Victoria Oil & Gas Plc
Annual Report & Accounts
to 31 December 2018

VICTORIA
OIL & GAS PLC

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 a cash-generative business that delivers fully integrated domestic gas to energy solutions for local industry and communities. GDC delivers gas to grid power, thermal and industrial power customers using safe, consistent and scalable solutions 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 88.

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Chairman's Letter

Dear Shareholders,

This is my first Letter to the Shareholders as Executive Chairman. I will begin by reiterating that the recent changes in significant shareholders and the Board, along with the realignment of management, mark "a positive, new beginning for Victoria Oil & Gas Plc ("VOG")". Let me be more precise as we look back at the past year's achievements, challenges and mistakes, and look forward to how we can make VOG into a sustainable growth story in Cameroon and potentially other parts of Africa.

What first drew my interest to VOG was the business model and its applicability to the rest of Africa and to developing economies globally. The supply of energy in Africa is some of the most expensive and unreliable in the world. Although many countries have seasonal hydro and dirty coal power plants, most are chronically short of power and rely on expensive diesel fuels to help power their communities and businesses between blackouts and brownouts. There is an abundance of stranded gas deposits throughout Africa. While many may criticise the environmental impact of natural gas and its exploitation, its usage is cleaner than the burning of coal or oil, emitting far less carbon dioxide. VOG is one of a handful of companies that has been able to successfully explore, develop and commercialise gas in an environmentally friendly manner, resulting in a reliable, economical power supply and blue skies in Douala.

The development and implementation of the VOG business model in Cameroon through its wholly-owned subsidiary Gaz du Cameroun S.A. ("GDC") was commendable, and credit has to be given to those who successfully implemented the strategy and built the Company. The story of VOG is not of your typical AIM natural resources company: it has successfully explored for and commercialised gas, has financed and constructed a processing facility and 50kms of pipeline to provide gas to clients, and is a fully operational business in Africa. That statement in itself is exceptional and I have reminded many of you of the unique story of VOG.

The challenge has been and continues to be making the model sustainable. Historical mistakes at VOG have accentuated this challenge, and the impact on VOG's share price has been considerable. Let me highlight the larger issues and later in this letter provide you with an explanation of how we will address each of these issues:

1. Single Asset Risk: The Logbaba Project is the only operating field in our Company. As the gas from each well at Logbaba depletes, to maintain resources and reserves we have to drill new wells periodically. Drilling for gas in the Douala region is deep, the geology is challenging and the costs per well have proven to be high. Technical problems during our last drilling programme only served to highlight the risk.

2. Customer Concentration: The Company had 39 customers at the end of 2018; however, one, ENEO Cameroon S.A. ("ENEO"), accounted for the majority of total revenue in the three years during which it consumed gas.

3. Inability to Manage Operating Margins: The Cameroon Holdings Ltd ("CHL") royalty structure attached to Logbaba is more of a revenue sharing arrangement, not netting out costs of production and has paid out 15% of all revenue produced at Logbaba to third parties. The operating expenses in both London and Douala have scope for further reductions which, along with ENEO's postponement of the renewal of its contract in 2018, have made the operational results of VOG less than stable.

4. Not Separating Logbaba into Upstream and Downstream Businesses: The Government of Cameroon has historically requested the separation of our business to comply with the country's Petroleum and Gas Codes. This is a major task and management is working with The Société Nationale des Hydrocarbures ("SNH") to achieve this. Achieving compliance in this regard will deliver clarity on the downstream fiscal arrangements in Cameroon.

"A POSITIVE NEW BEGINNING FOR VOG."

Chairman's Letter continued

5. Establish Strategic Identity: VOG started off as an oil exploration company in Russia. Over the years it ventured into Kazakhstan and other countries. After it successfully developed the Logbaba Project in Cameroon, VOG called itself an oil and gas exploration company when in fact it is both a successful upstream gas and a gas utility company. The vision of how to grow VOG outside of Logbaba and Cameroon, particularly after the setbacks of 2018, is a work in progress by both the new Board and management.

None of these matters have proven fatal. Thanks to you our shareholders, who have believed in our company's business model and have supported us, we have a chance to immediately address and remedy them. The new injection of capital and realignment of the Board and management completed on 3 April 2019 allows us to take decisive actions to develop VOG into a long-term, profitable and sustainable business. Let me outline how.

First, GDC received on 17 December 2018 the Presidential Decree confirming the transfer of the interest in the Matanda Production Sharing Contract ("Matanda PSC") assigned from Glencore, securing GDC's 75% ownership and operatorship. Matanda is a large block adjacent to Logbaba, which at 1,235km^2 ("Matanda"), is over 60 times the area of the Logbaba licence with significant prospectivity. Management has commenced planning to meet our obligations under the PSC, including reappraisal of historic seismic completed by Glencore and others and drilling of at least one well by end 2020.

At Logbaba, the planning for the remediation work on well La-108 has commenced, specifically the extraction of the perforating gun stuck in the production tubing, the remaining perforation and subsequent well testing. This work is projected to be completed in Q4 2019. Based on the successful completion of well La-108, we will seek to obtain an independent third party reserve and resource report. Simultaneously, management has initiated engineering works to the Logbaba processing facility.

The combined field work at Matanda and Logbaba will move VOG away from single asset risk, and is expected to significantly increase our reserves and resources, and position VOG to not only supply gas to existing industrial and grid power demand, but also to prospective Independent Power Producers ("IPPs") that have expressed interest in developing new, demand intensive power projects in the Douala area.

The Government of Cameroon ("Government") has stated that it requires additional grid power to meet the growing power demand in the Douala region. Several IPPs have contacted GDC for the purpose of supplying gas for power generation equipment. The Company has and will continue to actively engage with these IPPs to achieve gas sale agreements.

On existing and new clients, let me clarify one point and explain our strategy to mitigate our customer concentration risk. First, for the initial contract which ended 31 December 2017, ENEO has paid all of its invoices to GDC. It was clear to us, and power users in Douala throughout 2018, that the Government needed to add more grid power. After months of negotiations between the Government and ENEO, a new 10-year extension of its concession was signed by ENEO on 11 November 2018. Subsequently ENEO recommenced acquiring gas from GDC on 22 December 2018 based on a binding term sheet executed between the parties, the terms of which we announced to the market. We are now in the process of completing a fully termed gas supply agreement with ENEO. Many of you have voiced doubts on ENEO paying us, particularly as they have yet to pay us for gas consumed in the first quarter of 2019. Let us remember that ENEO only had their concession extended at the end of 2018. They have in the past paid in full for the gas that was supplied to them by GDC. VOG and GDC have a firm expectation that ENEO will honour their contractual commitment and pay their invoices.

"THE NEW INJECTION OF CAPITAL ALLOWS US TO TAKE DECISIVE ACTIONS TO DEVELOP VOG INTO A LONG-TERM, PROFITABLE AND SUSTAINABLE BUSINESS."

Chairman's Letter continued

Second, apart from increased demand from ENEO and prospective demand from IPPs entering the market, we have another 38 paying industrial customers and we are confident that we can secure additional customers, particularly customers using gas for industrial power as we concurrently work to establish additional long-term reserves and production from Logbaba and Matanda.

As promised to you in our announcement of the last capital raise, management has been, and continues to be, focused on substantially cutting operating costs and improving operating margins. The programme commenced in 2018 will continue throughout 2019, reducing headcount, salaries and non-necessary cost items in both London and Douala, while actively working to increase production and revenue, thus enhancing productivity. As of the writing of this letter, management has successfully extinguished the major trade payables relating to our last drilling programme, with the exception of Weatherford Services and Rental Ltd ("Weatherford") with whom we have recently reached agreement in principle to settle their outstanding debt. This settlement brings all GDC creditors to within agreed trading terms.

VOG today is in a much improved financial and operational position. Q1 2019 results showed a strong set of production figures and we look to emulate and better those figures in the remaining quarters of 2019. Our goal is to make VOG profitable for full year 2019 and in the years to come. To assist in meeting this objective, as noted in our Q1 2019 operations update, the VOG Board has taken steps to review the CHL royalty and has suspended payments until such review is completed. The validity of this suspension is disputed by CHL.

The newly constituted Board has further agreed that:

1. We cannot work under the historical assumption or expectation that the insurance claim relating to the La-108 well incident will be paid. The insurance claim has been declined by the insurer based on their opinion that there was insufficient evidence of an underground blow-out as defined in the insurance policy. Expert technical advisors to the Company have produced information contrary to what the insurer has put forward and the Board proposes to pursue the claim through litigation in Cameroon; and
2. All costs relating to non-core assets, namely the West Medvezhye project in Russia, will be reduced solely to maintain the licencess and work towards achieving a sale or exit. A new realistic, focused sales process will be commenced and concluded as soon as practicable.

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 other items: 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.

In terms of Strategy, we first have to get VOG right in Cameroon. We believe that the Government, ENEO, prospective IPPs, and industrial clients will establish for us the natural ceiling of the gas market in Cameroon. GDC is a gas production and gas utility company. As I stated earlier, all other assets that do not fit this strategy will be disposed. VOG has built a company in Cameroon, GDC, that is recognised 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 many stranded gas deposits. The Board will explore strategic opportunities, development of profitable downstream operations, and farm-ins to other potential blocks in Cameroon and other parts of Africa.

While we are restructuring our finances and refocusing our operations and strategy, we will look to strengthen our technical abilities and management.

> "VOG TODAY IS IN A MUCH IMPROVED FINANCIAL AND OPERATIONAL POSITION."

Chairman's Letter continued

The Company has restructured and strengthened our Board, with the appointment of two Independent Non-Executive Directors: John Knight, appointed Senior Independent Director, and John Daniel, both bringing with them a wealth of experience and expertise to VOG. Apart from the Audit Committee, now led by John Knight, and the Remuneration Committee under the continued leadership of John Bryant, a new Technical Committee has been established under the oversight of John Daniel which will assist management in the planning of all future exploration and field development.

The changes implemented at VOG on 3 April 2019 and the steps taken since the end of 2018 are meant to stabilise and grow the Company and restore investor confidence in VOG. We are confident that we have identified all the substantive issues that need to be tackled by the management and will work methodically to resolve each of them. This process will take time and I will make a personal commitment to you our shareholders that we will remain transparent in our reporting as we progress. In our opinion VOG's share price is massively undervalued. We understand that to rebuild the trust of investors and the value of the Company we will have to not only clear operational milestones in Cameroon, but successfully execute a strategic plan for growing the Company outside of Cameroon in the longer term. We thank our shareholders for their continued support and patience. Thanks are also given to the management and employees for their continued dedication, our independent Non-Executive Directors for their ongoing guidance, and our partners; RSM Productions Corporation ("RSM"), AFEX Global Ltd ("AFEX") and SNH.

Roger Kennedy
Executive Chairman
23 May 2019

"WE HAVE IDENTIFIED ALL THE SUBSTANTIVE ISSUES THAT NEED TO BE TACKLED BY THE MANAGEMENT AND WILL WORK METHODICALLY TO RESOLVE EACH OF THEM."

Year in Review

Key Events

- Grid power customer; ENEO ceased consumption on 1 January 2018 and resumed on 22 December 2018.
- 5% Increase in non-grid gas sales.
- Matanda Assignment approved by Cameroonian Government.

Post Year End

- Production average increases to 10.10mmscfd in Q1 2019.
- $17.7 million (gross) fund raise completed.
- Board changes; Roger Kennedy replaces Kevin Foo as Executive Chairman and appointment of two additional Non-Executive Directors.

Average Daily Gas Production (mmscfd)

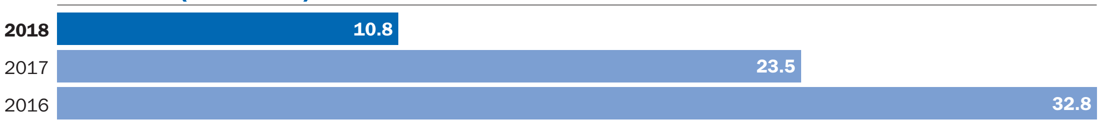
3.75mmscfd
66% decrease

Annual Gross/Net Gas Sold (mmscf)

1,410mmscf
62% decrease

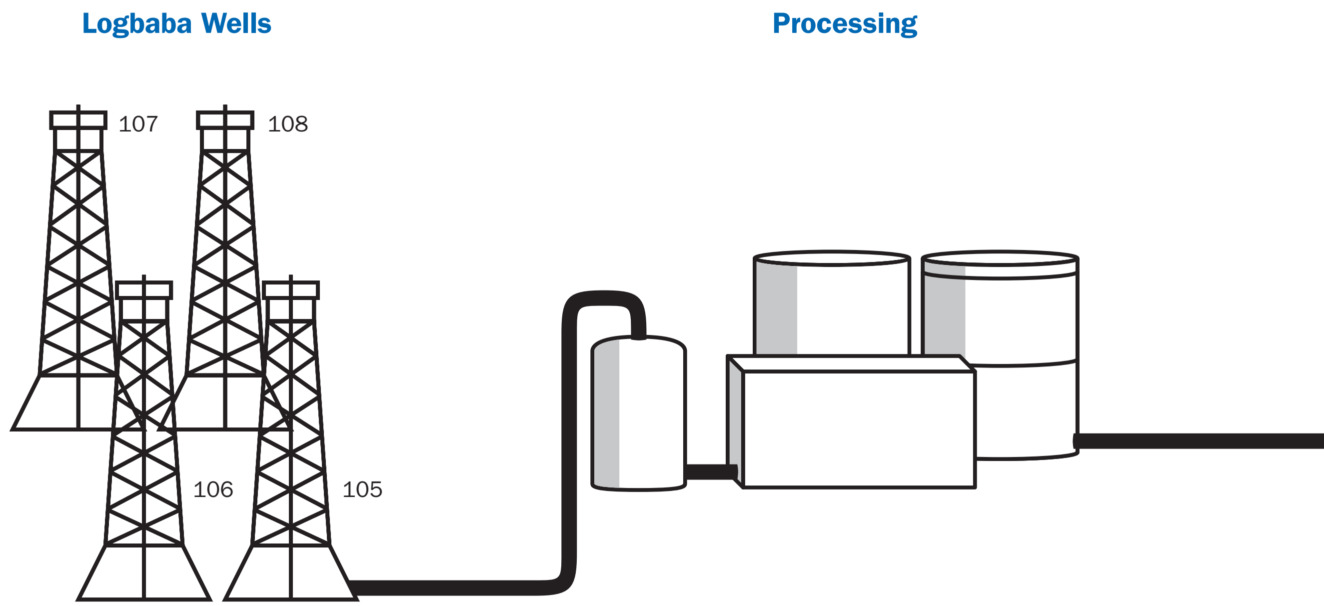
Thermal	Industrial Power	Grid Power
1,311mmscf	**74mmscf**	**25mmscf**
(YE 2017: 1,249mmscf)	(YE 2017: 66mmscf)	(YE 2017: 2,368mmscf)
5% increase	12% increase	99% decrease

Revenue ($'million)



$10.8 million
54% decrease

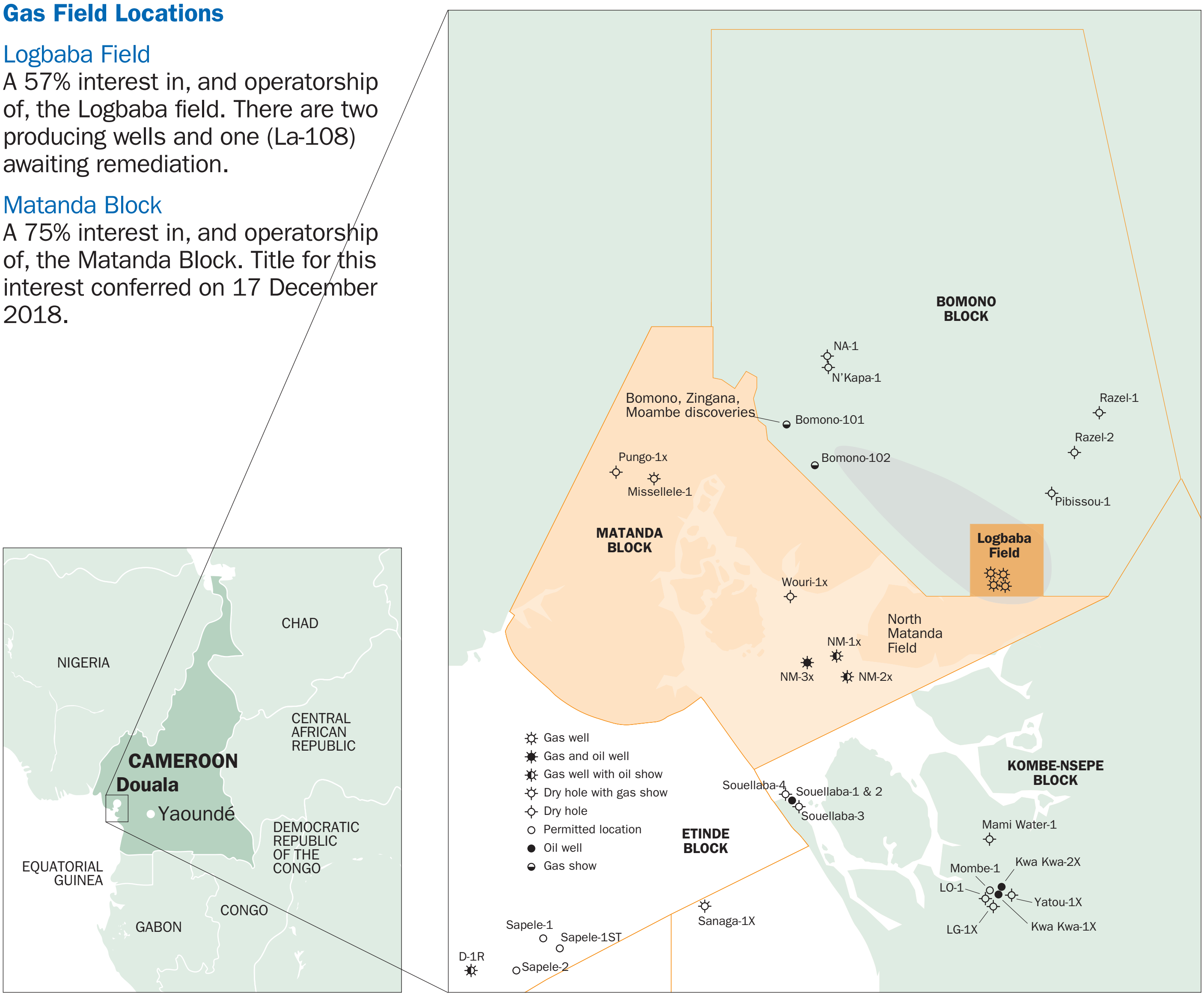
Operations & Customers



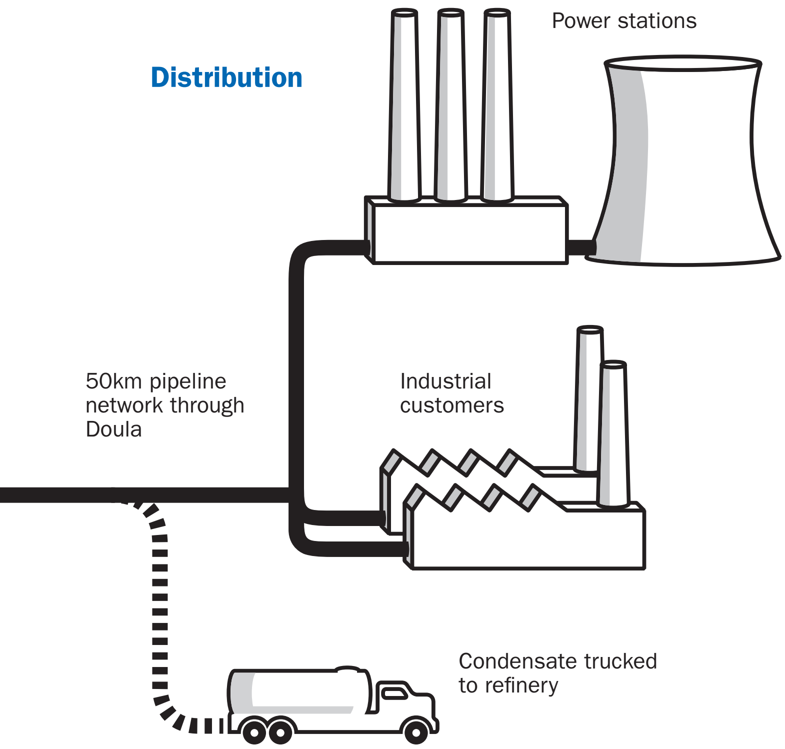
Gas Field Locations

Logbaba Field
A 57% interest in, and operatorship of, the Logbaba field. There are two producing wells and one (La-108) awaiting remediation.

Matanda Block
A 75% interest in, and operatorship of, the Matanda Block. Title for this interest conferred on 17 December 2018.



Operations & Customers continued



Operations & Customer Types

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

Grid Power
Supply of gas to power stations distributing to the Douala grid.

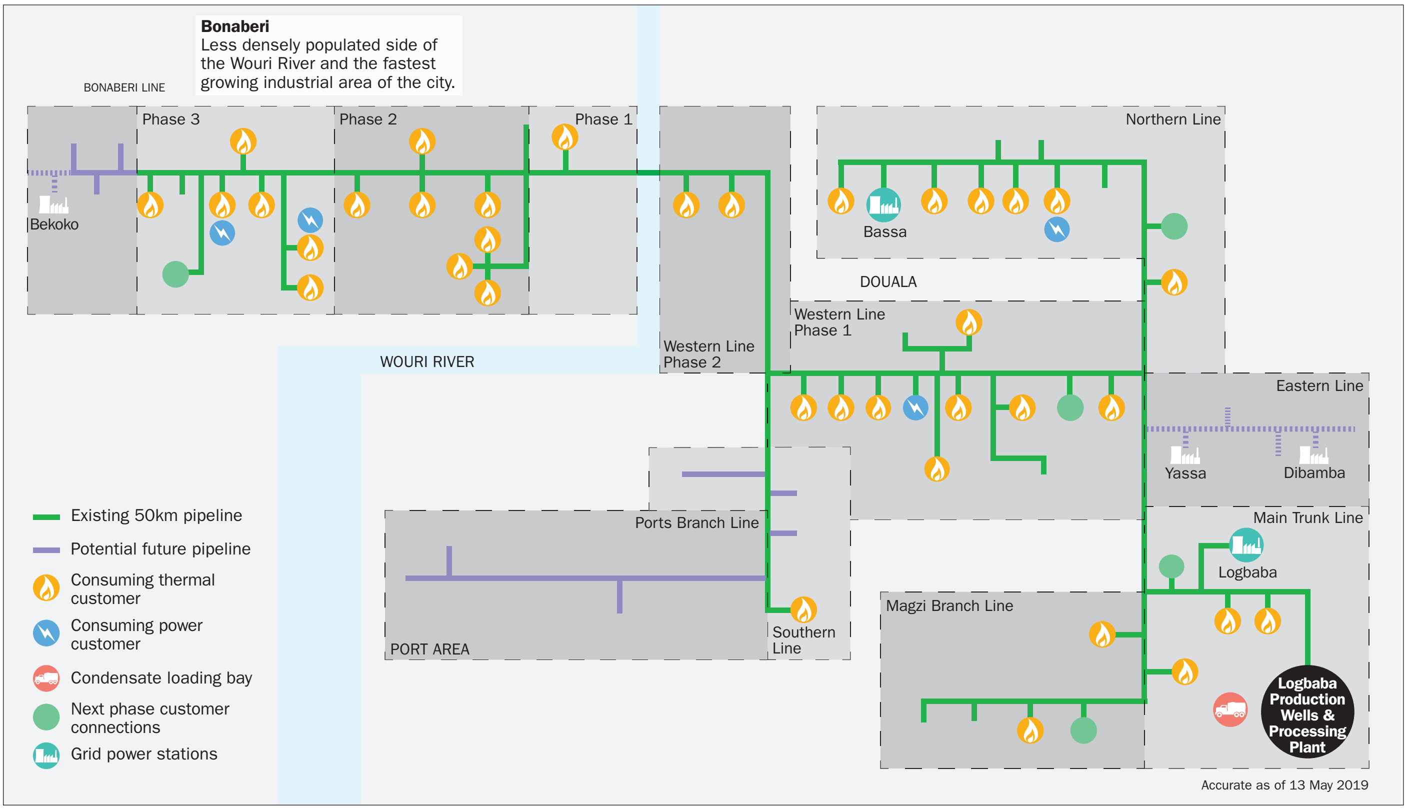
Thermal customers
GDC supplies gas to industrial customers for use in boilers, process plants and furnaces.

Industrial Power customers
Gas supplied to industrial customers to gas-fired electricity generators for power generation.

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

Pipeline Network

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



Strategic Summary

	2018 Objectives	Key Performance Indicators
Corporate	• Increase shareholder return	• Share Price Performance
Upstream Development – Logbaba	• Delivery of a continuous gas supply capable of meeting current and future demand	• Reserves increase following completion of La-107 & La-108
Upstream Development – Matanda	• Develop targets for drilling sites on Matanda	• Completion of seismic reinterpretation and identification of potential well locations • Commencing Environmental and Social Impact Assessment ("ESIA")
Downstream Development	• Re-establish supply to ENEO • Additional grid power opportunities • Expansion of thermal and industrial power • CNG project development	• Renewal of the ENEO GSA • Additional grid power opportunities • Expansion of pipeline network • Implementation of a CNG solution
Financial Performance	• Ensure sufficient cashflow levels maintained • Improve cost efficiencies • Restructure debt • Improve working capital	• 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
Strategic Opportunities	• Completion of participating interests in Matanda	• Presidential Decree conferring title to the Matanda Block
Non-Core Projects	• West Medvezhye Project, Russia	• Sale/Farm-out

Strategic Summary continued

Performance in 2018	2019 Objectives	Principal Risks & Uncertainties See page 24 for more information
• Share price -54% yoy (1/1/18: 49.50p, 31/12/18: 22.88p)	• Increase shareholder return	
• 1P reserves increased to 68bcf • 2P reserves increased to 207bcf • Uninterrupted gas supply during 2018	• Completion of La-108 remediation programme • Process plant optimisation works • Independent reserves & resources report	• Existence of Gas Market • Political/Regulatory Delay • Exploitation & Production Risks • Title to assets • Natural Disasters • Project delays and costs
• Presidential Decree conferring title to Matanda Block signed on 17 December 2018 • Reappraisal of seismic data	• Develop targets for drilling sites on Matanda • Commence ESIA	• Existence of Gas Market • Political/Regulatory Delay • Exploitation & Production Risks • Title to assets • Natural Disasters • Project delays and costs
• ENEO GSA renewed on 21/12/18 for a 3-year period providing 30MW at 80% take-or-pay • Uncertainty in the energy sector in Cameroon prohibited further grid power opportunities • Expansion of industrial power concept • CNG solution delayed	• Expansion of pipeline network following La-108 remediation completion • Additional grid power opportunities • Expansion of thermal and industrial power • CNG project development	• Reliance on key customer • Existence of Gas Market • Political and Regulatory Delay • Alternative Market Development
• Difficult trading conditions following delay in ENEO GSA renewal • Stringent cashflow management • Cost reduction at operating level • BGFI debt restructuring • Raised equity in 2019 – $17.7 million gross receipts	• Credit management under new ENEO GSA • Ongoing cashflow and working capital management • Close spending supervision on La-108 remediation and process plant optimisation projects • Further cost reductions at corporate and operating levels	• Reliance on key customer • Access to funding • Liquidity
• Nil lost time injuries throughout the year • OECD instance lodged in UK relating to Logbaba operations	• Ensuring safe operations, respectful of the environment and committed to local communities • Resolution of OECD instance	• HSSE & Cyber crime • Bribery & Corruption • Regulatory Compliance • Human Rights/Community
• Presidential decree signed on 17 December 2018	• Under review	• Political/Regulatory Delay • Title to assets
• Continued marketing of West Medvezhye with various parties	• Sale/Farm-out	• Title to Assets • Political and Regulatory delay

Chief Executive Officer's Review of Operations

2018 in Overview

- Grid Power Customer, ENEO ceasing consumption
- Resulting year of consolidation and cost reduction
- Customer diversification strategy
- Non-essential capital projects put on hold to preserve cash
- Eight additional customers consuming gas during the year

Key Statistics/Events

- 62% decrease in annual gas sold Gross 1,410 mmscf/Net 804mmscf (2017: Gross 3,684mmscf/Net 2,163mmscf)
- 66% decrease average daily gas production 3.75mmscfd (YE 2017: 10.98mmscfd)
- La-108 wireline cutting

Operations Review

2018 was a challenging year with the non-renewal of the Gas Sales Agreement with Eneo Cameroon S.A ("ENEO") in January forcing a change of plans. Management responded rapidly to readjust the Company and its costs to do all that it could to remain a going concern through 2018. A number of positive things have come out of the situation including management's focus being shifted to increase the diversification of customers and its revenue base for the Company by seeking higher value for its gas from industrial power customers. The focus on industrial power customers has generated a lot of interest and GDC has secured a number of signed gas sales agreements.

Alongside seeking higher value gas and additional revenue, given the reduced revenues for 2018, cost cutting became a major focus for GDC and the Company. This was achieved successfully and is more likely to see a larger impact in the financials for 2019. I am pleased to report a reduction of operating costs by 24% year on year.

With ENEO resuming gas consumption, the Company anticipates much better results in 2019.

I want to thank shareholders for their patience and support throughout 2018. Further detail on some of the specific topics are noted below.

Grid Power

Due to circumstances beyond the control of GDC, ENEO did not renew their gas sales agreement in January 2018. Whilst the situation that ensued was challenging for all involved, the management team remained confident that a resolution would be reached and worked tirelessly in trying to achieve it. Once ENEO was awarded its 10-year concession extension, GDC and Altaaqa were awarded contracts for gas to power supply which resumed on 22 December 2018.

During 2018 all outstanding payments due on invoices issued to ENEO under the previous Gas Sales Agreement were settled in full.

GDC remains an integral part of the power solution for Douala; made evident by the increased power black outs that the city experienced during 2018 when the gas was not being consumed for generation of power by ENEO.

GDC entered into a binding term sheet with ENEO on the 21 December 2018 to resume gas supply to the 30MW Logbaba Power Station. Gas supply and power distribution commenced on 22 December 2018. The term sheet with ENEO sets out 3-year contract term with peak delivery of 6.1mmscfd to be made available to the Logbaba station on an 80% minimum Take-or-Pay basis throughout the year, which equates to a minimum gas supply of 4.88mmscfd. This differs from the previous contract, which contained a seasonal minimum Take-or-Pay element of 90% during the January to June dry season and 30% during the wet season July to December. The initial gas sale price of $6.75/MMBtu will increase over the three-year term of the agreement by $0.10/MMBtu on each anniversary of the effective date of the agreement.

ENEO has consistently consumed gas from GDC in excess of 5.5mmscfd since resuming consumption, which is above the minimum contracted consumption volume.

Whilst the expectation was to have Fully Termed Agreements completed in Q1 2019, the parties are working closely to have these finalised shortly and ensure the provision of appropriate security for payment guarantees. The invoices for gas consumed in 2019, totalling approximately $3.6 million (net), remain outstanding. Management expect payment shortly and is actively engaging with ENEO to resolve this.

Chief Executive Officer's Review of Operations continued

We wish to thank the Government of Cameroon, Ministry of Water & Energy, ENEO, SNH and His Excellency the President for entrusting GDC and Altaaqa with such an important project for the Republic of Cameroon and its people.

Further Grid Power Demand

There is no doubt about the current deficit in grid power supply which is only increasing as a result of the growing demand for power by Cameroonians and Cameroon businesses. Hydro power projects are being implemented nationally at a grand scale, but these will take a number of years to be commissioned. We are aware that the government roadmap for power generation includes at least 30% of its power to be from thermal sources to ensure consistency at times of reduced rainfall. As the only onshore gas supplier, GDC is well positioned to deliver gas for power projects.

A number of internationally reputable power generation companies have expressed their interest to supply 100MW-150MW each and are in advanced discussions with the Government of Cameroon and ENEO to further these projects. GDC is engaging in discussions on these projects with the aim of progressing to gas sales agreements with these parties to secure gas offtake for grid power projects.

Thermal and Industrial Power Customers

By the end of 2018 eight additional customers were consuming gas; five for thermal use (three being new customers and two reconnections) and three for power use (two being new customers and one a reconnection). This brings the total number of consuming customers (excluding ENEO) at the year end to 38. Gas for Thermal use sales increased by 5% to 1,311mmscf (YE 2017: 1,249mmscf) and Industrial Power sales by 12% to 74mmscf (YE 2017: 66mmscf).

In particular, the sales team focused on the power requirements of existing and new customers. GDC explored a number of financing solutions for the capital expenditure required for the gas fired generators ("gensets"). With the completion of the recent fundraising and strengthening of the Company's Balance Sheet, GDC is reviewing these financing options to progress the industrial power project further. During the year, three customers that were on or close to existing pipeline purchased their own generators and were consuming gas by the year end. There are two further customers who have signed GSA's for industrial power, one of which is expected to be online in Q4 2019.

The sales team is actively pursuing customers who are based in potential pipeline extension areas for both thermal and industrial power uses for our gas. Non-essential capital expenditure projects were put on hold during 2018, which delayed some of the decisions for industrial power projects. However, given the recent fundraising and consumption of gas by ENEO, the economics for these projects are being reviewed and may form part of the capital expenditure programme for 2019.

Compressed Natural Gas ("CNG")

The Company announced in June 2018 that GDC had entered into an exclusive agreement to partner with Naturelgaz Sanayi ve Ticaret A.S. ("Naturelgaz"), Europe's largest CNG supplier and distributor. The purpose of this long-term partnership was to:

- Design, build and operate CNG infrastructure and solutions for customers who need mobile energy, initially in GDC's home market of Cameroon with the intention of rolling this out into other African countries
- Market CNG products, including bulk CNG and gas-to-power to industry and businesses which require reliable off-grid/off-pipeline energy solutions, as well as Auto CNG for alternative mobility solutions
- Phase 1 agreed between the parties is a 2mmscfd CNG plant and customer distribution project currently in the design stage.

Marketing studies by GDC and Naturelgaz concluded that five types of customers would use CNG in Cameroon: thermal, off-grid power generation, commercial trucking, public transportation, and domestic transportation. The studies indicated the near-term potential of the CNG market, within a 60km radius of the Logbaba facilities, is 2mmscfd thermal and 2mmscfd industrial power. To date, more than ten customers have expressed interest in CNG within a 60km radius of Douala.

Design, engineering and cost estimation was completed, which demonstrates feasibility for an initial project to build a 2mmscfd CNG plant in Douala for CNG distribution. The Board believes that CNG will compete strongly against diesel and heavy fuel oil which are currently priced in Cameroon at an equivalent of approximately $25/MMBtu and $15/MMBtu respectively.

> "ENEO CONSUMING GAS ABOVE CONTRACTED TAKE OR PAY LEVELS."

Chief Executive Officer's Review of Operations continued

The project will be able to progress following completion of remediation works of La-108, plant optimisations at Logbaba and the conclusion of GSA's with sufficient customers, thereby establishing a viable business operation.

Energy Wells

There are a number of additional gas sales opportunities for GDC. Whilst some time was spent on the Energy Well concept during 2018, management has decided to focus on the industrial and grid power opportunities which could potentially include CNG in the future. This project may be revisited in the future but no resources have been allocated to it for 2019.

Delivery and Infrastructure

Pipeline

During the current year, as mentioned previously, non-essential capital expenditure was put on hold. No extensions to the 50km pipeline network were made during the year.

Facilities Enhancement Project

In December 2018, the VOG Board approved engineering and execution planning to upgrade the Logbaba Gas Plant to enable production at a lower wellhead pressure than it is currently designed, maximising the value of the gas deliverability from the wells. Once the project is complete, it will result in significant increase in hydrocarbon recovery from existing and future wells. A further benefit of the project is that it will enhance the reliability of the Logbaba Gas Plant as GDC production increases during 2019 and 2020. The project will be delivered as a two-stage project. The Front-End Engineering Design ("FEED") will be delivered in Stage 1; and once accurate costing and scheduling have been determined and approved by the Board, the procurement of materials, fabrication and installation (Stage 2) will commence. Stage 1 is expected to be completed in 2019.

Upstream

La-108

At the end of the La-108 well testing operations in December 2017, a spent perforating gun was stuck in the production tubing at a depth of 895m, with a wireline cable extended from the stuck gun to surface. The only material capital project that was carried out during the financial year for GDC was in relation to La-108. In April 2018, the cable was cut downhole at a depth of about 700m. The cut wire was recovered from the hole, leaving the perforating gun and about 200m of cable in the hole to be retrieved at a later date.

As a result of increased production, planning has commenced for works to recover the perforating gun and conduct further perforating and flow testing to complete well La-108.

Logbaba La-108 Insurance Claim

The insurance claim to recover the costs associated with the La-108 well control event has been declined by the insurer based on their opinion that there was insufficient evidence of an underground blow-out as defined in the insurance policy. Expert technical advisors to the Company have produced information contrary to what the insurer has put forward and the Board believes it has reasonable prospects of success in pursuing the claim through litigation in Cameroon. The parties relating to the Logbaba Project are evaluating their options.

Trade Indebtedness

In Q1 2019, GDC received a statutory demand in the BVI from Weatherford Services and Rental Ltd ("Weatherford") for payment of invoices relating to various services provided by Weatherford for the La-107 and La-108 drill program for a gross amount of approximately $2.9m. The Company contends that this matter was in dispute prior to service of the statutory demand and has made an application to have the statutory demand set aside. The Company has also formally disputed that the full funds demanded were due. The Company and Weatherford now have an agreement in principle to extinguish the outstanding debt and to withdraw the statutory demand which is expected to be formalised in the near term. The Company has, since year end, settled the remaining creditors from the drilling program and now trades with its remaining creditors within trading terms.

"GOVERNMENT ROADMAP FOR POWER GENERATION INCLUDES GDC GAS."

Chief Executive Officer's Review of Operations continued

ISO Certification

GDC has worked on International Organization for Standardization Compliance ("ISO") 9001, 14001 & 45001 ISO since 2017. It has developed and implemented its Integrated Management System ("IMS") based upon the requirements of these international standards.

We were pleased to announce in May 2019 that following an audit by an external certifying authority, GDC has successfully completed the audit process for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 with certifications expected to be issued by end of Q2 2019. This achievement is evidence that GDC has established management systems for Quality, Environmental and Occupational Safety and Health, which conform to international ISO standards. This accomplishment demonstrates our continued commitment to providing a high-quality product and delivering a consistent service in a safe and environmentally conscious manner to all our clients, alongside the investment of time and money into new technology, staff, processes and procedures by the Company.

OECD Instance

Following a complaint to the Organisation for Economic Co-operation and Development ("OECD") in 2018 and various communications with the UK National Contact Point ("NCP") for promotion of the OECD Guidelines for Multinational Enterprises (the "Guidelines"), the NCP has decided, on an "Initial Assessment" that issues raised merit further examination (based on initial information from both parties). The complaint was made by the association of residents of Ndogpassi I, II and III and the Good Neighbours circle of Logmayangui in relation to the establishment and operation of the Logbaba Project in Cameroon. We are engaging with the NCP in relation to progressing to mediation with the aim of addressing the concerns of the residents involved.

Logbaba Reserves and Resources Update

The Group had previously reported the reserves and resources on the entire Logbaba Field contained within the original 64km^2 PH79 Exploration Licence. Discussions with SNH and the Government of Cameroon are continuing regarding the terms on which the relinquished portion of the PH79 Exploration Licence (the 44km^2) will be made available to the Logbaba Concession partners. The reserves and resources have been updated to reflect only the reserves and resources contained within the C38 Exploration Licence, which has an area of 20km^2. A further update will be provided once negotiations are concluded on the PH79 Exploration Licence.

An update to the Group's reserves and resources is provided in the following pages.

Matanda Update

Regarding Matanda Block, GDC received the Decree signed by H.E. President Paul Biya on 17 December, 2018, authorising the transfer of interest in the Matanda Production Sharing Contract ("Matanda PSC") licence assigned from Glencore in early 2016. This secured GDC 75% ownership and operatorship of the Matanda PSC, adjacent to its Logbaba concession, which at 1,235km^2, is over 60 times the area of the Logbaba concession. The proposed minimum work programme obligation of one exploration well, plus seismic reinterpretation, is ongoing and expected to be completed in the first two years following the date of the Presidential Decree.

I want to extend my gratitude to our teams in London, Cameroon and Russia and thank them all for their hard work, loyalty and support throughout the years and look forward to achieving success through 2019 and beyond.

Ahmet Dik
Chief Executive Officer
23 May 2019

Reserves and Resources

Logbaba Reserves and Resources as of 31 December 2018

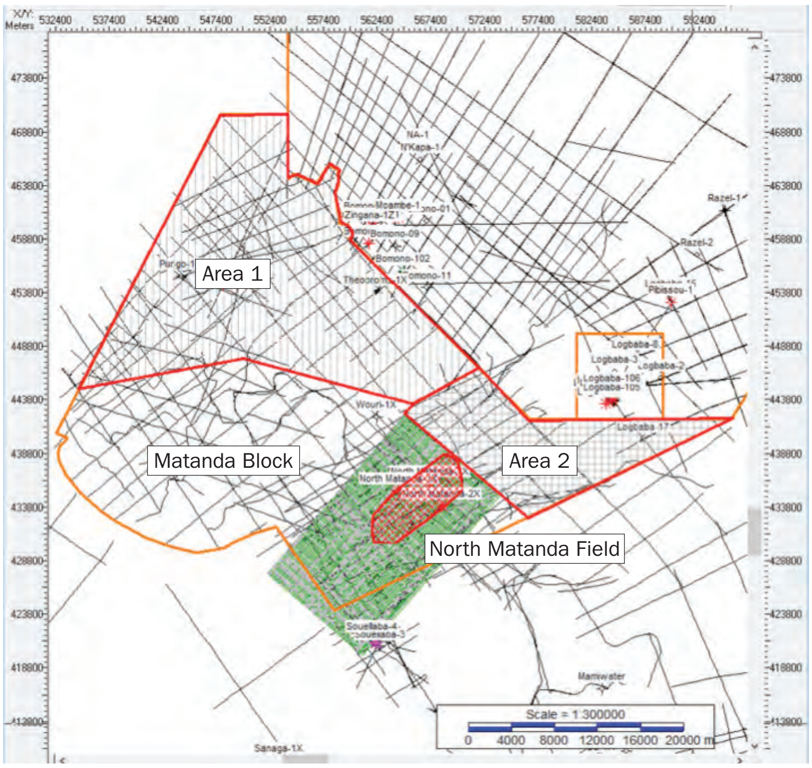
The Logbaba reserves and resources reported for the year ending 31 December 2018 reflect the reserves and resources that are estimated to exist within the 20km^2 area of the C38 Exploitation Licence. This is different from the Logbaba reserves and resources reported for the year ending 31 December 2017, which referred to Logbaba reserves and resources for the entire Logbaba Field, part of which lies outside of the C38 Exploitation Licence, extending into the 44km^2 area of the original Logbaba PH79 Exploration Licence that was relinquished when the exploitation licence was awarded. The difference in the 2017 and 2018 reports is reflected in the Logbaba 2P and 3P reserves and Prospective Resources. The 1P Logbaba reserves are all contained within the C38 licence area and thus are not affected.

The Group anticipates that the relinquished portion of the PH79 Exploration Licence, the 44km^2, will be made available to the Logbaba Concession partners and discussions to finalise this are ongoing with the Government of Cameroon.

Matanda Reserves and Resources

The Matanda resources reported for the year ending 31 December 2017 reflected only the Prospective Resources that were estimated by ERCL in 2015 for the North Matanda Field, which is in the portion of the Matanda Block that lies in the inshore waters of the Wourri Estuary, shown on the map below as a red hatched area. This field was discovered and appraised by three gas/condensate wells, NM-1X, NM-2X, and NM-3X, all of which found and tested gas condensate reservoir sands in the Cretaceous Logbaba Formation. Prospectivity in the remainder of the Matanda Block was not quantified in the Reserves and Resources summary included in the 2017 Annual Report.

In 2017, RPS Energy was engaged to assess the North Matanda Field Contingent Resources, 1C, 2C, and 3C, in accordance with the classification and categorisation criteria specified in the SPE/WPC/AAPG/SPEE Petroleum Resources Management System. That work was completed and reported in 2018; the resulting North Matanda Field Contingent Resources are tabulated in the Reserves and Resources summary as at 31 December 2018.



Area 1, Area 2 and the North Matanda Field in the Matanda Block.

Reserves and Resources continued

Resources as at 31 December 2018

Logbaba C38 Reserves and Resources

			Gross	Net (57%)
Proved (1P)[1]	Gas	bcf	68	39
Proved + Probable (2P)[1]	Gas	bcf	207	118
Proved + Probable + Possible (3P)[1]	Gas	bcf	364	207
Mean Prospective Resources[2]	Gas	bcf	752	429

Matanda Resources

			Gross	Net (75%)
North Matanda Field (Area 2)				
Contingent – Low Estimate (1C)[3]	Gas	bcf	43	32
Contingent – Best Estimate (2C)[3]	Gas	bcf	163	122
Contingent – High Estimate (3C)[3]	Gas	bcf	384	288
P50 Prospective Resources[4]	Gas	bcf	3,747	2,810
Matanda Block Onshore (Area 1)				
Mean Prospective Resources[5]	Gas	bcf	903	677

West Medvezhye Reserves and Resources

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

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

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

3 From RPS Energy report: 'North Matanda Field Assessment of Gas Volumes'. February 2018.

4 From the Volumetrics Assessment for North Matanda, Cameroon, November 2015, by ERCL. The P50 Prospective Resources of the North Matanda Field have not been reduced to account for the North Matanda Field Contingent Resources, which were defined by RPS in a later study (2018).

5 From the ERCL Consultants Evaluation: 'Prospectivity and Volumetrics Report, Matanda Block, Cameroon'. 2017.

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

Reserves and Resources continued

Matanda Reserves and Resources continued

The North Matanda Field P50 Prospective Resources determined by ERCL in 2015 are also presented in the Reserves and Resources summary for the year ending 31 December 2018. It should be noted that the P50 Prospective Resources of the North Matanda Field have not been reduced to account for the North Matanda Field Contingent Resources, which were defined by RPS in a later study (2018).

In addition to the work done to categorise the resources in the North Matanda Field, the Company engaged ERCL to determine the prospective resources in the onshore area of the Matanda Licence to the north of the Wourri estuary, which is denoted as Matanda Block Onshore Area 1, as shown on the map on page 14 The prospective resources listed for Matanda Block Area 1 reflect the sum of the mean recoverable resources for the prospects and leads in that area.

The prospects and leads that were identified are found in the Cretaceous Logbaba Formation and the Tertiary N'Kapa Formation. These prospective resources were not tabulated in the Reserves and Resources summary as at 31 December 2017. Further work is currently underway by ERCL and Gaz du Cameroun to define prospects and leads in the portion of the Matanda Block that is shown as Onshore Area 2 in the map on page 14.

Corporate Social Responsibility Report

Community relations

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

During 2018, 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. During the year, Platform Meetings were held within the local community alongside SNH to report on the ongoing environmental monitoring and compliance reporting that the Company undertakes and provide the community to raise any concerns or issues they may have.

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; a couple of the highlights being:

Education

GDC made several donations of educational materials to junior schools in the local proximity to the Logbaba site. As part of a "back to school" initiative, donations of stationery and school books were made to six government primary schools within the city of Douala in the neighborhoods of Ndogpassi, Logbaba, Bonapriso and Bonaberi. This initiative was led by GDC's CSR and Public Information Supervisor. In addition gift packs and school supplies were presented to the top five performing students within the schools and members of staff.

Environmental Education

Following on from GDC's involvement in the ECO-COLLECT Project in Douala during 2017 (a national collection programme to valorise and recycle plastic waste in Cameroon) GDC continued to observe the problems caused by waste, not only in its immediate vicinity, but across the city as a whole. In a bid to continue to build on this initiative the GDC CSR team set up and ran "Waste Management Awareness Sessions" with a number of educational institutions selected around the Logbaba Concession Area to try and improve awareness within the area of influence of the Logbaba Concession. The sessions involved presentations on responsible waste management being made to students and teachers followed by a Q&A session with the GDC Environmental Officer. GDC covered the risks and opportunities associated with waste management practices and encouraged the individuals to become Zero-Waste Heroes; Definitions of Waste, Types of Waste, Nature of Waste, Waste Management Principles, Waste Management Strategies, School Waste Categories, From Waste to Wealth. The students ranged from Junior to Senior school ages, and in total 372 students and 36 teachers within five schools participated.

Medical

During 2018, VOG and GDC worked with the UK representatives of the Cameroonian President's Office in their bid to raise funds for, and the delivery of, some dialysis machines for Buea Kidney Dialysis Centre in Cameroon. Once funds were raised, four refurbished and fully serviced Fresenius 5008 dialysis machines were obtained with the incredible assistance of St Georges Hospital in Tooting. The dialysis machines were carefully packed and shipped to Douala, and post year-end the machines made their onward journey to Buea and were received by the medical staff at the Dialysis centre.

"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

GDC's wider impact

GDC maintains an engaged and proactive relationship with local communities within Douala. 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 fact has seen businesses move within proximity of our pipeline allowing those wishing access to be provided with a consistent, safe source of combustion. 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 statutory payments as they become due and disclose 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 primarily filled by individuals from the region. 97% of GDC's total employees are Cameroon 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 and 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 2018, community workers were continuously engaged by ourselves and our on site 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-107 and La-108 drilling programme. The results of the ESIA fed 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 thus been awarded Certificates of Environmental Conformity and 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 in 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. These reports are also presented to the local communities at regular Platform Meetings held by GDC.

134 employees.

97% local Cameroonians.

Medical Insurance provided to 127 employees and 362 family members.

$9.3 million paid in local Cameroon direct and indirect taxes in 2018. $69 million in total since 2011.

Total investment in Cameroon to end 2018 $430 million.

Corporate Social Responsibility Report continued

Health and Safety

Safety is paramount to GDC's operations both at 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 at a high standard 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.

ISO Certification

GDC has been working on International Organisation for Standardisation compliance ("ISO") 9001, 14001 & 45001 ISO since 2017. It has developed and implemented its Integrated Management System ("IMS") based upon the requirements of these International Standards.

We are pleased to announce that following an audit by an external certifying authority, GDC has completed the audit process for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 with certifications being expected by end of Q2 2019. This achievement is evidence that GDC has established management systems; Quality, Environmental and Occupational Safety and Health, which conform to international ISO standards. This accomplishment demonstrates our continued commitment to providing a high-quality product and delivering a consistent service to all our clients, alongside the investment of time and money into new technology, staff, processes and procedures by the Company.

OECD Instance

Following a complaint to the Organisation for Economic Co-operation and Development ("OECD") in 2018 and various communications with the UK National Contact Point ("NCP") for promotion of the OECD Guidelines for Multinational Enterprises (the "Guidelines"), the NCP has decided on an "Initial Assessment" that the issues raised merited further examination (based on initial information from both parties). The complaint was made by the association of residents of Ndogpassi I, II and III and the Good Neighbours circle of Logmayangui in relation to the establishment and operation of the Logbaba Project.

The Guidelines are principles for responsible business conduct in areas including employment, human rights and the environment. While the Board and GDC both strongly believes that the Company has and has had the necessary policies and processes in place, we welcome the opportunity to engage further with the complainants to understand their concerns and to agree how we can advance together. The NCP stresses in its Initial Assessment that its decision to examine further the claim against VOG is not a finding against the Company. The Company is actively engaged with the NCP to facilitate the aforementioned mediation, which the Company anticipates will take place in the coming months.

Financial Review

The year ended 31 December 2018 ("current year") was a challenging year for VOG. The non-renewal of the ENEO contract on 1 January 2018, in conjunction with an overhang of outstanding partner receivables and supplier payables relating to the Logbaba drilling programme, set the tone for a year of rationalisation and stringent capital management.

Despite rigorous cash management, a restructuring of the BGFI debt facility, a reduction in total operating and G&A costs, and efforts to expand sales of thermal and industrial power applications, the Board felt that the Group's Balance Sheet required an injection of funding and looked to raise capital. On 5 April 2019 the Group completed an equity placing and subscription, raising gross proceeds of $17.7 million. The net proceeds of the fundraising will enable the Group to:

- maintain and expand its existing operations in Cameroon, with a focus on securing new customers and increasing revenue;
- complete well La-108 and certain process plant enhancements at Logbaba and fund the ongoing development of the Matanda Project, a key focus for the Group;
- continue to implement its cost reduction programme in both the London and Cameroon operations;
- restructure and reduce the Group's existing bank and trade indebtedness; and
- fund its working capital requirements.

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 on the commencement of exploitation activities at the Logbaba Project in early 2011. 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 in taking ownership of their 5% participating interest. The Company discloses 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.

"A YEAR OF RATIONALISATION AND STRINGENT CAPITAL MANAGEMENT."

	31 December 2018	31 December 2017
Gas sales (mmscf) – Gross	**1,410**	3,684
Gas sales (mmscf) – Attributable	**804**	2,163
Condensate sales (bbls) – Attributable	**8,309**	18,892
Revenue ($'000) – Gross	**18,596**	40,613
Revenue ($'000) – Attributable	**10,796**	23,471
Net royalties ($'000)	**1,145**	2,609
EBITDA ($'000)	**(529)**	4,593
Loss before tax ($'000)	**(8,302)**	(10,724)
Loss after tax ($'000)	**(8,521)**	(10,134)
Basic loss per share (cents)	**(5.79)**	(8.86)
Operating cash flow before working capital ($'000)	**(1,487)**	5,683
Cash working capital movement ($'000)	**1,367**	(1,999)
Capital invested ($'000)	**3,363**	39,752
Net debt ($'000)	**(17,440)**	(13,061)

Financial Review continued

Statement of Comprehensive Income

In the year ended 31 December 2017 ("prior year"), grid power sales accounted for 64% of gas sales in the year. Having ceased taking gas on 1 January 2018, the binding term sheet with ENEO was signed on 21 December 2018 and the Logbaba power plant resumed consumption on 22 December 2018, resulting in grid power gas sales accounting for only 2% of gas sales in the current year, and accounting for the $12.7 million decline in attributable revenue. Revenue in the current year was $10.8 million (2017: $23.5 million).

The binding term sheet to supply gas to the Logbaba 30MW Power Station contained the following provisions:

- 3-year contract term;
- Peak quantity delivery of 6.1mmscfd to be made available to the Logbaba Power Station site;
- Minimum base load 80% (4.9mmscfd) of peak quantity "Take-or-Pay" throughout the year;
- Gas price range from $6.75 to $6.95 per MMBtu over contract term, an annual increase of $0.10 per MMBtu.

The parties agreed to execute a fully termed agreement, including the provision of an appropriate payment guarantee. The Company is working with ENEO to have the agreement and guarantee in place as soon as possible. Whilst the Company is experiencing payment delays from this customer, with net receivables of $3.6 million at the time of publishing this report, it is noted that ENEO has in the past paid all amounts owing and management believe that the current delays will be rectified in the near term.

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 ("CHL"), which in turn earns a royalty from GDC), was 10.6% of attributable revenue for the current year (2017: 11.1%). Since January 2019 the Company has ceased to make any payments under the CHL royalty agreement. The Board is in the process of reviewing the governing documents regarding the payment of royalties to CHL and until the process is completed the Company will not be making any further payments under the CHL royalty agreement. CHL disputes the validity of the suspension of the royalty payments.

Operating costs (being Other cost of sales plus Administrative expenses excluding depreciation and amortisation) decreased by $3.5 million to $11.0 million in the current year (2017: $14.5 million) demonstrating the Company's efforts to reduce costs in an environment of reduced revenues. The Company will continue to reduce operating costs at both the operating and corporate levels in 2019.

	31 December 2018 $'000	31 December 2017 $'000
Operating loss	**(6,336)**	(10,158)
Depreciation and Amortisation	**5,807**	14,751
EBITDA	**(529)**	4,593

Depreciation and Amortisation for the current year was $5.8 million (2017: $14.8 million), which is both variable and associated with the volumes of gas produced and related to the increase in reserves used to determine the unit-of -production depreciation charges.

Despite efforts to reduce operating costs, EBITDA, which removes depreciation from the reported operating loss, was a loss of $0.5 million (2017: gain of $4.6 million) reflecting the impact of the reduction in revenues.

The Group produced a loss before tax of $8.3 million (2017: $10.7 million), and a loss after tax of $8.5 million (2017: $10.1 million). The basic and diluted loss per share was 5.79 cents (2017: 8.86 cents).

Statement of Financial Position

Intangible assets of $30.4 million (2017: $54.2 million) represent the costs incurred on well La-108. Works to recover the perforating gun lost down-hole and to conduct further perforating and flow testing to complete well La-108 will be performed in 2019. When feasible these costs will be transferred to oil and gas assets within property, plant and equipment.

Financial Review continued

Well La-107 was transferred to oil and gas assets within property, plant and equipment during the year. On 4 June 2018, following the completion of the 2017 drilling campaign on wells La-107 and La-108, the Group announced a significant increase in the proved developed reserves for the Logbaba Field in Cameroon. Following the announcement, the proved developed reserves used in the calculation of unit-of-production depreciation increased from 21.1 billion cubic feet ("bcf") to 69bcf (2017: 21.1bcf) in the Logbaba Field.

The decrease in trade receivables to $8.7 million (2017: $13.5 million) is due to a $3.5 million reduction in attributable trade receivables (reflecting the lower revenue levels and full collection of outstanding ENEO debt) and a $2.5 million reduction in partner receivables being RSM's share of drilling costs and SNH's receivable following their participation.

Trade and other payables of $10.8 million (2017: $14.3 million) reduced as a number of residual drilling contractor obligations were settled during the year. Drilling related trade payables at 31 December 2018 amounted to $3.9 million. In Q1 2019, GDC received a statutory demand in the BVI from Weatherford Services and Rental Ltd ("Weatherford") for payment of invoices relating to various services provided by Weatherford for the La-107 and La-108 drill program for a gross amount of approximately $2.9 million. The Company contends that this matter was in dispute prior to service of the statutory demand and has made an application to have the statutory demand set aside. The Company has also formally disputed that the full funds demanded were due. The Company and Weatherford now have an agreement in principle to extinguish the outstanding debt and to withdraw the statutory demand which is expected to be formalised in the near term. The Company has, since year end, settled the remaining creditors from the drilling programme and now trades with its remaining creditors within trading terms.

Cash and cash equivalents of $3.5 million (2016: $11.5 million). Borrowings reduced to $20.9 million (2017: $24.5 million). During the year the Company successfully restructured the BGFI debt facility. At 31 December 2018, the loan has a 6-month interest only period, followed by 48 monthly repayments of principle and interest. Interest is payable at 7.15% p.a. The loan is secured by a pledge over the revenue stream of certain customers, a pledge over attributable gas production volumes equivalent to the monthly instalments and the ceding of GDC's right to future insurance claims for the tenor of the loan. The Company has provided a letter of support to BGFI to support the facility.

Net Debt and Liquidity

	31 December 2018 $'000	31 December 2017 $'000
Cash and cash equivalents	**3,467**	11,476
Borrowings: Current liabilities	**(4,109)**	(3,174)
Borrowings: Non-current liabilities	**(16,798)**	(21,363)
Net debt	**(17,440)**	(13,061)

Net debt of $17.4 million (2017: $13.1 million) reflects the liquidity position of the Group. The Group has no further available credit facilities.

The Company raised $17.7 million gross proceeds in an equity placement in April 2019.

Cash Flow Statement

Operating cash utilised, prior to the effects of working capital movements, was $1.5 million (2017: cash generated $5.7 million), reflecting the reduced revenues and EBITDA.

Working capital decreased $1.4 million (2017: increased $2.0 million) owing to cash collections from customers and partners, set off against payments made to drilling suppliers.

Capital investment in 2018 was reduced to only the essential spending and committed costs. The Company's capital investment was reduced to $3.4 million (2017: $39.8 million). In 2019 the Company will complete well La-108 and perform certain process plant enhancements and optimisation at Logbaba.

"RAISED $17.7 MILLION GROSS PROCEEDS IN APRIL 2019."

Financial Review continued

There were no funds raised during the current year, with capital investments and cash utilised in operations being funded from existing cash reserves (2017: $23.7 million net proceeds from the equity placement and $15.2 million proceeds from borrowings). Repayment of capital on borrowings was $2.8 million (2017: $7.8 million).

Commitments

The Logbaba Concession does not contain any work programme obligations.

The Presidential Decree conferring title to its 75% participating interest in the Matanda Block was signed on 17 December 2018. GDC's share of the Matanda work programme, which the Company will have two years to execute from the date of the Presidential Decree, is $11.3 million.

Insurance Claim

The insurance claim to recover the costs associated with the La-108 well control event has been declined by the insurer based on their opinion that there was insufficient evidence of an underground blow-out as defined in the insurance policy. Expert technical advisors to the Company have produced information contrary to what the insurer has put forward and the Board believes it has reasonable prospects of success in pursuing the claim through litigation in Cameroon. The parties relating to the Logbaba Project are evaluating their options. It was not considered appropriate to continue reflecting the insurance claim as a contingent asset as disclosed in 2017.

Subsequent Events

On 3 April 2019, Kevin Foo resigned as Executive Chairman of the Company and Roger Kennedy assumed the role of Executive Chairman in his stead.

On 3 April 2019, John Knight and John Daniel were appointed as Independent Non-Executive Directors' of the Company.

On 5 April 2019, the Company issued 104,627,488 new Ordinary Shares at a subscription price of 13 pence per share which generated gross proceeds of $17.7 million and net proceeds of $16.1 million. We thank our new and existing shareholders for their continued support of the Company.

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 which may affect the Group's ability to continue operating as a going concern, these are disclosed in Note 3 of the Financial Statements.

The Company successfully raised $16.1 million net proceeds in an equity placement in April 2019. The Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets and believe that the available funds are sufficient to enable the Company to continue meeting it's 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 or classifications of assets and liabilities that may arise if the Group was unable to continue as a going concern.

Andrew Diamond
Finance Director
23 May 2019

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, compliance and operational. 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	2018 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	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. 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.
Reliance on a key customer (ENEO)	ENEO ceased consuming gas on 1 January 2018 and resumed consumption on 22 December 2018. The binding term sheet signed with ENEO for the supply of gas is for a three-year period, providing gas to generate 30MW of power. At the 80% take or pay levels stipulated in the contract, ENEO will once again become the Group's largest customer. The non-renewal of this customer lead to a significant reduction in revenues and cash generation during 2018. Furthermore, the Group has previously experienced significant delays in collections, which may be an area of risk in the future. The Group continues to focus on providing industrial power solutions to Douala customers and expanding the product range with the objective of diversifying the customer base. Ongoing efforts to reduce cost in the business are viewed as an additional mitigation of this risk.
Political and regulatory uncertainty and delays or refusal in granting approvals may severely inhibit project development	Any changes to political leadership could result 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. The Group continues to engage with the respective Government and regulatory body representatives to progress the Group's agenda. The Group has a comprehensive political violence insurance package including business interruption.

Principal Risks & Uncertainties continued

FINANCIAL	The production and distribution of gas in Douala, Cameroon, is a capital-intensive business model. Companies in the oil and gas industry are commonly associated with funding and liquidity risks. Other financial risks include volatility in commodity prices, foreign currency risk, interest rate risk, changes in fiscal regimes and credit risk.
RISK OR UNCERTAINTY	2018 OUTCOME AND MITIGATING ACTION
The Group has sufficient funds available to continue running operations and meeting financial obligations	Group cash flows are rigorously monitored and managed to ensure the Group is in a liquid position and able to meet its ongoing commitments. During 2018, the majority of the Groups debt facilities were restructured.
The Group's ability to access funding to meet commitments and development plans	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. The Group raised $17.7 million gross in equity during 2019. 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.

COMPLIANCE	The Group's current business is dependent on the continuing enforceability of the Logbaba Concession, Matanda PSC, 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	2018 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, including regular training for all Group staff. The Group includes anti-bribery and corruption compliance provisions in all contracts entered into with third-parties. As part of the regular training, staff are also reminded of the Group's Whistleblowing Policy and encouraged to confidentially raise any concerns that they may have about dangerous, illegal activity or any wrongdoing within the organisation.
The Group is subject to compliance requirements within the regulatory frameworks that it operates in	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. 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.

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	2018 OUTCOME AND MITIGATING ACTION
Exploration and production activities are inherently uncertain in their cost, reserve estimations and outcomes	Wells La-107 and La-108 were completed during 2017, adding significantly to the available gas reserves of the Group, as announced during 2018. 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. Remediation work on La-108 is planned for 2019. The outcome of these works and any subsequent independant reserves reports may result in future production and the quantity of recoverable reserves varying significantly from that expected. This could affect the estimated remaining quantity of the Company's reserves and, therefore, the short-term commercial viability of the Group's current producing assets, as well as that of future or potential assets. The Groups 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.
Natural disasters, project delays and cost overruns	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. The Group has a comprehensive all-risk insurance package including business interruption.

Principal Risks & Uncertainties continued

OPERATIONAL (continued)	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	2018 OUTCOME AND MITIGATING ACTION
The nature of the Group's operations exposes it to a wide range of HSSE risks, including cybercrime risk	The Logbaba gas wells and pipeline network are located in the metropolitan area of Douala, Cameroon, with a population of 1.3 million. The Group is committed to maintaining high health, safety, security and environmental standards and continuously reviews HSSE policies and procedures and monitors performance. International Organisation for Standardisation compliance ("ISO") 9001, 14001 & 45001 audits successfully completed in 2019, emphasising the Company's commitment to international standards in its management systems. 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.
Alternative gas markets cannot be developed quickly enough or in sufficient volume to provide required revenue	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.
Failure to effectively manage community relations could impact production and sales	The Group has a Corporate and Social Responsibility Policy and is committed to conducting it 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.

This Strategic Report was approved by the Board of Directors on 23 May 2019 and signed on its behalf by:

Roger Kennedy
Executive Chairman
23 May 2019

Directors & Other Information

Roger Kennedy
Executive Chairman

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 adviser. 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, at J.P. Morgan Securities (Asia Pacific) Limited, where he managed a team focused on Oil & Gas, Metals & Mining, Power and Chemicals. From 1994 to 2000 Mr Kennedy was Head of the Latin American Industrials and Natural Resources Group at Salomon Brothers Inc. Dr Kennedy has graduated from Oxford University with a D.Phil./PhD in Economics and Politics, and holds a Juris Doctorate from New York University.

Ahmet Dik
Chief Executive Officer

Mr Dik has worked for 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 was involved in the structuring and delivery of a wide range of oil and gas, minerals, resources and infrastructure projects worldwide. In 2007, he was part of the senior management team at Dominion Petroleum Ltd, an AIM-listed company, working on the 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 on Africa and the Middle East. As an originator of large scale projects, Ahmet has been involved in setting up corporate structures, raising funds at all levels and listing 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 the Group's Financial Controller. Prior to joining the Company, he 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
Roger Kennedy, *Executive Chairman*
Ahmet Dik, *Chief Executive Officer*
Andrew Diamond, *Finance Director*
John Knight, *Senior Independent Director*
John Bryant, *Independent Non-Executive Director*
John Daniel *Independent Non-Executive Director*

Company Secretary
Leena Nagrecha

Directors & Other Information continued

John Knight
Senior Independent Director

John Knight has worked in the global Oil & Gas industry over the past 35 years. From 2002 to 2018, Mr Knight held various leadership roles and board positions at Equinor (formerly known as Statoil ASA), the Norwegian-based oil, gas, wind and solar energy company with projects in more than 30 countries worldwide. Since his departure from Equinor, Mr Knight has been appointed and currently serves as a Senior Partner at HitecVision, one of the world's largest oil and gas private equity funds. Mr Knight began his career in commercial law and investment banking at various large institutions, including Shell International Petroleum, Chase Manhattan Bank, UBS and Salomon Brothers Inc. He holds a MA in Law from Emmanuel College, University of Cambridge and was a Barrister called at Middle Temple.

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. 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 of 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. He is a fellow of the Institute of Directors and a fellow of the Royal Society of Arts.

John Daniel
Independent Non-Executive Director

John Daniel has 35 years of experience in the upstream oil and gas sector, including roles within operations, exploration management and business development. In November 2017, Mr Daniel founded JD Oil and Gas Consultancy Limited, an independent oil and gas consultancy, specialising in technical and commercial due diligence for upstream oil and gas transactions. Prior to this, between 2011 and 2017, Mr Daniel was Technical Director at Kerogen Capital (UK) Limited, a Private Equity fund specialising in upstream oil and gas investments. In addition, Mr Daniel held senior positions in exploration at Conoco, Lasmo and Ranger Oil, and in business development at Marathon Oil Company, MND Exploration and Production Limited and Sasol Petroleum International. Mr Daniel has a MSc in Petroleum Geology from Imperial College, London and a BSc in Geology from Sheffield University. He is a Fellow of the Geological Society and a member of the PESGB.

Company Number
5139892

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Corporate Governance Statement

High standards of corporate governance are a key priority for the Board of Victoria Oil & Gas Plc. It is the responsibility of the Board to ensure that the Group is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term. Corporate governance is an important aspect of this, reducing risk and adding value to our business.

As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company has adopted, and complies with, the Quoted Companies Alliance ("QCA") Corporate Governance Code and its Statement of Compliance thereon can be found on the Company's website: www.victoriaoilandgas.com.

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. It is ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

The Board of Directors currently has six members, comprising the Executive Chairman, Chief Executive Officer, Finance Director and three independent Non-Executive Directors. During the financial year, Ian Patrick resigned from the Board on 23 April 2018 and the number of independent Non-Executive Directors was reduced to two. After the financial year-end, the Board was strengthened with the appointment of two additional independent Non-Executive Directors, John Knight and John Daniel, on 3 April 2019. Kevin Foo, Executive Chairman and a Board member since the Company's listing on AIM in 2004, stepped down at the conclusion of the General Meeting held on 3 April 2019 and Roger Kennedy replaced him as Executive Chairman. John Knight was appointed Senior Independent Director in place of Roger Kennedy effective 3 April 2019.

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 and the Chairman facilitates and ensures that there is effective contribution from other Executive and Non-Executive Directors. 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 currently represents an effective balance of skills and experience in resource exploration and production, finance, corporate and business development, as well as entrepreneurial and country background. The experience and knowledge of each of the Director gives them the ability to constructively challenge the strategy and to scrutinise performance. As the Company develops its non-grid power business, the Board's skills and experience in this area may need to be strengthened. The Board is committed to ensuring diversity of skill, experience and gender balance. Biographical details of the Directors as at the date of the Annual Report and Accounts are available in the section Directors & Other Information.

The Board is aware of other commitments and interests of its Directors and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Corporate Governance Statement continued

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

Directors	Board (scheduled)	Board (additional)	Audit Committee	Remuneration Committee	Nomination Committee
Kevin Foo+	6/6	6/6	–	–	1/1
Ahmet Dik	6/6	6/6	–	–	–
Andrew Diamond	6/6	6/6	–	–	–
John Bryant	6/6	6/6	5/5	2/2	1/1
Iain Patrick++	2/2	4/4	–	–	–
Roger Kennedy	6/6	5/6	5/5	2/2	1/1

\+ Kevin Foo ceased to be a member of the Remuneration Committee effective 24 April 2018 and no Remuneration Committee meetings were held prior to this date.

++ Iain Patrick resigned as Director on 23 April 2018. No Remuneration Committee and Audit Committee meetings were held prior to his resignation date.

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 and stand for election.

Audit Committee

During the year and up to the date of resignation of Iain Patrick as a Director of the Company, 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 up to the date of his resignation as a Director of the Company, when Roger Kennedy was appointed Chairman, effective 24 April 2018.

On 3 April 2019, John Knight and John Daniel joined the committee and John Knight was appointed Chairman of the committee, replacing Roger Kennedy who ceased to be a member of this committee. The Audit Committee now comprises three independent Non-Executive Directors.

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

The committee meets at least four times per year. 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 two times a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the Annual Report remains with the Board of Directors. The committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work. The committee authorises any non-audit work to be carried out by the external auditors. The external auditors did not undertake any non-audit work during the current year and the committee is satisfied that the objectivity and independence of the external auditor has not been impaired in anyway by any other factors.

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

Corporate Governance Statement continued

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.

On 3 April 2019, John Knight and John Daniel joined the committee and Roger Kennedy ceased to be a member of this committee. The Remuneration Committee now comprises three independent Non-Executive Directors.

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

During the year and up to 3 April 2019, the Nomination Committee was chaired by the Executive Chairman. The committee was represented by John Bryant, Iain Patrick and Roger Kennedy and the Executive Chairman during the year up to the date of resignation of Iain Patrick as Director of the Company on 23 April 2018. On 3 April 2019, John Daniel and John Knight, independent Non-Executive Directors were appointed members of this committee and John Daniel replaced Kevin Foo as Chairman of the committee. The membership of the committee now comprises three independent Non-Executive Directors and the Executive Chairman. The committee met once 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 Director.

Dialogue with Shareholders

The Board is active in communicating with all of its shareholders and encourages two-way communication with both its institutional and private investors, subject to compliance with the AIM Rules and the Market Abuse Regulations. The Executive Directors talk regularly with the Company's major shareholders to ensure a mutual understanding of objectives and to further explain the Group's strategy and ensure that their views are communicated fully to the Board. The Senior Independent Director is available to attend meetings with the shareholders as required.

The Board recognises the AGM as an important opportunity to meet with private shareholders. The Non-Executive Directors attend the AGM and are available to answer any questions relevant to the Committees they chair. The Executive Directors are also available to listen to the views of shareholders informally immediately following the AGM.

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 always released to all shareholders in accordance with the London Stock Exchange rules for AIM-listed companies. The Company also presents at conferences and maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports, presentations and regulatory announcements.

Corporate Governance Statement continued

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. The focus in 2018 was the renewal of the ENEO 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. In December 2018, the Group received the Presidential Decree conferring title of its participating interest in the Matanda Block in Cameroon. A detailed update on these activities and the renewal of the ENEO contract in December 2018 is provided in the Chief Executive's Report.

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 29. 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 and to the date of reporting:

Executive Directors

Kevin Foo (retired 3 April 2019)
Roger Kennedy (appointed Executive Chairman on 3 April 2019)
Ahmet Dik
Andrew Diamond

Independent Non-Executive Directors

John Bryant
John Knight (appointed 3 April 2019)
John Daniel (appointed 3 April 2019)
Roger Kennedy (ceased to be Independent Non-Executive Director on 3 April 2019)
Iain Patrick (resigned 23 April 2018)

Rotation and Election of Directors

In accordance with Article 102.2 of the Company's Articles of Association, Andrew Diamond will retire by rotation and stand for re-election. John Knight and John Daniel who were appointed Directors by the Board will retire in accordance with Article 106 and stand for election.

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.

Directors' Report continued

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 23 May 2019, 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
YF Finance Limited	53,313,929	20.9%
Hadron Capital LLP	27,440,962	10.8%
Zug Finance	8,471,991	3.3%
Forest Nominees Limited (GC1)	7,775,366	3.0%

Share Capital

Details of changes to share capital in the year are set out in Note 22. This includes the subscription and placing of shares approved by the shareholders at the General Meeting on 3 April 2019.

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 27 June 2019. 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.

By Order of the Board,

Leena Nagrecha
Company Secretary
23 May 2019

Directors' Remuneration Report

As an AIM-listed company, Victoria Oil & Gas Plc 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 was chaired by John Bryant. Following the resignation of Iain Patrick as Director on 23 April 2018, the membership of the committee comprised two independent Non-Executive Directors. The Executive Chairman ceased to be a member of the committee with effect from 24 April 2018.

On 3 April 2019, John Knight and John Daniel were appointed members of this committee and Roger Kennedy ceased to be a member.

The committee met twice 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 2018, included 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.

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 2018 should be granted. This recommendation from the committee was approved by the Board.

The performance targets for the year ending 31 December 2019 include the following:

- Total Shareholder Return performance relative to the AIM All Share Oil and Gas index;
- Additional gas sale agreements with grid and non-grid customers;
- Ensure sufficient cash levels are maintained; and
- Safe and successful remediation of well La-108.

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

Directors' Remuneration Report continued

Long-Term Incentive

The Group has a Long-Term Incentive Plan ("Plan") designed to align the interests of Executive Directors with those of shareholders and forming part of their performance-related pay. No awards have been made under the Plan to date.

Following the fundraising in April 2019, the Remuneration Committee will consider awarding options to the Executives, as set out in the shareholder circular dated 11 March 2019, and make recommendations to the Board to grant options under this Plan in due course.

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 paid/earned during 2018 are as follows:

Executive Director	Pension $	Healthcare $	Travel $	Total $
Kevin Foo		8,675	4,634	13,309
Ahmet Dik	82,300	12,748	–	95,048
Andrew Diamond	39,805	3,570	–	43,375
	122,105	24,993	4,634	151,732

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. Roger Kennedy's service contract for his position as Executive Chairman commenced on 3 April 2019 and he too is employed under a 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 Directorate. As at the date of the 2018 Annual Report, the unexpired terms of the Non-Executive Directors' letters of appointment were:

	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at the date of this Report
John Bryant	1 December 2014	1 December 2019†	6 months
Roger Kennedy‡	14 July 2016	14 July 2019	N/A
John Daniel	3 April 2019	3 April 2022	34 months
John Knight	3 April 2019	3April 2022	34 months

† Contract extended for a fixed one-year term.
‡ Ceased to be an independent Non-Executive Director effective 3 April 2019.

A copy of the Service Agreement and letters of appointment 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 2018 was as follows:

	Salaries and fees $	Benefits in kind $	Settlement payment $	Total $
12-months to 31 December 2018				
Executive Directors				
Kevin Foo	376,140	13,309	–	389,449
Ahmet Dik	549,953	95,048	–	645,001
Andrew Diamond	241,903	43,375	–	285,278
Non-Executive Directors				
John Bryant	100,304	–	–	100,304
Iain Patrick	37,266	–	53,256[a]	90,522
Roger Kennedy	100,304	–	–	100,304
	1,405,870	**157,732**	**53,256**	**1,610,858**

	Salaries and fees $	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[b]	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**

[a] Retired as Non-Executive Director on 23 April 2018.
[b] 2016 component of salary adjustment.

During the financial year, salary reductions had been sought for all the Board members with effect from 16 November 2018, with the fees for each of the Non-Executive Director being halved and the salary for each Executive Director being capped at £150,000 p.a. until further notice. This salary sacrifice was recovered following completion of the fundraising on 5 April 2019.

Kevin Foo, who retired on 3 April 2019, received a settlement payment of $496,600 (£382,000).

Directors' Remuneration Report continued

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2018 are set out in the table below:

	Ordinary Shares held		Ordinary Share Options			
	1 January 2018	31 December 2018	1 January 2018	Granted during the year[i]	31 December 2018	Exercise price
Executive Directors						
Kevin Foo	2,345,357	2,345,357	740,964	–	740,964[i]	0.5 pence
Ahmet Dik	1,148,110	1,148,110	433,735	–	433,735[ii]	–
Andrew Diamond	14,554	14,554	205,422	–	205,422[ii]	–
Non-Executive Directors						
John Bryant	21,754	21,754	–	–	–	–
Iain Patrick	21,754	21,754	–	–	–	–
Roger Kennedy	1,754	1,754	–	–	–	–

[i] Comprises options for 500,000 shares granted under the Employee Share Option Plan ("ESOP") priced at 0.5p, with an expiry date of 8 March 2023 and 240,964 nil cost options, 50% of which vested on 1 January 2018 and the remaining 50% vested on 1 January 2019 and expire on 2 October 2022. The options for shares granted under the ESOP have been exercised in full after Mr Foo stepped down from the Board.

[ii] Nil cost options, 50% of which vested on 1 January 2018 and 50% vested on 1 January 2019. Options granted to Mr Dik and Mr Diamond expire on 31 August 2022. These options relate to the Annual Bonus Plan awards relating to 2016.

John Knight and John Daniel were appointed Directors on 3 April 2019 and they hold no interest in ordinary shares of the Company as at the date of this Report.

John Bryant
Remuneration Committee Chairman
23 May 2019

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 practice, 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,

Roger Kennedy
Executive Chairman
23 May 2019

Andrew Diamond
Finance Director
23 May 2019

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 and of the Parent Company's affairs as at 31 December 2018 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 Statements of Financial Position;
- The Consolidated and Parent Company Statements of Changes in Equity;
- The Consolidated Cash Flow Statement ; and
- The related Notes 1 to 31 and Notes A to L including a summary of significant accounting policies as set out in Note 2 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, we draw your attention to: Note 3 to the Group's Consolidated Financial Statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of $8.5 million for the year ended 31 December 2018. The Group had a cash balance of $3.5 million and incurred borrowings of $20.9 million at the Balance Sheet date. The Group have a degree of reliance on a relatively small number of key customers, in particular ENEO, who ceased consumption of gas on 1 January 2018 and did not resume consumption of gas until 22 December 2018. In addition there have been a number of delays in relation to receipt of payment from ENEO for gas consumed during the year and post year-end to date.

Post year-end, the Group successfully raised $17.7 million (gross) through an equity fundraising. Cash flow projections prepared by the Directors indicate that the funds available are sufficient to meet the obligations of the Group for a period of at least twelve months from the date of approval of the Financial Statements.

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

Material uncertainty relating to going concern continued

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 determined the implementation of these controls;
- challenged the key assumptions used in the cash flow forecasts by agreement to historical run rates, expenditure commitments and other supporting documentation;
- 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 the existence of a material uncertainty on the Group'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	The key audit matters that we identified in the current year were: • *Recoverability of Property, Plant and Equipment and other assets, Group and Parent*; • *Recoverability of Exploration and Evaluation Assets*; and • *Going concern (see material uncertainty relating to going concern section).* 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 .
Materiality	The materiality that we used for the Group Financial Statements was $600,000 which was determined on the basis of a blended rate of 1% of shareholders equity and 1% of revenue. The materiality applied by the component auditor was $450,000.
Scoping	We determined the scope of our Group audit 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. 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.
Significant changes in our approach	No significant changes in our approach.

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 year 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 and other assets – Group and Parent
Key audit matter description	As at 31 December 2018, the value of Property, Plant & Equipment (PPE) including Oil and Gas assets ("O&G") was $91.1 million (2017: $70.9 million). The Parent Company holds investments in subsidiaries and associates of $12.4 million (2017: $12.4 million) and $4.5 million (2017: $4.5 million) respectively and had amounts due from subsidiaries of $85.9 million (2017: $75.0 million) at the balance sheet date. The carrying value of the investment in associate at Group level was $5.6 million (2017: $5.4 million) at 31 December 2018. 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 revenue and consumption assumptions and discount rates to use when projecting future cash flows. There is a risk that projections and the assumptions, which are inherently subjective, are overly optimistic, resulting in an impairment not being identified and recognised in the Financial Statements. The Group also have a degree of reliance on a relatively small number of key customers, in particular ENEO. The realisation of PPE is dependent on the continued development of economic reserves and revenue growth from the Logbaba project. The realisation of investments in subsidiaries, investments in associates and amounts due from subsidiaries is also dependent on the realisation of PPE, and accordingly, on the continued development of economic reserves and revenue growth from the Logbaba project. Refer to the accounting policy in Note 2 (Significant accounting policies) and the disclosures in note 14 (Property, Plant and Equipment) of the Group Financial Statements and as described in Note A (Significant accounting policies) and in Notes B and C on pages 85 and 86 of the Parent Company Financial Statements.
How the scope of our audit responded to the key audit matter	Our audit response included the procedures below: • We have evaluated management's procedures for assessing indicators of impairment; • We obtained an understanding of management's controls over the development and approval of the projections and assumptions used in the impairment model and evaluated the design and determined the implementation of these controls; • We challenged the key assumptions used in management's calculation of the value in use by reference to historical trends and gathering of other relevant information including market data; • We enagaged our valuation experts to determine an independent discount rate to assess the appropriateness of the discount rate used by management; • We tested revenue growth assumptions by agreeing details of new customers to relevant gas supply agreements; and • We tested cost assumptions by agreement to relevant information including capital expenditure commitments and historical run rates of operating costs.
Key observations	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, investments in subsidiaries, investments in associates and amounts due from subsidiaries is dependent on the continued development of economic reserves and revenue growth from 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 operations. 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.

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	As described in Note 2 (Significant accounting policies) and Note 13 (Intangible assets), the Group held Exploration and Evaluation ("E&E") assets of $30.3 million (2017: $53.9 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-108 well. 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. As disclosed in Note 13 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.
How the scope of our audit responded to the key audit matter	Our audit response included the procedures below: • We considered and evaulated the directors assessment of indicators of impairment in relation to the E&E assets in accordance with IFRS 6; • We obtained a detailed understanding of managements assessment of impairment indicators and evaluated the design and determined the implementation of key controls; • We reviewed the current results level of expenditure required to bring well La-108 into production; • We considered independently if there were any indicators of impairment based on the impairment indicators identified in IFRS6; and • We assessed the adequacy of the disclosures in the Financial Statements.
Key observations	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.

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	$600,000 (2017: $1,000,000)	$450,000 (2017: $750,000)
Basis for determining materiality	Materiality was determined on the basis of a blended rate of an average of approximately 1% of shareholders equity and 1% of Revenue.	Blended rate of an average of approximately 1% of shareholders equity and 1% of Revenue.
Rationale for the benchmark applied	We have used two benchmarks to determine our materiality, which we believe cover key metrics of the Group which are used by stakeholders. Given that the Group is currently transitioning from an exploration company to a production company, we have determined materiality based on an average blended rate between shareholders' equity (1%) and Revenue (1%). We believe that using a materiality based on these benchmarks reflects critical underlying measures of the Group and Parent Company given these are the critical elements of the business.	

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 $30,000 (2017: $50,000) for the Group and $22,500 (2017: $37,500) 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

We determined the scope of our Group audit 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, 78% of profit before tax and 98% of net assets. In addition, we have performed analytical procedures on all non-significant components. The audit work performed by component audit team in Cameroon 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

We have nothing to report in respect of these matters.

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2018, 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.

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

Auditor's responsibilities for the audit of the Financial Statements continued

For listed entities and public interest entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicates with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

23 May 2019

Consolidated Income Statement
For the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Continuing operations			
Revenue	4	**10,796**	23,471
Cost of sales		**(12,021)**	(22,200)
Production royalties	26	**(1,675)**	(3,699)
Other cost of sales	7	**(10,346)**	(18,501)
Gross (loss)/profit		**(1,225)**	1,271
Sales and marketing expenses		**(1)**	(79)
Administrative expenses	7	**(6,461)**	(10,708)
Other gains/(losses)	5	**821**	(1,732)
Share of profit of associate	15	**530**	1,090
Operating loss		**(6,336)**	(10,158)
Finance costs	6	**(1,966)**	(566)
Loss before tax		**(8,302)**	(10,724)
Tax (charge)/credit	8	**(219)**	590
Loss for the year – attributable to shareholders of the parent		**(8,521)**	(10,134)

	Note	Cents	Cents
Loss per share – basic & diluted	12	**(5.79)**	(8.86)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2018

	2018 $'000	2017 $'000
Loss for the year	**(8,521)**	(10,134)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**78**	(27)
Total comprehensive loss for the year – attributable to shareholders of the parent	**(8,443)**	(10,161)

Consolidated Statement of Financial Position
At 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Assets:			
Non-current assets			
Intangible assets	13	**30,445**	54,223
Property, plant and equipment	14	**91,087**	70,911
Investment in associate	15	**5,556**	5,429
Deferred tax assets	8	**–**	916
		127,088	131,479
Current assets			
Inventories		**18**	24
Trade and other receivables	16	**8,666**	13,545
Cash and cash equivalents	17	**3,467**	11,476
		12,151	25,045
Total assets		**139,239**	156,524
Liabilities:			
Current liabilities			
Trade and other payables	18	**10,800**	14,330
Provisions	19	**199**	1,855
Borrowings	20	**4,109**	3,174
		15,108	19,359
Net current (liabilities)/assets		**(2,957)**	5,686
Non-current liabilities			
Borrowings	20	**16,798**	21,363
Deferred tax liabilities	8	**2,030**	2,846
Provisions	19	**1,651**	3,106
		20,479	27,315
Net assets		**103,652**	109,850
Equity:			
Called-up share capital	22	**1,130**	1,095
Share premium		**26,254**	24,218
ESOP Trust reserve	23	**(4)**	(4)
Translation reserve		**(17,634)**	(17,712)
Other reserves		**401**	248
Retained earnings		**93,505**	102,005
Total equity		**103,652**	109,850

The Financial Statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 23 May 2019.

Roger Kennedy
Executive Chairman

Andrew Diamond
Finance Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	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 2017							
At 31 December 2016	34,251	230,436	(843)	(17,685)	66	(151,258)	94,967
Shares issued	228	24,417	–	–	–	–	24,645
Vesting of share options	–	–	–	–	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
For the year ended 31 December 2018							
At 31 December 2017	**1,095**	**24,218**	**(4)**	**(17,712)**	**248**	**102,005**	**109,850**
Shares issued	**35**	**2,036**	**–**	**–**	**–**	**–**	**2,071**
Vesting of share options	**–**	**–**	**–**	**–**	**174**	**–**	**174**
Warrants expired	**–**	**–**	**–**	**–**	**(21)**	**21**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**78**	**–**	**(8,521)**	**(8,443)**
At 31 December 2018	**1,130**	**26,254**	**(4)**	**(17,634)**	**401**	**93,505**	**103,652**

Consolidated Cash Flow Statement
For the year ended 31 December 2018

	Notes	**2018 $'000**	2017 $'000
Cash flows from operating activities			
Loss for the year		**(8,521)**	(10,134)
Adjustments for non-cash and other items:			
Tax		**219**	(590)
Share of profit in associate		**(530)**	(1,090)
Finance costs		**1,966**	566
Depreciation and amortisation		**5,807**	14,751
Other (gains)/losses		**(821)**	1,732
Shares vested by ESOP Trust		**–**	249
Share-based payments		**393**	199
		(1,487)	5,683
Movements in working capital			
Decrease/(increase) in trade and other receivables		**4,998**	(4,263)
Decrease/(increase) in inventories		**6**	(14)
Decrease/(increase) in trade and other payables and provisions		**(3,637)**	2,278
Net movements in working capital		**1,367**	(1,999)
Tax paid		**(119)**	(258)
Interest paid		**(1,920)**	(1,668)
Net cash (used)/generated from operating activities		**(2,159)**	1,758
Cash flows from investing activities			
Payments for intangible assets		**(1,889)**	(34,710)
Payments for property, plant and equipment		**(1,474)**	(5,042)
Proceeds from disposal of property, plant and equipment		**–**	882
Loan repayments received		**–**	94
Dividends received from associate		**403**	1,047
Net cash used in investing activities		**(2,960)**	(37,729)
Cash flows from financing activities			
Proceeds from borrowings		**–**	15,153
Repayment of borrowings	27	**(2,809)**	(7,763)
Finance cost paid		**–**	(606)
Net cash generated from equity raise		**–**	23,728
Net cash (used)/generated by financing activities		**(2,809)**	30,512
Net decrease in cash and cash equivalents		**(7,928)**	(5,459)
Cash and cash equivalents – beginning of year		**11,476**	16,261
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(81)**	674
Cash and cash equivalents – end of year	17	**3,467**	11,476

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

1. GENERAL INFORMATION

Victoria Oil & Gas Plc is a public company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 200 Strand, London, WC2R 1DJ. The primary activity of the Group is the discovery, production and supply of gas to customers in Cameroon. The Company is listed on the AIM 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 2018. 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 Practice adopting Financial Reporting Standard 101 Reduced Disclosure Framework. These are presented on pages 83 to 87.

2. SIGNIFICANT ACCOUNTING POLICIES

(i) 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 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.

(ii) New and amended standards adopted by the Group

IFRS 9 Financial Instruments
IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

IFRS 9 modifies the classification and measurement of certain classes of financial assets and liabilities and required the Group to reassess classification of financial assets from four to three primary categories (amortised cost, fair value through profit and loss, fair value through other comprehensive income), reflecting the business model in which assets are managed and their cash flow characteristics.

Financial liabilities continue to be measured at either fair value through profit and loss or amortised cost. In addition, IFRS 9 introduced an expected credit loss ("ECL") impairment model, which means that anticipated as opposed to incurred credit losses are recognised resulting in earlier recognition of impairments.

The Group has adopted IFRS 9 with an initial application date of 1 January 2018. On transition, the Group classified all financial assets at amortised cost with the exception of investment in CHL which is equity accounted.

The classification requirements under IFRS 9 did not impact the measurement or carrying amount of financial assets.

IFRS 15 Revenue from Contracts with Customers
On 1 January 2018, the Group adopted IFRS 15 Revenue from Contracts with Customers, which replaced IAS 18 Revenue. The adoption of IFRS 15 has not had a material effect on the Consolidated Financial Statements of the Group. Disclosure of disaggregated revenue information consistent with the requirements included in IFRS 15 is disclosed in Note 4.

(iii) New standards and interpretations not yet adopted
At the date of approval of these Financial Statements, the following Standards and Interpretations which have not been applied in these Financial Statements were in issue but not yet effective (and in some cases had not yet been adopted by the European Union):

IFRS 16 Leases
The Group will adopt IFRS 16 Leases for the period beginning 1 January 2019. The adoption of IFRS 16 will impact both the measurement and disclosures of leases over a value threshold and with terms longer than one year. For qualifying leases additional lease liabilities and right of use assets are expected to be recorded.

The Directors have considered the impact of the application of the new standard on the Group's lease commitments and given the limited number of leases do not consider that implementation will have a material impact on the Financial Statements as the majority of the Group leases are short-term in nature.

In addition the following Standards and Interpretations are effective for the Group in 2018 but did not have a material effect on the results or financial position of the Group:
- IFRS 2 (amendment) Classification and Measurement of Share-Based Payment Transactions
- IFRS 4 (amendment) Insurance Contracts
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IAS 40 (amendment) Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle
- Amendments to IAS 28 Investments in Associates and Joint Ventures

The following Standards and Interpretations which are not yet effective for the Group are not expected to have a material effect on the results or financial position of the Group:
- IFRS 17 – Insurance Contracts
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle – Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits-Plan Amendment, Curtailment or Settlement
- IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- IFRIC 23 – Uncertainty over Income Tax Treatments

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

(iv) 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 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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. The carrying amount of the investment (including goodwill) is tested annually for impairment in accordance with IAS 36 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 the recoverable amount of the investment subsequently increases.

Interests in joint operations

The Group's operations in Cameroon are conducted through joint arrangements. A joint operation is an 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 a joint operation, 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 and Matanda projects 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.

(v) Revenue

Revenue from contracts with customers is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to a customer.

The transfer of control of natural gas coincides with title passing to the customer and the customer taking physical possession. The Group satisfies its performance obligations at a point in time.

When a performance obligation is satisfied, the Group recognises as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the group expects to be entitled to and is based on the contractual pricing provisions which are set out in the Gas Supply Agreements ("GSA") and priced based at a rate per mmbtu.

All contracts have agreed pricing terms based a rate per mmbtu.

Revenue from is recognised based on the relevant prices as set out in the GSA at the time of delivery.

(vi) Production Royalties

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

(vii) 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 (which is pegged to the Euro) 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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

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.

(viii) Intangible Assets

Exploration and evaluation assets

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

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

The costs of exploration 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:

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

Software

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

(ix) Property, Plant and Equipment

Components

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

Plant and equipment

Plant and equipment is stated at cost less 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 for all assets, with the exception of the pipeline, which is depreciated using the unit-of-production method.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 recoverable amount of the asset by comparing the carrying value of the asset against the present value of 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.

(x) 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.

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

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

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

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

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date. Non-current provisions are discounted to present value where the effect is material. The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. The amortisation of the 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.

(xiii) Financial Instruments

Classification and measurement
Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are classified as either financial assets at amortised cost, at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL") depending upon the business model for managing the financial assets and the nature of the contractual cash flow characteristics of the financial asset. Financial assets are initially recognised at fair value on the trade date, including, in the case of instruments not recorded at fair value through profit or loss, directly attributable transaction costs.

Trade receivables and other receivables are carried at amortised cost adjusted for any loss allowance.

Financial liabilities are initially recognised at fair value of consideration received net of transaction costs as appropriate

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

and subsequently carried at amortised cost. Financial liabilities that contain provisional pricing features and derivatives are carried at FVTPL.

Impairment

A loss allowance for expected credit losses is determined for all financial assets, other than those at FVTPL, at the end of each reporting period. The expected credit loss recognised represents a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Group applies the simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The Group has established a single loss rate approach that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivable and the general economic environment.

For all other financial assets at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition, which is determined by:
- A review of overdue amounts,
- Comparing the risk of default at the reporting date and at the date of initial recognition, and
- An assessment of relevant historical and forward-looking quantitative and qualitative information.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired. On derecognition of a financial asset/financial liability in its entirety, the difference between the carrying amount of the financial asset/financial liability and the sum of the consideration received and receivable/paid and payable is recognised in profit and loss.

(xiiv) 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.

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

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

(xv) Share-Based Payments

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

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

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

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

When the Trust purchases shares from the Company, the Company recognises an increase in Share Capital. From the perspective of the Consolidated Financial Statements, the shares of the Company held by the Trust are treasury shares and are deducted from equity in accordance with IAS 32 Financial Instruments: Presentation, until the shares are transferred by the Trust to members.

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

(xvii) Warrants

The Company settles certain transaction costs by the issue of warrants. Each warrant entitles the holder to purchase an Ordinary Share in the Company at a specific price and within a certain time frame. The warrants are fair valued using an appropriate pricing model. Where the transaction relates to equity issue costs, the fair value of the warrants is credited to Share-Based Payment Reserve with a corresponding debit to Share Premium. For all other transactions, the fair value of the warrants is credited to Share-Based Payment Reserve with a corresponding debit to the Income Statement. If warrants remain unexercised at expiry, the value of the expired warrants is transferred from the Share-Based Payment Reserve to Retained Earnings/Accumulated Deficit.

(xviii) Critical Accounting Judgements

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

Going concern

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

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

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

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.

On 4 June 2018, following the completion of the 2017 drilling campaign on well La-107 and well La-108, the Group announced a significant increase in the proved developed reserves for the Logbaba Field in Cameroon. Following the announcement, the proved developed reserves used in the calculation of unit-of-production depreciation increased from 21.1 billion cubic feet ("bcf") to 69bcf (2017: 21.1bcf) in the Logbaba field. The unit-of-production depreciation charged to the Income Statement, which was calculated, based on these reserves, was $4.2 million (2017: $13.4 million). If the reserves were to vary by plus 10%, the unit-of-production depreciation for the current period would have decreased by $0.5 million and if they were to vary by minus 10% the unit-of-production depreciation for the current period would have increased by $0.6 million.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES continued

Accounting for joint operations
On 12 June 2017, 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. This transfer pricing mechanism has not been formally agreed to by the Parties of the Logbaba Concession, but represents Management judgement of the most likely outcome of the current negotiation. 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 $17.0 million (2017: $16.4 million) would be recognised in the Financial Statements.

The Group's operation in Cameroon has deferred capital allowances of $8.7 million (2017: $2.4 million) which are available for offset against future taxable profits. A deferred tax asset of Nil has been recognised in the current year in relation to the deferred capital allowances as it is considered unlikely that the operations will generate near-term future taxable profit against which the deferred capital allowances will be able to be applied (2017: $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.

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

Operating in Cameroon, Russia and Kazakhstan
The Group's activities are conducted through its investments and subsidiaries operating in the oil and gas industry. These operations are subject to political, economic and regulatory 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 $1.9 million (2017: $5.0 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 19).

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 2018 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. No impairment has been recorded over the Logbaba assets in the current year (2017: Nil).

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

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 $8.5 million for the year ended 31 December 2018 (2017: $10.1 million) and had a cash balance of $3.5 million at that date (2017: $11.5 million) in addition to borrowings of $20.9 million (2017: $24.5 million). The Group is reliant on a small number of key customers, in particular ENEO, who ceased consumption of gas on 1 January 2018 and did not renew their gas supply agreement with VOG until 21 December 2018. Revenue for the year was $10.8 million (2017: $23.5 million). EBITDA for the year was a loss of $0.5 million (2017: earnings of $4.6 million). Net cash utilised in operating activities was $2.2 million (2017: cash generated of $1.8 million). The Consolidated Statement of Financial Position shows that the Group had net current liabilities of $3.0 million at the year-end date (2017: net current assets of $5.7 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.

New funding

On 5 April 2019 the Company issued 104,627,488 new Ordinary Shares at a subscription price of 13 pence per share which generated gross proceeds of $17.7 million (see Note 30). The fundraise was sufficient to rectify the year-end net current liability position, principally the settlement of residual drilling contractor payables and the land claim and reserve bonus obligations listed in Trade and Other Payables (see Note 18). In addition, the funding will enable the Group to perform the remediation works required on well La-108 and fund further ongoing operations.

ENEO

The ENEO contract extension expired on 31 December 2017. On 21 December 2018, GDC and ENEO signed a new binding Term Sheet for the consumption of gas for a three-year period and on 22 December 2018, ENEO resumed consuming gas from the 30MW power station power station in Douala. As with the initial agreement with ENEO, the binding Term Sheet contains minimum take or pay clauses set at 80% of the contracted 30MW of power generation. The new binding Term Sheet is no longer seasonally affected.

Management is working with ENEO to sign a fully termed agreement which will include payment security in the form of a guarantee. ENEO has not met the payment terms agreed upon in the binding Term Sheet to date, nor have they provided a payment guarantee at this stage. It is expected that a bank guarantee will be received upon signing of the fully termed agreement.

The shortfalls in power supply in Cameroon continue, with hydroelectric schemes not meeting the current demand. The ongoing power shortage in Cameroon continues to provide opportunities in the grid power sector, and GDC continues to engage with other potential large-offtake grid power customers. These projects are necessarily longer-term in nature. In addition, GDC is also looking to further implement its Industrial Power offering to industrial customers offering them the ability to generate their own power using GDC supplied gas.

Debt

The Group ended the year with cash and cash equivalents of $3.5 million (2017: $11.5 million) and in a net debt position of $17.4 million (2017: $13.1 million) (see Note 21). The Group had borrowings of $20.9 million (2017: $24.5 million). The Group has no available headroom on any of its current credit facilities.

During the year the Company successfully restructured the BGFIBank facility, extending the tenor of the facility to June 2023 (see Note 20). At 31 December 2018 the restructured facility has a six-month interest only period followed by 48 monthly repayments of principle and interest. All other terms of the loan agreement remain unaffected.

Cost reductions, limited capex

With the reduction of revenue in 2018 resulting from grid power consumption reduction, 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 maximise cash preservation.

Conclusion

The Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets. The expected operating cash flows, plus available funding following the fundraise in 2019, after allowing for funds required for administration and development costs, working capital improvement and debt servicing, are expected to cover these activities. The Directors are of the view that the Group is sufficiently funded for the twelve-month period 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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

4. 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 2018	Cameroon $'000	Russia and Kazakhstan $'000	Corporate $'000	Total $'000
Revenue				
Gas sales – thermal power	9,673	–	–	9,673
Gas sales – industrial power	419	–	–	419
Gas sales – grid power	105	–	–	105
Gas revenue	10,197	–	–	10,197
Condensate sales	599	–	–	599
Total revenue	10,796	–	–	10,796
Segment result	(3,768)	421	(2,989)	(6,336)
Finance costs	(1,801)	(21)	(144)	(1,966)
(Loss)/profit before tax	(5,569)	400	(3,133)	(8,302)
Tax	(219)	–	–	(219)
(Loss)/profit for the year	(5,788)	400	(3,133)	(8,521)
Total assets	130,705	52	8,482	139,239
Total liabilities	(33,047)	(234)	(2,306)	(35,587)
Other segment information				
Capital expenditure:				
Intangible assets	2,173	–	–	2,173
Property, plant and equipment	1,751	–	–	1,751
Depreciation and amortisation	5,750	–	57	5,807

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

4. SEGMENTAL ANALYSIS continued

Year to 31 December 2017	Cameroon $'000	Russia and Kazakhstan $'000	Corporate $'000	Total $'000
Revenue				
Gas sales – thermal power	9,566	–	–	9,566
Gas sales – industrial power	339	–	–	339
Gas sales – grid power	12,573	–	–	12,573
Gas revenue	22,478	–	–	22,478
Condensate sales	993	–	–	993
Total 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 year	(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	15,034
Depreciation and amortisation	14,699	–	52	14,751

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 $10.8 million (2017: $23.5 million) related to sales of gas and condensate to 39 customers. Two customers each contributed 10% or more to the Group's revenue during the current year, contributing $2.0 million, $1.9 million respectively (2017: two customers contributed 10% or more, contributing $15.1 million and $3.0 million respectively).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

5. OTHER GAINS/(LOSSES)

	2018 $'000	2017 $'000
Foreign exchange gains/(losses)	**787**	(1,770)
(Loss)/gain on disposal of non-current assets	**(23)**	30
Other Income	**57**	8
	821	(1,732)

6. FINANCE COSTS

	2018 $'000	2017 $'000
Loan interest	**1,952**	1,668
Loan interest capitalised	**–**	(1,341)
Unwinding of discount on provisions	**14**	239
	1,966	566

7. LOSS BEFORE TAX

Other cost of sales includes:

	2018 $'000	2017 $'000
Depreciation and amortisation	**4,952**	14,585
Operating costs	**5,394**	3,916
	10,346	18,501

The loss before tax is stated after charging:

Administrative expenses comprise:		
Wages and salaries	**3,286**	4,430
Professional fees	**1,034**	3,479
Office and other administrative expenditure	**736**	1,354
Travel	**174**	378
Rent	**575**	542
Depreciation and amortisation	**855**	166
Other	**(199)**	359
	6,461	10,708
Directors' remuneration (see Note 10)	**1,611**	1,742
The analysis of auditor's remuneration is as follows:		
Fees for audit services	**216**	205
Fees for other services	**–**	32
	216	237

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

8. TAX

	2018 $'000	2017 $'000
Current tax	**119**	258
Deferred tax	**100**	(848)
Tax charge/(credit)	**219**	(590)

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

United Kingdom
The main rate of UK corporation tax is 19% effective from 1 April 2017. The main rate will reduce further from 19% to 17% from 1 April 2020. Income tax losses have no expiry period. Taxable losses in the United Kingdom at 31 December 2018 amounted to $64.1 million (2017: $61.0 million).

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. Tax regulations in Cameroon allow for the deferral of capital allowances to the extent that they result in Companies generating income tax losses. Income tax losses have a four-year expiry period. Deferred capital allowances do not expire. GDC has tax losses in both the current and prior years, however the 1.1% tax rate on revenue 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.

	2018 $'000	2017 $'000
Loss on ordinary activities before tax	**(8,302)**	(10,724)
Tax calculated at 21.3% (2017: 12.7%)	**(1,768)**	(1,365)
Less the effects of:		
Share of profit in associate	**(113)**	(138)
Expenses not deductible for tax	**419**	255
Non-utilisation of tax losses	**1,462**	1,248
Deferred tax resulting from change in estimate	**100**	(848)
Tax on revenue	**119**	258
Total tax charge/(credit)	**219**	(590)

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

	2018 $'000	2017 $'000
Deferred tax balances		
Deferred tax assets – current assets	**–**	916
Deferred tax liabilities – non-current liabilities	**(2,030)**	(2,846)
	(2,030)	(1,930)

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

8. TAX continued

The deferred tax balances are analysed as follows:

	Tax losses $'000	Other temporary differences $'000	Total $'000
Year to 31 December 2018			
Opening balance	**916**	**(2,846)**	**(1,930)**
(Credit)/charge to Income Statement	**(916)**	**816**	**(100)**
Closing balance	**–**	**(2,030)**	**(2,030)**
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)

At the Balance Sheet date, the Group has aggregate unused tax losses of $78.3 million (2017: $75.3 million) available for offset against future profit.

Of unused tax losses, Nil (2017: $1.4 million) relates to the Group's operation in Cameroon. However GDC has deferred capital allowances of $8.7 million (2017: $2.4 million) which are not included above. A deferred tax asset of Nil has been recognised in relation to the tax losses and deferred capital allowances in Cameroon (2017: $0.9 million). As a result of the aggressive capital allowances in Cameroon, the Group's forecast indicates that it is not probable that near-term future taxable profits will be available against which the losses and deferred capital allowances will be able to be utilised. The actual tax results in future periods may differ from the forecast. At the year-end, a deferred tax asset relating to taxable losses and deferred capital allowances of $20.4 million (2017: $17.3 million) has 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 year the deferred tax liability was released in line with the amortisation of the related acquired assets.

9. EMPLOYEE INFORMATION

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

	2018 Number	2017 Number
Directors	**5**	6
Technical	**88**	74
Management and administration	**57**	84
	150	164

Staff costs for the above persons were:

	2018 $'000	2017 $'000
Wages and salaries	**3,044**	4,237
Social security costs	**242**	193
	3,286	4,430

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

10. DIRECTORS' REMUNERATION

Remuneration in respect of the Directors was as follows:

	2018 $'000	2017 $'000
Directors' emoluments	**1,611**	1,742

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

11. KEY MANAGEMENT COMPENSATION

The compensation of the Directors and the four (2017: four) other key management personnel (as defined within IAS 24 Related Party Disclosures) was as follows:

	2018 $'000	2017 $'000
Wages and salaries	**1,716**	1,729
Share-based payments	**13**	63
Professional fees paid to consultants in key management positions	**439**	770
Share-based payments to consultants in key management positions	**65**	–
Other non-cash benefits including pension	**209**	216
	2,442	2,778

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.

12. LOSS PER SHARE

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

	2018 $'000	2017 $'000
Loss for the year	**8,521**	10,134

	Number	Number
Weighted number of ordinary shares for the purpose of basic earnings per share	**147,065,148**	114,342,008
Dilutive potential of share options and warrants	**1,380,122**	838,178
Weighted number of ordinary shares for the purpose of basic and diluted earnings per share	**148,445,270**	115,180,186

	Cents	Cents
Loss per share – basic and diluted	**(5.79)**	(8.86)

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 2018

13. INTANGIBLE ASSETS

Year to 31 December 2018	Exploration and evaluation assets $'000	Software $'000	Total $'000
Cost			
Opening balance	**129,412**	**371**	**129,783**
Additions	**2,161**	**12**	**2,173**
Effect of change in discounting rate	**(192)**	**–**	**(192)**
Transfers to property, plant and equipment	**(25,683)**	**–**	**(25,683)**
Effects of movement in foreign exchange	**(3,419)**	**–**	**(3,419)**
Closing balance	**102,279**	**383**	**102,662**
Accumulated amortisation			
Opening balance	**75,445**	**115**	**75,560**
Charge for the year	**–**	**76**	**76**
Effects of movement in foreign exchange	**(3,419)**	**–**	**(3,419)**
Closing balance	**72,026**	**191**	**72,217**
Carrying amount 31 December 2018	**30,253**	**192**	**30,445**

Year to 31 December 2017	$'000	$'000	$'000
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

The exploration and evaluation assets relate to the Logbaba drilling programme on well La-108.

Recoverability of exploration and evaluation assets is dependent on the successful development of reserves within the licence period, 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 2018

14. PROPERTY, PLANT AND EQUIPMENT

Year to 31 December 2018	Plant and equipment $'000	Oil and gas assets $'000	Assets under construction $'000	Total $'000
Cost				
Opening balance	**40,829**	**72,213**	**6,589**	**119,631**
Additions	**265**	**285**	**1,209**	**1,759**
Effect of change in discounting rate	**(961)**	**(577)**	**–**	**(1,538)**
Transfers from intangible assets	**6,289**	**23,546**	**(4,152)**	**25,683**
Disposals	**(342)**	**–**	**(37)**	**(379)**
Closing balance	**46,080**	**95,467**	**3,609**	**145,156**
Accumulated depreciation				
Opening balance	**5,426**	**43,294**	**–**	**48,720**
Disposals	**(382)**	**–**	**–**	**(382)**
Charge for the year	**1,573**	**4,158**	**–**	**5,731**
Closing balance	**6,617**	**47,452**	**–**	**54,069**
Carrying amount 31 December 2018	**39,463**	**48,015**	**3,609**	**91,087**

Year to 31 December 2017	$'000	$'000	$'000	$'000
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

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 $91.1 million is dependent on the continued successful development of economic reserves within the licence period, 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:

	2018	2017
Plant and equipment		
– Process plant	**10 years**	10 years
– Pipeline network (unit of production amortisation based on pipeline capacity)	**9.7%**	6.0%
– 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)	**8.8%**	60.8%

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

15. INVESTMENT IN ASSOCIATE

The Company has a 35% interest in Cameroon Holdings Limited ("CHL"). See Note 28 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:

	2018 $'000	2017 $'000
Opening balance	**5,429**	5,386
Share of profit of associate	**530**	1,090
Dividends received	**(403)**	(1,047)
Investment in associate	**5,556**	5,429

Summarised financial information for CHL is set out below.

	2018 $'000	2017 $'000
Assets and liabilities		
Current assets	**311**	2
Non-current assets	**3,577**	3,780
Current liabilities	**(4)**	(59)
Elements of comprehensive income		
– Revenue	**1,631**	3,404
– Profit from continuous operations	**1,515**	3,114
Dividends declared	**(1,152)**	(2,991)

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 $5.6 million is dependent on the continued successful development of economic reserves on the Logbaba Project, which is subject to a number of uncertainties.

Please see Note 28 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 2018

16. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Amounts due within one year:		
Trade receivables	**2,677**	6,197
Taxes recoverable	**2,254**	1,050
Prepayments	**98**	136
Other receivables	**3,637**	6,162
	8,666	13,545

Trade Receivables
Trade and other receivables are financial assets and measured at amortised costs. The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

Other Receivables
Other receivables includes a net receivable from joint venture partners (RSM, SNH and AFEX) of $2.5 million (2017: $5.7 million) for their share of their participating interest in the Logbaba and Matanda Blocks.

Age of Trade Receivables that are Past Due but not Impaired

	2018 $'000	2017 $'000
31-60 days	**836**	1,703
61-90 days	**401**	687
91-121 days	**91**	713
121+ days	**244**	1,001
Total	**1,572**	4,104

Trade receivable days for the current year was 90 days (2017: 100 days).

Movement in Loss Allowance

	2018 $'000	2017 $'000
Balance at beginning of the year	**832**	917
Movement in the year	**(676)**	(85)
Balance at end of the year	**156**	832

The amount of loss allowance during the year is included in administrative expenses.

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 2018

17. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
	3,467	11,476

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:

	2018 $'000	2017 $'000
US Dollar	**2,068**	3,226
Sterling	**162**	7,314
Central African Franc	**1,227**	845
Russian Rouble	**10**	45
Kazakh Tenge	**–**	46
	3,467	11,476

18. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Amounts due within one year:		
Trade payables	**4,753**	8,763
Taxes and social security costs	**612**	508
Accruals	**2,423**	1,843
Other payables	**3,012**	3,216
	10,800	14,330

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 99 days (2017: 43 days), based on the ratio of Group trade creditors at year-end to the amounts invoiced during the year by trade creditors.

Accruals
Accruals includes an amount of $1.5 million in relation to the land claim on the Logbaba Project, $0.3 million (2017: Nil) for a production bonus payable under the Logbaba Concession Contract and $0.3 million (2017: Nil) for legal fees, all of which were disclosed as Provisions in 2017 (see Note 19).

Other payables
Other payables include an amount of $3.0 million (2017: $3.0 million) due under the reserve bonus settlement.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

19. PROVISIONS

	2018 $'000	2017 $'000
Decommissioning and rehabilitation provision	**909**	2,318
Production bonus provision	**451**	788
Provision for legal matters	**199**	1,855
Other	**291**	–
	1,850	4,961
Disclosed as:		
Current liabilities	**199**	1,855
Non-current liabilities	**1,651**	3,106
	1,850	4,961

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.

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 in 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 2% p.a. (2017: 5.0% p.a.). The discount rate used to determine the present value of the obligation was 10.56% p.a. (2017: 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.

	2018 $'000	2017 $'000
Opening balance	**2,318**	2,406
Movement in provision in year	**570**	(114)
Effect of movement in foreign exchange	**(86)**	30
Effect of change of discounting rate	**(1,949)**	–
Unwinding of discount charged to the Income Statement	**56**	(4)
	909	2,318

Production Bonus Provision
Under the Logbaba Concession Contract, a bonus of $1.0 million is payable to the Government of Cameroon when certain levels of production are achieved. The discount rate used to determine the present value of the obligation was 10.56% p.a. (2017: 7.0% p.a.). During the year an additional $0.3 million for legal fees was reclassified to Accruals (see Note 18) on achievement of a production milestone.

Provision for Legal Matters
A provision of $1.5 million was reported in 2017 in relation to the land claim on the Logbaba Project. During the year this obligation materialised and it is reported as a currently liability in the current year (see Note 18). An additional $0.3 million for legal fees was reclassified to Accruals (see Note 18).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

20. BORROWINGS

	2018 $'000	2017 $'000
Amounts due within one year:		
Loans	**4,109**	3,174
	4,109	3,174
Amounts in more than one year but less than five years:		
Loans	**16,798**	21,363
	16,798	21,363
Total borrowings	**20,907**	24,537

BGFIBank Cameroun S.A. ("BGFI")

During 2018, the Group restructured its debt facility with BGFI. The initial debt facility, entered into on 4 April 2016, was for XAF15 billion.

The restructured loan has a remaining term of 54 months, with interest payable at 7.15% p.a. At 31 December 2018 the loan has 6-month interest only period, followed by 48 monthly repayments of principle and interest. The loan is secured by a pledge over the revenue stream of certain customers, a pledge over attributable gas production volumes equivalent to the monthly instalments and the ceding of GDC's right to future insurance claims for the tenor of the loan. The outstanding balance at 31 December 2018 was $19.4 million (31 December 2017: $22.8 million). The Company has provided a letter of support to BGFI to support the facility.

Famcorp

The Group has a loan facility with United Arab Emirates based Famcorp. The facility is unsecured and incurred interest at 9.9% p.a. (2017: 7.5% p.a.) which is payable monthly. The principle is repayable on demand. The balance owing on the loan at 31 December 2018 was $1.5 million (2017: $1.5 million).

The carrying value of borrowings approximates to fair value.

21. NET DEBT

	2018 $'000	2017 $'000
Cash and cash equivalents	**3,467**	11,476
Borrowings: Current liabilities	**(4,109)**	(3,174)
Borrowings: Non-current liabilities	**(16,798)**	(21,363)
	(17,440)	(13,061)

22. CALLED-UP SHARE CAPITAL

Allotted Called-Up and Fully Paid:

	2018		2017	
	Number	**$'000**	Number	$'000
Ordinary shares of 0.5 pence each:	**150,446,457**	**1,130**	145,059,728	1,095

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.

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 2018 as approved by the shareholders and sanctioned by the High Court. This also includes $0.9 million of deferred shares being cancelled from the ESOP trust reserve.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

23. ESOP TRUST RESERVE

The Victoria Oil & Gas ESOP Trust ("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.

At 31 December 2018, there were 562,501 Ordinary Shares held by the ESOP Trust (31 December 2017: 562,501). The ESOP Trust issued 500,000 Ordinary Shares to a former Director on 9 April 2019.

The balance of the reserve is analysed separately in the Consolidated Statement of Changes in Equity.

24. 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.

On 21 December 2018, GDC signed a binding Term Sheet with ENEO for a renewed three-year term and both parties are committed to executing fully termed agreements and providing the appropriate payment guarantees.

Trade receivables consist of 39 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:
- 11% amounts due from subsidiaries of multinational companies with State participation;
- 39% amounts due from subsidiaries of multinational companies;
- 3% amounts due from Cameroonian companies with State participation; and
- 47% amounts due from other Cameroonian companies.

The Group rates the credit quality of the first three groups as high (making up 53% 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 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 with continual review of payment progress with the option to suspend the supply of gas when other collection measures fail.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

24. FINANCIAL RISK MANAGEMENT continued

Credit Risk continued
For trade and other receivables the Group applies a simplified approach in calculating the Expected Credit Loss ("ECL"s). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a single loss rate approach that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivable and the economic environment.

Credit risk arising in the context of the Group's operations is not significant with the total loss allowance at the balance sheet date amounting to 5.8% of trade receivables (2017: 13.4%).

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

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, where possible and agreeing extended payment terms with suppliers.

The Group's commitments have been fully met during the current year from cash flows generated from sales revenue from the Logbaba Project and existing cash holdings. 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 Group currently does not have any headroom on its debt facilities.

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. The Group also has the option to farm-down on existing assets if this is deemed appropriate.

The maturity profile of the Group's financial liabilities based on the contractual terms is as follows:

	Due 3-5 years $'000	Due 2-3 years $'000	Due 1-2 years $'000	Due 0-1 year $'000	Total $'000
2018					
Borrowings	**7,579**	**5,724**	**5,657**	**5,460**	**24,420**
Accounts payables	**–**	**–**	**–**	**10,800**	**10,800**
Total	**7,579**	**5,724**	**5,657**	**16,260**	**35,220**

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 Central African Franc, which is the currency of Cameroon, is pegged to the Euro.

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.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

24. FINANCIAL RISK MANAGEMENT continued

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	
	2018 $'000	2017 $'000	**2018 $'000**	2017 $'000
Central African Franc	**6,700**	8,273	**20,939**	24,602
Sterling	**656**	10,908	**428**	705
Euro	**–**	–	**152**	105
Russian Rouble	**10**	44	**17**	514
Kazakh Tenge	**42**	52	**2**	–
	7,408	19,277	**21,538**	25,926
US Dollar	**4,725**	5,741	**10,169**	17,899
	12,133	25,018	**31,707**	43,825

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 2018, the loss would have been less than $0.1 million lower/higher (2017: less than $0.4 million lower/higher) and the net equity would have been less than $0.1 million higher/lower (2017: 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, this loan was restructured in July 2018 (see Note 20). At 31 December 2018 the total debt outstanding on facilities held in Central African Francs ("XAF") amounted to $19.4 million equivalent (2017: $22.8 million equivalent), marking an increase in the foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. This risk principally relates to sale of gas and condensate and is included in the analysis of financial risk factors in the Strategic Report. For sales of gas, the risk is substantially reduced by entering into longer term, fixed-price gas contracts (two to five years) with customers. 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 increase the Group's loss before tax by less than $0.1 million (2017: less than $0.1 million).

Interest Rate Risk

The Group is exposed to interest rate risk. Where possible the Group borrows at fixed interest rates. At 31 December 2018, the Group had the following outstanding borrowings:

- $19.4 million from BGFI with interest payable at an average rate of 7.15% p.a.; and
- $1.5 million from Famcorp with interest payable at a fixed rate of 9.9% p.a.

See Note 20 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 Famcorp loan has a fixed rate and would have no impact from a change in base rates.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

24. FINANCIAL RISK MANAGEMENT continued

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.

On 5 April 2019, the Company issued 104,357,488 new Ordinary Shares at a subscription price of 13 pence per share which generated gross proceeds of $17.7 million and net proceeds of $16.1 million (see Note 30).

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 $17.4 million (2017: $13.1 million) (see Note 21).

Categories of Financial Instruments
The financial assets and liabilities are presented by class in the tables below at their carrying values

2018	Amortised cost $'000	FVTPL $'000	Total $'000
Financial assets			
Trade and other receivables	**8,666**	**–**	**8,666**
Total financial assets	**8,666**	**–**	**8,666**
Financial liabilities			
Borrowings	**–**	**20,907**	**20,907**
Trade and other payables	**10,800**	**–**	**10,800**
Total financial liabilities	**10,800**	**20,907**	**31,707**
2017			
Financial assets			
Trade and other receivables	13,545	–	13,545
Total financial assets	13,545	–	13,545
Financial liabilities			
Borrowings	–	24,537	24,537
Trade and other payables	14,330	–	14,330
Total financial liabilities	14,330	24,537	38,867

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 2.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

25. 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 nil (2017: 250,000). During the year 250,000 warrants expired (2017: 250,000).

Shares and Options granted through ESOP Trust
The ESOP Trust, which is consolidated as part of the Group, did not transfer any shares during 2018.

In 2017, 330,301 Ordinary 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 was charged to the Income Statement in 2017. The weighted average price of shares transferred was 61.25 pence Sterling.

500,000 Ordinary Shares were issued to a former Director on 9 April 2019 (see Note 28).

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

	2018 Number of options 000s	2017 Number of options 000s
Opening balance	**500**	830
Exercised	**–**	(330)
Closing balance	**500**	500

Issue of shares in lieu of cash payment to a supplier
On 10 July 2018, the Company issued 4,814,815 Ordinary Shares to a supplier in lieu of a cash payment. The shares were issued at 29.97 pence per share.

Other Share Options
In 2017, the Company awarded 880,105 nil cost share options to the Executive Directors in respect of Annual Bonus Plan awards for 2016. 50% of the share options vested on 1 January 2018 and the remaining 50% vested on 1 January 2019. No further share options have been awarded to Executive Directors in 2018.

Bonus awards to employees
On 10 July 2018, the Company issued 571,914 Ordinary Shares to employees for performance bonuses for 2017. The shares were issued at 29.97 pence per share.

Ordinary Shares issued are translated at the exchange rate prevailing at the date of issue and share option issues are valued in accordance with the Groups policies (see Note 2).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

26. ROYALTY OBLIGATIONS AND CONTINGENT LIABILITIES

Royalty Obligations

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

- 8% of gas production to the Cameroon State as provided by the Concession Contract. The royalty will become payable after recovery of Petroleum Costs, being defined as exploration costs, development costs, exploitation costs, construction costs and general overhead costs. At the Balance Sheet date, the Company had not accrued or paid any royalty to the Cameroon State as Petroleum Costs exceed gas revenue. The Group's interpretation of what constitutes Petroleum Costs has not been formally agreed to by the Cameroon State. Should the Group's interpretation prove incorrect and the 8% royalty be payable on all gas production without recovery of Petroleum Costs or separation into upstream and downstream components, the Group's liability at 31 December 2018 would be $8.0 million (2017: $7.1 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 28 for further information on CHL. The royalty expense relating to CHL in the current year was $1.7 million (2017: $3.4 million). At 31 December 2018, the cumulative revenue on which the CHL royalty has been calculated amounted to $170.2 million (2017: $151.6 million).

Other Contingent Liabilities

The Group's 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.

27. 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 2018 $'000	Cashflows $'000	Other changes $'000	31 December 2018 $'000
Long-term borrowings	21,363	(2,809)	(1,756)	16,798
Short-term borrowings	3,174	–	935	4,109
Total liabilities from financing activities	**24,537**	**(2,809)**	**(821)**	**20,907**

Other changes include foreign exchange movements, transfers between long- and short-term borrowings and interest accruals and payments.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

28. RELATED PARTY TRANSACTIONS

The Consolidated Financial Statements include the Financial Statements of the Company and the subsidiaries listed in Note 29. 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.

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 2018		
Purchases from related parties	**–**	**31**
Year to 31 December 2017		
Purchases from related parties	–	19

Directors

Kevin Foo, (who resigned as a Director on 3 April 2019), and certain members of his family are potential beneficiaries of a discretionary trust that owns HJ Resources Limited ("HJR"). Mr Foo exercised 500,000 share options via the ESOP Trust on 9 April 2019.

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 26). 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 15, 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 has an indirect 43.4% shareholding in CHL due to its 67% interest in Logbaba Projects Limited, the controlling entity of CHL. Kevin Foo was 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 $1.7 million relating to CHL were expensed during the year (2017: $3.7 million).
- CHL made $0.1 million of loan repayments to extinguish the loan (2017: $0.1 million). The outstanding loan balance at 31 December 2018 was nil (31 December 2017: $0.1 million).
- CHL paid dividends of $0.4 million to the Group (2017: $1.1 million).

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

29. COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS

The holdings of the Group as at 31 December 2018 were:

Company	Country of incorporation	Registered address	Class of shares	Percentage of capital held	Nature of business
Victoria Oil & Gas Plc	England & Wales	Scott House, Suite 1, The Concourse, Waterloo Station London, SE1 7LY			
Victoria Petroleum Ltd	England & Wales	Scott House, Suite 1, The Concourse, Waterloo Station London, SE1 7LY	Ordinary	100%	Holding company
ZAO SeverGas-Invest	Russia	Proezd 13, promzona, panel "C", Nadym, 629730, Yamal-Nenets Autonomous Okrug	Ordinary	100%	Exploration
Bramlin Ltd	Guernsey	St Peters House, Le Bordage, St Peter Port, Guernsey, GY1 1BR	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	Scott House, Suite 1, The Concourse, Waterloo Station London, SE1 7LY	Ordinary	100%	Holding company
Victoria Energy Central Asia UK Ltd	England & Wales	Scott House, Suite 1, The Concourse, Waterloo Station London, SE1 7LY	Ordinary	100%	Holding company
Victoria Energy Central Asia LLP	Kazakhstan	Temirkhanova str. 1a, 1st Floor, Atyrau, 060002, Republic of Kazakhstan	Ordinary	100%	Representative office
Cameroon Holdings Ltd	Guernsey	St Peters House Le Bordage, St Peter Port, Guernsey, GY1 1BR	Ordinary	35%	Royalty holding company
Gaz du Cameroun Sarl.	Cameroon	741 Rue Vasnitex, Bonapriso, PO Box 12874, Douala, Cameroon	Ordinary	100%	Licence operator
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
Feax Investments Company Ltd	Cyprus	No. 332 St Andrews Street Parician Chambers, 3rd floor, PO Box 54543, 3725 Limassol, Cyprus	Ordinary	100%	Dormant (in liquidation)
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%	Dormant
Gaz du Cameroun Investments Ltd	Guernsey	St Peters House, Le Bordage, St Peter Port, Guernsey, GY1 1BR	Ordinary	100%	Dormant
Victoria Oil & Gas plc ESOP Trust	N/A	12 Castle Street, St Heliers, Jersey JE2 3RT	N/A	N/A	N/A

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2018

29. 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.

Following the participation of SNH in the Logbaba Project in June 2017, the Group participating interest was reduced from 60% to 57%. On 17 December 2018 the Group received the Presidential Decree authorising the transfer of the 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 licence, the Group's interest would thereafter be reduced to between 71.25% and 56.25% depending on the State's election.

30. SUBSEQUENT EVENTS

Share Placing
On 5 April 2019, the Company issued 104,627,488 new Ordinary Shares at a subscription price of 13 pence per share which generated gross proceeds of $17.7 million and net proceeds of $16.1 million.

Board Changes
On 3 April 2019, Kevin Foo resigned as Executive Chairman of the Company and Roger Kennedy assumed the role of Executive Chairman in his stead.

On 3 April 2019, John Knight and John Daniel were appointed as Independent Non-Executive Directors' of the Company.

31. CAPITAL AND OPERATING LEASE COMMITMENTS

At 31 December 2018, GDC had no capital commitments (2017: $0.3 million).

On 17 December 2018, the Group received the Presidential Decree authorising the transfer of the 75% interest in the Matanda Project. The Group has a minimum work programme obligation of one exploration well plus seismic reprocessing to be completed in the first two years of the assignment following the presidential decree.

The Group's commitment is expected to be $11.25 million (2017: $11.25 million).

The Group has operating lease commitments at 31 December 2018 as follows:

	2019 $'000	2020-23 $'000	Total $'000
Operating lease commitments	182	–	182

Parent Company Statement of Financial Position
At 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Assets:			
Non-current assets			
Intangible assets		**29**	61
Property, plant and equipment		**42**	67
Investment in associate	B	**4,502**	4,502
Investment in subsidiaries	B	**12,410**	12,410
		16,983	17,040
Current assets			
Trade and other receivables	C	**86,955**	83,305
Cash and cash equivalents	D	**2,222**	10,527
		89,177	93,832
Total assets		**106,160**	110,872
Liabilities:			
Current liabilities			
Trade and other payables	E	**1,126**	654
Provisions	G	**–**	300
Borrowings	F	**1,480**	1,489
		2,606	2,443
Net current assets		**86,571**	91,389
Net assets		**103,554**	108,429
Equity:			
Called-up share capital	H	**1,130**	1,095
Share premium		**26,254**	24,218
Other reserves		**401**	248
Retained earnings		**75,769**	82,868
Total equity		**103,554**	108,429

As permitted by Section 408 of the Companies Act 2006, the Parent Company is availing of the exemption from presenting its separate Income Statement in these Financial Statements and from filing it with Companies House. The loss for the year dealt with in the Financial Statements of the Company amounts to $7.1 million (2017: $10.2 million).

The Financial Statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 23 May 2019.

Roger Kennedy
Executive Chairman

Andrew Diamond
Finance Director

Parent Company Statement of Changes in Equity
For the year ended 31 December 2018

	Share capital $'000	Share premium $'000	Other reserves $'000	Retained earnings $'000	Total $'000
For the year ended 31 December 2017					
At 31 December 2016	34,251	230,436	66	(171,289)	93,464
Shares issued	228	24,417	–	–	24,645
Vesting of share options	–	–	228	–	228
Shares granted to ESOP members	–	–	–	249	249
Warrants expired	–	–	(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
For the year ended 31 December 2018					
At 31 December 2017	**1,095**	**24,218**	**248**	**82,868**	**108,429**
Shares issued	**35**	**2,036**	**–**	**–**	**2,071**
Vesting of share options	**–**	**–**	**174**	**–**	**174**
Warrants expired	**–**	**–**	**(21)**	**21**	**–**
Total comprehensive loss for the year	**–**	**–**	**–**	**(7,120)**	**(7,120)**
At 31 December 2018	**1,130**	**26,254**	**401**	**75,769**	**103,554**

Notes to the Parent Company Financial Statements
For the year ended 31 December 2018

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 2018, 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 2 to the Consolidated Financial Statements, except as noted below.

Investments

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.

B. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Full details of significant investments held by the Company and the Group are detailed in Note 29 of the Consolidated Financial Statements.

Subsidiaries

	2018 $'000	2017 $'000
Cost	**49,774**	49,774
Impairment	**(37,364)**	(37,364)
Carrying amount	**12,410**	12,410

There were no additions or impairments during the year (2017: Nil).

The provision for impairment relates to the Company's Kemerkol assets in Kazakhstan which were fully impaired in 2007 and 2009 and the West Medvezhye assets in Russia which were fully impaired in 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 15 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
For the year ended 31 December 2018

C. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Amounts due from subsidiaries	**85,921**	74,996
VAT recoverable	**67**	180
Prepayments	**71**	73
Other receivables	**896**	8,056
	86,955	83,305

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

Amounts due from subsidiaries includes $80.4 million (2017: $66.3 million) from Gaz du Cameroun S.A. and $6.3 million (2017: $6.3 million) from Bramlin Limited.

Of the $85.9 million, $0.1 million is Sterling-denominated and $85.8 million US Dollar-denominated (2017: $0.1 million Sterling-denominated and $74.9 million US Dollar-denominated).

The balance at 31 December 2018 is stated net of an impairment provision against the amount due from Gaz du Cameroun S.A. of $32.1 million (2017: $28.1 million), Victoria Energy Central Asia LLP of $17.9 million (2017: $17.9 million), from Victoria Oil and Gas Central Asia Limited of $2.5 million (2017: $2.8 million) and from ZAO SeverGas-Invest of $45.5 million (2017: $45.1 million).

At the year-end, the ESOP Trust owed the Company $0.1 million (2017: $0.1 million) for shares subscribed for but not yet paid.

The realisation of intercompany receivables of $85.9 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

Other receivables
Other receivables includes $0.4 million (2017: $7.9 million) of funds held on behalf of the Logbaba Project in Cameroon.

D. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
	2,222	10,527
Denomination:		
US Dollar	**2,065**	3,220
Sterling	**157**	7,307
	2,222	10,527

E. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Amounts due within one year:		
Trade payables	**494**	382
Taxes and social security costs	**29**	53
Accruals	**603**	219
	1,126	654

Notes to the Parent Company Financial Statements continued
For the year ended 31 December 2018

F. BORROWINGS

Borrowings relate to Famcorp and are disclosed in more detail in Note 20 of the Consolidated Financial Statements.

G. PROVISIONS

Provisions are disclosed in more detail in Note 19 of the Consolidated Financial Statements.

H. CALLED-UP SHARE CAPITAL

Details of the Company's called-up share capital are disclosed in Note 22 of the Consolidated Financial Statements.

I. 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 2018 was $7.1 million (2017: $10.2 million). The current year loss contains a provision for doubtful recovery raised against the amount due from Gaz du Cameroun S.A. of $4.0 million (2017: $6.0 million).

The auditor's remuneration for audit and other services is disclosed in Note 7 of the Consolidated Financial Statements.

J. RELATED PARTY TRANSACTIONS

Certain disclosures relevant to the Company are presented within Note 28 of the Consolidated Financial Statements. Company transactions with Group undertakings primarily consist of loan transactions and central service recharges.

The Company received $0.4 million of dividends (2017: $1.1 million) and $0.1 million of loan repayments from CHL during the period (2017: $0.1 million). There were no further material transactions with non-wholly owned Group undertakings (2017: Nil).

K. CONTINGENT LIABILITIES

At 31 December 2018 the Company had issued a Parent Company guarantee 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 20).

L. SUBSEQUENT EVENTS

On 5 April 2019, the Company issued 104,357,488 new Ordinary Shares at a subscription price of 13 pence per share which generated gross proceeds of $17.7 million and net proceeds of $16.1 million.

On 3 April 2019 Kevin Foo resigned as Executive Chairman of the Company and Roger Kennedy assumed the role of Executive Chairman in his stead.

On 3 April 2019, John Knight and John Daniel were appointed as Independent Non-Executive Directors' of the Company.

Definitions, Abbreviations & Glossary

"$"	US$, currency of United States of America
"AFEX"	AFEX Global Limited
"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
"bbl"	Barrel, or 42 US gallons
"bcf"	Billion cubic feet 1bcf = 0.83 million tonnes of oil equivalent
"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 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
"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
"GDC"	Gaz du Cameroun S.A.
"Government"	Government of Cameroon
"the Group"	Victoria Oil & Gas Plc and its subsidiaries
"GSA"	Gas sales agreement
"IFRS"	International Financial Reporting Standards
"IMS"	Integrated Management System
"IPP"	Independent Power Producers
"ISO"	International Organization for Standardization Compliance
"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
"Matanda"	Matanda Block, 1,235km^2 hydrocarbon licence in Cameroon
"Matanda PSC"	Matanda Production Sharing Contract
"mmbtu"	Million British Thermal Units of Energy
"mmscf"	Million standard cubic feet
"mmscfd"	Million standard cubic feet per day
"MW"	Mega Watt
"Naturelgaz"	Naturelgaz Sanayi ve Ticaret A.S., Europe's largest CNG supplier and distributorP
"NCP"	UK National Contact Point
"OECD"	Organisation for Economic Co-Operation and Development
"P50"	Prospective resources with a 50% probability that the size of the field is larger or smaller than indicated
"p.a."	per annum
"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"	Société Nationale des Hydrocarbures, The National Hydrocarbons Corporation of Cameroon
"tcf"	Trillion cubic feet
"VOG"	Victoria Oil & Gas Plc
"XAF"	Central African Francs; currency of Cameroon

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