



Annual Report **2017-2018**

## Contents

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### Contents

Officers and Advisors	2
Chairman's Statement	4
Strategic Report	6
Corporate Governance Statement	15
Audit Committee Report	22
Directors' Remuneration Report	24
Board of Directors	27
Directors' Report	28
Statements of Directors' Responsibilities	31
Independent Auditor's report	32
Consolidated Statement of Comprehensive Income	37
Consolidated Statement of Financial Position	38
Consolidated Statement of Changes in Equity	39
Consolidated Statement of Cash Flows	40
Notes to the Consolidated Financial Statements	41
Company Statement of Financial Position	62
Company Statement of Changes in Equity	63
Notes to the Company Financial Statements	64

## Directors and Advisers

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### Officers and Advisors

#### Directors

Cameron Buchanan (Non-Executive Chairman)

George Lucan (Managing Director) – appointed 29 January 2019

Chris De Goey (Non-Executive Director)

Paul Vonk (Managing Director) – resigned 29 January 2019

Rob Shepherd (Non-Executive Director) – resigned 9 January 2019

Jonathan Tidswell-Pretorius (Executive Chairman) – resigned 5 July 2018

#### Secretary

Carlos Dos Santos Fernandes

#### Registered Office

Building 3, 566 Chiswick Park

Chiswick High Road

London

W4 5YA

#### Nominated Advisor

Beaumont Cornish Limited

10th Floor, 30 Crown Place

London

EC2A 4EB

#### Brokers

WH Ireland Group plc

24 Martin Lane

London

EC4R 0DR

#### Auditor

Crowe U.K. LLP

St. Bride's House

10 Salisbury Square

London

EC4Y 8EH

#### Solicitor

Fladgate LLP

16 Great Queen Street

London

WC2B 5DG

## Directors and Advisers

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### **Principal Bankers**

Metro Bank Plc  
One Southampton Row  
London  
WC1B 5HA

### **Registrars**

Share Registrars Limited  
The Courtyard  
17 West Street  
Farnham  
Surrey  
GU9 7DR

### Chairman's statement

Dear Fellow Shareholders,

It is my pleasure to present you with the Annual Report of Angus Energy plc (the "Company" or "Angus Energy") with its subsidiary undertakings (the "Group") for the year ended 30 September 2018.

Firstly, on behalf of the Company, I would like to thank Paul Vonk and Robert Shepherd for their service over the last 3 years. Their leadership and input were instrumental in the Company's development and we wish them all the best. I would also like to welcome on board George Lucan. George brings a unique set of skills to the board which the Company will benefit from during this transformational period.

We have increased the Group's footprint in the Weald with the acquisition of our interest in Balcombe. The positive test results reinforce the decision to purchase the asset and keeps us on track to provide conventional, low-risk exploration and incremental value-adding opportunities. Operationally the team has safely completed the Balcombe well test as well as the currently suspended well test at Brockham.

### Financial and Statutory Information

Revenue from oil and gas production during the year was up to £0.066m (2017: £nil) on production of 1,678 barrels. This was the result of the bringing on stream of the Lidsey and Brockham Oil Fields during the year.

The Group recorded a loss of £2.790m (2017: £2.612m).

Following a £2m placing on 5 November 2018 and £1.5m draw down on 10 January 2019 the Group has a strong cash position. A further £2.2m was raised on 15 February 2019 to repay the £1.5m drawn down from our loan facility. This is after accounting for all costs associated with the testing of Brockham X4Z (completed after the reporting period).

### Outlook

The Company will continue to work towards commercial production from the Weald Basin and is continuously evaluating new opportunities.

The more limited operations originally proposed at Balcombe have been suspended whilst the Company prepares a planning application for an extended production test at the Balcombe field which shall be submitted as early as practical subject to the approval of our farmee partners. The Company intends to apply and plan for a long term production test for a minimum of 150 days, and also for further extended long term production testing of a minimum of 24 months if granted.

Following the suspension of the well test at Brockham the long lead equipment to isolate the water zones at Brockham has been sourced and is ready for shipping. Options for logging the

## Chairman's Statement

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well to identify the water zone are being considered to give the best results. The Company shall immediately start rig selection and submit a detailed engineering program for approval by our partners and all relevant regulators. The Company welcomes this news as it will greatly speed up the process of re-starting production at Brockham. The operation will be in two stages, water identification and isolation followed by production testing without the rig based on successful identification and isolation of the water zone.

At Lidsey the Company continues to produce crude oil at a variable self-restricted flowrate due to produced water disposal limitations. Whilst the well remains commercially profitable in spite of these limitations, the Company also continues to explore all water disposal solutions including water injection to aid production. Additionally, the Company is beginning a detailed study into the potential exploration lead to the west of the existing Lidsey producing structure. Further work is required to work up the target and determine risk and viability however indications are it could be drilled from the existing pad and potentially a side track of one of the existing wells greatly reducing costs as well as any environmental impact.

*Cameron Buchanan*

**Chairman**

05 March 2019

### Operating Review

I am pleased to join Angus Energy plc as Executive Director and interim Managing Director. The past few weeks have seen an overhaul of the composition of the Board with a view to strengthening corporate governance and communications with Shareholders, and shortly hope to announce the Board appointments as outlined in the announcement of 29 January 2019.

First please allow me to thank my predecessors, Jonathan Tidswell and Paul Vonk, in their respective roles of Executive Chairman and Managing Director. Under their guidance this excellent portfolio of onshore assets has been assembled and brought into production in some instances, and to the point of production, in others.

The prior fiscal year has been very active for Angus Energy with the bringing on stream of the new Lidsey well, acquisition and testing of Balcombe and the testing of the Kimmeridge layers at Brockham.

Our first concern as a Company must be for the safety of our staff, contractors, the public at large and the environment on which we rely on all operations were performed without any safety incidents or environmental damage. We will continue to work in close co-operation with all of our regulators, ensuring a spotless record of compliance – the Oil and Gas Authority (“OGA”), the Environment Agency (“EA”) and the Health and Safety Executive.

### Business Review

The principal activity of the Group during the year continued to be on-shore, conventional production and development of hydrocarbons in the UK.

### Review of activities

#### Lidsey

The year began with the successful completion of the drilling of the Lidsey X2 well which was a horizontal well targeting the currently producing Great Oolite Limestone. The horizontal section in the reservoir totaled 443 m in the upper part of the Great Oolite. The well design was selected to reduce the risk of water production as seen in the original Lidsey X1 vertical well.

The Lidsey X2 well was drilled on time and within budget and production began on 17 November 2018 with an initial flow rate of 40 barrels oil per day (bopd) of API 38.5. Once production had been established from Lidsey X2, the earlier Lidsey X1 well was also put into production after the Kimmeridge analysis mentioned below.

The Lidsey X2 well also encountered the Kimmeridge Clay formation and samples were routinely sent for geochemical analysis. Surprisingly, for such a peripheral location the Kimmeridge appeared to be much more mature than expected and on the borders of oil generation. Accordingly, when recompleting the Lidsey X1 well the Kimmeridge was tested.

Traces of oil were recovered but due to the lack of thick limestones it was clear that oil could not be extracted easily at commercial rates due to Lidsey X1's location being on the edge of the basin. However further development, enhanced completion techniques and fishbone drilling combined with stimulation are some of the possible avenues to future Kimmeridge production at Lidsey X1.

Current emphasis is on improving production reliability and reducing operating costs at Lidsey X2. Production rates remain restricted due to water disposal and alternative options for water disposal are being considered as this is a large proportion of the operating cost. Previously water produced could be injected at other sites however due to changes in regulation this is no longer possible. A dual completion / injector system is being considered as it would allow water injection without drilling a new injector well.

Future work on Lidsey may include further seismic analysis if the practical issues can be solved. This seismic work would permit re-mapping and investigating of a potential low risk prospect to the west seen in the first mapping of the structure and mentioned in previous RNS announcements.

On 25 April 2018, the Company received approval of its retention application for the Lidsey field from West Sussex County Council's Planning Committee which extends planning permission for the field for a further decade. Finally, on 18 February 2019 the company received permission to operate pumping equipment for 24 hours a day, seven days a week at the Lidsey site. There is no variation to the existing limits on any other operations at the site.

### Balcombe

On the 10 May 2018, the Board entered into a transaction with Cuadrilla Balcombe Limited and Lucas Bolney Limited to farm-in for a 25% interest in the Balcombe Field. To fund the cost of this acquisition and the additional costs for the testing of Balcombe, the Group raised £2m on 9 February 2018 and entered into a £3m convertible loan facility. Shortly thereafter on 21 May 2018, the OGA approved the Group's Operatorship of the Field.

The Balcombe licence is interesting because extensive geochemical modelling by Angus and others indicates that the licence is fairly central in the mature area of the Kimmeridge indicating a high probability of considerable amounts of Kimmeridge oil being present. This information was acquired from a previous vertical exploration well which tested around 50 barrels per day of oil from a short Kimmeridge interval.

Approval of the transfer of operatorship was followed on 24 September 2018 by the commencement of a 7 day well test which was constrained by planning obligations and completed on 2 October 2018, just after the end of the period under review. The test utilised Nitrogen and coiled tubing to clean and lift the well for production. The initial operation involved the use of brine to wash out fines and solids around the liner in the horizontal section. Having cleaned the well, an acid wash was performed over the entire horizontal section. Using the coiled tubing and nitrogen the brine was lifted back from the well and the formation together with emulsified oil and clean fresh oil from the formation.



## Strategic Report

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From several periods the well flowed oil and brine (from the previous clean-up) during this process. At the end of the available testing period the brine lost to the formation had all been recovered but considerable amounts of brine continued to be produced with oil. Analysis of the oil sampled showed oil quality of 34 API which is consistent with the Kimmeridge formation oil.

Sampling of the brine late in the testing process, initially suggested that this was formation brine. However, when analysed, the salinity of the brine was found to be inconsistent with the formation fluids expected in this horizon but identical to the brine used during the drilling operation. Detailed study of the much earlier drilling records indicated that potentially much larger amounts of brine had been lost during that drilling and that these would not yet have been recovered.

Future operations will recover this remaining brine with a view to preparing for an extended well test of the well once planning and regulatory processes have been completed. It is anticipated that the regulatory approvals process will take some months to complete before extended well testing would be possible.

### Brockham

On 23 October 2017, the Company received final approval from the Oil and Gas Authority ("OGA") for its Field Development Plan Addendum at the Brockham Oil Field (Production License PL235). This OGA approval was the final regulatory consent needed for the Company to begin production from the Kimmeridge layers in the Brockham X4Z well. Finally, in August 2018 the Group received planning permission from Surrey County Council to test the Brockham X4Z well and bring it into production.

In the interim, on 8 November 2017, the OGA gave approval to the Group's acquisition of Terrain Energy's 10% interest in the Brockham Field, taking the Group's share from 55% to 65%. In March 2018 the Company resumed production from the Brockham well BRX2Y although there were no significant changes from pre shut-in production levels, this move allowed the company to re-start site operations and test all existing topside equipment including generators, pumps and oil loading facilities.

The X4Z Well Test began in December 2018 and, after a closure over the holiday period due to prior arrangements with contractors concerning required staffing levels, resumed in January. The results of the test are dealt with in detail below in the section covering "Events after the reporting Period".

### Holmwood

Finally we retained our 12.5% interest in the Holmwood Licence and the operator, Europa Oil & Gas, is considering new drill sites for an exploratory well following a decision by the Minister of Environment in September 2018 regarding planning permissions for a previously proposed drill site.

### Strategy

The Directors' objective is to create long term value for shareholders by building the Group into a leading onshore oil production company. The Directors' are focused on three areas:

- Increase production and recovery from its existing asset portfolio.
- Grow the asset portfolio through select onshore development and appraisal projects both within and outside of the Weald basin.
- Actively management costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

### Financial Review

The Group began the period with the following interests: 55% of Brockham (PL235), 60% of Lidsey (PL241), 12.5% of Holmwood (PEDL 143).

The Group had a cash balance of £1.224m as at 30 September 2017 which was complemented by the gross proceeds of £3m raised on 23 November 2017, £2m raised on 9 February 2018 and £3m drawn down from the convertible loan facility put in place on 23 April 2018. The holders of the facility converted their interest into shares in the following three months and thus at the end of the period the Group had no loans outstanding.

On 8 November 2017 the Group received final regulatory approval from the Oil and Gas Authority ("OGA") for its previously disclosed agreement to acquire Terrain Energy Limited's 10% interest in the Brockham Oil Field PL235 increasing the Group's interest to 65%.

On 22 January 2018 the Group entered into a sale agreement to acquire a 25% interest in the Balcombe Oil Field for a cash payment of £4m along with the costs of the well test program of Balcombe-2Z. The Company will also assume the associated costs of a Field Development Plan submission to the Oil & Gas Authority. To contribute funding to the acquisition and cover operational costs the group entered into a £2m gross placing on 9 February and on 23 April 2018 it has issued a £3 m unsecured convertible security.

As at 30 September 2018, the Group retained a 65% in Brockham field, 60% interest in Lidsey field and 25% in the Balcombe field where the Group is the operator of all 3 fields. The Group also retained a 12.5% interest in the Holmwood field. The Group had cash reserves of £0.846m.

The Group generated £0.066m revenue from oil and gas production during the year (2017 £Nil). This was the result of the sale of 1,678 bbls of oil.

The Group recorded a loss of £2.790m (2017 a loss of £2.629m) of which £390k relates to the finance costs of the loan notes. For the year under review, the administrative expenses increased to £2.230m (2017: £1.925m). This increase is due to the Group's increased corporate and operational activity and the associated running costs of being listed.

### Corporate Governance

I joined the Board with the aim of improving standards of corporate governance at Angus Energy. The first task in that regard was to assemble an effective and appropriate Board. The previous Board, at least until July of last year, had, as its executive Chairman, a founder shareholder, and only one other executive officer. This was an unsatisfactory situation which corporate governance codes here in the UK and elsewhere always seek to discourage. The composition of the Board that followed Mr. Tidswell-Pretorius' resignation was even more unsatisfactory, having only one executive officer.

The Board has now proposed a series of executive appointments, promoting our chief Technical Officer, Mr. Andrew Hollis, to the Board as Technical Director and Mr. Carlos Fernandes as Financial Director. As long time employees they are expected to bring an intimate knowledge of the Company and its operations without a great increase in cost to the Shareholders. These appointments will also streamline decision making.

The Board hopes to announce the appointment of a non-executive Chairman imminently and thereafter I would recommend that the Nominations Committee may consider one further non-executive director. We will shortly publish on our website our revised committee structure together with a corporate governance calendar.

Communications with shareholders, and stakeholders in general, is another key pillar of good governance. I have mentioned a desire to provide more thorough and regular updates to shareholders than they may have been accustomed to in the past. In this regard, we are under regulatory obligations as a Company in what we can disclose and the manner in which we do so – by the rules of the AIM, the commercial considerations of our Partners in the licences, by Market Abuse Regulations (MAR) and by our operating regulators.

Nonetheless the Company will, as promised, set up a forum on the internet for queries and suggestions so that, even if we are limited in what we can say to you, we are not so limited by what you, shareholders and stakeholders, can say to us. I personally receive almost daily updates on our social media feed. Many minds are better than few and technical suggestions and criticisms are welcomed.

Following Jonathan Tidswell-Pretorius's share dealing and resignation from the board the Company has initiated its own investigation into the matter which has drawn on too long. The investigation is still ongoing, under my supervision, and we aim to bring this matter to a rapid conclusion with an RNS release before the AGM.

### Principal risks and uncertainties

#### Currency risks

The Group sells its produced crude oil; oil is priced in US dollars whilst the bulk of its costs are in GBP and therefore the Group's financial position and performance will be affected by fluctuations in the US dollar, sterling exchange rate along with fluctuations in the oil price. In addition, the Group may make investments in currencies other than Sterling and the Group does not currently intend to hedge against exchange rate fluctuations. Accordingly, the value of such investments may be adversely affected by changes in currency exchange rates notwithstanding the performance of the investments themselves, which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

#### Market risk

The demand for, and price of, oil and gas is highly dependent on a variety of factors beyond the Group's control. The continued marketing of the Group's oil will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to roads, train lines and any other relevant options at economic tariff rates over which the Group may have limited or no control. Transport links (including roads and pipelines) may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns. Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. The marketability and prices of oil that may be discovered or acquired by the Group will be affected by numerous factors beyond its control.

#### Reserve and resource estimates

No assurance can be given that hydrocarbon reserves and resources reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon reserve and resource estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources. Unless stated otherwise, the hydrocarbon reserve and resources data contained in the financial statements are taken from the Competent Person's Report, at the time of AIM admission on 14 November 2016.

There are uncertainties inherent in estimating the quantity of reserves and resources and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon reserves and resources is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data extracted from the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of reserve quantification studies means that there can be no guarantee that estimates of

## Strategic Report

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quantities and quality of the resources disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties and development and operating expenditures may vary from these estimates. Such variances may be material. Reserves estimates are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced).

The estimates may prove to be incorrect and potential investors should not place reliance on the forward-looking statements (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's reserves and resources or production levels. Hydrocarbon reserves and resources estimates are expressions of judgment based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.

This may result in alterations to development and production plans which may, in turn, adversely affect operations. If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

### Environment

As a responsible OGA approved and Environment Agency ("EA") permitted UK operator, Angus Energy is committed to utilising industry best practices and achieving the highest standards of environmental management and safety. Our operations:

- Continuously assess and monitor environmental impact
- Promote internally and across our industry best practices for environmental management and safety
- Constant attention to maintaining our exemplary track record of safe oil and gas production

There were no reportable health and safety incident during the year.

### Community

Angus Energy seeks and maintains positive relationships with its local communities. As such, Angus Energy is dedicated to ensuring:

- Open and honest dialogue
- Engagement with stakeholders at all stages of development
- Proactively address local concerns
- Actively minimise impact on our neighbours
- Adherence to a strict health and safety code of conduct

On 4 June 2018, the Group established the Bruce Watt Memorial Scholarship, a yearly scholarship fund of £10,000 per year to support students from Bognor Regis and the surrounding community to undertake further academic studies beyond secondary school. Currently there have been 3 recipients of the Scholarship award.

### Events after the reporting period

The Group had a cash balance of £0.846m as at 30 September 2018 subsequent to the significant cash movements described during the reporting period.

After the reporting period, the company completed the Balcombe well test. The test utilised Nitrogen and coiled tubing to clean and prime the well which when removed allowed a natural flow at 853 bopd equivalent, not including 22.5% water. A second flow period was undertaken with the well flowing naturally at 1,587 bopd equivalent, not including 6.6% water.

The Balcombe-2z well produces from a single Micrite Layer, just one of the Kimmeridge Micrite Layers. During the initial flow period, the well slugged at up to 3,000 barrels per day which had to be reduced as it exceeded separator operating capacity. Duration of the test runs were limited. No CO<sub>2</sub> or H<sub>2</sub>S were observed or measured.

The Brockham X4Z well was perforated from 960 metres to 1,155 metres (an interval of 195 metres) measured depth. The objective was to initiate instant flow by perforating with a maximum underbalance of pressure between the reservoir and the well. All kill fluids in the wellbore and lost to the reservoir were recovered. In total 280 barrels have been produced. The well flowed naturally to surface upon the removal of the completion and clean up fluids with flow rates rising steadily as the test continued. It has become apparent that a part of the perforated interval is producing water, which is inhibiting significant oil flow and therefore has not allowed for sustainable flow rates of oil to be reported at this time.

Small quantities of oil of 40 plus API were returned to surface and sampled in the returns and has been confirmed through analysis as Kimmeridge oil.

Angus Energy is now putting together a further engineering program to isolate this water zone which will, subject to agreement from all regulators, include the return of a work over rig and the Company will update the market as soon as possible. Extensive geochemical analysis and modelling of the Weald Basin conducted by and on behalf of Angus Energy, including innovative work on the effects of organic content on measurements of historical temperatures, indicates that the Kimmeridge is mature enough to produce oil over an area which includes Brockham.

On 5 November 2018, the Group announced a £2m private placement at 9p per share. The primary reason for this placing was to increase capitalisation and financial flexibility.

On 9 January 2019, the Group entered into a 2-year £3m loan facility of which £1.5m has already been drawn. The intended use of this facility is for the future development of the

## Strategic Report

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Balcombe Field Discovery and to provide further working capital for the Group. Robert Shepherd also resigned from the board.

On 29 January 2019, Paul Vonk resigned as Managing Director and George Lucan was appointed as Managing Director. The Board is also looking to appoint Carlos Fernandes as Financial Director (currently CFO) and Andrew Hollis as Technical Director (currently Technical Director non-board).

On 26 February 2019, the company announced that it has entered into a binding term sheet regarding the purchase of Doriemus Plc's 20% interest in the Lidsey Licence, PL241, together with its interest in and under the JOA and any wells on the area covered by the Licence (including its 30% direct participating working interest in the Lidsey-X2 production well), for £0.467m of consideration payable in 8,324,024 shares based on a 20 day VWAP at close of business on Friday 22 February 2019 of 5.6148 pence each, subject to regulatory and partner approvals and the execution of all the required sale and purchase agreements.

### Outlook

The Company will continue to work towards commercial production from the Weald Basin by water identification and isolation followed by production testing at Brockham and preparing Balcombe for production by applying for the extending well test. The company will also continue to explore options to increase production at Lidsey and reduce water disposal costs. Additionally the Company is beginning a detailed study into the potential exploration lead to the west of existing Lidsey producing structure.

I note the Chairman's acknowledgement and would like to personally thank our committed team of professionals at Angus Energy who continue to work hard on behalf of our shareholders.

Approved by the Board of Directors and signed on behalf of the Board.

*George Lucan*  
**Managing Director**  
05 March 2019

Details of all our assets and operations can be found at [www.angusenergy.co.uk](http://www.angusenergy.co.uk)

### Corporate Governance Statement

The Directors recognise that good corporate governance is a key foundation for the long-term success of the Group. As the Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance (“QCA Code”). The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

#### **1. Establish a strategy and business model which promote long-term value for shareholders**

Angus Energy Plc provides shareholders with a full discussion of corporate strategy within our Annual Report. A dedicated section explains how we will establish long term shareholder value, as set out on page 9.

The Company is focused around 3 key strategic goals: Increase production and recovery from its existing asset portfolio, grow the asset portfolio through select onshore development and appraisal projects, actively manage costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

The Management team actively evaluates projects that simultaneously de-risk the current portfolio and create long term shareholder value. Projects are evaluated based on many characteristics to mitigate risk to our current activities they include but are not limited to alignment with the Company’s core competencies, geography, time horizon and value creation. Further, a core component of the Company’s activities include an active dialogue with our legal and legislative advisors to ensure the Company remains up to date on current legislation, policy and compliance issues.

The key challenges to the business and how they may be mitigated are detailed in the Strategic Report on pages 6 to 14.

#### **2. Seek to understand and meet shareholder needs and expectations**

Angus Energy encourages two-way communication with institutional and private investors. The Group’s major shareholders maintain an active dialogue to and ensure that their views are communicated fully to the Board. Where voting decisions are not in line with the company’s expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company seeks out appropriate platforms to communicate to a broad audience its current activities, strategic goals and broad view of the sector and other related issues. This includes but is not limited to media interviews, website videos in -person investor presentations and written content.

Communication to all stakeholders is the direct responsibility of the Senior Management team. Managers work directly with professionals to ensure all inquiries (through established



## Corporate Governance Statement

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channels for this specific purpose such as email or phone) are addressed in a timely matter. And that the Company communicates with clarity on its proprietary internet platforms. Senior management routinely provides interviews to local media, and business reporters in support of the company's activities. The Board routinely reviews the Company communication policy and programmes to ensure the quality communication with all stakeholders.

### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success**

In all endeavours, the Company gives due consideration to the impact on its neighbours. The Company seeks out methodologies, processes and expertise in order to address the concerns of the non-investment community. As such, it actively identifies the bespoke needs of local communities and their respective planners.

For example, the company provides for local hotlines and establishes community liaison groups to address local questions and concerns.

Angus Energy seeks to maintain positive relationships within the communities we operate. As such, Angus Energy is dedicated to ensuring:

- Open and honest dialogue;
- Engagement with stakeholders at all stages of development;
- Proactively address local concerns;
- Actively minimise impact on our neighbours; and
- Adherence to a strict health and safety code of conduct

As a responsible OGA approved and EA permitted UK operator, Angus Energy is committed to utilising industry best practices and achieving the highest standards of environmental management and safety.

Our operations:

- Continuously assess and monitor environmental impact;
- Promote internally and across our industry best practices for environmental management and safety; and
- Constant attention to maintaining our exemplary track record of safe oil and gas production.

The Company has also established a scholarship programme for community residents seeking secondary or further education.

For more information please refer to the page 12 of the Annual Report as well as the Community section within the Company's corporate website.

### **4. Embed effective risk management, considering both opportunities and threats, throughout the organization**

Risk Management on pages 8 and 9 of the Annual Report details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.

The Board considers risk to the business at every Board meeting (at least 4 meetings are held each year) and the risk register is updated at each meeting. The Company formally reviews and documents the principal risks to the business at least annually.

Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.

### **5. Maintain the board as a well- functioning, balanced team led by the chair**

Oversight of Angus Energy is performed by the Company's Board of Directors. Cameron Buchanan, the acting Non-Executive Chairman, is responsible for the running of the Board and George Lucan, the Managing Director, has executive responsibility for running the Group's business and implementing Group strategy. All Directors receive regular and timely information regarding the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the main UK subsidiary are circulated to the Group Board of Directors. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.

The Board comprises of one Executive Director and two Non-Executive Directors with a mix of significant industry and business experience within public companies. The Board considers that all Non- executive Directors bring an independent judgement to bear. All Directors must commit the required time and attention to thoroughly fulfil their duties.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration, Nomination and AIM Rules compliance committee. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website and can be accessed on the Corporate Governance page of the website.

### **6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities**

The nomination committee will determine the composition of the board of the Group and appointment of senior employees. It will develop succession plans as necessary and report to the Directors. Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

## Corporate Governance Statement

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The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

As a small company, all members of the Board share responsibility for all Board functions. As such the Board will from time to time engage outside consultants to provide an independent assessment.

### **7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Details of the board performance effectiveness process will be included in the Directors' Remuneration Report on page 24.

### **8. Promote a corporate culture that is based on ethical values and behaviours**

The Group is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibilities (CSR) and sustainability, guide the Group's relationships with clients, employees and the communities and environment in which we operate. The Group's approach to sustainability addresses both our environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

Company policy strictly adheres to local laws and customs while complying with international laws and regulations. These policies have been integral in the way group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

The ethical values of Angus Energy including environmental, social and community and relationships, are set out on pages 12 and 13 of the Annual Report.

### **9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**

The Company has adopted a model code for directors' dealings and persons discharging managerial responsibilities appropriate for an AIM company, considering the requirements of the Market Abuse Regulations "MAR", and take reasonable steps to ensure compliance is also applicable to the Group's employees (AIM Rule 21 in relation to directors' dealings).

The Corporate Governance Statement details the company's governance structures, the role and responsibilities of each director. Details and members of the Audit Committee,

## Corporate Governance Statement

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Remuneration Committee, Nomination Committee and AIM Rules compliance committee can be found on pages 20.

### **10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.**

The Company encourages two- way communication with both its institutional and private investors and responds quickly to all queries received. The Managing Director talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board.

The Board recognizes the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

To the extent that voting decisions are not in line with expectations, the Board will engage with shareholders to understand and address any issues.

In addition to the investor relations activities carried out by the Company as set out above, and other relevant disclosures included on this Investor Relations section of the Company's website, reports on the activities of each of the Committees during the year will be set out in the Annual Report on page 20.

### **The Board and its committees**

At the beginning of the reporting year, the Board of the Group consisted of two Executive Directors and three non-Executive Directors. At the date of approval these financial statements, this changed to one Executive Director and two non-Executive Directors.

The Board met on 8 occasions during the year to 30 September 2018. The table below sets out the Board meetings held by the Company for the financial year ended 30 September 2018 and attendance of each Director:

	Board meetings
<b>Executive Directors</b>	
Jonathan Tidswell-Pretorius	[8/8]
Paul Vonk	[8/8]
<b>Non-Executive Directors</b>	
Chris De Goey	[8/8]
Cameron Buchanan	[8/8]
Rob Shepherd	[8/8]

The Group has established an audit committee, a remuneration committee, a nomination committee and an AIM Rules compliance committee with formally delegated duties and responsibilities.

### **Audit committee**

The audit committee comprised of Rob Shepherd, Paul Vonk and Cameron Buchanan, with Cameron Buchanan as chairman. On 9 January 2019, Rob Shepherd stepped down from the group and Paul Vonk was replaced with George Lucan on 29 January 2019.

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

The Auditor Committee Report is presented on page 22 to 23.

### **Remuneration committee**

The remuneration committee comprised of Rob Shepherd, Chris de Goey and Cameron Buchanan, with Rob Shepherd as chairman. On 9 January 2019, Rob Shepherd stepped down from the Group and Cameron Buchanan took over as chairman.

The remuneration committee will determine the scale and structure of the executive directors' and senior employees' remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors of the Group will be set by the Chairman and executive members of the board.

The Directors' Remuneration Report is presented on page 24 to 26.

### **Nomination committee**

The nomination committee comprised of Rob Shepherd, Jonathan-Tidswell Pretorius and Cameron Buchanan with Cameron Buchanan as chairman. On 5 July 2018, Jonathan Tidswell-Pretorius resigned, on 9 January 2019 Rob Shepherd was replaced with Chris De Goey and George Lucan added on 29 January 2019. The composition of these committees may change over time as the composition of the board changes.

The nomination committee will determine the composition of the board of the Group and appointment of senior employees. It will develop succession plans as necessary and report to the Directors.

Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

The Nominations Committee did not meet during the period under review.

## Corporate Governance Statement

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### **AIM Rules compliance committee**

The AIM Rules compliance committee comprised of Rob Shepherd, Cameron Buchanan and Paul Vonk with Rob Shepherd as chairman. On 9 January 2019, Rob Shepherd stepped down from the group and Cameron Buchanan took over as Chairman. Paul Vonk was replaced with George Lucan on 29 January 2019.

The AIM Rules compliance committee will ensure that procedures, resources and controls are in place to ensure that AIM Rules compliance by the Group is operating effectively at all times and that the executive directors are communicating effectively with the Group's nominated adviser regarding the Group's ongoing compliance with the AIM Rules and in relation to all announcements and notifications and potential transactions.

The Board will keep the Group's compliance with the new Market Abuse Regulation (MAR) regime under review and will adopt such policies and practices as the Board consider necessary to ensure such compliance from time to time. This includes compliance with requirements regarding directors' dealings.

The AIM Rules compliance committee met once during the period under review to discuss Jonathan Tidswell-Pretorius.

### **Other matters**

In 2017, a loan of £200,000 was advanced to former director, Jonathan Tidswell, in connection with settling certain tax obligations arising from historical company matters, approved by the non-executive directors in accordance with the Company's corporate governance guidelines. The loan is repayable on demand and unsecured, although restrictions have been placed on equity or share option dealing by the director during the tenure of the loan. The board acknowledges its obligation of ensuring its repayment.

The Board believes that the Group has a strong governance culture and this has been reinforced by the adoption of the QCA Code and recognition of the key principles of corporate governance set out in the QCA Code, which the Board continually considers in a manner appropriate for a company of its size.

*Cameron Buchanan*

**Chairman**

05 March 2019

## Audit Committee Report

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The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting. This will include:

- considering whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgments taking into account the views of the external auditors;
- reviewing the clarity of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
- where the audit committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the board of directors;
- reviewing material information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
- reviewing the adequacy and effectiveness of the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, review the Company's internal control and risk management systems and, except where dealt with by the board or risk management committee, review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal audit activities, internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

During the year, the auditor provided a tax advisory service in relation to the Company's Enterprise Investment Scheme. The audit committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit and non-audit services are provided in Note 6.

During the financial year, the Audit Committee met twice with the auditor, Crowe U.K. LLP, to review audit planning and findings with regard to the Annual Report and received their review report of the interim financial statements.

Significant reporting issues considered during the year included the following:

1. Impairments of oil assets

The Committee has reviewed the carrying values of the Groups oil assets, comprised of the oil production assets, exploration and evaluation (E&E) assets. Based on the work performed during the audit, and through discussions with management, the committee consider that the carrying value of the oil production assets and E&E assets are fairly stated.

## Audit Committee Report

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### 2. Going concern

The Committee also considered the Going Concern basis on which the accounts have been prepared and can refer shareholders to the Group's accounting policy set out in Note 3.3. The directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

Cameron Buchanan  
**Chairman – Audit Committee**



## Directors' Remuneration Report

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This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

### Remuneration policy

The objective of the proposed remuneration policy is to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

### Directors' remuneration

The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Board. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving to the other six months' written notice. Compensation for loss of office is restricted to base salary and benefits only.

The remuneration packages for the Executive Directors are detailed below:

- **Base Salary:**  
Annual review of the base salaries of the Executive Directors are concluded after taking into account the Executive Directors' role, responsibilities and contribution to the Group performance.
- **Performance Bonus:**  
Bonus arrangements are discretionary and are payable depending on the performance of the Executive Directors in meeting their key performance indicators and in the wider context with the performance of the Group.
- **Benefits:**  
Benefits include payments for provident funds that are mandatory and statutory pension payments as required by laws of the resident countries of the Executive Directors, health insurance and other benefits.
- **Longer term incentives:**  
In order to further incentivise the Directors and employees, and align their interests with shareholders, the Company has granted share options in the current and previous years, as set out in the Directors' Report on page 28. The share options will vest at various future dates as described in the note 18 to the financial statements. There are no conditions attached to vesting other than service conditions.

Non-Executive Directors are remunerated solely in the form of Director Fees determined by the Board and are not entitled to pensions, annual bonuses or employee benefits.

## Directors' Remuneration Report

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### Performance evaluation

All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors. All continuing Directors stand for re-election every 3 years. Succession planning at the current time is limited due to the current size of the Board.

The tables below set out the respective Directors' remuneration and fees:

<b>2018</b>	<b>Salary</b>	<b>Share based payment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Jonathan Tidswell-Pretorius	90	-	90
Paul Vonk	120	-	120
Cameron Buchanan	20	-	20
Robert Shepherd	20	-	20
Chris De Goey	20	-	20
	<hr/>	<hr/>	<hr/>
	270	-	270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2017</b>	<b>Salary</b>	<b>Share based payment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Jonathan Tidswell-Pretorius	120	124	244
Paul Vonk	120	124	244
Cameron Buchanan	20	31	51
Robert Shepherd	20	31	51
Chris De Goey	20	31	51
	<hr/>	<hr/>	<hr/>
	300	341	641
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Remuneration Committee met once during the year to review the scale and structure of the executive directors' and senior employees' remuneration.

## Directors' Remuneration Report

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The Remuneration Committee proposed the grant of 11.65million share options under the Company's existing Employee Incentive Schemes (the "Options") to Directors and other staff. The share options to be granted were approved by the Board as part of the Company's annual share option grants but conditional on shareholder approval.

The conditional share options are as follows:

Paul Vonk	2,000,000
Rob Shepherd	650,000
Cameron Buchanan	650,000
Chris de Goey	650,000
Other employees	7,700,000

Cameron Buchanan

**Chairman – Remuneration Committee**

## Board of Directors

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### **George Lucan**

#### **Managing Director**

Experienced finance professional with over thirty years' behind him in debt and equity markets. After graduating from Cambridge University, he began his career at Dresdner Kleinwort Benson where he spent 10 years, mainly within the Structured Finance team, and continued in alternative fund management, most recently with Rudolf Wolff Limited. He brings, in addition, private equity experience in the fields of energy and alternative energy.

### **Chris de Goey**

#### **Non-Executive Director**

Experienced energy professional with broad commercial background. Advised decision makers in IOCs, smaller operators, financial institutions and utilities on strategy, valuations, risk and operational matters. Headed up the Advisory business at Xodus, before that the Asset Evaluation group at Senergy.

### **Cameron Buchanan**

#### **Non-Executive Chairman**

Cameron Buchanan is a former Scottish politician, who served as a Scottish Conservative Party Member of the Scottish Parliament for the Lothian region from 2013 to 2016. After a career in the Scottish textile industry he also served as vice-chairman of the Scottish Conservatives. Buchanan was educated at St Edward's School & Sorbonne University.

## Directors' Report

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### Directors' Report

The Directors present their report together with the audited consolidated financial statements of Angus Energy plc for the year ended 30 September 2018.

#### Results and Dividends

The Group recorded a loss after tax of £2.349m for the year (2017: £2.612m). The Directors do not currently recommend the payment of a dividend.

#### Business review and future developments

A summary of the Group's main business developments for the year ended 30 September 2018 and potential future developments is contained within the Chairman's Statement and Strategic Report.

#### Directors

The Directors who were in office during the year and up to the date of signing the financial statements, unless stated, were:

##### Executive Director

Jonathan Tidswell-Pretorius	- Resigned on 5 July 2018
Paul Vonk	- Resigned on 29 January 2019
George Lucan	- Appointed on 29 January 2019

##### Non-Executive Director

Chris De Goey	
Cameron Buchanan	
Rob Shepherd	- Resigned on 9 January 2019

The Directors of the Company at the date of this report, and their biographical summaries, are given on page 27.

The Directors' remuneration is detailed in the Directors' Remuneration Report on page 24. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies. Premiums payable to third parties were £8,033.

#### Research and development

As disclosed in Note 12 and 13, the Group incurred expenditure in development of oil field. There is no other research and development activity during the year under review.

#### Share Capital

At the date of this report 403,944,208 ordinary shares are issued and fully paid. Detail of movement in share capital during the year is given in note 17 to the financial statements.

## Directors' Report

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### Substantial Shareholders

As of the date of this report the Group had been notified of the following interests of 3% or more in the Group's ordinary share capital:

	<b>Percentage of shareholding</b>
Knowe Properties Limited	9.91%
Jonathan Tidswell-Pretorius*	5.01%
JDA Consulting Limited	6.53%

\* The former Executive Directors Jonathan Tidswell-Pretorius holds 3% or more in the Group's share capital.

### Share options

During the year, the Company has granted the following share options with a weighted average exercise price of £0.08, conditional on the Company seeking additional authority from shareholders.

	Number of options	Percentage of total options available
Jonathan Tidswell-Pretorius	2,000,000	17.2%
Paul Vonk	2,000,000	17.2%
Carlos Fernandes	2,000,000	17.2%
Other staff (excluding consultants and non-executive directors)	2,250,000	19.3%
Chris De Goey	650,000	5.6%
Cameron Buchanan	650,000	5.6%
Rob Shepherd	650,000	5.6%
Consultants and other service providers	1,450,000	12.4%
	<u>11,650,000</u>	

### Financial Instruments

The financial risk management objectives and policies of the Group in relation to the use of financial instruments and the exposure of the Group and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 25 to the financial statements.

### Employees

The Group had 11 employees as at 30 September 2018 (2017: 9). Employees are encouraged to directly participate in the business through an Enterprise Management Incentive Scheme, which set out in note 18 to the financial statements.

## Directors' Report

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### Going Concern

As disclosed in Note 3.3 to the financial statements, it refers to the assumptions made by the Directors when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

### Events after the reporting period

Events after the reporting period have been disclosed in Note 29.

### Disclosure of Information to the Auditor

In the case of each person who was a Director at the time this report was approved:

- so far as the Director was aware there was no relevant audit information of which the Company's auditor was unaware; and
- the Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

### Auditor

On 25 June 2018, Crowe Clark Whitehill LLP renamed to Crowe U.K. LLP. A resolution to reappoint the auditor, Crowe U.K. LLP, will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

*George Lucan*  
**Managing Director**  
**05 March 2019**

### Statement of Director's Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under the company law to prepare the Company statements in accordance with UK accounting standards.

The financial statements are required by law and applicable accounting standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Strategic Report and Directors' report which comply with the requirements of the Companies Act 2006;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Angus Energy PLC website [www.angusenergy.co.uk](http://www.angusenergy.co.uk).

Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.



## Independent Auditor's Report To The Members of Angus Energy Plc

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### Opinion

We have audited the financial statements of Angus Energy plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2018, which comprise:

- the Group statement of comprehensive income for the year ended 30 September 2018;
- the Group and parent company statements of financial position as at 30 September 2018;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### 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 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, 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Independent Auditor's Report To The Members of Angus Energy Plc

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### Overview of our audit approach

#### *Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £200,000 (2017: £97,000), based on 2% of Group total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £6,000 (2017: £2,900). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

#### *Overview of the scope of our audit*

Our Group audit scope included a full audit of all three reporting entities which account for 100% of the Group's net assets and loss before tax.

#### *Key Audit Matters*

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

This is not a complete list of all risks identified by our audit.

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<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
Carrying value of oil production assets	<p>At 30 September 2018, the carrying value of oil production assets was £5.225million.</p> <p>We focused on this area due to the significance of the carrying value of the assets, the risk of impairment was considered likely to be highly sensitive to assumption and estimate about future oil and gas prices and</p>

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## Independent Auditor's Report To The Members of Angus Energy Plc

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discount rate. Other assumption include exchange rates, future production levels, reserves and operating costs.

We evaluated management's assessment of indicators of impairment and recoverability assessment for the Group's oil production assets. We have:

- tested price and discount rate assumptions by comparing forecast oil price assumptions to the latest market evidence available and benchmarking the discount rate to the risks faced by the group;
- tested forecast cash flows by comparing the assumptions used within the cash flow projection models. We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance;
- compared exchange rate assumptions to external market data;
- evaluated the financial statement disclosures for compliance with the requirements of accounting standards.

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Carrying value of exploration and evaluation (E&E) assets

At 30 September 2018, the carrying value of exploration and evaluation assets was £5.218million.

We obtained and reviewed the sale and purchase agreement for the farm-in interest acquired in Balcombe.

We reviewed management's assessment of indicators of impairment for the ongoing exploration assets under IFRS 6 including the review of the validity of licence and the progress of the technical work to date. In addition, we evaluated management's Net Present Value (NPV) models for the Balcombe assets. We challenged the key estimates and assumptions used by management.

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Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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

## **Independent Auditor's Report To The Members of Angus Energy Plc**

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misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our 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 directors' report and strategic report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In 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 material misstatements in the strategic report or the directors' report.

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

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

### **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 31, 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 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.

## **Independent Auditor's Report To The Members of Angus Energy Plc**

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A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **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.

**Leo Malkin**

Senior Statutory Auditor

For and on behalf of

**Crowe U.K. LLP**

Statutory Auditor

St Bride's House

10 Salisbury Square

London EC4Y 8EH

05 March 2019

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
AS AT 30 SEPTEMBER 2018**

	Note	2018 £'000	2017 £'000
<b>Revenue</b>	<b>5</b>	66	-
Cost of sales		(167)	(109)
<b>Gross loss</b>		(101)	(109)
Other income	<b>7</b>	-	53
Administrative expenses		(2,230)	(1,925)
Share option charge	<b>18</b>	(75)	(740)
<b>Operating loss</b>	<b>6</b>	<b>(2,406)</b>	<b>(2,721)</b>
Finance income	<b>8</b>	6	119
Finance cost	<b>8</b>	(390)	-
Loss on disposal of available for sale financial investments	<b>13</b>	-	(10)
<b>Loss before taxation</b>		(2,790)	(2,612)
Taxation	<b>10</b>	-	-
<b>Loss for the year</b>		<b>(2,790)</b>	<b>(2,612)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>Other comprehensive income</b>			
AFS financial investment – change in fair value	<b>14</b>	-	(27)
Less: amount reclassified to profit or loss	<b>14</b>	-	10
<b>Total comprehensive loss for the year</b>		<b>(2,790)</b>	<b>(2,629)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		(2,790)	(2,612)
<b>Total comprehensive loss attributable to:</b>			
Owners of the parent company		(2,790)	(2,629)
		(2,790)	(2,629)
<b>Earnings per share (EPS) attributable to owners of the parent:</b>			
	<b>20</b>		
Basic EPS (in pence)		(0.94)	(1.18)
Diluted EPS (in pence)		(0.94)	(1.18)

The notes on page 41 to 61 form part of these of financial statements

All amounts are derived from continuing operations.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2018**

	Note	2018 £'000	2017 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	20	13
Exploration and evaluation assets	13	5,218	155
Oil production assets	12	5,225	2,843
<b>Total non-current assets</b>		<u>10,463</u>	<u>3,011</u>
<b>Current assets</b>			
Trade and other receivables	16	791	739
Cash and cash equivalents		846	1,224
<b>Total current assets</b>		<u>1,637</u>	<u>1,963</u>
<b>TOTAL ASSETS</b>		<u><b>12,100</b></u>	<u><b>4,974</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Share capital	17	763	481
Share premium	17	14,142	5,753
Merger reserve	19	(200)	(200)
Accumulated loss		(4,597)	(1,882)
<b>TOTAL EQUITY</b>		<u><b>10,108</b></u>	<u><b>4,152</b></u>
<b>Current liabilities</b>			
Trade and other payables	21	1,440	322
<b>Total current liabilities</b>		<u>1,440</u>	<u>322</u>
<b>Non-current Liabilities</b>			
Provisions	23	552	500
<b>Total non-current liabilities</b>		<u>552</u>	<u>500</u>
<b>TOTAL LIABILITIES</b>		<u><b>1,992</b></u>	<u><b>822</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>12,100</b></u>	<u><b>4,974</b></u>

The notes on page 41 to 61 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 5 March 2019 and were signed on its behalf by:

George Lucan - Director

Company number: 09616076

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
AS AT 30 SEPTEMBER 2018**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Other Reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 30 September 2016</b>	<b>300</b>	<b>45</b>	<b>(200)</b>	<b>17</b>	<b>(10)</b>	<b>152</b>
Loss for the year	-	-	-	-	(2,612)	(2,612)
Available for sale financial investment –change in fair value	-	-	-	(27)	-	(27)
Less: amount reclassified to profit or loss	-	-	-	10	-	10
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17)</b>	<b>(2,612)</b>	<b>(2,629)</b>
<b>Transaction with owners</b>						
Issue of shares	181	6,069	-	-	-	6,250
Less: issuance costs	-	(361)	-	-	-	(361)
Grant of share options	-	-	-	-	740	740
<b>Balance at 30 September 2017</b>	<b>481</b>	<b>5,753</b>	<b>(200)</b>	<b>-</b>	<b>(1,882)</b>	<b>4,152</b>
Loss for the year	-	-	-	-	(2,790)	(2,790)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,790)</b>	<b>(2,790)</b>
<b>Transaction with owners</b>						
Issue of shares	282	8,659	-	-	-	8,941
Less: issuance costs	-	(270)	-	-	-	(270)
Grant of share options	-	-	-	-	75	75
<b>Balance at 30 September 2018</b>	<b>763</b>	<b>14,142</b>	<b>(200)</b>	<b>-</b>	<b>(4,597)</b>	<b>10,108</b>

The notes on page 41 to 61 form part of these of financial statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

	2018	2017
	£'000	£'000
<b>Cash flow from operating activities</b>		
Loss for the period before taxation	(2,790)	(2,612)
<b>Adjustment for:</b>		
Loss on disposal of available for sale financial assets	-	10
Share option charge	75	740
Equity settled in lieu professional fees	226	291
Debt forgiven by the related party	-	(116)
Interest receivables	(6)	(3)
Interest payable	390	-
Depreciation of owned assets	26	7
<b>Cash used in operating activities before changes in working capital</b>	<b>(2,079)</b>	<b>(1,683)</b>
Change in trade and other receivables	(44)	94
Change in other payables and accruals	1,115	(384)
Cash used in operating activities	(1,008)	(1,973)
Income tax paid	-	-
<b>Net cash flow used in operations</b>	<b>(1,008)</b>	<b>(1,973)</b>
<b>Cash flow from investing activities</b>		
Proceeds from disposal of available for sale financial investments	-	301
Loan advance to director	26	(200)
Acquisition of available for sale financial investment	-	(70)
Acquisition of property, plant and equipment	11	(12)
Acquisition of exploration and evaluation assets	13	(155)
Acquisition of oil production assets	12	(2,290)
<b>Net cash flow from investing activities</b>	<b>(7,426)</b>	<b>(2,426)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of convertible loan notes	3,000	-
Proceeds from issuance of shares	17	5,598
<b>Net cash flow from financing activities</b>	<b>8,056</b>	<b>5,598</b>
<b>Net (decrease)/increase in cash &amp; cash equivalents</b>	<b>(378)</b>	<b>1,199</b>
Cash and equivalent at beginning of period	1,224	25
<b>Cash and equivalent at end of period</b>	<b>846</b>	<b>1,224</b>

Details of the non-cash transaction are disclosed in note 17.

The notes on page 41 to 61 form part of these of financial statements

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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### 1. General information

Angus Energy Plc (the “Company”) is incorporated and domiciled in the United Kingdom. The address of the registered office is Building 3 Chiswick Park, 566 Chiswick High Road, London, W4 5YA.

The principal activity of the Company is that of investment holding. The principal activity of the Group is that of oil extraction for distribution to third parties. The principal activities of the various operating subsidiaries are disclosed in note 15.

### 2. Presentation of financial statements

The financial statements have been presented in Pounds Sterling (£) as this is the currency of the primary economic environment that the group operates in. The amount are rounded to the nearest thousand (£'000), unless otherwise stated.

### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 3.1 Basis of preparation

These financial statements have been prepared in accordance with International financial Reporting standards (IFRSs) as adopted by the European Union and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

#### 3.2 New standards, amendments to and interpretations to published standards not yet effect

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of an operating leases and its presentation. The Group plans to adopt these new standards on the required effective date.

The Group’s revenue is driven by sale of crude oil, the goods are sold on their own in separate identified contracts with customers. Delivery point of the sale is the point at which Crude oil passes from the delivery tanker to the customers specified storage terminal, which is generally expected to be the only performance obligation are not expected to have any impact on the Group’s profit or loss.

IFRS 16 is likely to require the recognition of most operating lease commitments on the Group’s balance sheet as assets and the recognition of a corresponding liability. At 30 September 2019 the present value of operating lease obligations was £822,000 (see note 28).

#### 3.3 Going concern

The consolidated financial statements have been prepared on a going concern basis.

In considering the appropriateness of this basis of preparation, the Directors have reviewed the Group’s working capital forecasts for a minimum of 12 months from the date of the approval of this financial statement. At 30 September 2018, the Group had £0.85 million of available cash. Subsequent to the year end, the Group issued 88 million new ordinary shares raised a gross proceeds of £4.2 million as additional working capital and entered into a £3 million loan facility. Based on the current management plan, management believes that these funds are sufficient for the expenditure to date as well as the planned forecast expenditure for the forthcoming twelve months. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3.4 Basis of consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests (NCI). When necessary, adjustments are made to the financial information 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.

The acquisition of Angus Energy Holding Limited by the Company, by way of share exchange, for the year ended 30 September 2016 was that of a re-organisation of entities which were under common control. As such, that combination also falls outside the scope of IFRS 3 'Business Combinations' (Revised 2008). The Directors have, therefore, decided that it is appropriate to reflect the combination using the merger basis of accounting in order to give a true and fair view. No fair value adjustments were made as a result of that combination.

### 3.5 Property, plant and equipment

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	25% straight line
Plant and machinery	-	20% straight line
Motor vehicles	-	20% straight line

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3.6 Oil and natural gas exploration and evaluation (E&E) expenditure

Oil and natural gas exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

#### (a) Licence and property acquisition costs

Licence and property leasehold acquisition costs are capitalised within intangible fixed assets and amortised on a straight-line basis over the estimated period of exploration. Upon determination of economically recoverable reserves amortisation ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting determination within intangible fixed assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

#### (b) Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found, and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven and probable reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

#### (c) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

#### (d) Maintenance expenditure

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

#### Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect are carried forward, until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a cost pool basis as set out below, and any impairment loss of the relevant E&E assets is then reclassified as development and production assets.

### 3.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost less any provision for impairment.

### 3.7 Financial instruments (continued)

#### Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

#### Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value adjustment reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

### 3.8 Impairment of assets

#### (a) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

#### (b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 3.9 Oil and gas production assets

Oil and gas production assets are depreciated using a unit of production method. The cost of producing wells is amortised over total proved and undeveloped oil and gas reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

In accounting for a farm-out arrangement outside the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost.

### 3.10 Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported comprehensive 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 not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial period.

Deferred income taxes are calculated using the balance sheet method. Deferred tax is generally provided on the temporary difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### **3.11 Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

### **3.12 Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **3.13 Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

### **3.14 Decommissioning**

Provision for decommissioning is recognised in full on the installation of oil and gas production facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected in an adjustment to the provision and fixed asset.

### **3.15 Revenue**

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue from the sale of oil and petroleum products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

### 3.16 Share-based payments

The Group has applied IFRS 2 Share-based Payment for all grants of equity instruments.

The Group issues equity-settled share-based payments to its employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs to the model include: the share price at the date of grant, exercise price expected volatility, risk free rate of interest.

## 4 Critical accounting estimates and sources of estimation uncertainty

In applying the accounting policies, the directors may at times require to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the directors consider are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reviewed as stated below.

### Key accounting judgements

#### (a) Impairment of non-current asset

The Group's non-current assets represent its most significant assets, comprising oil production assets, exploration and evaluation (E&E) assets on its onshore site.

Management is required to assess exploration and evaluation (E&E) assets for indicators of impairment and has considered the economic value of individual E&E assets. The carrying amount of the E&E asset are subject to a separate review for indicators of impairment, by reference to the impairment indicators set out in IFRS 6, which is inherently judgmental.

Processing operations are large, scarce assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset and key sources of estimation uncertainty include proved reserve estimates, future cash flow expected to arise from the cash-generating unit and a suitable discount rate.

In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to the Group's independent competent person's report, estimates of future oil prices, operating costs, capital expenditure necessary to extract those reserves and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

As detailed in note 12 and 13, the carrying amount of the Group's oil production assets and E&E assets at 30 September 2018 were approximately £5.225million (2017: £2.843million) and £5.218million (2017: £0.155million) respectively. No impairments were made during the year.

The methods and key assumptions in relation to the calculation of the estimates are detailed in note 12.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Revenue and segment information

Currently, the Group's principal revenue is derived from the sale of oil. All revenue arose from continuing operations within the United Kingdom. Therefore management considers no detail of operating and geographical segments information is to be reported. Nonetheless, the Group's revenue can be classified into the following streams:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Sale of oil	<u>66</u>	<u>-</u>

All the non-current assets of the Group are located in the United Kingdom. All revenue arising from sale of oil is derived from a single customer.

### 6 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of owned assets	26	13
Net loss /(gain) on foreign currency translation	1	-
Operating lease payments	135	123
Employee benefit expense	699	503
Auditor's remuneration		
Fees payable to company's auditor in respect to the audit of the Parent Company and consolidated financial statements	40	38
Non audit fees payable to company's auditor relating to the tax advisory services	5	-
	<u>45</u>	<u>38</u>

### 7. Other income

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Management income	<u>-</u>	<u>53</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Finance income and finance cost

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Finance income</u></b>		
Debt forgiven by the related party	-	116
Interest received on directors' loan	6	3
	<u>6</u>	<u>119</u>
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b><u>Finance costs</u></b>		
Interest payable on convertible loan notes	390	-
	<u>390</u>	<u>-</u>

### 9. Employee benefit expense

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	641	451
Social security costs	58	52
	<u>699</u>	<u>503</u>

The directors received salary from the group totalling £270,000 (2017: £300,000). Details of each director's emoluments are in the directors' remuneration report

No other emoluments received by the directors in prior year.

	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
The average number of employees during the year was:		
Director	5	5
Management	6	4
	<u>11</u>	<u>9</u>

Key managements are considered to be the directors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10. Taxation on ordinary activities

No liability to corporation tax arose for the years ended 30 September 2017 and 2018, as a result of underlying losses brought forward.

#### Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Loss before tax	(2,790)	(2,612)
Tax at the UK Corporation tax rate of 19% (2017: 19.5%)	(530)	(509)
Expenses not deductible for tax purposes	42	(62)
Income not taxable for corporation tax	-	-
Unrelieved tax losses	-	-
Unrecognised deferred tax	488	553
Others	-	18
	<u>-</u>	<u>-</u>

The Group has incurred indefinitely available tax losses of £14,796,000 (2017: £10,413,000) to carry forward against future taxable income of the subsidiaries in which the losses arose and they cannot be used to offset taxable profits elsewhere in the Group. In addition, there is approximately £68,000 (2017: £815,000) of deductible temporary difference in respect of the share based payment.

No deferred tax asset was recognised in respect to these accumulated tax losses and the decommissioning provisions as there is insufficient evidence that the amount will be recovered in future years.

### 11. Property, plant and equipment

	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 October 2016	5	23	8	36
Additions	-	12	-	12
At 30 September 2017	5	35	8	48
Additions	16	-	-	16
At 30 September 2018	21	35	8	64
<b>Depreciation and impairment</b>				
At 1 October 2016	5	15	8	28
Charge for the year	-	7	-	7
At 30 September 2017	5	22	8	35
Charge for the year	3	6	-	9
At 30 September 2018	8	28	8	44
<b>Net book value</b>				
At 30 September 2017	-	13	-	13
At 30 September 2018	13	7	-	20

Depreciation of property, plant and equipment is included in administrative expenses in the consolidated statement of comprehensive income

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Oil production assets

	<b>Total £'000</b>
<b>Cost or valuation</b>	
At 1 October 2016	563
Additions	2,290
At 30 September 2017	2,853
Additions	2,399
At 30 September 2018	5,252
<b>Depreciation and impairment</b>	
At 1 October 2016	10
Charge for the year	-
At 30 September 2017	10
Charge for the year	17
At 30 September 2018	27
<b>Net book value</b>	
At 30 September 2017	2,843
At 30 September 2018	5,225

Depreciation of oil production assets is included in cost of sales in the consolidated statement of comprehensive income.

During 2016, the Group sold an option to Alba Mineral Resources Plc, to acquire a 5% stake in the Brockham field, this option was exercised on 9 August 2016. The total consideration payable is 10% of the total costs of the upcoming well conversion work at Brockham capped to a maximum of £187,500 and then 5% of any additional costs.

On 16 December 2016 the Group entered into a sale agreement to acquire a 10% interest in the Brockham oil field for a cash payment of £100,000, relinquishment of Terrain's existing debt to Angus Energy's wholly owned subsidiary Angus Energy Weald Basin No.3 Limited at completion and the carry of Terrain's remaining 10% interest share of the upcoming well costs at Brockham.

The Group simultaneously entered into an option with Terrain for £1 to acquire a 10% interest in the Lidsey oil field for the carry of Terrain's remaining 10% interest share of the upcoming Lidsey-2 horizontal well and a cash payment of £20,000 on exercise of the option, which took place on 4 May 2017.

As at 30 September 2018, the Group retained a 60% interest in Lidsey field and 65% in Brockham field, and is still the operator of both fields.

In assessing whether an impairment is required, the carrying value of the asset or cash generating unit ("CGU") is compared with its recoverable amount. The recoverable amount is determined from value in use calculations based on cash flow projections from revenue and expenditure forecasts covering a 5 year period. Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future crude oil prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain. The key assumptions used are as follow:

Discount rate	10%
Crude oil price (per barrels)	\$60

The growth rate is assumed to be zero and the level of production is constant on the basis the production plant is assumed to be at the most efficient capacity over the period of extraction.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Oil production assets (continued)

Commercial reserves are proven and probable (“2P”) oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a Unit of Production (“UOP”) basis. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price.

Annual estimates of oil and gas reserves are generated internally by the Group with external input from operator profiles and/or a Competent Person. These are reported annually to the Board. The self-certified estimated future production profiles are used in the life of the fields which in turn are used as a basis in the value-in-use calculation.

The discount rate is based on the specific circumstances of the Group and its operating segments and is derived from its Weighted Average Cost of Capital (“WACC”), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. In considering the discount rates applying to the CGUs, the directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. No reasonably possible change in a key assumption would produce a significant movement in the carrying value of the CGUs and therefore no sensitivity analysis is presented.

### 13. Exploration and evaluation assets

	<b>Total £’000</b>
<b>Cost or valuation</b>	
At 1 October 2017	155
Additions	5,011
Decommissioning cost	52
	<u>          </u>
At 30 September 2018	<u>5,218</u>

During 2017 the period, the Group has entered into an agreement to acquire a 12.5% economic interest in PEDL143 through the immediate payment of certain historic costs incurred by the Operator, amounted to approximately £155,000, along with 25% of the costs of the Holmwood-1 exploration well up to a gross well cost of £3.2 million (£800,000 net cost to Angus), and certain further contingent costs.

On 16 February 2018 the Group entered into a new partnership with Cuadrilla Balcombe Limited and Lucas Bolney Limited. The Group joined the partnership through the acquisition of a 25% interest in licence PEDL244, which includes the entire Balcombe Field discovery, for a total consideration of £4million. On behalf of the partnership, Angus Energy assumed Operatorship of the Balcombe licence.

In performing impairment review, the Group assessed the economic value of individual exploration and evaluation (E&E) assets and had considered no indication for impairment to these E&E assets.

### 14. Available for sale financial investments

	<b>2018 £’000</b>	<b>2017 £’000</b>
At 1 October	-	241
Addition	-	70
Disposal	-	(311)
	<u>          </u>	<u>          </u>
At 30 September	<u>-</u>	<u>-</u>

In 2017, the Group disposed of 7,500,000 ordinary shares and 17,898,183 warrants of Regency Mines Plc for a profit of £80,000. Also in the same period, the Group disposed of 12,500,000 ordinary shares of Doriemus Plc, for a loss of £80,000.

As at 30 September 2018, the Group retained no available for sale financial investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Subsidiaries

The details of the subsidiary are as follows:

Name of subsidiary/ place of incorporation	Principal activity	Effective equity interest held by the Group	
		2018	2017
Angus Energy Holdings UK Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.1 Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.2 Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.3 Limited*	Oil extraction for distribution to third parties	100%	100%
Angus Energy North America Limited	Dormant company	80%	80%

\*indirect wholly owned by Angus Energy Weald Basin No.2 Limited (AEWB2).

The registered office address of the respective entity as follow:

Registered address	Name of subsidiary
Building 3 Chiswick Park, 566 Chiswick High Road, London, W4 5YA.	Angus Energy Weald Basin No.2 Limited Angus Energy North America Limited
Suite 1, 4 Queen Street, Edinburgh, Scotland, EH2 1JE	Angus Energy Holdings UK Limited Angus Energy Weald Basin No.1 Limited Angus Energy Weald Basin No.3 Limited

### 16. Trade and other receivables

	2018 £'000	2017 £'000
Amounts due from farmees	171	161
Directors account	209	203
VAT recoverable	70	132
Accrued income	34	-
Other receivables	307	243
	<u>791</u>	<u>739</u>

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

Included within other receivables is the amount recoverable from the UK tax authority (under Section 455 Corporation Tax Act 2010) of £100,973 (2017: £100,973).

	2018 £'000	2017 £'000
Trade and other receivables	791	739
Less: Impairment allowance	-	-
	<u>791</u>	<u>739</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Share capital

#### Allotted, called up and fully paid:

	Number of shares	Ordinary share capital £'000	Share premium £'000
<b>As at 30 September 2016</b>	<b>30,000,000</b>	<b>300</b>	<b>45</b>
Subdivision shares on 13 October 2016	120,000,000	-	
Issue of shares 14 November 2016	64,980,287	130	3,662
Issue of shares 10 January 2017	1,000,000	2	58
Issue of shares 6 February 2017	18,181,818	36	1,964
Issue of shares 7 July 2017	1,916,667	4	111
Issue of shares 21 July 2017	4,379,725	9	274
Less: Issuance costs	-	-	(361)
<b>At 30 September 2017</b>	<b>240,458,497</b>	<b>481</b>	<b>5,753</b>
Issue of shares 1 December 2017	23,846,155	47	3,053
Issue of shares 15 February 2018	33,333,333	67	1,933
Issue of shares 25 April 2018	2,250,000	4	122
Issue of shares 25 April 2018	6,925,000	13	312
Issue of shares 4 July 2018	9,302,326	19	381
Issue of shares 13 July 2018	9,302,326	19	381
Issue of shares 2 August 2018	56,304,348	113	2,477
Less: Issuance of costs	-	-	(270)
<b>At 30 September 2018</b>	<b>381,721,985</b>	<b>763</b>	<b>14,142</b>

On 13 October 2016 the Company subdivided its existing 30,000,000 ordinary shares into 150,000,000 ordinary shares. On 14 November 2016, the Company's shares were admitted to trading on AIM. The Company further issued 58,333,333 placing shares and 6,646,954 ordinary shares in lieu of professional fees, amounted to approximately £291,000. On admission, the total issued ordinary shares of the Company were 214,980,287.

On 10 January 2017 the company issued 1,000,000 Broker warrants. On 6 February 2017 the company issued 18,181,818 placing shares. On 7 July 2017, the company issued a further 1,916,667 Broker warrants. On 21 July 2017, the company issued 4,379,725 ordinary shares pursuant to the exercised of options by certain employees and consultants.

On 1 December 2017 the company issued 23,076,924 placing shares at 13p each, raising gross proceed of £3million as working capital, and a further 769,231 shares to certain contractors in lieu of their services to the company, amounting to £100,000.

On 15 February 2018, the company also issued 33,333,333 placing shares at 6p each for working capital.

On 25 April 2018, the company issued 2,250,000 shares in lieu of the commencement fees in relation to the issuance of the convertible loan notes and further granted 5,000,000 warrants to the holder of the convertible loan notes. At the same period, the company also issued 6,925,000 share at 42p each for working capital. The details of the convertible loan notes and the warrants are described in note 24 and note 18 respectively.

In July and August 2018, the convertible loan notes are converted into the equity, the company issued a total 74,909,000 shares for the redemption price of £3.39million.

As at 30 September 2018 the total issued ordinary shares of the Company were 381,721,985 (2017:240,458,497)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Share-based payments

On 13 October 2016, the Group implemented an Enterprise Management Incentive Scheme followed by a NED and Consultant Share Option Scheme (The Scheme).

At 30 September 2018, the following share options and warrants were outstanding in respect of the Ordinary shares:

Exercise price	Outstanding as at 01 Oct 2017	Granted during the year	No. of options surrendered or cancelled during the year	Exercised during the year	Outstanding and exercisable as at 30 September 2018	Final expiry dates
£0.06	17,818,304	-	-	-	17,818,304	13 Nov 2026
£0.09	1,050,000	-	-	-	1,050,000	13 Nov 2026
£0.10	-	5,000,000	-	-	5,000,000	23 Apr 2020
Warrant	-	5,000,000	-	-	5,000,000	
Share options	18,868,304	-	-	-	18,868,304	

The weighted average exercise price of share options and warrants was £0.0697 at 30 September 2018 (2017: £0.0622). The weighted average remaining contractual life of options outstanding at the end of the year was 8 years. The weighted average fair value of share option was £0.028 each on the grant date. The vesting criteria of the share options are subject to share price growth reach to the target level. All the vesting conditions were met during the year and the options were fully vested.

These fair values were calculated using the Black Scholes warrant pricing model. The inputs into the model were as follows:

	Share options	Warrants
Stock price	6.6p	8p
Exercise price	6.2p	9.95p
Interest rate	0.5%	0.5%
Volatility	30%	30%
Time to maturity	8 years	1.5 years

The Group recognised a share based payment charge of approximately £75,000 (2017: £740,000) of which £nil (2017: £44,000) represent the fair value of the exercised warrants as described in note 18.

During the year, there are NIL (2017: 4,379,725) options and NIL (2017: 2,916,667) warrants were exercised and there remains 18,868,304 options and 5,000,000 warrants are outstanding and exercisable as at 30 September 2018 (2017: 18,868,304).

### 19. Reserves

	2018 £'000	2017 £'000
Merger reserve	(200)	(200)

**Merger reserve**

The merger reserve arose on the acquisition of Angus Energy Holdings Limited by the Company.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period

Diluted EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

On 21 July 2017 the company issued 4,379,725 ordinary shares making the total issued ordinary shares of the Company 240,458,497. The earnings per share information based upon the 240,458,497 ordinary shares are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Net loss attributable to equity holders of the parent company	(2,790)	(2,612)
Weighted average number of basic ordinary shares	297,403,456	220,833,360
Weighted average number of diluted ordinary shares	318,477,239	230,476,581
Basic EPS (in pence)	(0.94)	(1.18)
Diluted EPS (in pence)	(0.94)	(1.18)

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

### 21. Trade and other payables

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	874	163
Other taxation	126	120
Accruals	398	-
Other payables	42	39
	<u>1,440</u>	<u>322</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. BONDS AND DERIVATIVE FINANCIAL INSTRUMENT

On 16 February 2016 the Company published an Information Memorandum (the "IM") in connection with an application for admission of up to £3,500,000 sterling denominated secured bonds of denomination £1, with a maturity date of 30 June 2022, to trading on the NEX Exchange Growth Market. The Bonds will bear interest at the rate of 8.5 per cent. per annum, payable quarterly in arrears.

The Company intends to issue Bonds when a need for finance arises, in order to progress its plans for the development of its licence portfolio, once the well(s) provided for in its work programme in relation to each of Brockham and Lidsey have been drilled using the AIM Proceeds. Once the well(s) have been drilled, proceeds from the issue of Bonds can be utilised to move forward the cash flows of the Company's production asset(s) in order to accelerate the Company's business plan. Financing the development of its licence portfolio in this manner rather than by the use of cash reserves or the issue of new ordinary shares will allow the Company to increase the value of its production reserves and avoid shareholder dilution.

As at 30 September 2018, the Bonds in issue was £nil (30 September 2017 – £nil)

### 23. Provisions for other liabilities and charges

	2018 £'000	2017 £'000
<b>Abandonment costs</b>		
Balance b/fwd	500	500
Addition	52	-
<b>Balance b/cwd</b>	<u>552</u>	<u>500</u>

The Group makes full provision for the future costs of decommissioning oil production facilities and pipelines on the installation of those facilities. The amount provision is expected to be incurred up to 2029 when the producing oil and gas properties are expected to cease operations.

These provisions have been created based on the Group's internal estimates and expectation of the decommissioning costs likely to incur in the future. For the period under review, the directors have assessed that the discount rate and inflation rate to be applied to the current cost of decommissioning to be similar. On this basis, the current cost is considered to be similar to the discounted net present value.

### 24. Convertible loan note

On 25 April 2018, the Company issued an interest free unsecured convertible loan note for a nominal value of £3.39million with maturity period of 2 years.

As described in note 17, the loan note was subsequently converted into 74,909,000 shares of the Company and the loan notes cancelled.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payable. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in Note 3. The Group do not use financial instruments for speculative purposes.

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets measured at amortised cost</b>		
<i>Loans and receivables</i>		
Trade and other receivables	791	739
Cash and cash equivalents	846	1,224
Total financial assets	<u>1,637</u>	<u>1,963</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	1,440	322
Total financial liabilities	<u>1,440</u>	<u>322</u>

There are no fair value adjustments to assets or liabilities through profit and loss. There are no financial assets that are either past due or impaired.

#### Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of issued capital and external loans.

#### Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount.

#### Fair values

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

#### Interest rate risk

The Group and company's policy is to fund its operations through the use of retained earnings and equity.

The Group exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Financial instruments (continued)

#### Foreign currency exchange risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency and the Group's net investments in foreign subsidiaries).

The Group does not hedge its foreign currencies. Transactions with customers are mainly denominated in US Dollars. The Group has bank accounts in US Dollars to mitigate against the exchange risks.

#### Liquidity risks

The principal risk to the Group is liquidity, which arises from the Group's management of working capital. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This aspect is kept under review by the directors and in this respect management carries out rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. It is the Group's policy as regards liquidity to ensure sufficient cash resources are maintained to meet short-term liabilities.

The maturity profile of the Group's financial liabilities at the reporting dates based on contractual undiscounted payments are summarised below:

	2018 £'000	2017 £'000
<b>Trade and other payable</b>		
Due on demand	-	-
Within one month	1,440	322
	<u>1,440</u>	<u>322</u>

#### Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices of oil products it produces. The table below summarises the impact on profit before tax for changes in commodity prices

#### Commodity price sensitivity

The analysis is based on the assumption that the crude oil price moves 10% resulting in a change of US\$-7,13/bbl in 2018 (2017: US\$4.05/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the average spot prices at each reporting periods.

Increase/decrease in crude oil prices	Increase / (decrease) in profit before tax for the year ended 30 September	
	2018 £'000	2017 £'000
Average spot price increased by 10%	7	-
Average spot price decreased by 10%	<u>(7)</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Related party transactions

#### Transaction with directors

The advance loan made to Mr Jonathan Tidswell was unsecured with repayment on demand. During the year under review, the Group charged approximately 3% interest annually on the advance loan to the director of £6,000 (2017: £3,000). This can be analysed at below table:

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	203	-
- Amount advanced	-	200
- Accrued interest on loan	6	3
Closing balance	<u>209</u>	<u>203</u>

### 27. Net debts reconciliation

The below table sets out an analysis of net debt and the movement in net debt for the years presented

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalent	846	1,224
Convertible loan note (note 24)	-	-
Net debt	<u>846</u>	<u>1,224</u>

	<b>Cash and cash</b>	<b>Convertible</b>	<b>Total</b>
	<b>equivalents</b>	<b>loan note</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net debt as at 1 October 2017	1,224	-	1,224
Cash flow	(5,672)	-	(5,672)
Issue of new equity (net proceeds)	5,068	-	5,068
Issue of convertible loan note	-	3,000	3,000
Other non-cash movement	226	390	516
Conversion of debt to equity	-	(3,390)	(3,390)
Net debt	<u>846</u>	<u>-</u>	<u>846</u>

### 28. Commitments

At 30 September 2018, the Group had contractual capital commitments in the amount of £500,000 (2017 - £800,000) mainly in respect to the Group's oil field development activities.

The Group's future minimum lease payments under non-cancellable operating leases are as follows:

	<b>As at 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
<b>Leases which expire:</b>		
Not later than one year	148	81
Later than one year and not later than five years	411	324
More than five years	263	122
<b>Total</b>	<u>822</u>	<u>527</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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### 29. Subsequent events

On 5 November 2018, the Company raised gross proceeds of £2m by the issuance of 22,222,222 new ordinary shares of £0.002 each in its share capital.

On 10 January 2019, the Company entered into a £3m loan facility for the development of the Balcombe field.

On 29 January 2019, Paul Vonk resigned as Managing Director and George Lucan was appointed as Managing Director. The Board is also looking to appoint Carlos Fernandes as Financial Director (currently CFO) and Andrew Hollis as Technical Director (currently Technical Director non-board).

On 15 February 2019, the Company raised gross proceeds of £2,200,000 by the issuance of 55,000,000 new ordinary shares of £0.002 each in its share capital. The Placing monies was used by the Company to pay down £1,500,000 of the YA II PN Ltd and Riverfort Global Opportunities PCC Limited loan facility, for the work programmes at Balcombe and Brockham and for general working capital purposes.

On 26 February 2019, the Company announced that it has entered into a binding term sheet regarding the purchase of Doriemus Plc's 20% interest in the Lidsey Licence, PL241, together with its interest in and under the JOA and any wells on the area covered by the Licence (including its 30% direct participating working interest in the Lidsey-X2 production well), for £467,377 of consideration payable in 8,324,024 shares based on a 20 day VWAP at close of business on Friday 22 February 2019 of 5.6148 pence, subject to regulatory and partner approvals and the execution of all the required sale and purchase agreements.

## COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2018 £'000	2017 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment	5	13,018	5,706
<b>Total non-current assets</b>		<u>13,018</u>	<u>5,706</u>
<b>Current assets</b>			
Trade and other receivables	6	413	384
Cash and cash equivalents		674	1,071
<b>Total current assets</b>		<u>1,087</u>	<u>1,455</u>
<b>TOTAL ASSETS</b>		<u><b>14,105</b></u>	<u><b>7,161</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent:</b>			
Share capital	8	763	481
Share premium	8	14,142	5,753
Merger relief reserve	8	1,500	1,500
Retained earning		(2,541)	(766)
<b>TOTAL EQUITY</b>		<u><b>13,864</b></u>	<u><b>6,968</b></u>
<b>Current liabilities</b>			
Trade and other payables	7	241	193
<b>Total current liabilities</b>		<u>241</u>	<u>193</u>
<b>TOTAL LIABILITIES</b>		<u><b>241</b></u>	<u><b>193</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>14,105</b></u>	<u><b>7,161</b></u>

The loss for the Company for the year ended 30 September 2018 was £1,850,000 (2017: £1,506,000)

The note on page 64 to 66 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 5 March 2019 and were signed on its behalf by:

George Lucan - Director

Company number: 09616076

## COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 October 2016</b>	<b>300</b>	<b>45</b>	<b>1,500</b>	<b>-</b>	<b>1,845</b>
Loss for the year	-	-	-	(1,506)	(1,506)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,506)</b>	<b>(1,506)</b>
<b>Transaction with owners</b>					
Issue of shares	181	6,069	-	-	6,250
Less: issuance costs	-	(361)	-	-	(361)
Granted of share options	-	-	-	740	740
<b>Balance at 30 September 2017</b>	<b>481</b>	<b>5,753</b>	<b>1,500</b>	<b>(766)</b>	<b>6,968</b>
Loss for the year	-	-	-	(1,850)	(1,850)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,850)</b>	<b>(1,850)</b>
<b>Transaction with owners</b>					
Issue of shares	282	8,659	-	-	8,941
Less: issuance costs	-	(270)	-	-	(270)
Granted of share options	-	-	-	75	75
<b>Balance at 30 September 2018</b>	<b>763</b>	<b>14,142</b>	<b>1,500</b>	<b>(2,541)</b>	<b>13,864</b>

Share capital comprises the ordinary issued share capital of the company.

Share premium comprises of the excess above the nominal value of the new ordinary shares issued during the period.

The merger relief reserve represents the difference between the cost of the investment in Angus Energy Holding UK Limited (initially measured at fair value) and the nominal value of the shares transferred as consideration.

Retained earnings represent the aggregate retained earnings of the company.

The note on page 64 to 66 form part of these of financial statements.



## NOTES TO THE COMPANY FINANCIAL STATEMENTS

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### 1. General information

The company was incorporated in England and Wales on 1 June 2015 as a private limited company. Its registered office is located at Building 3, Chiswick Park, 566 Chiswick High Street, London, W4, 5YA.

The financial information of the company is presented in British Pounds Sterling (“£”) and rounded into thousand (£’000).

### 2. Accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The principal accounting policies are described below. They have all been applied consistently throughout the period.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

#### Investment

Investments in subsidiaries are stated at cost less provision for impairment. Where merger relief is applicable, the cost of the investment is recorded at the fair value on the date of the transaction. The difference between the fair value of the investment and the nominal value of the shares (plus the fair value of any other consideration given) is shown as a merger relief reserve and no share premium is recognised

#### Cash and cash equivalents

Cash in the statement of financial position is cash held on call with banks.

#### Financial assets

The directors classify the company’s financial assets held at amortised cost less provisions for impairment. The directors determine the classification of its financial assets at initial recognition.

#### Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

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### 2. Accounting policies (continued)

#### Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 3. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was approximately £1,850,000 (2017: £1,506,000).

### 4. Staff costs

There are no employees employed by the company other than the directors. The directors are regarded as the key management and their remunerations are disclosed in note 10 to the consolidated financial statements.

### 5. Investment

	<b>Cost of investment £'000</b>	<b>Loan to group undertakings £'000</b>	<b>Total £'000</b>
At 1 October 2015 and 30 September 2017	2,028	3,678	5,706
Movement of the intercompany loan for the year	-	7,312	7,312
At 30 September 2018	<u>2,028</u>	<u>10,990</u>	<u>13,018</u>

The details of the subsidiary are set out in the note 15 to the consolidated financial statements.

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

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### 6. Trade and other receivables

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	48	-
Directors accounts	209	203
Vat recoverable	12	16
Other receivables	144	165
	<u>413</u>	<u>384</u>

### 7. Trade and other payables

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	86	40
Amounts due to group undertakings	100	100
Other taxation	15	14
Other payables	40	39
	<u>241</u>	<u>193</u>

### 8. Share capital

The movement of share capital are set out in the note 17 to the consolidated financial statements.

As at 30 September 2018 the total issued ordinary shares of the Company were 381,721,985 (2017 - 240,458,497).

### 9. Subsequent events

On 5 November 2018, the Company raised gross proceeds of £2m by the issuance of 22,222,222 new ordinary shares of £0.002 each in its share capital.

On 10 January 2019, the Company entered into a £3m loan facility for the development of the Balcombe field.

On 29 January 2019, Paul Vonk resigned as Managing Director and George Lucan was appointed as Managing Director. The Board is also looking to appoint Carlos Fernandes as Financial Director (currently CFO) and Andrew Hollis as Technical Director (currently Technical Director non-board).

On 15 February 2019, the Company raised gross proceeds of £2,200,000 by the issuance of 55,000,000 new ordinary shares of £0.002 each in its share capital. The Placing monies was used by the Company to pay down £1,500,000 of the YA II PN Ltd and Riverfort Global Opportunities PCC Limited loan facility, for the work programmes at Balcombe and Brockham and for general working capital purposes.

On 26 February 2019, the Company announced that it has entered into a binding term sheet regarding the purchase of Doriemus Plc's 20% interest in the Lidsey Licence, PL241, together with its interest in and under the JOA and any wells on the area covered by the Licence (including its 30% direct participating working interest in the Lidsey-X2 production well), for £467,377 of consideration payable in 8,324,024 shares based on a 20 day VWAP at close of business on Friday 22 February 2019 of 5.6148 pence, subject to regulatory and partner approvals and the execution of all the required sale and purchase agreements.

# Contact

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