, but these gas discoveries have added significantly to our reserves and resources.

Earlier this month, we announced a material reserves upgrade for the Logbaba Field, reporting a significant 73% increase in gross 1P gas reserves to 69bcf and a 52% increase in gross 2P reserves to 309bcf. Importantly, the latest reported 2P reserves base at Logbaba would support a 90mmscf/d production rate for ten years, providing the volumes necessary to facilitate a significant expansion in VOG's business in the growing Douala market. We have never been in this position before in our 14-year history and these results open the door to furthering our negotiations with large off-take independent power producers.

We also estimate over 3.7tcf of P50 Prospective Resources at North Matanda, which we could develop as soon as Government approval is received. The Douala Basin is proving to be a very prolific area and your Company has a prime position there.

Let us not forget West Medvezhye ("West Med") in Russia, the resource on which our Company was started. Updated reserve and resources figures show C1+C2 reserves of 11.8bcf of gas and 15.6mmbbls of oil and Prospective Resources of almost 4tcf of gas and 722mmbbls of oil.

Our "hard" assets at Logbaba are the gas processing facilities and the 50km of gas pipeline that we laid under the city of Douala to reach our 30 plus industrial customers.

Companies often speak of their staff and employees as their most valuable asset but I believe in some cases they don't really mean it. Building the Company as we have done needed dedicated and very skilled people who have performed way beyond the call of duty. I believe that shareholders are aware of the total focus and dedication that our Chief Executive Officer Ahmet Dik, Finance Director Andrew Diamond and General Manager Kate Baldwin deliver. But in the field, some other examples come to mind:

Eric Friend, Managing Director of GDC since November 2016 has been instrumental in delivering a disciplined and well organised GDC that operates safely and effectively in the City of Douala. I know first-hand of the daily challenges that Eric deals with.



Despite the grid power supply issue, I believe that the Company will grow stronger and create a more diverse product base in 2018.



Chairman's Letter continued



Eckhard Mueller has been our General Director at West Med in Russia since 2006. He has spent 12 long winters in Siberia carefully managing our project and always looking for ways to add value and save costs. I believe that his dedication is outstanding and with the increased oil price and availability of capital coming back to Russia, West Med is a quality project that we expect will attract a development partner soon and Eckard's patience will be rewarded.

Divine Mofa Diboto has been a key manager on our Logbaba Project since 2011 and has held various positions in GDC. He is a Chief of his tribe and a leading participant in our community relations programmes and as such works tirelessly for GDC from within and outside our operations.

In addition to Eric, Divine and Eckhard our entire teams in London, Russia and Cameroon are the true lifeblood of our Company.

Our Operations in Cameroon

When I reflect on operations in 2017 and activities, the drilling campaigns on La-107 and La-108 dominate. These wells were truly challenging with the costs overrunning the budget by more than 100% and the schedule approximately double what was originally planned. The prime cause of these difficulties was and will continue to be the truly unpredictable ground and well drilling conditions in the Cretaceous zones of the Logbaba Basin. The well control incident on La-108 caused \$24.5 million of additional re-drilling and well repair costs. This is subject to an insurance claim where I believe we have a very credible case. These wells have been shut in for future production. The substantial increase in reserves is primarily due to the prolific gas sands discovered in La-107 and La-108. I have learned that nature makes you work hard for her bounty!

In terms of gas production, the annual gross production figure for 2017 was a record for the Logbaba Project, with 3.68bcf of gas sold compared to 3.57bcf in 2016. Average daily production for 2017 was a record of 10.98mmmscf/d compared to 10.23mmmscf/d in 2016.

However, in January this year, due to factors outside of our control, the ENEO contract was not renewed. Cameroon, like many African countries, is chronically short of power and major cities have regular blackouts and brownouts. But the resolution of the issue has taken much longer than we expected and clearly there are other complex factors that contribute to this situation that we are working with all stakeholders to resolve.

Despite the grid power supply issue, which will significantly impact our 2018 financial performance, I believe that the Company will grow stronger and create a more diverse product base in 2018 and we can continue to build the business we have created in Cameroon. We now have the gas reserves in place to meet industrial and grid power demand for large quantities of gas and power that is required by groups other than ENEO. We have also committed to build a more diverse customer base that will see the Company less reliant on grid power revenues.

GDC is the single onshore gas supplier in Cameroon. Management estimates that with Logbaba and Matanda, GDC has recoverable gas of at least 2tcf and 50km of gas pipeline and support infrastructure delivering gas to our 30 customer sites. We intend to build on this strong strategic position.

2017 Financial Performance

A cost recovery milestone was reached on Logbaba during 2016 after which revenues are shared in accordance with the participating interests ("Payout"). Whilst gross production increased to record levels on Logbaba in 2017, attributable revenue for the year was \$9.3 million lower than the prior year as a consequence of Payout. Payout will apply for future periods, which highlights the importance of scaling up our operations in Douala, Cameroon. With sufficient reserves of gas now in place, this is the principal focus of the management team for the year ahead, a challenge which has not been made easier by the non-renewal of the 50MW power contract.

“In Cameroon, we have built a business that is recognised by our peers as an outstanding entrepreneurial example of creating cash from stranded gas.”

Chairman's Letter continued



With a relatively fixed cost base, the reduction in revenue flowed through to the underlying EBITDA which reduced by \$8.5 million to \$4.6 million.

Further details of our current financial position and uncertainties which may affect the Company's ability to continue operating as a going concern are to be found in the Financial Review below.

2018 Plans

Coming out of a difficult 2017, but with the drilling campaign behind us, we were aiming for continued production growth in 2018. Instead, we were faced with a seasonal drop in demand of nearly 70% and a proportional reduction in revenue and some truly challenging operational and financial hurdles.

Our Executive and Operational teams developed and implemented a plan for 2018, outlined in the CEO's Report, which includes expansion of revenues, with a more diverse customer base, embracing technologies such as Compressed Natural Gas ("CNG"), completion of the Matanda approvals, reducing costs and preserving available cash reserves. In this respect the Board have decided that no bonuses will be awarded to Executive Directors for the year ended 31 December 2017.

The Board remain confident of the potential of the demand for gas in Douala, which is currently experiencing regular blackouts following the shutdown of the Logbaba and Bassa power stations. We are now well positioned in our upstream capabilities to reach a much larger downstream gas demand.

VOG has set an ambitious business strategy to substantially increase gas sales by 2021. We still believe that this is achievable as the demand for gas within Cameroon remains robust. However, for this to be achieved within the timeframe, a positive resolution of the current hurdles in the energy sector is required in a manner that fosters confidence in international investors to invest in the sector.

Corporate

In November 2017, we secured net proceeds of \$23.7 million in a share placing to new and existing shareholders. We are extremely grateful to our shareholders who continue to show confidence in the prospects in Cameroon.

In relation to the West Medvezhye Project, we are engaged with several interested parties to sell or farm-out our Russian asset.

Our recent sluggish share price has largely been due to the non-renewal of the 50MW power contract. The Board shares the frustration felt by all in the unappreciated value of VOG's shares, especially when the Company had made such significant progress in recent years. We thank our shareholders for their continued support and patience.

At the Board level, after two and a half years of service to the Company, Iain Patrick resigned as an Independent Non-Executive Director on 23 April 2018. I would like to thank Iain for his sound contribution to the Board. At that time we reviewed our Board Committee appointments and as a result I stood down from the Remuneration Committee and Roger Kennedy was appointed our Senior Independent Director and Chair of the Audit Committee. We will endeavour to appoint a suitable third Non-Executive Director in due course. I would also like to thank the Groups management and employees for a dedicated and focussed year of work and our Independent Non-Executive Directors for their ongoing guidance. I would also like to thank, our partners, Productions Corporation ("RSM") for their ongoing support of the Logbaba Project and The National Hydrocarbons Corporation of Cameroon ("SNH") for their invaluable in country support.

Kevin A. Foo

Executive Chairman
21 June 2018

“We all have invested in VOG shares because we believed in the future of the Company. It is our primary objective to deliver real value of the Company to our shareholders.”



Year in Review

Operational Highlights

- 3.3% increase in gas sales: 3,684mmscf gross gas sold (2016: 3,566mmscf).
- 10.98mmscf/d average gas production (2016: 10.23mmscf/d).
- Completion of two well drilling programme.
- The addition of two prospective areas at Matanda.

Audited Financial Highlights

- \$23.5 million revenue (2016: \$32.8 million).
- \$4.6 million Underlying EBITDA (2016: \$13.1 million).
- \$10.7 million loss before tax (2016: \$30.0 million).
- \$13.1 million net debt (2016: net cash of \$1.8 million).
- \$39.8 million capital investment (2016: \$27.0 million) principally on the drilling programme.

Corporate Highlights

- \$23.7 million net equity raise via placement and open offer.

Post Period

- Significant increase in reserves and resources.
- Successful debt restructuring.

Logbaba Reserves & Resources

2017	1P(bcf)	Net 40	Gross 69
	2P(bcf)	Net 176	Gross 309
2016	1P(bcf)	Net 24 / Gross 40	
	2P(bcf)	Net 122	Gross 203

73% increase 1P gross

52% increase 2P gross

Average Daily Gas Production

2017	10.98
2016	10.23
2015	8.13

10.98mmscf/d

7.37% increase

Gas Sold

2017	Net 2,163	Gross 3,684
2016	Net 2,898	Gross 3,566
2015	Gross 2,867	

3,684mmscf

3.29% increase

Revenue

2017	23.5
2016	32.8
2015 (7 Months)	21.4

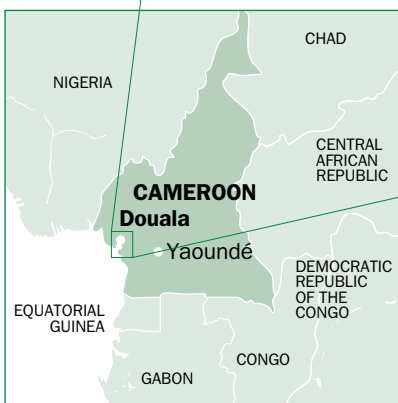
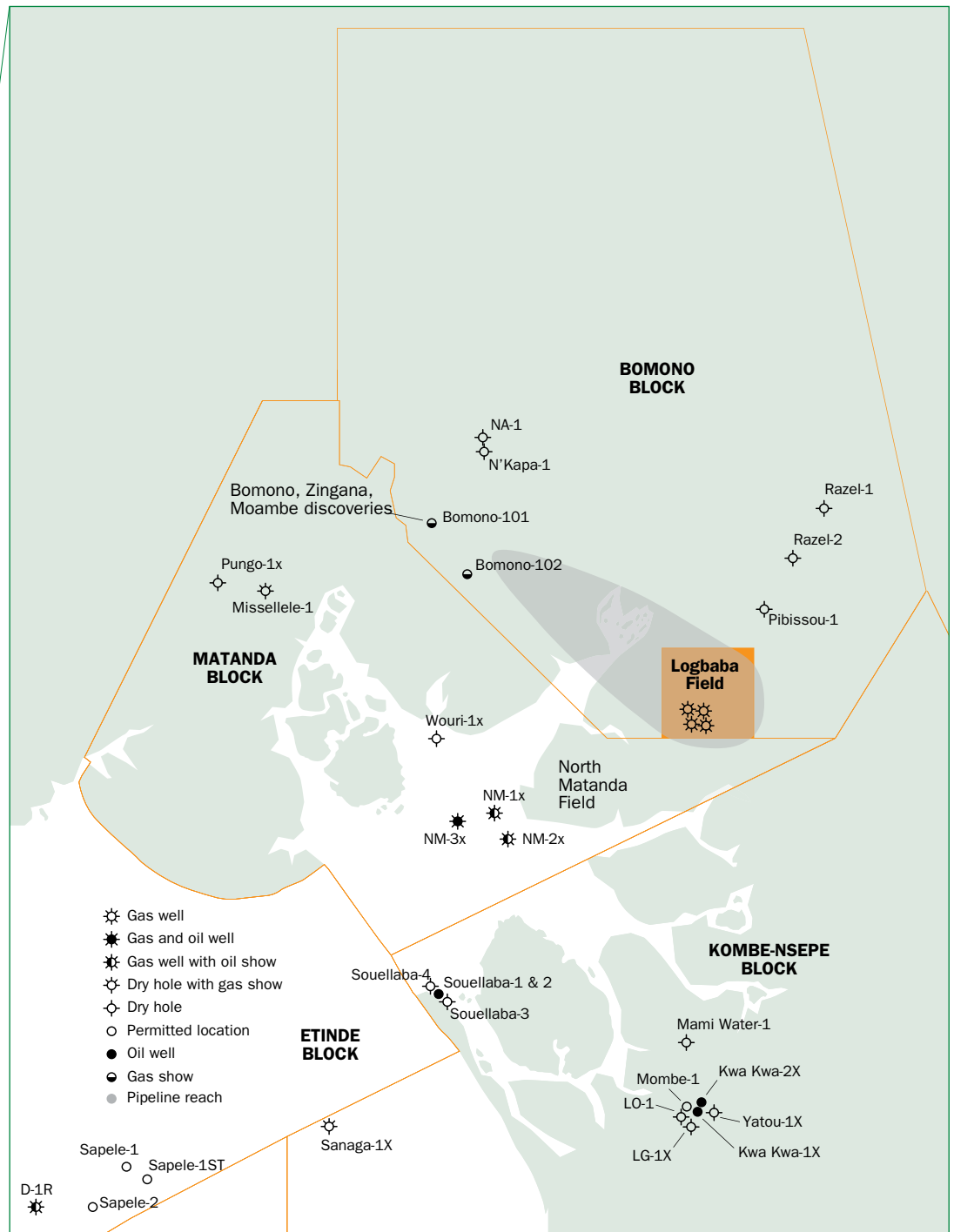
\$23.5m

Gas Sources

Gas Field Locations

GDC has producing wells at the Logbaba Field where two new wells were drilled in 2017.

A 75% interest in, and operatorship of, the Matanda Block will be added to the Group's portfolio on government approval.

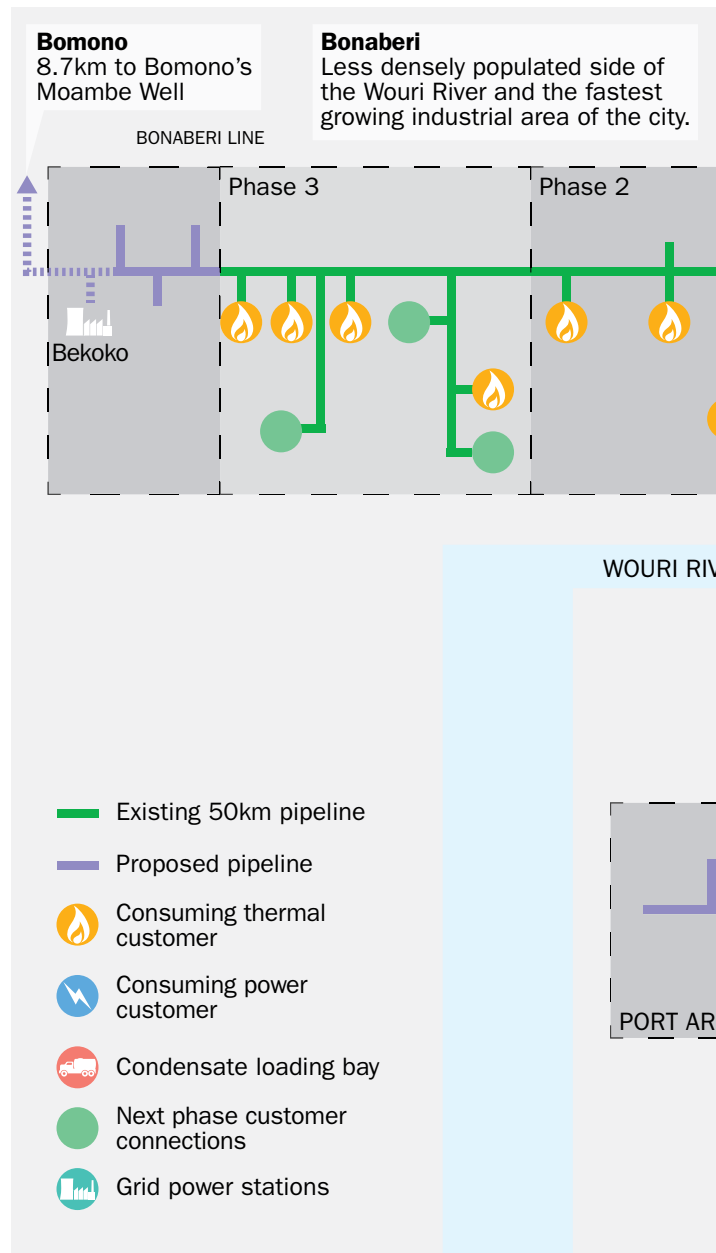
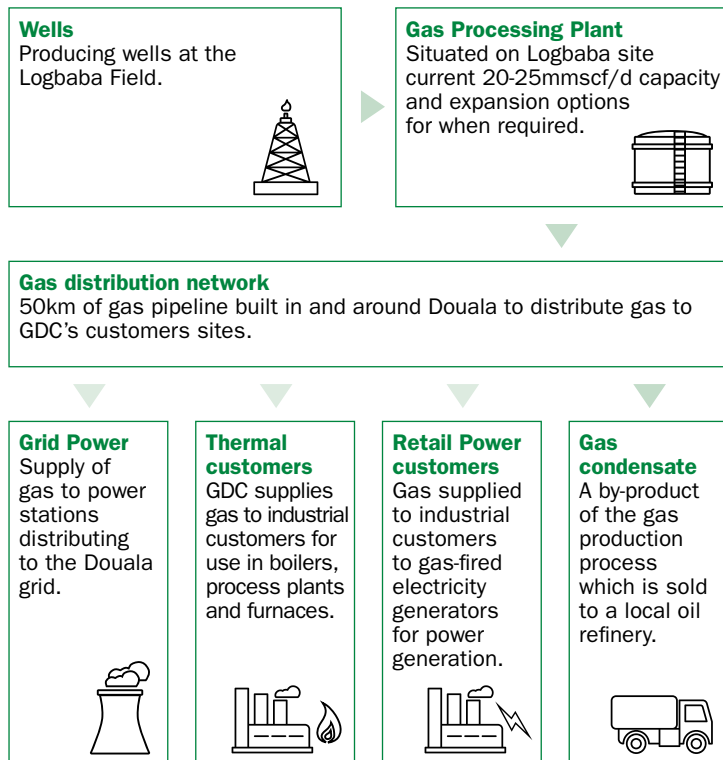


Operations & Customers



Operations & Customer Types

Douala is a growing industrial and manufacturing hub serving Cameroon and Central/West African markets. GDC supplies gas to a diversified customer base.

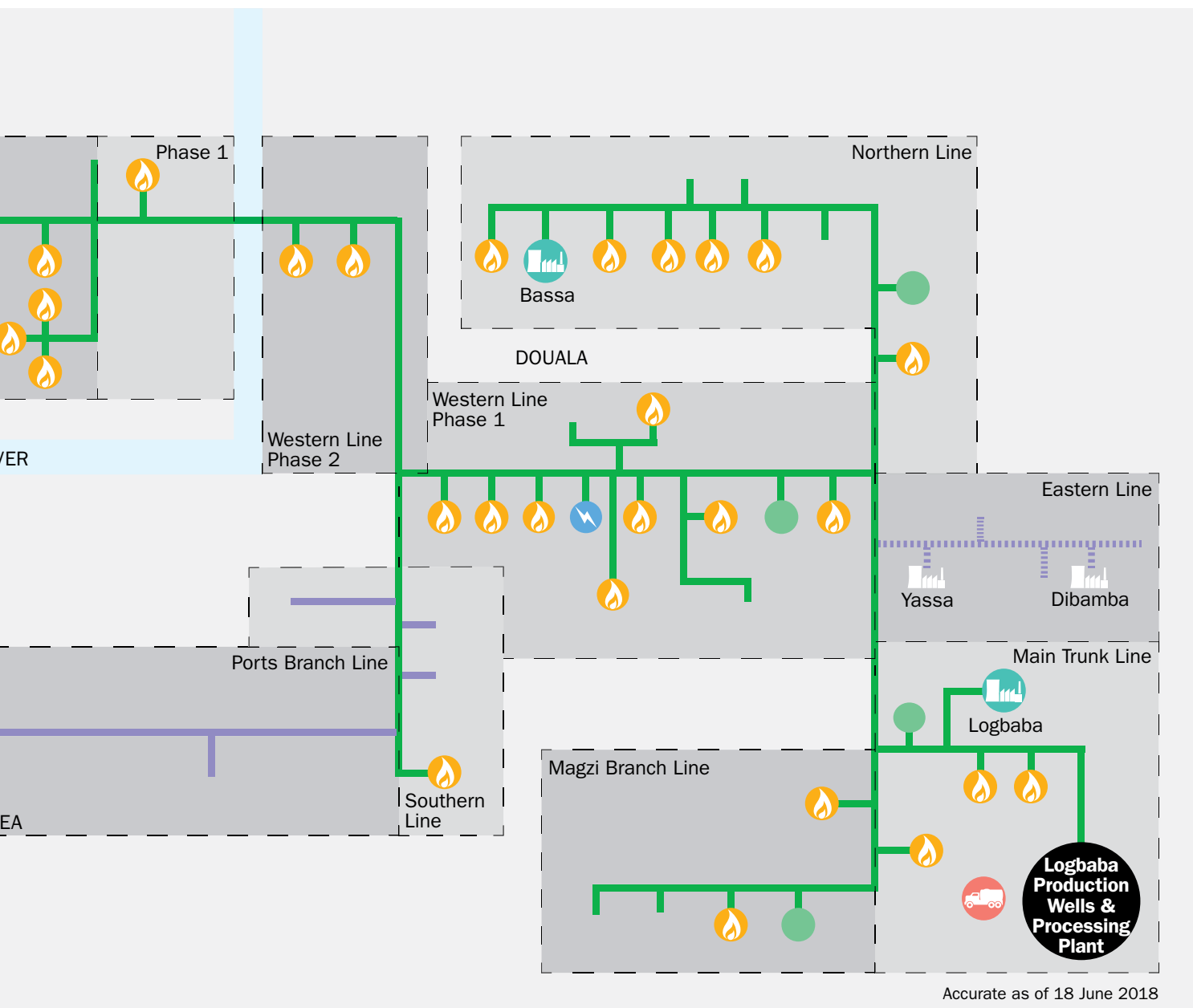


Operations & Customers continued



Pipeline Network

GDC's 50km gas pipeline distributes gas across the city of Douala as illustrated in the not to scale schematic below.



Strategic Summary



	Objectives	Key Performance Indicators
Corporate	Increase shareholder return.	Share Price Performance.
Upstream Development	Delivery of a continuous gas supply capable of meeting current and future demand.	Completion of Logbaba drilling programme. Increasing gas reserves & resources.
Downstream Development	Market expansion: Increased gas sales across diversified customer base.	Renewal of the ENEO GSA. Additional grid power opportunities. Expansion of pipeline network.
Financial Performance	Funding a growth objective and conserving cashflows.	Revenue. Operating Cash Flow. Funding via equity or debt.
Responsible Operations	Ensuring safe operations, respectful of the environment and committed to local communities.	Maintain Group's strong safety record. Contribute to the societies in which we operate.
New Projects	Douala basin development.	Completion of participating interests in Matanda and Bomono. Strengthen subsurface expertise.
Non-Core Projects	West Medvezhye Project, Russia.	Sale/Farm-out.

Strategic Summary continued



Achievements in 2017

2018 Priorities

Principal Risks & Uncertainties

See page 24 for more information

Share price +44% yoy
(1/1/17: 35p, 31/12/17: 50.5p).

Increase shareholder return.

La-107 & La-108 completed
(complex, delayed and over
budget).

1P reserves increased to 69bcf
(+73%).

2P reserves increased to 309bcf
(+52%)
(Based on internal estimates).

Develop targets for drilling sites
on Matanda.

Existence of Gas Market.
Political/Regulatory Delay.
Exploitation & Production Risks.
Title to assets.
Natural Disasters.
Project delays and costs.

ENE0 GSA extended to 31/12/17.
Provided continuous gas supply
to all customers at record levels.
2017: 3,684/2,163 (gross/net).
2016: 3,566/2,897 (gross/net).
Delayed drilling restricted grid
power and pipeline network
expansion.

Re-establish supply to ENE0.
Additional grid power
opportunities.
Expansion of thermal and retail
power.
CNG project development.

Reliance on key customer.
Existence of Gas Market.
Political and Regulatory Delay.
Alternative Market Development.

Strong gross revenues, reduced
attributable revenues and cash
flows (Payout).
Raised equity – \$23.7 million net
receipts.

Ensure sufficient cashflow levels
maintained.
Improve cost efficiencies.
Restructure debt.

Reliance on key customer.
Access to funding.
Liquidity.

Nil lost time injuries, even with
a drilling programme in progress
throughout the year.
Recognised CSR contributions.

Ensuring safe operations,
respectful of the environment and
committed to local communities.

HSSE & Cyber crime.
Bribery & Corruption.
Regulatory Compliance.
Human Rights/Community.

Governmental changes
requested on Matanda PSC. Final
Presidential decree outstanding.
Bomono farm-in agreement lapsed.

Completion of participating
interests in Matanda.

Political/Regulatory Delay.
Title to assets.

Continued marketing of SGI with
various parties.

Sale/Farm-out.

Title to Assets.
Political and Regulatory delay.

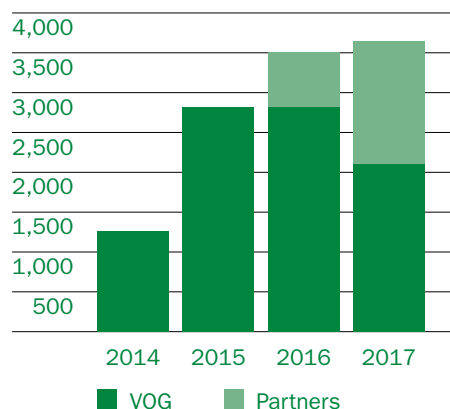
Chief Executive Officer's Review of Operations



I am pleased to report on the progress in 2017. The highlights were:

- 2017 gross gas sold was a record 3,684mmscf (3.29% increase on 2016).
- 2017 average daily gas production of 10.98mmscf/d was also a record (2016: 10.23mmscf/d).
- Drilling completed on Wells La-107 and La-108.
- Successful \$23.7 million net equity raise via Placing and Open Offer to new and existing shareholders.

Gas sold – Logbaba
mmscf



Operations Review

Gas production continued its upward trend and 2017 gross gas sold of 3,684mmscf was a record, as was the 2017 average daily gas production of 10.98mmscf/d. Production was approaching the capacity of our Logbaba Gas Processing Facility (20-25mmscf/d) when the 50MW grid power was operating at its peak consumption in the dry season. GDC management took the decision to defer any plant or pipelines expansion until reserves were secured and Gas Sale Agreements were signed with large gas consumers.

Until GDC had increased reserves from the new wells, it was unable to commit to the long-term contract conditions required by large gas off-takers who specify minimum levels of reserves to commit to their large capital investments. Following the update of its reserves, the Logbaba Project now has sufficient reserves to support production levels of 90mmscf/d for ten years, which enables GDC to engage in earnest negotiations with prospective grid power customers.

As previously disclosed, ENEO ceased consuming GDC gas on 31 December 2017. Despite the city of Douala being in a significant power deficit, the use of the Logbaba and Bassa gas-fired power stations was terminated by ENEO for reasons entirely beyond our control. From that point on, Management has engaged with all levels within ENEO, the Government of Cameroon, the Energy regulator of Cameroon, Altaaqa (the generation equipment provider) and other interested parties to reinstate the contract and resume the production of electricity using gas. Negotiations are ongoing and we are ready to recommence the supply of gas as all infrastructure and equipment is still in place.

The disruption in the grid power supply by 50MW coming offline has led to customers seeking independent gas-to-power solutions. GDC has been working closely with various generator suppliers and is looking to provide an integrated solution to customers. One such example is a Combined Heat and Power (“CHP”) unit at our customer SCTB, a flour mill and pasta producer, who is consuming gas for power and recycling heat and steam from the generation for process heating. The overall energy efficiency for this CHP unit is significantly higher than the efficiency for power generation alone.

The Compressed Natural Gas (“CNG”) project has also become a top priority and GDC is working to have customers signed by the end of 2018 and thereafter brought online without delay. We have identified a number of potential customers in Eastern Douala who are within a 30km delivery range. Projected consumption is 1.7mmscf/d of CNG. Stage 1 of the CNG plant is being designed at 2mmscf/d and Gas Sale Agreements are being negotiated with all potential customers. Discussion with technology providers are progressing to ensure a solution is readily deliverable once sufficient customers have been signed up.

Chief Executive Officer's Review of Operations continued



Financial Performance

Despite the growth in gross production during 2017, attributable revenue for 2017 was \$23.5 million (2016: \$32.8 million) which reflects GDC's 57% participating interest in Logbaba, where previously we accounted for higher levels of revenue in recovery of our former exploration costs. This reduction in revenue flowed through to the underlying EBITDA of \$4.6 million compared to \$13.1 million in the prior year. The loss before tax of \$10.7 million translates to a loss per share of 8.86p (2016: \$30.0 million and 28.74p). A more detailed review of the financial performance is recorded in the Financial Review on page 20.

The financial performance for 2017 was below expectations and with the loss of revenue from ENEO, the 2018 results are expected to be significantly impacted. Management is working hard to increase revenue, particularly in more profitable business lines, whilst at the same time driving hard to contract with the large off-take Independent Power Producers ("IPP's") in Cameroon whose scale of business will enable the Company to become profitable.

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the Financial Statements. Further details of our current financial position and uncertainties which may affect the Company's ability to continue operating as a going concern are to be found in the Financial Review on pages 20 to 23 and are disclosed in Note 3 of the Financial Statements.

Looking Forward

Having secured gas reserves, the key strategic directions for the Company are as follows:

- Renew the gas supply contract for the current installed 50MW of power and add further grid power, including new contracts with other IPP's;
- Increase thermal gas sales to existing and new customers;
- Work with existing and new customers to create bespoke gas-to-power solutions with individual generator designs. These solutions will allow customers to be less dependent on grid power;
- Maximise return from our high-grade gas condensate. Studies have shown that our condensate is very high-grade and close in composition to diesel. We currently sell condensate at near to crude oil prices, which is about half the price of diesel;
- Actively develop the CNG and Natural Gas Vehicle ("NGV") markets. CNG would compete with diesel and LPG as a source of energy in the more remote regions, it offers considerable uplift on current margins and can be transported 250-300km;
- Sustain progress on the promising Matanda opportunity; and
- Review capital projects, operational and general and administrative ("G&A") expenditure rigorously to preserve cash.

Attainment of these objectives is paramount to the future success and profitability of the Company and the Management team is fully focused on delivering on these strategies.

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

Chief Executive Officer's Review of Operations continued



Logbaba Drilling Programme

The drilling of wells La-107 and La-108 during 2016 and 2017 was very challenging and expensive, but we had success in booking significantly more reserves and two new production wells in the onshore Cameroon Logbaba Field. The new wells supplement the two original Logbaba production wells, La-105 and La-106, which were drilled in 2009/2010. The Logbaba wells were required to meet the growing market demand for gas in Douala, Cameroon, to develop our 1P (Proven) Logbaba reserves, and to move some 2P (Proven plus Probable) reserves into the 1P reserve category. Both La-107 and La-108 were drilled directionally from a drilling pad adjacent to the Logbaba Gas Processing Facility. The reserves, of which an update was announced on 4 June 2018, are listed on page 17. In summary we have increased Logbaba gross 1P reserves by 73% and gross 2P reserves have risen by 52% (as reflected in the table below).

La-107 was a near vertical well that twinned the La-104 well drilled in 1957; this well has increased our 1P Logbaba reserves. The La-108 'step-out' well target was about 1,100m to the south-east of the Logbaba drilling pad and was drilled into an area that potentially allowed us to move some of our 2P reserves into the 1P category.

As of 31 December 2017, both La-107 and La-108 have been 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.

La-107 Results

La-107 was drilled to the base of the Logbaba Formation, Target Depth ("TD") at 3,180m Measured Depth ("MD"), 3,166m True Vertical Depth ("TVD"), where a 4½" liner was run and cemented. The well encountered 54m of net pay, as prognosed based on the original La-104 well that it twinned.

After completion, La-107 was flow tested to a maximum rate of 54mmscf/d on a 70/64ths inch choke, with a stabilised flowing wellhead pressure of 2,951psig. The multi-rate test results indicate that the well has an Absolute Open Flow ("AOF") potential in excess of 160mmscf/d.



We are encouraged by the indications of exciting onshore prospects in the Northern area of the Matanda licence, near the boundary with Bomono, in structures like the Moambe discovery.



Logbaba Reserves 31 December 2017

			Gross	Net (57%)
Proved (1P)	Gas	bcf	69	40
Proved + Probable (2P)	Gas	bcf	309	176
Proved + Probable + Possible (3P)	Gas	bcf	535	305
Prospective Resources	Gas	bcf	1,373	783

Chief Executive Officer's Review of Operations continued



La-108 Results

La-108 was drilled to its TD of 2,865m MD, 2,463m TVD, where a 4½" liner was run and cemented. La-108 encountered 85m of net pay, about twice that prognosed in the pre-drill estimate. As La-108 was drilled into a previously un-appraised area of the Logbaba Field, this result is very encouraging.

The completion was run and a flow test run on 19m of net sand in the lower part of the Logbaba Formation delivered flow rates of up to 15mmscfd on a 40/64ths inch choke with a flowing wellhead pressure of 2006psi. During the testing operations, a spent perforating gun became stuck in the production tubing and remains in the well.

In Q2 2018, La-108 was made safe using wireline cutting equipment to cut the wireline cable as close as possible to the spent gun and the barriers securing the well at the surface were reinstated. Planning has been completed to recover the perforating gun and conduct further perforating and flow testing of La-108 later when production demands justify the additional expense.

Drilling Issues

Whilst the drilling programme was successful in its objective to secure more gas for our operations, it did not come without its challenges. As is well documented, these wells are deep, high pressure, high temperature wells. These challenges led to significant overspend on the project.

The La-107 and La-108 drilling campaign ran significantly over the pre-drill time and cost estimates. The overruns were dominated by:

- The time lost when La-108 lost circulation in the 8½" hole section, the well took a kick and well control operations were required.
- Time lost when an 8½" bit was lost in La-107 to perform fishing and side track operations.
- Time lost due to the electrical problems on the top drive and draw works that was incurred on La-108 ST2 during November 2017.
- An attempt to log the La-108 8½" hole section and subsequent fishing operations to retrieve a wireline tool string.
- Difficulty in drilling the La-108 8½" hole, downhole motor problems, anomalously high pore pressures and shallow set of the 7" liner.
- The additional time required milling the window in La-108 for a second side-track out of the 9" casing.
- Slower than anticipated drilling in the La-108 ST2 8½" hole.
- Additional time required to run the 4½" liner in La-107.
- Significant difficulties in obtaining wireline logs in the La-107 6" hole section.
- Slower than anticipated drilling in the La-107 6" hole section.
- Additional time required to run a 7" liner in La-107 and prepare to drill the 6" hole section.

Final costs incurred on the drilling programme were \$90.0 million (gross). The well control incident caused significant delays and brought additional costs to the project of \$24.5 million (gross). Internal and third-party reviews of the incident support a claim under the Group's energy package insurance which is being pursued.

Chief Executive Officer's Review of Operations continued



Matanda

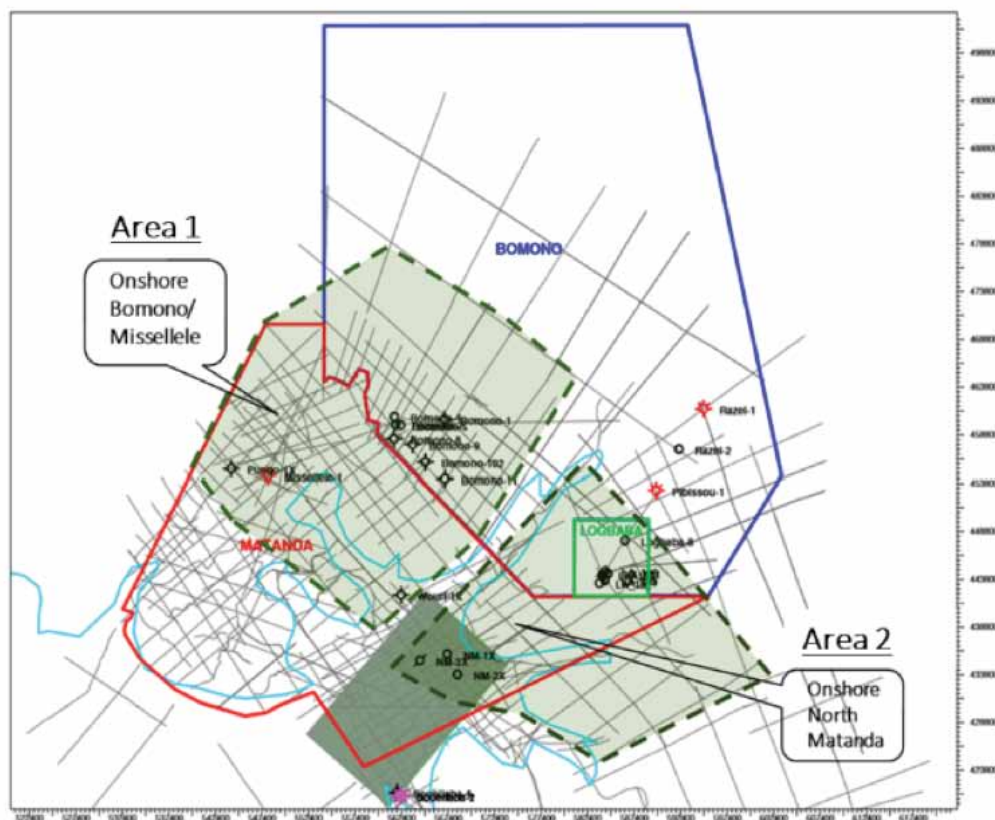
As previously announced VOG entered into an agreement for the assignment of 75% of the neighbouring 1,235km² Matanda block from Glencore in 2016. We have negotiated with the Government some new terms for the PSC agreement in relation to the block which will clarify the work programme obligations going forward. We anticipate Government approval of the PSC changes shortly and thereafter the Presidential Decree to formally convey title to the Project.

In the meantime we have advanced certain Geological and Geophysical work on the block aimed at identifying one or more onshore well locations in the Tertiary and/or Cretaceous formations. Two prospective areas in the Matanda Block were initially identified; the Matanda-Bomono border/Missellele onshore area to the north (Area 1) and the onshore area between the Logbaba producing field and the offshore North Matanda field (Area 2).

Reprocessing of heritage 2D seismic was carried out on a 2010 seismic 2D survey in Area 1. ERCL Consultants carried out a full time and depth interpretation through to prospect identification, evaluation, risking and ranking. Angle stack (qualitative AVO) data was utilised to assist the team in identifying hydrocarbons and/or liquids.

Alongside this, RPS Energy carried out a reservoir characterisation study to begin work on the least understood element of the Douala Basin hydrocarbon system – its reservoirs. This work stream included a petrophysical analysis, biostratigraphy, stratigraphy, well correlation and GDE (gross depositional environment) mapping. This was carried out simultaneously with the ERCL work and the results were fully integrated, allowing ground truthing of the seismic interpretation which added confidence to the prospect evaluation.

Matanda Block (Area 1 and Area 2)



Chief Executive Officer's Review of Operations continued



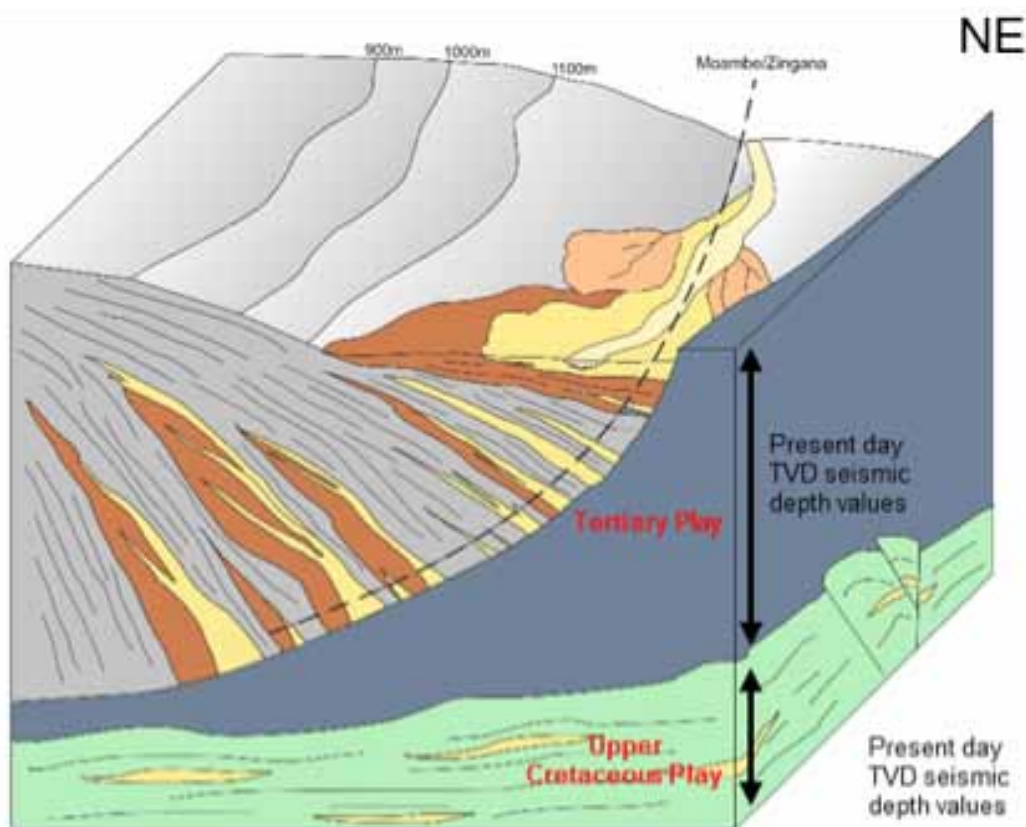
As an outcome of this work, 20 prospects and 4 leads were identified in the Tertiary and Cretaceous formations in Area 1. Economics are currently being run on the prospects and plans are in place for further technical work during 2018 including the completion of reprocessing of vintage seismic and evaluation of the prospectivity of Area 2 quantitative AVO analysis and forward modelling before a well location will be identified.

The identified prospects are a mixture of stratigraphic and structural play types.

Bomono

During 2017 the Company announced that a farm-out agreement had been signed with Bowleven plc in relation to an assignment of an 80% participating interest in the neighbouring, 2,237km² Bomono block production sharing contract. The conditions precedent in the farm-out agreement were not met, and as a result, with effect from 31 December 2017, the agreement lapsed. Both parties remain amenable to ongoing discussions on this block, however the existing license and work programme commitments are due to expire at the end of 2018, which has a material effect on these discussions.

Matanda Area 1 Play Types



Chief Executive Officer's Review of Operations continued**Safety**

I am pleased to inform our shareholders that in a year of record gas production, and over a long drilling programme, GDC was able to maintain its continued high safety track record with nil cost time injuries reported. The safety of our employees, suppliers and other stakeholders is taken seriously, and this is a record we are both proud of and work hard to defend. I would like to thank our safety officers and all of the GDC staff whose ongoing compliance to our policies and procedures have allowed us to report another year of safe operations.

CSR

We pride ourselves on being more than just investors into the Cameroonian market place. We are employers of 121 Cameroonians, providing healthcare to our employees and some 340 additional family members. We are large contributors to the local economy, contributing some \$22.6 million (2016: \$12.5 million) in direct and indirect taxes in Cameroon.

In addition to this we also support further community outreach programmes and activities. I am particularly pleased to report on our participation in the Orbis Eye Clinic which provided sponsored optical medical treatment to people in Cameroon. Details of our CSR programmes in 2017 are in the CSR report on page 18.

Other

We reported the positive actions taken in evaluating the West Medvezhye subsurface potential for the purposes of seeking an investment partner or sale. We remain committed to making use of this asset and continue in our efforts to attract interest from potential investors.

I thank our shareholders for their ongoing support and continued faith in our Cameroonian stranded gas development story. The commitment and dedication of our management and employees during times such as these is admirable, and I thank them for their past and ongoing services.

Ahmet Dik

Chief Executive Officer
21 June 2018

Reserves & Resources

As at 31 December 2017



Logbaba Reserves

			Gross ¹	Net (57%) ²
Proved (1P)	Gas	bcf	69	40
Proved + Probable (2P)	Gas	bcf	309	176
Proved + Probable + Possible (3P)	Gas	bcf	535	305
Prospective Resources	Gas	bcf	1,373	783

West Medvezhye Reserves

			Gross ²	Net (100%)
Proven + Probable (C1 + C2)	Gas	bcf	11.8	11.8
Proven + Probable (C1 + C2)	Oil	mmbbls	15.6	15.6
Field Contingent Resources (103 discovery)	Gas	mmbbls	25	25
Field Contingent Resources (103 discovery)	Oil	bcf	24	24
Prospective Resources	Gas	bcf	3,902	3,902
Prospective Resources	Oil	mmbbls	722	722

Matanda Resources (Assignment pending Government approval)

In February 2016, the Company announced a 75% interest assignment of Logbaba's neighbouring licence area, the 1,235km² Matanda Block from Glencore. The formal Government process is still underway following a request from the Cameroon Government that the assignment corporate structure be amended and all parties are currently negotiating amendments to the PSC.

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

Notes

¹ From the Logbaba Field Deterministic Volume Estimates, May 2018, by Gaz du Cameroun S.A. and Exploration Reservoir Consultants Ltd using the SPE/WPC/AAPG/SPEE Petroleum Resources Management System as the basis for its classification and categorisation of hydrocarbon volumes.

² 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 Medvezhy License Block, 2012, by LLC Mineral+. Both reports use the Russian Natural Resources Classification System as the basis for classification and categorisation of hydrocarbon volumes.

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

Corporate Social Responsibility Report



Community relations

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

During 2017 GDC continued with its dialogue led Community Work, 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.

While we have continued our commitment to health and education schemes, GDC always listens to new concerns relating to life-affecting issues from member of the local community.

A number of initiatives were taken by GDC during this reporting period; some of the highlights being:

Education

- The donation of educational materials to six junior schools in the local proximity to the Logbaba site.
- Financial support to the University of Douala for the organisation of a Geoscience Conference.
- Donation of computer equipment to the Technical college in Douala.

Health

GDC financial supported the Orbis Flying Eye hospital visit to Douala. Orbis is a leading global NGO that has pioneered the prevention and treatment of blindness for over 30 years. As the world's first US accredited teaching hospital on board an MF-10 aircraft, Orbis transforms lives by providing the skills, resources and knowledge needed to deliver accessible and quality eye care. The Flying Eye Hospital made its first visit to Cameroon in 1999 at Douala International Airport. In October 2017, Orbis returned to Cameroon at Yaoundé-Nsimalen International Airport, for a four-week ophthalmic training programme. Equipped with a world class team of expert surgeons and volunteers, Orbis embarked on a remarkable mission to give people the gift of sight by providing free eye care to as many people as possible whilst working with local Ministries, Hospitals and local partners to enhance the surgical skills of local medical professionals via lectures, observations and hands-on training.

<https://gbr.orbis.org/en/what-we-do/flying-eye-hospital>

Environmental

In August 2017 GDC was a proud sponsor of an ECO-COLLECT Project in Douala. ECO-COLLECT was launched by a young Cameroonian entrepreneur named Rodrigue Ngonde, under the patronage of MINEPDED. ECO-COLLECT is the first national collection program to valorize and recycle plastic waste in Cameroon to preserve the environment by recycling plastic. This mission is accomplished via the following goals:

1. Educate urban communities on the importance of sorting and recycling plastic waste.
2. Ensure collection of plastic waste by installing 200 collection points in strategic cities.
3. Collect and recycle 10,000 tonnes of plastic waste every year.
4. Create 100 direct jobs and 10,000 indirect jobs (including 1,000s youth per region), through the "Holiday without Plastic Waste" initiative.

Over 1,000 students 18 years of age and older, were mobilized to collect plastic waste. GDC provided reflective jackets and durable gloves, which were used to carry out the clean-up campaign in Douala. A team from GDC joined the students for a day collecting plastic waste from neighborhoods, streets and commercial areas in Akwa. All the plastic collected was sorted, weighed, to be transported to ECO-COLLECT centres, to either be recycled by local partners or exported overseas (in cases requiring more sophisticated recycling machinery) converted into commercial goods such as shoes, tables, candle holders etc. In the future, Rodrigue Ngonde plans to expand the ECO-COLLECT project by building a plastic waste recycling plant in Yassa, Douala.

GDC's wider impact

GDC maintains an engaged and proactive relationship with local communities within Douala, Cameroon. As a domestic supplier of gas our contribution to the people of Cameroon has a wider reaching impact than the direct community engagement that we carry out:

1. Supporting the provision of clean energy – As a domestic supplier of gas we contribute a major energy source to the Cameroon economy. This has seen businesses move into the area of our pipeline reach allowing those wishing to access it to be provided with a consistent, safe source of combustion.



Our Community Commitment:

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

Corporate Social Responsibility Report continued



Many existing business have switched from the use of heavy fuel oil to a cleaner natural gas solution.

2. Fiscal contributions – We are a responsible and ethical company. We pay all applicable taxes and royalties as they become due and disclosing our dealings in an appropriate and transparent manner.
3. Direct employment and skills training – Over 40% of the GDC senior management are Cameroon nationals and other senior positions are now filled in the majority by individuals from the region. 95% 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. In addition to its employees GDC provides temporary employment to the local community directly and also encourages our local service providers to do the same. During 2017 between 50 to 90 community workers were engaged at any one time between ourselves and our suppliers.

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 and operates to ensure compliance with the standards expected of an international oil and gas exploration and production company.

At the outset of GDC's Logbaba Project GDC 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 completed a further Environmental and Social Impact

Assessment ("ESIA") as part of the La-108 and La-108 drilling programme planning the results of which feed into the Environmental and Social Management Plans ("ESMP") for the entire operation. In line with the ESMPs, Environmental Monitoring and Compliance is carried out as per Cameroon's environmental regulations notably: The Environmental Framework Law and the implementation Decree which lays down procedures for the realisation of Environmental Assessments. The Projects have been thus awarded Certificates of Environmental Conformity (CEC) are subjected to administrative and technical Environmental Monitoring. Such obligatory follow-up and supervision ensures projects respect their terms of approval in line with ESMP. The responsibility to monitor the compliance of ESMP implementation during projects/operations is vested on GDC's Environmental Officer.

Within this context, GDC in respect of national and international legislations and aligned with its integrated Quality, Health, Safety and Environmental, Policy prepares quarterly reporting in compliance with the specifications of the ESMPs which are submitted to the relevant stakeholders.

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 training programmes, for employees and customers, carrying emergency response and gas leak drills at both the gas processing plant and on customer sites. GDC also works very closely with the emergency services in Douala.



128 employees

**95% local
Cameroonians**

25% women



**Medical Insurance
provided to 121
employees and 340
family members**



**\$22.6 million paid
in local Cameroon
direct and indirect
taxes in 2017**

Financial Review



The Group's operational performance for the year ended 31 December 2017 ("current year") was strong at a project level, with the Logbaba Project achieving its highest ever gross gas sales. However, for the financial year, where the Group now reflects only the participating interest portion of Logbaba revenues generated the results were below expectations. The Logbaba drilling programme, which commenced in 2016, was completed in December 2017. The programme was complex and ran over budget, however both wells La-107 and La-108 were drilled to depth successfully and the Group has been able to increase its reserves considerably.

A cost recovery milestone was reached on Logbaba during the year ended 31 December 2016 ("prior year") after which revenues are shared in accordance with the participating interests ("Payout"). Prior to Payout, GDC received 100% of Logbaba revenue as a recovery mechanism for costs incurred during the exploration phase of the Project. Post Payout, GDC accounts for its participating interest of Logbaba revenues. Aside from incurring 100% of the initial exploration costs, GDC contributes its participating interest towards all exploitation costs incurred on Logbaba. Whilst the attainment of this milestone midway through 2016 should be viewed as a positive in terms of the development of Logbaba, Payout has had an impact on the Group's revenue, performance and cash generated. Having achieved Payout midway through 2016, the impact on the results of the Group in the prior year was not as great as the impact in the current year, which reports the attributable revenues, performance and cash generated for the full year.

	31 December 2017	31 December 2016
Gas sales (mmscf) – Gross	3,684	3,566
Gas sales (mmscf) – Attributable	2,163	2,898
Condensate sales (bbls) – Attributable	17,216	32,696
Revenue (\$'000) – Gross	40,613	40,554
Revenue (\$'000) – Attributable	23,471	32,751
Net royalties (\$'000)	2,609	3,779
Underlying EBITDA (\$'000)	4,593	13,063
Impairment of Oil and Gas assets, net (\$'000)	–	22,747
Loss before tax (\$'000)	(10,724)	(29,999)
Loss after tax (\$'000)	(10,134)	(31,145)
Basic loss per share (cents)	(8.86)	(28.74)
Operating cash flow before working capital (\$'000)	5,683	12,714
Cash working capital movement (\$'000)	(1,999)	10,265
Capital invested (\$'000)	39,752	27,024
Net debt (\$'000)	(13,061)	1,781

Financial Review continued



On 12 June 2017, the Group formalised a participation agreement entitling The National Hydrocarbons Corporation of Cameroon (“SNH”) to a 5% participating interest in the upstream operations of the Logbaba Project with an effective date of the commencement of exploitation activities on the Logbaba Project in late 2012. As a result, the Group’s participating interest in the upstream activities of the Logbaba Block has reduced from 60% to 57% to accommodate SNH’s interest. The Company is in ongoing negotiations with SNH regarding the mechanism for splitting the Logbaba activities into the upstream and downstream components to determine, amongst others: the potential participation of SNH in the downstream activities; the allocation of assets, liabilities, revenues and costs, and the associated transfer pricing mechanisms; and the net settlement required by SNH to take ownership of their entitlement. The Company has previously disclosed that it has a contingent liability regarding the payment of state royalty on the Logbaba Block. The resolution of the state royalty matter is included in these negotiations. The presentation of the Company’s Financial Statements has required management’s judgement with regard to the outcome of these negotiations to ensure that the financial statements present a fair and reasonable view of the financial position and results of the Company.

The completion of wells La-107 and La-108 in December 2017 ensures the sustainability of gas supply and diversifies production from one to three wells. In addition, the increase in reserves announced on 4 June 2018, will enable the Group to enter negotiations for a number of long-term, high volume gas supply agreements with electricity producers and other industries within Douala, which provides significant potential to grow the business.

The final cost of the drilling programme, excluding capitalised interest costs, was \$87.0 million (gross). For reasons explained in the CEO’s Review of Operations on pages 10 to 16 these wells significantly exceeded their initial gross budget of \$40.0 million. On an attributable basis this has resulted in the Company needing to fund an additional \$26.8 million, in addition to the initial budget of \$22.8 million. The funding for the incremental cost of the drilling programme was achieved via a blend of debt, new equity and management of our principal drilling suppliers.

The most significant reason for the increased drilling costs was the well control incident on La-108. Having obtained internal and external expert opinions in support of the chain of events, the Company has lodged an insurance claim with the Company’s insurers to cover the substantial and material costs associated with this event and the consequential schedule and cost overruns. The gross amount of the claim submitted is \$24.5 million. As is common in these situations, the outcome of our claim is not certain. The claim has been disclosed as a contingent asset in the financial statements.

On 31 December 2016, the Board decided that it was appropriate to fully impair La-106 as the well was not able to produce the volumes of gas expected from it. Despite the Company continuing to bear 100% of the depreciation on well La-105, a consequence of fully funding the exploration activities on the Logbaba Block, no further asset impairments have been made in the current year.

Financial Review continued



Statement of Comprehensive Income

At a gross level the gas sold for the year of 3,684mmcf is a 3.3% increase on the 3,566mmcf sold in the prior year. Attributable gas sold for the current year was 2,163mmcf (2016: 2,898mmcf). Attributable gas sold was 59% of gross gas (2016: 81%, owing to the timing of Payout).

Revenue from attributable gas and condensate sales was \$23.5 million (2016: \$32.8 million). The \$9.3 million reduction in revenue, on an increasing level of gross gas sold, reflects the full impact of Payout on the Company. With a relatively fixed cost base, this reduction in attributable revenue flows directly through to underlying EBITDA. The extension of the ENEO Cameroun S.A. ("ENEO") contract to 31 December 2017 at a gas price of \$7.50/mmbtu (previously \$9.00/mmbtu) also impacted the revenue for the year.

Net royalties, being the royalties paid less the Group's share of profit from associate (which represents the Group's 35% interest in Cameroon Holdings Limited, which in turn earns a royalty from GDC), was 11.1% of attributable revenue for the current year (2016: 11.5%).

Management continues to make efforts to reduce costs in the business. Administrative expenses, which were broadly in line with the prior year, were affected by a further \$0.6 million increase provision for land claims, which was disclosed as a contingent liability in the prior year. Other losses include \$1.8 million of losses related to foreign exchange movements (2016: \$0.7 million).

	31 December 2017 \$'000	31 December 2016 \$'000
Operating loss	(10,158)	(28,413)
Depreciation	14,751	18,729
Impairment of Oil and Gas asset	–	22,747
Underlying EBITDA	4,593	13,063

Depreciation for the current year was \$14.8 million (2016: \$18.7 million), which is largely variable and associated with the volumes of gas produced.

Underlying EBITDA, which removes depreciation and impairment charges from the reported operating loss, of \$4.6 million (2016: \$13.1 million) reflects the impact of Payout on the revenues and underlying performance of the Logbaba Project.

The Group produced a loss before tax of \$10.7 million (2016: \$30.0 million), and a loss after tax of \$10.1 million (2016: \$31.1 million). The basic and diluted loss per share was 8.86 cents (2016: 28.74 cents).

Statement of Financial Position

Intangible assets of \$54.2 million (2016: \$17.6 million) represent the costs incurred on the Logbaba drilling programme. When feasible these costs will be transferred to oil and gas assets within property, plant and equipment.

The increase in trade receivables to \$13.5 million (2016: \$8.8 million) is due to an attributable increase in the ENEO receivable of \$1.2 million and a \$3.8 million increase in partner receivables being RSM's share of drilling costs and SNH's receivable following their participation.

Trade and other payables of \$14.3 million (2016: \$12.8 million) increased due to increased expenditure on the drilling programme.

Cash and cash equivalents were \$11.5 million (2016: \$16.3 million). Borrowings have increased to \$24.5 million (2016: \$14.5 million). The Company had made applications for an additional debt facility with local banking institutions in Cameroon during the second half of 2017. With ENEO suspending the consumption of gas on 1 January 2018, management decided to place the applications on hold until the matter was resolved.

	31 December 2017 \$'000	31 December 2016 \$'000
Cash and cash equivalents	11,476	16,261
Borrowings:		
Current liabilities	(3,174)	(6,707)
Borrowings:		
Non-current liabilities	(21,363)	(7,773)
Net (debt)/cash	(13,061)	1,781

During 2017 the Company obtained shareholder and High Court approval for the cancellation of the Company's deferred shares and a reduction of the Company's share premium account from \$230.6 million to nil.

Financial Review continued



Net debt and liquidity

Net debt of \$13.1 million (2016: net cash of \$1.8 million) reflects the liquidity position of the Group.

The Company raised \$23.7 million net proceeds in an equity placement in November 2017. We thank our new and existing shareholders for the confidence that they have shown in the Company.

Cash Flow Statement

Operating cash inflows, prior to the effects of working capital movements, were \$5.7 million (2016: \$12.7 million), reflecting the impact of the revenue sharing post Payout.

Working capital increased \$2.0 million (2016: decreased \$10.3 million) owing to larger drilling related payables and accruals.

Capital investment of \$39.8 million (2016: \$27.0 million) relates mainly to spending on the drilling programme and process plant enhancements. The capital investment was funded by the \$23.7 million net proceeds from the equity placement, \$15.2 million proceeds from borrowings (2016: \$10.0 million), and the balance via an increase in trade and other payables. Repayment of capital on borrowings was \$7.8 million (2016: \$2.7 million). Capital investment in 2018 has been reduced to only the essential spending and committed costs.

At year-end the Group had cash and cash equivalents and debt headroom of \$11.5 million (2016: \$30.8 million).

Commitments

The Logbaba Concession does not contain any work programme obligations.

The Group awaits the Presidential Decree to formalise its assignment of a 75% participation in the Matanda Block. GDC's share of the Matanda work programme, which the block will have two years to execute from the date of the Presidential Decree, is anticipated to be \$11.25 million.

Subsequent Events

With effect from 1 January 2018, ENEO ceased taking gas from GDC and did not renew the Gas Sale Agreement. Management continues to engage with the relevant stakeholders in Cameroon with the aim of agreeing a new long-term contract and reinstating the production of gas fired electricity at the Logbaba and Bassa power stations.

On 23 April 2018, Iain Patrick resigned as an Independent Non-Executive Director of the Company.

On 14 June 2018, the Group announced that it had renegotiated the terms of the BGFIBank loan agreement. The revised loan agreement has a five-year tenure commencing in July 2018 and includes a twelve-month interest-only period. The remaining terms of the loan remain materially unchanged.

Going Concern

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

There are a number of uncertainties that may affect the Company's ability to continue operating as a going concern, these are disclosed in Note 3 of the Financial Statements.

The Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets. In the case that either ENEO does not resume consumption or a settlement of the insurance claim is not completed, additional finance will be required and, in this event, the Directors believe that they will be able to access additional financing in order to continue to meet obligations and develop operations for a period of at least twelve months from the date of approval of these Financial Statements.

On this basis the Directors have concluded that it is 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.

Looking Ahead

The non-renewal of the ENEO contract will have a significant impact on the financial results of the Company in 2018.

Maintaining sufficient liquidity and meeting the Group's obligations as they fall due will enable the Group to remain in position to benefit from the considerable upside potential which exists in the Cameroonian energy market.

Andrew Diamond

Finance Director

21 June 2018

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:

Strategic	The Group is reliant on the development of the energy sector in Cameroon for the monetisation of its assets. Failure to develop this sector to meet the growing power demand in the country is a significant risk to the strategy of the Group. Additional strategic risks include those risks inherent in the appraisal, development and production of hydrocarbons.
Risk or uncertainty	2017 Outcome and mitigating action
The existence of a growing market for gas in Cameroon is key to the successful commercial development of the Logbaba and Matanda Blocks	<p>The Company has relied on several sources such as the Cameroon Government's estimate of future power demand and discussions with potential new power suppliers seeking to use gas as well as existing customers seeking to increase gas consumption in Cameroon. The Company cannot guarantee the future demand, nor that energy demand will be met through gas sales, rather than alternatives such as hydropower, and therefore there is a risk that revenue from these potential customers will not materialise or be reduced.</p> <p>The Group has established strong relationships with local and national government and regulatory bodies which enable the Group to monitor the political and regulatory environment.</p>
Reliance on a key customer (ENEO) without the security of a long-term contract	<p>The ENEO contract expired on 22 April 2017 and was extended to 31 December 2017. ENEO has not resumed gas consumption in 2018. The Group experienced significant delays in collections during 2017. The Group is seeking to renew the contract with improved payment security. The non-renewal of this customer would lead to a significant reduction in revenues and cash generation.</p> <p>In parallel, the Group has a renewed focus on providing retail power solutions to Douala customers and expanding the product range with the objective of diversifying the customer base.</p>
Political and regulatory uncertainty and delays or refusal in granting approvals may severely inhibit project development	<p>Cameroon faces civil unrest between anglophone and francophone factions. Changes and potential changes to political leadership have resulted in increased political uncertainty and slower decision taking in Cameroon. The uncertain regulatory environment and adverse investment climate may affect the Group's ability to execute commercial transactions, including the completion of the Matanda and Bomono acquisitions.</p> <p>The Group continues to engage with the respective Government and regulatory body representatives to progress the Group's agenda.</p>

Principal Risks & Uncertainties continued



Financial	The non-renewal of the ENEO contract, in conjunction with the residual drilling liabilities, leaves the Group under significant funding and liquidity risk. Other financial risks include volatility in commodity prices, foreign currency risk, interest rate risk, changes in fiscal regimes and credit risk.
Risk or uncertainty	2017 Outcome and mitigating action
The Group's ability to access funding to meet commitments and development plans	<p>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 Group raised net proceeds of \$23.7 million in equity during the year. Stringent capital discipline is deployed to maximise value and is reviewed at every Board meeting. 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.</p>
The Group has insufficient funds available to continue running operations and meeting financial obligations	<p>Group cash flows are rigorously monitored and managed to ensure the Group is in a liquid position and able to meet its ongoing commitments.</p> <p>Application for additional debt to fund the expansion programme, and all of the related capital expenditure, have been put on hold pending certainty in the Cameroon power sector.</p> <p>In 2018 the Groups BGFI debt facility has been restructured.</p>

Principal Risks & Uncertainties continued



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 or uncertainty	2017 Outcome and mitigating action
Exploration and production activities are inherently uncertain in their cost, reserve estimations and outcomes	<p>Wells La-107 and La-108 were completed during 2017, adding significantly to the available gas reserves of the Group.</p> <p>Projections of future production are based on historic production levels and reserve estimates. Generally accepted, industry standard reserves reporting techniques have been used to calculate reserves and resources. All estimates of reserves and resources involve some degree of uncertainty.</p> <p>Future production and the quantity of recoverable reserves may vary significantly from that expected and could affect the estimated remaining quantity of the Company's reserves and, therefore, the commercial viability of the Group's current, future or potential producing assets.</p> <p>The Group's activities are in proven gas basins. The Group uses a range of geotechnical techniques to minimise risk prior to drilling and utilises independent reserves auditors to assess reserves and commercial viability. The Group has access to specialists who have gained knowledge and experience in the Company's technical challenges.</p>
Natural disasters, project delays and cost overruns	<p>Whilst the drilling programme was completed in 2017, the remediation of well La-108 required to remove the stuck perforation gun and to perforate the upper Logbaba zones will be subject to the risks normally associated with exploration and production of oil and gas, including blow-outs, explosions, hurricanes, earthquakes and fires and may result in the Group's current or future projected target dates for production being delayed or further capital expenditure being required.</p>
The nature of the Group's operations exposes it to a wide range of HSSE risks, including cybercrime risk	<p>The Logbaba gas wells and pipeline network are located in the metropolitan area of Douala, Cameroon, with a population of 2.5 million. The Group is committed to maintaining high health, safety, security and environmental standards and continuously reviews HSSE policies and procedures and monitors performance. The Group has a comprehensive all-risk insurance package including business interruption.</p> <p>The Group is aware of the growing threat of cybercrime. The Company is implementing measures to ensure that the Group systems are secure and able to adequately protect its intellectual property and confidential information.</p>
Alternative gas markets cannot be developed quickly enough or in sufficient volume to provide required revenue	<p>The Group is working on developing a gas-to-power solution for new and existing customers, with CNG and natural gas vehicles as potential alternative markets. The Directors will assess if such alternative gas markets are economically viable before implementation.</p>
Failure to effectively manage community relations could impact production and sales	<p>The Group has a Corporate and Social Responsibility Policy and is committed to conducting its business in accordance with best practice standards. The Group carries out impact assessments, identifies mitigation measures and implements them. The Group engages regularly with local communities to provide information on operations and address any concerns.</p>

Principal Risks & Uncertainties continued



Compliance	The Group's current business is dependent on the continuing enforceability of the PSCs, farm-in agreements and exploration and development licences. Developments in politics, law, regulations and/or general adverse public sentiment could compromise the business.
Risk or uncertainty	2017 Outcome and mitigating action
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 and local laws. 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.
The areas in which the Group operates are perceived to have serious bribery and corruption problems and issues	The Group has a zero-tolerance attitude towards bribery and corruption. The Group has an Integrity Policy, consistent with the Group's obligations arising under all relevant legislation and has procedures in place to monitor compliance.
The Group is subject to compliance requirements within the regulatory frameworks that it operates in	<p>The Group is subject to operational, environmental, safety and fiscal requirements, which are subject to frequent change. The legislation often lacks clarity and there is the added risk of receiving substantial fines for non-compliance.</p> <p>Fiscal pressures on Government as a result of reduced revenues due to lower oil prices is evident in the increasing number of audits been undertaken to identify areas of non-compliance. The Group remains committed to maintaining the highest levels of compliance and works closely with local regulatory authorities to ensure we operate within the regulatory frameworks.</p>

This Strategic Report was approved by the Board of Directors on 21 June 2018 and signed on its behalf by:

Kevin Foo
Executive Chairman
21 June 2018

Directors & Other Information



Kevin Foo
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.

Mr Foo holds an MSc. from University of London, Diploma Imperial College (D.I.C.), Diploma of Metallurgy from the Ballarat School of Mines and is a member of I.M.M., A.I.M.E. and Aus. IMM.



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

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

Company Secretary

Leena Nagrecha

Company Number

5139892

Registered Office

Victoria Oil & Gas Plc
1st Floor
Hatfield House
52/54 Stamford Street
London SE1 9LX

Auditors

Deloitte Ireland LLP
Deloitte & Touche House
Earlsfort Terrace
Dublin 2
Ireland

Bankers

Barclays Bank Plc
Level 27, One Churchill Place
London E14 5HP

Solicitors

Kerman & Co LLP
200 Strand
London WC2R 1DJ

Nominated Adviser

Strand Hanson Limited
26 Mount Row
London W1K 3SQ

Directors & Other Information continued**John Bryant****Independent Non-Executive Director**

Mr Bryant has extensive commercial and financial experience in the oil, gas and energy sectors. He has held a number of senior executive posts in companies involved internationally in power generation and distribution, gas distribution, renewable energy, and oil and gas services. In Africa he has been responsible for operations in Egypt, Kenya, Zambia, Namibia and in South Africa with the Metro Gas Company of Johannesburg. He has also served as a director of the Athens gas company, Attiki Gas Company S.A. Mr Bryant has also held a number of non-executive positions, including chairman and senior independent director in AIM listed companies involved in resources, energy and technology. 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.

**Roger Kennedy****Senior Independent Director**

Dr Kennedy has worked within the natural resources industry for over 30 years developing and executing company and project strategies, in addition to his roles as an investment manager and as a senior advisor. Currently he is Director of KCP Private Limited, a family office focused on investments in natural resources, infrastructure, technology, consumer finance and power. 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.

Prior to 2012, Dr Kennedy was Managing Director and Head of the Energy & Natural Resources Group, Asia Pacific at J.P. Morgan Securities (Asia Pacific) Limited, where he managed a large Asia Pacific based team focused on Oil & Gas, Metals & Mining, Power and Chemicals. From 1994 to 2000 Mr Kennedy was Head of the Latin American Industrials Group (Oil & Gas, Metals & 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. Dr 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.

Joint Brokers

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

GMP First Energy Capital LLP
85 London Wall
London EC2M 7AD

Registrars

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

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 has had regard to the Code and the recommendations on corporate governance by the Quoted Companies Alliance.

As a result of the recent changes to the AIM Rules for companies, the Board is currently reviewing which corporate governance code to adopt on a ‘comply or explain’ basis as is required from 28 September 2018.

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 is collectively responsible for the governance of the Company and is accountable to the Company’s shareholders for the long-term success of the Group. The Board sets the Company’s strategic objectives and ensures that they are properly pursued within a sound framework of internal controls and risk management.

During the financial year, the Board of Directors had six members, comprising the Executive Chairman, Chief Executive Officer, Finance Director and three independent Non-Executive Directors. Iain Patrick independent Non-Executive Director resigned as Director on 23 April 2018. The Company is seeking to appoint an additional independent Non-Executive Director.

The Board has appointed Roger Kennedy as Senior Independent Director with effect from 24 April 2018. Roger Kennedy joined the Board on 14 July 2016 as independent Non-Executive Director.

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 met a further ten 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 one instance. All members of the Board attended one strategy away day meeting and one scheduled Board meeting combined with strategy discussions in Douala, Cameroon during the year. Details of the attendance of the Directors at these meetings, together with meetings of the audit and remuneration committees are set out below. Three Directors were unable to attend all the additional meetings convened due to other prior commitments.

Directors	Board (scheduled)	Board (additional)	Strategy (scheduled)	Audit Committee	Remuneration Committee	Nomination Committee
Kevin Foo	6/6	10/10	1/1	–	8/8	–
Ahmet Dik	6/6	8/10	1/1	–	–	–
Andrew Diamond	6/6	10/10	1/1	–	–	–
John Bryant	6/6	10/10	1/1	5/5	8/8	–
Iain Patrick	6/6	9/10	1/1	5/5	8/8	–
Roger Kennedy	6/6	7/10	1/1	5/5	8/8	–

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

During the year, the membership of the Audit Committee was represented by three independent Non-Executive Directors, Iain Patrick, John Bryant and Roger Kennedy. Iain Patrick chaired the committee during the year and up to the date of his resignation as Director of the Company, when Roger Kennedy was appointed Chairman effective 24 April 2018.

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. Additional meetings are held where necessary to consider matters referred by the Board. 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 and accounts, the interim results and review of the accounting policies. Meetings are held at least three times

Corporate Governance Statement continued



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 authorises any non-audit work to be carried out by the external auditors. The committee is satisfied that the objectivity and independence of the external auditor has not been impaired in anyway by the nature of the non-audit work undertaken, the level of non-audit fees charged for such work or any other factors.

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

Remuneration Committee

The Remuneration Committee is chaired by John Bryant. The other members of the committee during the year were Iain Patrick, Roger Kennedy and Kevin Foo. The committee was represented by three independent Non-Executive Directors and the Executive Chairman during the year and up to the date of resignation of Iain Patrick as Director of the Company on 23 April 2018. Kevin Foo, Executive Chairman ceased to be a member of the committee with effect from 24 April 2018.

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.

Nomination Committee

The Nomination Committee is chaired by the Executive Chairman, and other members of the committee during the year were John Bryant, Iain Patrick and Roger Kennedy. The committee was represented by three independent Non-Executive Directors and the Executive Chairman during the year and up to the date of resignation of Iain Patrick as Director of the Company on 23 April 2018. There have been no further changes to the membership of the committee following Iain Patrick's resignation. The committee did not meet during the year.

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.

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 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 all of its 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, presentations and 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 Board acknowledges that it is responsible for managing any allegations of misappropriation, fraud, corruption or any other malfeasance which comes to its attention, and to implement control systems to ensure that knowledge of such events are communicated to the Board in a timely and accurate manner.

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 2017, the Group completed the drilling of wells La-107 and La-108 at Logbaba. The drilling programme was successful and has resulted in an expansion of available gas reserves. The Group awaits a Presidential Decree conferring title of its participating interest in the Matanda Block in Cameroon. The focus in 2018 is to renew the contract for the existing 50MW gas-to-power generators and to expand the sales of gas through other prospective gas-to-power customers, additional thermal sales, industrial customer generator power installations, developing the CNG prospects and reducing costs in the business to ensure the Group remains able to meet its financial obligations.

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 31. The Cameroonian operations are funded by operating cash flows and partner contributions, 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
Ahmet Dik
Andrew Diamond

Independent Non-Executive Directors

John Bryant
Iain Patrick (resigned 23 April 2018)
Roger Kennedy

Rotation and Election of Directors

In accordance with Article 102.2 of the Company's Articles of Association, Kevin Foo and John Bryant will retire by rotation and stand for re-election.

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

Dividends

The Directors do not propose that a dividend be paid (prior year: 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 Ireland LLP, will be proposed at the Annual General Meeting.

Substantial Shareholders

At 21 June 2018, 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	8,093,473	5.6%
Forest Nominees Limited (GC1)	7,775,366	5.4%
Trafelet Brokaw Capital Management, LP	7,422,629	5.1%
YF Finance Limited	5,118,139	3.5%

Share Capital

Details of changes to share capital in the year are set out in Note 23. This includes the reduction of share capital approved by the shareholders at the 2017 Annual General Meeting on 28 June 2017 and the share placing and open offer approved by the shareholders at the General Meeting held on 13 November 2017.

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 or reasonably accessible for the working capital requirements of the Group in order to finance the continuing development of its existing projects. Sufficient funds are available or reasonably accessible 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 the Strategic Report and in Note 3.

Annual General Meeting

The AGM of the Company will be held in London on 28 June 2018. The Notice of the AGM together with an explanation of the resolutions to be proposed at this meeting are available on the Company's website www.victoriaoilandgas.com

Owing to the delay in publishing the Annual Report and Accounts, these will not be received at the AGM. A separate General Meeting will be convened to consider the Annual Report and Accounts.

By Order of the Board,

Leena Nagrecha

Company Secretary
21 June 2018

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.

During the financial year the Committee was represented by three independent Non-Executive Directors and the Executive Chairman and chaired by John Bryant. Following resignation of Iain Patrick as Director on 23 April 2018, the membership of the Committee comprises two independent Non-Executive Directors. The Executive Chairman ceased to be a member of the Committee with effect from 24 April 2018.

The Committee has met eight times during the year.

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 is 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 may be paid in shares of the Company. The Committee will, in accordance with Executives' contracts, determine on an annual basis the level of deferral of the bonus payment into the Company's shares, the vesting period and the maximum vesting period.

The performance targets for the year ended 31 December 2017, included 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; and
- Management of capital funding for required activities.

Based on review of performance against the above listed targets, the Committee has concluded that whilst certain of the objectives were achieved, in light of the current financial position of the Company no bonus awards for the year ended 31 December 2017 should be granted. This recommendation from the Committee was approved by the Board.

The performance targets for the year ending 31 December 2018 include the following:

- Total Shareholder Return performance relative to the AIM All Share Oil and Gas index;
- Re-establish gas sales for the 50MW grid-power sector;
- Additional gas sale agreements with grid and non-grid customers;
- Ensure sufficient cash levels are maintained;
- Extend industrial customer gas to power and CNG concepts; and
- Reserves growth targets.

The Annual Bonus Plan does not contain any claw back provisions.

Directors' Remuneration Report continued**Long-Term Incentive**

During the year, the Committee reviewed, and recommended introduction of a Long-Term Incentive Plan designed to align the interests of Executive Directors with those of shareholders and forming part of their performance-related pay. In September 2017, the Board endorsed adoption of the Long-Term Incentive Plan and it is intended that awards in the form of market priced options will be granted to Executive Directors on a rolling annual basis with vesting periods and performance conditions at the discretion of the Board. In view of the Company's current financial position, the Board has agreed to defer making awards under this plan for the time being.

Benefits

The Company provides medical insurance cover and pensions auto-enrolment for all UK based employees. The Company makes a monthly contribution into pension schemes 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	Pension \$	Healthcare \$	Travel \$	Total \$
Kevin Foo		8,243	4,404	12,647
Ahmet Dik	98,406	11,862	–	110,268
Andrew Diamond	30,630	3,540	–	34,170
	129,036	23,645	4,404	157,085

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 2017, 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 2017
John Bryant	1 December 2014	1 December 2018 [†]	11 months
Iain Patrick [‡]	16 December 2015	16 December 2018	12 months
Roger Kennedy	14 July 2016	14 July 2019	19 months

[†] Contract extended for a fixed one-year term.

[‡] Resigned as Director on 23 April 2018

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 2017 was as follows:

	Salaries and fees \$	Annual cash bonus \$	Annual share-based bonus \$	Share-based payment \$	Benefits in kind \$	Other payment \$	Total \$
12-months to 31 December 2017							
Executive Directors							
Kevin Foo	388,150	—	—	—	12,647	—	400,797
Ahmet Dik	600,000	—	—	—	110,268	63,881 ⁱ	774,149
Andrew Diamond	222,625	—	—	—	34,170	—	256,795
Non-Executive Directors							
John Bryant	103,507	—	—	—	—	—	103,507
Iain Patrick	103,507	—	—	—	—	—	103,507
Roger Kennedy	103,445	—	—	—	—	—	103,445
	1,521,234	—	—	—	157,085	63,881	1,742,200

	Salaries and fees \$	Annual cash bonus \$	Annual share-based bonus ^h \$	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 ^e	—	248,252	541,680
Non-Executive Directors							
John Bryant	107,535	—	—	—	—	—	107,535
Iain Patrick	107,827	—	—	—	—	—	107,827
Roger Kennedy ^f	46,753 ^g	—	—	—	—	—	46,753
	1,533,667	—	450,938	452,872	116,698	404,037	2,958,212

^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 Options exercised to purchase shares from the ESOP Trust.

^f Appointed as Director on 14 July 2016.

^g Received an advance payment of Directors fees for 2017 in December 2016 amounting to \$65,846. The advance is reflected in 2017 fees.

^h Nil cost share options granted for total amount of the bonus award.

ⁱ 2016 component of salary adjustment.

Directors' Remuneration Report continued**Directors' Interests in Share Capital of the Company**

The interests of Directors who held office at 31 December 2017 are set out in the table below:

	Ordinary Shares held		Ordinary Share Options			
	1 January 2017	31 December 2017	1 January 2017	Granted during the year ⁱ	31 December 2017	Exercise price
Executive Directors						
Kevin Foo	2,232,638	2,345,357	500,000 ⁱⁱ	240,948	740,964	0.5 pence
Ahmet Dik	925,787	1,148,110	–	433,735	433,735	–
Andrew Diamond	4,000	14,554	–	205,422	205,422	–
Non-Executive Directors						
John Bryant	–	21,754	–	–	–	–
Iain Patrick	–	21,754	–	–	–	–
Roger Kennedy	–	1,754	–	–	–	–

ⁱ Nil cost options, 50% of which vested on 1 January 2018 and the remaining 50% will vest on 1 January 2019. Options granted to Mr Dik and Mr Diamond expire on 31 August 2022 and the Options granted to Mr Foo expire on 2 October 2022. These options relate to the Annual Bonus Plan awards relating to 2016.

ⁱⁱ Options for 500,000 shares granted under the Employee Share Option Scheme priced at 0.5p, with an expiry date of 8 March 2023.

John Bryant

Remuneration Committee Chairman
21 June 2018

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
21 June 2018

Andrew Diamond
Finance Director
21 June 2018

Independent Auditor's Report to the members of Victoria Oil & Gas Plc



Opinion

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 2017 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB");
- the parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Victoria Oil & Gas Plc (the 'parent Company') and its subsidiaries (the 'Group') which comprise:

- The Consolidated Income Statement;
- The Consolidated Statement of Comprehensive Income;
- The Consolidated and Parent Company Balance Sheets;
- The Consolidated and Parent Company Statements of Changes in Equity;
- The Consolidated Cash Flow Statement ; and
- The related Notes 1 to 32 and Notes A to J including a summary of significant accounting policies as set out in Note 1 and Note A.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB"). 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the Financial Statements, which is not modified, we draw your attention to: Note 3 to the Group's consolidated Financial Statements concerning the Group's and Company's ability to continue as a going concern. The Group incurred a loss of \$10.1 million for the year ended 31 December 2017. The Group have a degree of reliance on a relatively small number of key customers, in particular ENEO who have not renewed their gas supply agreement with the Group. This contract expired on 31 December 2017. In addition there have been a number of delays in relation to receipt of payment from ENEO for gas consumed during the year to date. 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 \$11.5 million at the Balance Sheet date and have borrowings of \$24.6 million. Post year end the Group has restructured their loan facility. The agreement includes a clause which allows for a twelve month deferral of capital repayments until April 2019.

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



The Directors have prepared cash flow projections which indicate that the Group will require additional funding to continue in operation for a period of at least twelve months from the date of approval of the Financial Statements. The Directors are confident that the Group will be able to raise sufficient capital to continue in operation via an equity placement or other means of fundraising. On this basis the Directors have prepared the financial statements of the Group on the basis that the Group is a going concern.

In response to this, we:

- obtained an understanding of the Group's controls over the development and approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and implementation of these controls;
- tested the key assumptions used in the cash flow forecasts by agreement to historical run rates, expenditure commitments and other supporting documentation;
- discussed with the Directors potential financing options being explored;
- performed sensitivity analysis on the cash flow forecasts to assess the amount of headroom;
- tested the clerical accuracy of the cash flow forecast model; and
- assessed the adequacy of the disclosures in the Financial Statements.

As stated in Note 3, these events and conditions, along with the other matters as set forth in Note 3 to the Financial Statements, indicate that a material uncertainty exists that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • <i>Recoverability of Property, Plant and Equipment;</i> • <i>Recoverability of Exploration and Evaluation Assets;</i> • <i>Recoverability of investments in subsidiaries, associates and recoverability of amounts due from subsidiaries;</i> and • <i>Going concern (see material uncertainty relating to going concern section).</i> <p>Within this report, any new key audit matters are identified with Ⓐ and any key audit matters which are the same as the prior year identified with Ⓑ.</p>
Materiality	<p>The materiality that we used for the Group financial statements was \$1,000,000 which was determined on the basis of a blended rate of 2% of shareholders equity and 1% of revenue. The materiality applied by the component auditor was \$750,000.</p>
Scoping	<p>Our Group audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the Group level. We also considered the quantum of financial statement balances and individual financial transactions of a significant nature.</p> <p>We assessed the Group to consist of two significant components being Victoria Oil & Gas PLC ("Company") and Gaz du Cameroun S.A. ("GDC"). We performed a full scope audit on these components.</p>
Significant changes in our approach	<p>No significant changes in our approach.</p>

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.


In addition to the matter described in the Material Uncertainty relating to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter title **» Recoverability of Property, Plant & Equipment**

Key audit matter description	<p>As at 31 December 2017, the value of Property, Plant & Equipment ("PPE") including Oil and Gas ("O&G") assets was \$70.9 million (2016: \$81.4 million). An Impairment charge of \$22.7 million was recognised in relation to well La-106 in the prior year.</p> <p>PPE assets relate to costs capitalised in relation to the gas reserves in production. PPE assets are tested against the expected recoverable amount by comparing the carrying value of the asset against the future net cash flows expected. Calculation of the recoverable amount of the asset requires judgement in determining appropriate assumptions including growth projections, revenue and consumption assumptions and discount rates to use when projecting future cash flows.</p> <p>There is a risk that projections and assumptions, which are inherently subjective, are overly optimistic, resulting in an impairment not being identified and recognised in the Financial Statements.</p> <p>The Group also have a degree of reliance on a relatively small number of key customers, in particular ENEO who have not renewed their gas supply agreement with the Group. The Group, in conjunction with the Government of Cameroon and ENEO, continue to seek a resolution to the issue. The recoverability of PPE assets is also dependent on ENEO resuming the consumption of Logbaba gas or additional customers being signed on.</p> <p>Refer to the accounting policy in Note 1 and the disclosures in Note 15 of the Financial Statements.</p>
How the scope of our audit responded to the key audit matter	<p>Our audit response included the procedures below:</p> <ul style="list-style-type: none"> • We have evaluated management's procedures for assessing indicators of impairment of PPE. • We obtained an understanding of management's controls over the development and approval of the projections and assumptions used in the impairment model to calculate the recoverable value of PPE and assessed the design and implementation of these controls. • We tested each key assumption used in management's calculation of the value in use of the PPE by reference to historical trends and the gathering of other relevant information including market data. We also reviewed the appropriateness of the discount rate used in the model. • We tested cost assumptions by agreement to relevant information including capital expenditure commitments and historical run rates of operating costs. • We assessed the adequacy of the disclosures in the financial statements.
Key observations	<p>Projections and assumptions used in calculating the recoverable amount of PPE are inherently subjective, resulting in a risk that impairment may not be identified and recognised in the Financial Statements. The recoverability of PPE is dependent on continued revenue growth from the Logbaba Project in Cameroon and the continued successful discovery and development of economic reserves which is subject to a number of uncertainties including the ability of the Group to raise sufficient finance to continue to develop operations.</p> <p>The Financial Statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.</p>

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



Key audit matter title	 Recoverability of Exploration and Evaluation Assets
Key audit matter description	<p>As described in Note 1 (Significant accounting policies) and Note 14 (Intangible assets), the Group held Exploration and Evaluation ("E&E") assets of \$53.9 million (2016: \$17.4 million) as at the year end. The exploration and evaluation assets relate to the Logbaba drilling programme and represent the cost of the development of the La-107 and La-108 wells.</p> <p>In accordance with IFRS 6, Exploration and Evaluation costs are capitalised as intangible assets until technical feasibility and commercial viability of extraction of reserves are demonstrable, at which point the cost of the assets is transferred to PPE. The recoverability of E&E assets is dependent on the successful development of reserves, which is subject to a number of uncertainties. Indicators may exist that successful discovery and development of reserves is not likely and that the carrying value of E&E assets is in turn impaired.</p> <p>As disclosed in Note 14 to the financial statements, the outcome of ongoing field development, and therefore whether the carrying value of intangible exploration and evaluation assets will be recovered, is inherently uncertain. This gives rise to a key audit matter.</p>
How the scope of our audit responded to the key audit matter	<p>In response to the risk identified we performed the following;</p> <ul style="list-style-type: none"> • We considered and evaluated the Directors assessment of indicators of impairment in relation to the E&E assets; • We obtained a detailed understanding and evaluated the design and implementation of key controls; • We reviewed the current results of perforation and testing of La-107 and La-108 and the level of expenditure required to bring the wells into production; and • We assessed the adequacy of the disclosures in the Financial Statements.
Key observations	<p>No impairment indicators have been identified based on review of current project field developments and post year end drilling progress.</p> <p>Recoverability of E&E assets is dependent on the successful development of reserves, which is subject to a number of uncertainties including the ability of the Group to raise sufficient finance to develop the projects and bring the assets to economic maturity and profitability. The Financial Statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.</p>

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



Key audit matter title	» Recoverability of Investments in subsidiaries, associates and amounts due from subsidiaries
Key audit matter description	<p>As described in Note A (Significant accounting policies) and in Notes B and C on pages 87 and 88, the Parent Company hold investments in subsidiaries and associates of \$12.4 million (2016: \$12.4 million) and \$4.5 million (2016: \$4.5 million) respectively and amounts due from subsidiaries of \$75.0 million (2016: \$64.8 million) at the Balance Sheet date.</p> <p>The realisation of investments in subsidiaries and associates and amounts due from subsidiaries is dependent on the continued successful development of economic reserves and revenue growth from the Logbaba Project. As such we have identified this as a key audit matter.</p>
How the scope of our audit responded to the key audit matter	<p>We carried out the following procedures;</p> <ul style="list-style-type: none"> • We evaluated the design and implementation of key controls identified in the impairment process; • We reviewed the carrying value of the investments and amounts due from subsidiaries for impairment indicators; • Assessed whether the accounting treatment for the associate and subsidiaries were appropriate and accurately recorded in the Financial Statements; and • We assessed the adequacy of the disclosures in the Financial Statements.
Key observations	<p>As noted above the realisation of investments and the recoverability of amounts due from subsidiaries is dependent on the continued successful development of economic reserves on the Logbaba Project which is subject to a number of uncertainties including the ability of the Group to raise sufficient finance to continue to develop the project. The Financial Statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.</p>

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

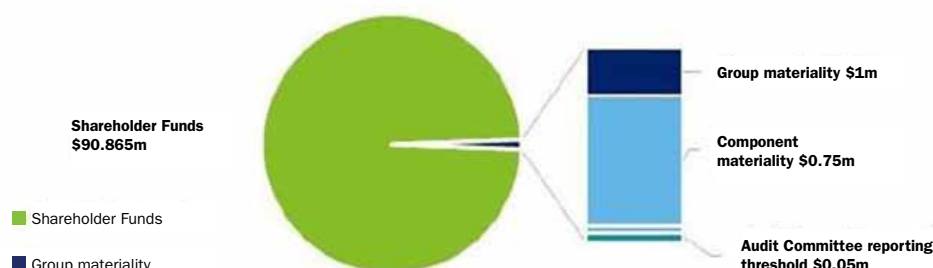
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	\$1,000,000 (2016: \$1,400,000)	\$750,000 (2016: \$850,000)
Basis for determining materiality	Materiality was determined on the basis of a blended rate of an average of approximately 2% of shareholders equity and 1% of Revenue.	Blended rate of an average of approximately 2% of shareholders equity and 1% of Revenue.
Rationale for the benchmark applied	<p>We have used two benchmarks to determine our materiality, which we believe cover key metrics of the Group which are used by stakeholders.</p> <p>Given that the Group is currently transitioning from an exploration company to a production company, we have calculated materiality based on an average blended rate between shareholders' funds (2%) and Revenue (1%).</p> <p>We believe that using a materiality based on these benchmarks reflects critical underlying measures of the Group given these are the critical elements of the business.</p>	

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



Our application of materiality continued



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$50,000 (2016: \$70,000) for the group and \$37,500 (2016: \$42,500) for the parent, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the Group level. We also considered the quantum of financial statement balances and individual financial transactions of a significant nature.

Based on this assessment, we assessed the Group to consist of two significant components being Victoria Oil & Gas Plc (Company) and Gaz du Cameroun S.A. (GDC). We performed a full scope audit on these components covering 100% of revenue, 92% of profit before tax and 99% of net assets. In addition, we have performed analytical procedures on all non-significant components. The work performed by component audit teams was directed by the Group audit team and performed to component materiality levels applicable to each component which were lower than Group materiality.

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2017, other than the financial statements and our Auditor's Report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued



Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), the auditor exercises professional judgment and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the entity's (or where relevant, the consolidated) Financial Statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's (or where relevant, the group's) internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's (or where relevant, the Group's) ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- Where the auditor is required to report on consolidated financial statements, obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The group auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued**Use of our report**

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

Report on other legal and regulatory requirements**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception**Adequacy of explanations received and accounting records**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of these matters.

Sinéad McHugh (Senior Statutory Auditor)

For and on behalf of Deloitte Ireland LLP

Chartered Accountants and Statutory Auditor

Deloitte & Touche House, Earlsfort Terrace, Dublin 2

Ireland

21 June 2018

Consolidated Income Statement

For the year ended 31 December 2017



	Notes	2017 \$'000	2016 \$'000
Continuing operations			
Revenue		23,471	32,751
Cost of sales		(22,200)	(26,365)
Production royalties	28	(3,699)	(5,224)
Other cost of sales	8	(18,501)	(21,141)
Gross profit		1,271	6,386
Sales and marketing expenses		(79)	(39)
Administrative expenses	8	(10,708)	(12,816)
Other losses	6	(1,732)	(642)
Share of profit of associate	16	1,090	1,445
Impairment of oil and gas asset	4	–	(22,747)
Operating loss		(10,158)	(28,413)
Finance costs	7	(566)	(1,586)
Loss before tax		(10,724)	(29,999)
Tax	9	590	(1,146)
Loss for the year – attributable to shareholders of the parent		(10,134)	(31,145)
	Note	Cents	Cents
Loss per share – basic & diluted	13	(8.86)	(28.74)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 \$'000	2016 \$'000
Loss for the year	(10,134)	(31,145)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(27)	36
Total comprehensive loss for the year – attributable to shareholders of the parent	(10,161)	(31,109)

Consolidated Statement of Financial Position

At 31 December 2017



	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Assets:			
Non-current assets			
Intangible assets	14	54,223	17,638
Property, plant and equipment	15	70,911	81,434
Investment in associate	16	5,429	5,386
		130,563	104,458
Current assets			
Inventories		24	11
Trade and other receivables	17	13,545	8,838
Cash and cash equivalents	18	11,476	16,261
Deferred tax assets	9	916	850
		25,961	25,960
Total assets		156,524	130,418
Liabilities:			
Current liabilities			
Trade and other payables	19	14,330	9,943
Provisions	20	1,855	1,442
Borrowings	21	3,174	6,707
		19,359	18,092
Net current assets		6,602	7,868
Non-current liabilities			
Borrowings	21	21,363	7,773
Deferred tax liabilities	9	2,846	3,628
Provisions	20	3,106	3,144
Other payables	19	–	2,814
		27,315	17,359
Net assets		109,850	94,967
Equity:			
Called-up share capital	23	1,095	34,251
Share premium		24,218	230,436
ESOP Trust reserve	24	(4)	(843)
Translation reserve		(17,712)	(17,685)
Other reserves	25	248	66
Retained earnings		102,005	(151,258)
Total equity		109,850	94,967

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 21 June 2018.

Kevin Foo
Executive Chairman

Andrew Diamond
Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017



	Share capital \$'000	Share premium \$'000	ESOP Trust reserve \$'000	Translation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
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 loss for the year	–	–	–	36	–	(31,145)	(31,109)
At 31 December 2016	34,251	230,436	(843)	(17,685)	66	(151,258)	94,967
For the year ended 31 December 2017							
At 31 December 2016	34,251	230,436	(843)	(17,685)	66	(151,258)	94,967
Shares issued	228	24,417	–	–	–	–	24,645
Options issued	–	–	–	–	228	–	228
Shares granted to ESOP members	–	–	2	–	–	249	251
Warrants expired	–	–	–	–	(46)	46	–
Effects of movement in foreign exchange	–	–	(80)	–	–	–	(80)
Cancellation of Share Capital	(33,384)	(230,635)	917	–	–	263,102	–
Total comprehensive loss for the year	–	–	–	(27)	–	(10,134)	(10,161)
At 31 December 2017	1,095	24,218	(4)	(17,712)	248	102,005	109,850

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.

Employee Share Option Plan (“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 outstanding warrants and options granted to directors valued at \$0.2 million.

Retained earnings

Retained earnings comprises accumulated profits and losses in the current and prior years.

Deferred share cancellation

Transfers to retained earnings for the year ended 31 December 2017 include \$33.4 million from share capital relating to deferred shares and \$230.6 million from share premium which was cancelled during July 2017 as approved by the shareholders and sanctioned by the High Court (see Note 23). This also includes \$0.9 million of deferred shares being cancelled from the ESOP trust reserve.

Consolidated Cash Flow Statement

For the year ended 31 December 2017



	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Loss for the year		(10,134)	(31,145)
Adjustments for non-cash and other items:			
Tax		(590)	1,146
Share of profit in associate		(1,090)	(1,445)
Finance costs		566	1,586
Depreciation and amortisation		14,751	18,729
Other losses		1,732	642
Impairment of oil and gas asset		–	22,747
Shares vested by ESOP Trust		249	207
Share-based payments		199	247
		5,683	12,714
Movements in working capital			
(Increase)/Decrease in trade and other receivables		(4,263)	5,326
Increase in inventories		(14)	(6)
Increase in trade and other payables and provisions		2,278	4,945
Net movements in working capital		(1,999)	10,265
Tax paid		(258)	(762)
Interest paid		(1,668)	–
Net cash generated from operating activities		1,758	22,217
Cash flows from investing activities			
Payments for intangible assets		(34,710)	(16,281)
Payments for property, plant and equipment		(5,042)	(10,743)
Proceeds from disposal of property, plant and equipment		882	–
Loan repayments received		94	91
Dividends received from associate		1,047	1,548
Net cash used in investing activities		(37,729)	(25,385)
Cash flows from financing activities			
Proceeds from borrowings		15,153	10,000
Repayment of borrowings		(7,763)	(2,680)
Finance cost paid		(606)	(287)
Net cash generated from equity raise		23,728	–
Net cash generated by financing activities		30,512	7,033
Net (decrease)/increase in cash and cash equivalents		(5,459)	3,865
Cash and cash equivalents – beginning of year		16,261	13,230
Effects of exchange rate changes on the balance of cash held in foreign currencies		674	(834)
Cash and cash equivalents – end of year	18	11,476	16,261

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017



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 of the London 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 2017. 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 84 to 89.

(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.

(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 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 year 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 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

the financial and operating policy decisions of the investee but does not control or have joint control over these policies. The Group's investment in Cameroon Holdings Ltd ("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 no longer recognises 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 joint operations. 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. and its partners on the Logbaba and Matanda Projects. 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 of the Logbaba project and Matanda in 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 2017



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 year, other than when a monetary item forms part of a net investment in a foreign operation, then exchange differences on that item are recognised in equity. Exchange differences arising on the retranslation of non-monetary items carried at fair value are recognised directly in equity.

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

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

(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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

are depreciated as a group based on its expected life.

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) 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.

(xi) 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 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

(xii) 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 derecognised 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.

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.

Derecognition of financial liabilities

The Group derecognises 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.

(xiii) 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 (Note 8). 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

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.

(xiv) 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.

(xv) 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 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.

(xvi) 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.

(xvii) 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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

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.

Unit-of-production depreciation method

The Group's policy is to use the unit-of-production method of depreciation based on proved developed reserves for depreciation and amortisation of its oil and gas assets. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the amount of estimated reserves. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Changes in proved developed reserves will prospectively affect the unit-of-production depreciation charges to the Income Statement. Proved developed reserves used in the calculation of unit-of-production depreciation were 21.1 billion cubic feet ("bcf") (2016: 24.6bcf) in the Logbaba field. The unit-of-production depreciation charged to the Income Statement, which was calculated, based on these reserves, was \$14.9 million (2016: \$18.7 million). If the reserves were to vary by plus 10%, the unit-of-production depreciation for the current period would have decreased by \$1.4 million and if they were to vary by minus 10% the unit-of-production depreciation for the current period would have increased by \$1.7 million.

Accounting for joint operations

During the year in the Logbaba Project, Société Nationale des Hydrocarbures ("SNH") exercised its right in accordance with the Participation Agreement to participate for 5% of the Upstream operations of the Logbaba Project. This participation is retrospective and therefore they are deemed to have participated since first production. The net share of this venture that has been included in these financial statements is 57% of the upstream operations and 60% of the downstream operations.

The financial statements are prepared on the basis that downstream operations charge cost plus 15% to the upstream operations as a fee for marketing the gas. Shared services have been allocated between upstream and downstream operations based on the activity during the year.

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 \$13.8 million (2016: \$12.8 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 (2016: \$0.9 million). No deferred tax asset has been recognised in the current year in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have unutilised tax losses.

(xviii) 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 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 year were \$5.0 million (2016: \$4.6 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).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



1. SIGNIFICANT ACCOUNTING POLICIES continued

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 2017 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. In 2016 the

Group raised an impairment provision of \$22.7 million over well La-106. No further impairment has been recorded over the Logbaba assets in the current year.

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.

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.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12
- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Amendments to IAS 19 Employee Benefits

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 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
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 17 Insurance Contracts
- Transfers of Investment Property – Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments

Other than as disclosed below, the Directors do not expect that the adoption of the other Standards listed above will have a material effect on the financial statements of the Group in future periods.

The Directors are currently assessing the impact in relation to the adoption of these Standards and Interpretations for future periods of the Group, particularly in reference to IFRS 9, IFRS 15 and IFRS 16. None are expected to have a material impact on the results or disclosures for the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



3. GOING CONCERN

The Directors are required to give careful consideration to the appropriateness of the going concern basis in the preparation of the financial statements.

The Group incurred a loss of \$10.1 million for the year ended 31 December 2017 and had a cash balance of \$11.5m at that date in addition to borrowings of \$24.5 million. The Group is reliant on a small number of key customers, in particular ENEO, who have not renewed their gas supply agreement with VOG since 1 January 2018. In addition a cost recovery milestone was reached on Logbaba during the year ended 31 December 2016 ("prior year") after which revenues are shared in accordance with the participating interests ("Payout"). Prior to Payout, GDC received 100% of Logbaba revenue as a recovery mechanism for costs incurred during the exploration phase of the Project. Post Payout GDC accounts for its participating interest of Project revenues. Aside from incurring 100% of the initial exploration costs, GDC contributes its participating interest towards all exploitation costs incurred on the Project. Whilst the attainment of this milestone midway through 2016 should be viewed as a positive in terms of the development of the Project, Payout has had an impact on the Group's revenue, performance and cash generated and will continue to impact the Group going forward. Having achieved Payout midway through 2016, the impact on the results of the Group in the prior year was not as great as the impact in the current year, which reports the reduced revenues, performance and cash generated for the full year. Revenue in the current year was \$23.5 million (2016: \$32.8 million). Underlying EBITDA for the year of \$4.6 million (2016: \$13.1 million) reflects the impact of Payout on GDC. Cash generated from operating activities was \$5.7 million (2016: \$12.7 million).

These conditions indicate the existence of a material uncertainty in relation to the Group and Company's ability to continue as a going concern. In their consideration of the appropriateness of applying the going concern assumption the Directors have considered the following factors, estimates and assumptions which are considered to be relevant. Future outcomes may differ from these estimates.

ENEO

The ENEO contract extension expired on 31 December 2017 and consumption of gas has not been renewed to date.

The Government of Cameroon, ENEO, Altaaqa Global ("Altaaqa"), the genset providers to ENEO which consume GDC's gas, and GDC continue to seek a resolution to the suspension of electricity generation at the ENEO owned Logbaba and Bassa power stations in Douala.

The shortfalls in power supply in Cameroon continue, with hydroelectric schemes not meeting the current demand. As a consequence, GDC remains confident that a solution will be found as all parties are actively engaged in the various steps involved that will result in ENEO resuming the consumption of Logbaba gas.

The ongoing power shortage in Cameroon continues to provide opportunities in the grid power sector. Whilst recovering ENEO as a customer is a short-term objective, there are other potential large-offtake grid power customers that GDC is engaging with. These projects are necessarily longer-term in nature, but with gas reserves available GDC has been able to engage with these providers with the objective of signing substantial deals for the future.

The GDC sales team is also aggressively seeking to expand gas sales in Cameroon in the thermal, retail power and CNG sectors. Retail power in particular offers significant opportunity as customers look for energy security. With two gensets in commissioning and a number of further prospective customers GDC believes this is a sector which could generate significant cash for the Group. For customers beyond the reach of the pipeline network, GDC is exploring a CNG solution which it anticipates implementing on a smaller scale during 2018.

Debt

The Group ended the year with cash and cash equivalents of \$11.5 million (2016: \$16.3 million) and in a net debt position of \$13.1 million (2016: net cash \$1.8 million). The Group had borrowings of \$24.5 million (2016: \$14.5 million). The Group has no available headroom on any of its current credit facilities.

The Company has successfully achieved a restructuring of the BGFI facility post year end (see Note 32). The terms of the restructuring allow the Company to extend the tenor of the existing capital balance for a period of five years from July 2018 to June 2023. The restructured agreement contains a capital repayment holiday for the first twelve months from July 2018 to June 2019. All other terms of the loan agreement remain unaffected.

The industrial power generation for individual customers concept is being actively pursued. The Company has made application to several credit providers for funding to be made available for asset backed finance arrangements with qualifying customers who have signed suitable Gas Sales Agreements with take-or-pay type arrangements to secure the funding. The Directors conclude that this is an acceptable form of financing to generate additional revenues from new and existing customer bases.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



3. GOING CONCERN continued

Drilling programme

The successful completion of well La-107 and La-108 in December 2017 significantly reduces the sustainability risk under which the Group had previously operated owing to the Douala operations being dependent on a single producing well (La-105). In addition, the anticipated increase in reserves resulting from La-107, and La-108 once the perforating gun is removed and the Upper Logbaba Sands have been perforated and tested, will enable the Group to enter negotiations for a number of long-term, high volume gas supply agreements with electricity producers and other industries within Douala.

The final cost of the drilling programme, excluding capitalized interest costs, was \$87 million (gross). At 31 December 2017, the outstanding attributable accounts payable and accruals relating to the drilling programme was \$7.6 million (net). The Company has negotiated extended payment terms with the more significant suppliers.

Aside from minor costs spent on the wells and flowlines during 2018, there are no further significant capital costs anticipated or committed on La-107 and La-108 during 2018. Should the Company sign GSA's requiring gas in volumes exceeding the reserves of La-105 and La-107, then remediation work on La-108 would be required. This would only be undertaken should sufficient funds be available.

Cost reductions, limited capex

With the reduction of revenue in 2018 resulting from grid power consumption having ceased, the Company has implemented cost reduction measures, including headcount reductions and the removal of non-essential capital spend. Operating and capital costs are being monitored very closely in order to maximize cash preservation.

New funding potential

The Company has lodged an insurance claim with the Company's insurers to cover the substantial and material costs associated with a well control incident on La-108 and the consequential schedule and cost overruns. The gross amount of the claim submitted is \$24.5 million. As is common in these situations, the outcome of our claim is not certain. The claim has been disclosed as a contingent asset in Note 28.

The Company raised \$23.7 million in net proceeds via an equity placement in November 2017. The Directors are exploring various alternatives to raising additional funds for ongoing operations of the business. The Directors believe that the Company will be able to raise sufficient capital to continue in operation.

Conclusion

The Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets. In the case that either ENEO does not resume consumption or a settlement of the insurance claim is not completed, additional finance will be required and, in this event, the Directors believe that they will be able to access additional financing in order to continue to meet obligations and develop operations for a period of at least twelve months from the date of approval of these financial statements.

On this basis the Directors have concluded that it is 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

	2017 \$'000	2016 \$'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 and have concluded that no impairment is required for the current year. In the prior year, well La-106 at Logbaba was no longer producing commercial volumes of gas to support its carrying value and was fully impaired.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



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 2017	Cameroon \$'000	Russia and Kazakhstan \$'000	Corporate \$'000	Total \$'000
Revenue	23,471	–	–	23,471
Segment result	(7,136)	(804)	(2,218)	(10,158)
Finance costs	(509)	63	(120)	(566)
Loss before tax	(7,645)	(741)	(2,338)	(10,724)
Tax	590	–	–	590
Loss for the period	(7,055)	(741)	(2,338)	(10,134)
Total assets	139,963	96	16,465	156,524
Total liabilities	(44,013)	(514)	(2,147)	(46,674)
Other segment information				
Capital expenditure:				
Intangible assets	37,516	–	9	37,525
Property, plant and equipment	5,019	–	15	5,034
Depreciation and amortisation	14,699	–	52	14,751
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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



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 \$23.5 million (2016: \$32.8 million) related to sales of gas and condensate and related incidental services to 31 customers. Two customers each contributed 10% or more to the Group's revenue during the current year, contributing \$15.1 million and \$3.0 million respectively (2016: two customers contributed 10% or more, contributing \$17.5 million and \$3.1 million respectively).

6. OTHER LOSSES

	2017 \$'000	2016 \$'000
Foreign exchange losses	(1,770)	(672)
Discount on settlement of debts	–	16
Gain/(loss) on disposal of non-current assets	30	(42)
Other Income	8	56
	(1,732)	(642)

7. FINANCE COST

	2017 \$'000	2016 \$'000
Loan interest	1,668	1,049
Loan interest capitalised	(1,341)	(606)
Unwinding of discount on provisions	239	1,142
Interest charged	–	1
	566	1,586

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



8. LOSS BEFORE TAX

Other cost of sales includes:

	2017 \$'000	2016 \$'000
Depreciation and amortisation	14,585	18,684
Operating costs	3,916	2,457
	18,501	21,141

The loss before tax is stated after charging:

Administrative expenses comprise:

Wages and salaries	4,430	4,405
Professional fees	3,479	3,709
Office and other administrative expenditure	1,354	1,695
Travel	378	270
Rent	542	494
Depreciation and amortisation	166	260
Other	359	1,983
	10,708	12,816

Directors' remuneration (see Note 11)	1,742	2,958
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The analysis of auditor's remuneration is as follows:

Fees for audit services	205	283
Fees for other services	32	—
	237	283

9. TAX

	2017 \$'000	2016 \$'000
Current tax	258	641
Deferred tax	(848)	505
Tax (credit)/charge	(590)	1,146

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

United Kingdom

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

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 year.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



9. TAX continued

	2017 \$'000	2016 \$'000
Loss on ordinary activities before tax	(10,724)	(29,999)
Tax calculated at 12.7% (2016: 22.9%)	(1,365)	(6,870)
Less the effects of:		
Impairment losses that are not deductible for tax	–	5,209
Share of profit in associate	(138)	(331)
Expenses not deductible for tax	255	402
Unutilisation of tax losses	1,248	3,799
Recovery of exploration cost	–	(1,928)
Deferred tax resulting from change in estimate	(848)	505
Tax on revenue	258	360
Total tax (credit)/charge	(590)	1,146

The tax rate calculated represents a blended average rate of taxation for the jurisdiction in which the Group operates.

	2017 \$'000	2016 \$'000
Deferred tax balances		
Deferred tax assets – current assets	916	850
Deferred tax liabilities – non-current liabilities	(2,846)	(3,628)
	(1,930)	(2,778)

The deferred tax balances are analysed as follows:

	Tax losses \$'000	Other temporary differences \$'000	Total \$'000
Year to 31 December 2017			
Opening balance	850	(3,628)	(2,778)
Charge to Income Statement	66	782	848
Closing balance	916	(2,846)	(1,930)
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)

At the Balance Sheet date, the Group has aggregate unused tax losses of \$87.2 million (2016: \$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 (2016: \$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 year in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have accrued tax losses. Accordingly, at the year end, deferred tax assets amounting to \$13.8 million (2016: \$12.8 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



10. EMPLOYEE INFORMATION

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

	2017 Number	2016 Number
Directors	6	6
Technical	74	74
Management and administration	84	90
	164	170

Staff costs for the above persons were:

	\$'000	\$'000
Wages and salaries	4,237	5,096
Social security costs	193	238
	4,430	5,334

Wages and salaries costs include \$0.2 million relating to the exercise of an option to acquire shares (2016: \$0.2 million).

11. DIRECTORS' REMUNERATION

Remuneration in respect of the Directors was as follows:

	2017 \$'000	2016 \$'000
Directors' emoluments	1,742	2,958

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

12. KEY MANAGEMENT COMPENSATION

The compensation of the Directors and the four (2016: seven) other key management personnel (as defined within IAS 24 Related Party Disclosures) was as follows:

	2017 \$'000	2016 \$'000
Wages and salaries	1,729	1,882
Share-based payments	63	453
Professional fees paid to consultants in key management positions	770	1,365
Other non-cash benefits including pension	216	335
	2,778	4,035

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. 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

For the year ended 31 December 2017



13. LOSS PER SHARE

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

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

	2017 \$'000	2016 \$'000
Loss for the year	(10,134)	(31,145)
	Number	Number
Weighted number of ordinary shares for the purpose of basic earnings per share	114,342,008	108,355,563
Dilutive potential of share options and warrants	838,178	1,100,313
Weighted number of ordinary shares for the purpose of basic and diluted earnings per share	115,180,186	109,455,876
	Cents	Cents
Loss per share – basic and diluted	(8.86)	(28.74)

Basic and diluted loss per share are the same in the current year, 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 2017



14. INTANGIBLE ASSETS

	Exploration and evaluation assets \$'000	Software \$'000	Total \$'000
Year to 31 December 2017			
Cost			
Opening balance	91,413	323	91,736
Additions	37,468	57	37,525
Disposal	(859)	(9)	(868)
Effects of movement in foreign exchange	1,390	–	1,390
Closing balance	129,412	371	129,783
Accumulated amortisation			
Opening balance	74,055	43	74,098
Charge for the year	–	72	72
Effects of movement in foreign exchange	1,390	–	1,390
Closing balance	75,445	115	75,560
Carrying amount 31 December 2017	53,967	256	54,223
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 year	–	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

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

Recoverability of exploration and evaluation assets is dependent on the successful development of reserves, which is subject to a number of uncertainties including the ability of the Group to access financial resources to develop the projects and bring the assets to economic maturity and profitability.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



15. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment \$'000	Oil and gas assets \$'000	Assets under construction \$'000	Total \$'000
Year to 31 December 2017				
Cost				
Opening balance	41,180	72,725	1,796	115,701
Additions	84	67	4,883	5,034
Disposals	(435)	(579)	(90)	(1,104)
Closing balance	40,829	72,213	6,589	119,631
Accumulated depreciation				
Opening balance	4,237	30,030	–	34,267
Disposals	(56)	(170)	–	(226)
Charge for the year	1,245	13,434	–	14,679
Closing balance	5,426	43,294	–	48,720
Carrying amount 31 December 2017	35,403	28,919	6,589	70,911
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 year	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

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 \$70.9 million is dependent on the continued successful development of economic reserves, which is subject to a number of uncertainties including the Group's ability to access financial resources to continue to successfully generate revenue from the assets.

Depreciation rates applied by the Group are as follows:

	2017	2016
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)	60.8%	35.8%

Notes to the Consolidated Financial Statements continued

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16. INVESTMENT IN ASSOCIATE

The Company has a 35% interest in Cameroon Holdings Limited ("CHL"). See Note 30 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:

	2017 \$'000	2016 \$'000
Opening balance	5,386	5,489
Share of profit of associate	1,090	1,445
Dividends received	(1,047)	(1,548)
Investment in associate	5,429	5,386

Summarised financial information for CHL is set out below.

Assets and liabilities		
Current assets	2	–
Non-current assets	3,780	3,453
Current liabilities	(59)	(163)
Elements of comprehensive income		
Revenue	3,404	4,913
Profit from continuous operations	3,114	4,129
Dividends declared	(2,991)	(4,424)

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, which is subject to a number of uncertainties as outlined in Note 15.

Please see Note 30 for details of the transactions between the Group and CHL during the year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



17. TRADE AND OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
Amounts due within one year:		
Trade receivables	6,197	5,613
VAT recoverable	1,050	285
Prepayments	136	539
Other receivables	6,162	2,401
	13,545	8,838

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 year 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, \$3.6 million (2016: \$2.3 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

	2017 \$'000	2016 \$'000
31-60 days	1,703	1,516
61-90 days	687	449
91-121 days	713	225
121+ days	1,001	730
Total	4,104	2,920

Trade receivable days for the current year was 100 days (2016: 63 days).

Movement in the Allowance for Doubtful Debts (Trade Receivables)

	2017 \$'000	2016 \$'000
Balance at beginning of the year	917	251
(Release)/Additional allowance for the year	(85)	666
Balance at end of the year	832	917

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

Other Receivables

Other receivables include a receivable from joint venture partners (RSM & SNH) of \$5.7 million (2016: \$0.6 million). This relates to their funding obligation for their share of their combined 43% participating interest in the Logbaba Project.

The carrying value of trade and other receivables approximates to fair value.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



18. CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
	11,476	16,261

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:

	2017 \$'000	2016 \$'000
US Dollar	3,226	15,424
Sterling	7,314	103
Central African Franc	845	648
Russian Rouble	45	41
Kazakh Tenge	46	45
	11,476	16,261

19. TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Amounts due within one year:		
Trade payables	8,763	3,752
Taxes and social security costs	508	703
Accruals	1,843	2,487
Other payables (see Note 28)	3,216	3,001
	14,330	9,943
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 year were 43 days (2016: 39 days), based on the ratio of Group trade creditors at year-end to the amounts invoiced during the year by trade creditors.

Accruals includes \$0.3 million due to CHL under a royalty agreement (2016: \$0.3 million). See Note 28 for details of the royalty obligation.

The carrying value of trade and other receivables approximates to fair value.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



20. PROVISIONS

	2017 \$'000	2016 \$'000
Decommissioning and rehabilitation provision	2,318	2,406
Production bonus provision	788	738
Provision for legal matters	1,855	1,442
	4,961	4,586
Disclosed as:		
Current liabilities	1,855	1,442
Non-current liabilities	3,106	3,144
	4,961	4,586

Non-current provisions represent the present value, as at the Balance Sheet date, of the amounts payable in future periods 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. (2016: 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 Med Project based on an estimate of the D&R costs and the year when those costs are likely to be incurred. The provision in respect to the well locations on the West Med field is expected to be incurred by the end of 2024 and in respect to the wells and plant for the Logbaba Project by the end of 2034.

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. (2016: 5.0% p.a.). The discount rate used to determine the present value of the obligation was 7.0% p.a. (2016: 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.

	2017 \$'000	2016 \$'000
Opening balance	2,406	2,032
Movement in provision in year	(114)	–
Effect of movement in foreign exchange	30	39
Effect of change of discounting rate	–	–
Unwinding of discount (credited)/charged to the Income Statement	(4)	335
	2,318	2,406

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 (2016: \$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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



20. PROVISIONS continued

Provision for Legal Matters

A provision of \$1.9 million has been recognised at the Balance Sheet date (2016: \$1.4 million). This includes a provision of \$1.5 million in relation to the land claim relating to the Logbaba Project.

The Group has also provided for an additional \$0.4 million for legal proceedings where Directors have assessed the outflow of economic resources to be probable (2016: \$0.5 million).

21. BORROWINGS

	2017 \$'000	2016 \$'000
Amounts due within one year:		
Loans	3,174	6,707
	3,174	6,707
Amounts in more than one year but less than five years:		
Loans	21,363	7,773
	21,363	7,773
Total borrowings	24,537	14,480

BGFIBank Cameroun S.A. ("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 term of forty eight months, 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 2017 was \$0.2 million (31 December 2016: \$2.5 million), and was fully repaid in 2018.

During 2016, the group secured a second debt facility for XAF15 billion (equivalent to \$26.0 million at the date of signing) which 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 fifty four monthly instalments of principal and interest. The loan is secured by a pledge over the revenue stream of two customers and the ceding of GDC's rights to insurance claim for the tenor of the loan. The outstanding balance at 31 December 2017 was \$22.8m (31 December 2016: \$9.4 million).

Post year end this XAF15 billion facility was restructured (see Note 32).

Famcorp

The Group has a loan facility with United Arab Emirates based Famcorp. The facility is unsecured, incurred interest during the year at 7.5% p.a. (2016: 6.5% p.a.) is payable monthly and is repayable on demand. During the year all of the outstanding interest (\$1.2 million) was paid. The balance owing on the loan as at 31 December 2017 was \$1.5 million (31 December 2016: \$2.4 million). The Directors do not consider this balance to be materially different from fair value.

22. NET DEBT

	2017 \$'000	2016 \$'000
Cash and cash equivalents	11,476	16,261
Borrowings: Current liabilities	(3,174)	(6,707)
Borrowings: Non-current liabilities	(21,363)	(7,773)
	(13,061)	1,781

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



23. CALLED-UP SHARE CAPITAL

Allotted Called-Up and Fully Paid:

	Number	2017 \$'000	Number	2016 \$'000
Ordinary shares of 0.5 pence each:	145,059,728	1,095	110,193,098	867
Deferred shares of 19.5 pence each:	–	–	108,713,809	33,384
		1,095		34,251

On 7 June 2017, the Company issued 378,664 Ordinary Shares to employees for performance bonuses for 2016. The shares were issued at 41.50 pence per share. Shares issued are translated at the exchange rate prevailing at the date of issue.

On 26 July 2017, the High Court approved the Company's application for reduction of capital, being cancellation of all of the Deferred Shares in issue and cancellation of the share premium account. The Order of the Court and the Statement of Capital were registered by the Registrar of Companies on 28 July 2017. The reduction in capital was approved by the shareholders at the Annual General Meeting held on 28 June 2017. This resulted in a transfer to retained earnings of \$33.3 million from share capital and \$230.6 million from share premium.

On 14 November, the Company issued 34,487,966 new Ordinary Shares at a subscription price of 57 pence per share which generated gross proceeds of \$25.6 million and net proceeds of \$23.7 million.

The Company's Ordinary Shares have voting rights and are listed on AIM.

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 2017, there were 562,501 Ordinary Shares held by the ESOP Trust (31 December 2016: 892,501 Ordinary Shares and 3,481,125 Deferred Shares). The ESOP Trust issued 330,001 Ordinary Shares to a former Director on 14 February 2017. 3,481,125 Deferred Shares held by ESOP Trust were cancelled following implementation of reduction in Capital during the year.

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

	2017	2016
	\$'000	\$'000
Opening balance	66	315
Share-based payments	–	207
Transfer of vested shares to retained earnings	–	(207)
Share options issued	228	–
Transfer of expired warrants to retained earnings	(46)	(315)
New warrants issued (See Note 27)	–	66
	248	66

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



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 previously 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 31 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 Logbaba.

Trade receivables neither past due nor impaired are comprised of:

- 57% amounts due from subsidiaries of multinational companies with State participation;
- 22% amounts due from subsidiaries of multinational companies;
- 4% amounts due from Cameroonian companies with State participation; and
- 16% amounts due from other Cameroonian companies.

The Group rates the credit quality of the first three groups as high (making up 84% 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. 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. Subsequent to the balance sheet date, the Group restructured the BGFI XAF15 billion facility (see Note 32).

The Group's commitments have been fully met during the current year 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 year. 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.

The Directors believe the Company is able to finance future exploration and development operations from internally generated funds, existing facilities and, where required, access to additional debt or equity.

Details of the Groups' remaining contractual maturity for its non-derivative financial liabilities with details regarding repayment periods are set out in Notes 19 and 21 respectively. Subsequent to year end as outlined in note 32, the BGFI loan facility was restructured.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



26. FINANCIAL RISK MANAGEMENT continued

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.

The Group seeks, where possible, 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Central African Franc	8,273	8,290	24,602	15,189
Sterling	10,908	1,246	705	970
Euro	–	–	105	175
Russian Rouble	44	41	514	553
Kazakh Tenge	52	52	–	–
	19,277	9,629	25,926	16,887
US Dollar	5,741	15,470	17,899	14,936
	25,018	25,099	43,825	31,823

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 2017, the loss would have been less than \$0.4 million lower/higher (2016: less than \$0.4 million lower/higher) and the net equity would have been less than \$0.4 million higher/lower (2016: less than \$0.4 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 2016 (see Note 21). At 31 December 2017 the total debt outstanding on facilities held in Central African Francs ("XAF") amounted to \$23.0 million equivalent (2016: \$11.9 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. Whilst customers are not forced to consume gas, the contractual prices are not linked to the relevant commodity price. The contracted condensate sales price in the current year was a discount of \$2.00 per barrel to Brent Crude. For the current year, 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 (2016: less than \$0.1 million).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



Interest Rate Risk

The Group is exposed to interest rate risk. Where possible the Group borrows at fixed interest rates. At 31 December 2017, the Group had the following outstanding borrowings:

- \$23.0 million from BGFI with interest payable at an average rate of 7.15% p.a.; and
- \$1.5 million from Noor Petroleum with interest payable at a fixed rate of 7.5% 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 \$0.1 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.

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 debt position at year end of \$13.1 million (2016: net cash \$1.8 million) (see Note 22).

Categories of Financial Instruments

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	11,476	16,261
Loans and receivables	13,542	8,838
Financial liabilities		
Loans and payables	38,864	27,237

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 2017



27. SHARE-BASED PAYMENTS

Warrants to subscribe for Ordinary Shares

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 total number of warrants exercisable at the year end is 250,000 (2016: 500,000) at a weighted average exercise price of 120 pence Sterling (2016: 100 pence Sterling). There were no warrants issued in the current year (2016: 500,000).

The inputs into the Black-Scholes model were as follows:

	2017
Number of warrants	250,000
Weighted average exercise share price – pence Sterling	120
Option terms – years	1
Risk-free rate	0.45%
% expected volatility	71.6%
Expected dividend yield	Nil

During the year, 250,000 warrants expired (2016: 750,000). The remaining 250,000 warrants have expired post year end.

Shares and Options granted through ESOP Trust

During the current year, the ESOP Trust, which is consolidated as part of the Group, transferred 330,301 shares to a former director on exercise of share options. In 2016, 469,312 shares were transferred to a former director on exercise of share options. 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 (2016: \$0.2 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 61.25 pence Sterling (2016: 34.1 pence Sterling).

During the current year, the Company awarded nil cost share options to the Executive Directors in respect of Annual Bonus Plan awards for the prior year. 50% of the share options vest on 1 January 2018 and the remaining 50% will vest on 1 January 2019.

No share options were granted by ESOP Trust during the current or prior year.

	2017 Number of options 000s	2016 Number of options 000s
Opening balance	830	1,299
Exercised	(330)	(469)
Expired	–	–
Closing balance	500	830

Share options 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 2017 was 5.2 years (2016: 5.7 years).

Other Share Options

During the current year, the Company awarded nil cost share options to the Executive Directors in respect of Annual Bonus Plan awards for the prior year. 50% of the share options vested on 1 January 2018 and the remaining 50% will vest on 1 January 2019.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



28. ROYALTY OBLIGATIONS, CONTINGENT ASSETS AND 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 2017 would be \$7.1 million (2016: \$5.3 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 30 for further information on CHL. The royalty expense relating to CHL in the current year was \$3.4 million (2016: \$4.9 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 in 2016 as part of the reserve bonus settlement. Royalty payments in 2016 were \$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 2017 was nil (2016: \$0.8 million).

Our JV partners in the Logbaba Project, RSM and SNH, are both conducting audits on costs relating to years prior to the balance sheet date. At the date of signing these financial statements the outcome of these audits is unknown however any findings from the audits could have an impact on the results.

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 \$1.1 million (2016: \$0.6 million). The matter is subject to legal proceedings.

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

Contingent Asset

Insurance Claim

During the drilling of La-108 on Logbaba there was a well control event which was the main cause of the delay and cost overruns. An insurance claim has been lodged with the Company's insurers to cover the substantial and material costs associated with this event and the consequential schedule and cost overrun. As is normal in these situations, the outcome of our claim is not certain. The gross amount of the claim submitted is \$24.5 million.

No asset has been recognised in the Consolidated Statement of Financial Position as the amounts and timing of the claim outcome are uncertain.

Notes to the Consolidated Financial Statements continued

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29. NOTES TO THE CASH FLOW STATEMENT

Changes in liabilities from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	1 January 2017 \$'000	Cashflows \$'000	Non-cash changes – foreign exchange movements \$'000	31 December 2017 \$'000
Long-term borrowings	7,773	11,076	2,514	21,363
Short-term borrowings	6,707	(3,731)	198	3,174
Total liabilities from financing activities	14,480	7,345	2,712	24,537

30. RELATED PARTY TRANSACTIONS

The Consolidated Financial Statements include the financial statements of the Company and the subsidiaries listed in Note 31. 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 11 and Note 12.

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 2017		
Purchases from related parties	–	19
Year to 31 December 2016		
Purchases from related parties	229	360

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 in turn has an interest in CHL, owed the Company nil as at 31 December 2017 (2016 \$10,698). HJR is also a shareholder in Logbaba Projects Limited. There were no other transactions during the year (2016: None).

In December 2016, the Group paid \$65,845, and a further amount of \$29,760, to Roger Kennedy as an advance of Director's fees for 2017.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



30. RELATED PARTY TRANSACTIONS continued

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 year:

- Royalties of \$3.7 million relating to CHL were expensed during the year (2016: \$4.9 million).
- CHL made \$0.1 million of loan repayments during the current year (2016: \$0.1 million). The outstanding loan balance at 31 December 2017 was \$0.1 million (31 December 2016: \$0.2 million). The loan is interest free and does not have any fixed terms of repayment.
- CHL paid dividends of \$1.1 million to the Group (2016: \$1.5 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.

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 year, and transferred 330,301 shares to a former Director during the current year (2016: 469,312 shares transferred to a former Director (see Directors section above)).

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



31. COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS

The holdings of the Group as at 31 December 2017 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%	Dormant
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.	British Virgin Islands	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands	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
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
GDC Bomono S.A.	British Virgin Islands	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Dormant

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2017



31. 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. The Participation Agreement, which applies retrospectively from the date of exploitation, was signed during the year, however the State audit and agreement on petroleum costs remains to be concluded. The Group's interest has been 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 between a 5% and 25% participation in the exploitation activities of the block. Should the Cameroonian State exercise its option, upon conversion to an exploitation license, the Group's interest would thereafter be reduced to between 71.25% and 56.25% depending on the State's election.

32. SUBSEQUENT EVENTS

BGFI loan restructure

The BGFI loan facility terms were restructured during June 2018. This gives GDC an initial 12-month interest only period effective 15 July 2018 and then principal and interest will be repaid thereafter. The loan term is five years from the effective date and the interest rate of this facility remains unchanged at 7.15%.

Resignation of Director

Iain Patrick, Independent Non-Executive Director, resigned as Director on 23 April 2018.

33. CAPITAL AND OPERATING LEASE COMMITMENTS

At 31 December 2017, GDC had capital commitments at 31 December 2017 relating to the completion of the drilling programme of \$0.3 million (2016: \$5.8 million). GDC is committed to its 57% participating interest in the drilling programme.

The Group has work programme commitments for its 75% interest in the Matanda Project amounting to \$11.25 million (2016: \$7.1 million). This is anticipated to be spent within two years subject to the Group's participation being formalised by a Presidential Decree in Cameroon.

The Group has operating lease commitments at 31 December 2017 as follows:

	2018 \$'000	2019-22 \$'000	Total \$'000
Operating lease commitments	173	–	173

Parent Company Statement of Financial Position

At 31 December 2017



	Notes	31 December 2017 \$'000	31 December 2016 \$'000
Assets:			
Non-current assets			
Software		61	79
Property, plant and equipment		67	77
Investment in associate	B	4,502	4,502
Investment in subsidiaries	B	12,410	12,410
		17,040	17,068
Current assets			
Trade and other receivables	C	83,305	65,450
Cash and cash equivalents	D	10,527	15,516
		93,832	80,966
Total assets		110,872	98,034
Liabilities:			
Current liabilities			
Trade and other payables	E	(654)	(1,702)
Provisions		(300)	(300)
Borrowings	F	(1,489)	(2,568)
		(2,443)	(4,570)
Net current assets		91,389	76,396
Net assets		108,429	93,464
Equity:			
Called-up share capital	G	1,095	34,251
Share premium		24,218	230,436
Other reserves		248	66
Retained earnings		82,868	(171,289)
Total equity		108,429	93,464

The financial statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 21 June 2018.

Kevin Foo
Executive Chairman

Andrew Diamond
Finance Director

Parent Company Statement of Changes in Equity

For the year ended 31 December 2017



	Share capital \$'000	Share premium \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
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 year	–	–	–	(28,274)	(28,274)
At 31 December 2016	34,251	230,436	66	(171,289)	93,464
For the year ended 31 December 2017					
At 31 December 2016	34,251	230,436	66	(171,289)	93,464
Shares issued	228	24,217	–	–	24,645
Options issued	–	–	228	–	228
Shares granted to ESOP members	–	–	–	249	249
Transfer expired warrants to retained earnings	–	–	(46)	46	–
Cancellation of Share Capital	(33,384)	(230,635)	–	264,019	–
Total comprehensive loss for the year	–	–	–	(10,157)	(10,157)
At 31 December 2017	1,095	24,218	248	82,868	108,429

Share premium reserve

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

Other reserves

Other reserves consist of outstanding warrants and share options issued to Directors valued at \$0.2 million.

Retained earnings

Retained earnings comprises accumulated profits and losses in the current and prior years.

Deferred share cancellation

Transfers to retained earnings for the year ended 31 December 2017 include \$33.4 million from share capital relating to deferred shares and \$230.6 million from share premium which was cancelled during July 2017 as approved by the shareholders and sanctioned by the High Court (see Note 23).

Notes to the Parent Company Financial Statements

For the year ended 31 December 2017



A. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by 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 2017, 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.

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 2017



B. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Full details of significant investments held by the Company and the Group are detailed in Note 31 of the Consolidated Financial Statements.

Subsidiaries

	2017 \$'000	2016 \$'000
Cost:		
Opening balance	49,774	49,764
Additions	–	10
Closing balance	49,774	49,774
Impairment:		
Opening balance	(37,364)	(37,364)
Charge for the year	–	–
Closing balance	(37,364)	(37,364)
Carrying amount:		
Closing balance	12,410	12,410

The provision for impairment of assets relates to the Group's Russian exploration and evaluation asset in the West Med, 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 2017



C. TRADE AND OTHER RECEIVABLES

	2017 \$'000	2016 \$'000
VAT recoverable	180	96
Prepayments	73	61
Amounts due from subsidiaries	74,996	64,758
Other receivables	8,056	535
	83,305	65,450

Other receivables includes \$7.9 million of funds held on behalf of the Logbaba Project in Cameroon. At the time of signing these Financial Statements \$4.7 million was held on behalf of the Logbaba Project.

Amounts Due from Subsidiaries

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

Amounts due from subsidiaries includes \$66.3 million (2016: \$58.5 million) from Gaz du Cameroun S.A. and \$6.3 million (2016: \$6.3 million) from Bramlin Limited.

Of the \$75.0 million, \$0.1 million is Sterling-denominated and \$74.9 million US Dollar-denominated (2016: \$0.9 million Sterling-denominated and \$63.9 million US Dollar-denominated).

The balance at 31 December 2017 is stated net of an impairment provision against the amount due from Gaz du Cameroun S.A. of \$28.1 million (2016: \$22.1), Victoria Energy Central Asia LLP of \$17.9 million (2016: \$17.8 million), from Victoria Oil and Gas Central Asia Limited of \$2.8 million (2016: \$2.7 million) and from ZAO SeverGas-Invest of \$45.1 million (2016: \$44.6 million).

At the year end, the ESOP Trust owed the Company \$0.1 million (2016: \$0.9 million) for shares subscribed for but not yet paid.

The realisation of intercompany receivables of \$75.0 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

D. CASH AND CASH EQUIVALENTS

	2017 \$'000	2016 \$'000
	10,527	15,516
Denomination:		
US Dollar	3,220	15,417
Sterling	7,307	99
	10,527	15,516

E. TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Amounts due within one year:		
Trade payables	382	756
Taxes and social security costs	53	48
Accruals	219	898
	654	1,702

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2017



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 YEAR

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 2017 was \$10.2 million (2016: \$28.3 million). The current year loss contains a provision for doubtful recovery raised against the amount due from Gaz du Cameroun S.A. of \$6.0 million (2016: \$22.1 million).

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 \$1.1 million of dividends from CHL during the period (2016: \$1.5 million). There were no further material transactions with non-wholly owned Group undertakings (2016: 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 \$1.1 million (2016: \$0.6 million). The matter is subject to legal proceedings.

At 31 December 2017 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
“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
“AGM”	Annual General Meeting
“AIM”	Alternative Investment Market, a sub-market of the London Stock Exchange
“Altaaqa”	Alternative Solutions Projects DWC-LLC (equipment partner and genset supplier at ENEO owned power stations)
“AOF”	Absolute open flow
“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
“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
“Esia”	Environmental and social impact assessment
“EsmP”	Environmental and social management plan
“FRS 101”	Financial Reporting Standard 101 Reduced Disclosure Framework
“FSU”	Former Soviet Union
“GDC”	Gaz du Cameroun S.A.
“the Group”	Victoria Oil & Gas Plc and its subsidiaries
“GSA”	Gas sales agreement
“HJR”	HJ Resources Limited
“IFRS”	International Financial Reporting Standards
“Logbaba”	“Logbaba Project”, 20km ² hydrocarbon licence in Cameroon.
“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

Definitions, Abbreviations & Glossary continued



“Matanda”	Matanda Block, 1,235km ² hydrocarbon licence in Cameroon
“MD”	Measured depth
“mmbtu”	Million British Thermal Units of Energy
“mmscf”	Million standard cubic feet
“mmscf/d”	Million standard cubic feet per day
“MW”	Mega Watt
“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.
“Prospective”	A potential accumulation that is sufficiently well defined to represent a viable drilling target
“PSC”	Production Sharing Contract for the Matanda block
“RSM”	RSM Productions Corporation
“SNH”	The National Hydrocarbons Corporation of Cameroon
“tcf”	Trillion cubic feet
“TD”	Target Depth
“TVD”	Total Vertical Depth
“VOG”	Victoria Oil & Gas Plc
“XAF”	Central African Francs; currency of Cameroon

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