Victoria Oil & Gas Plc
Annual Report & Accounts
to 31 December 2019

Victoria Oil & Gas Plc

Victoria Oil & Gas Plc ("VOG") is a fully-integrated onshore gas producer and distributor through its operations located in the port city of Douala, Cameroon, and also has legacy assets in the FSU.

The Company is focused on providing a cleaner and more efficient energy alternative to diesel and heavy fuel for the Douala region of Cameroon through the safe and reliable supply of its natural gas. Through the Company's wholly-owned subsidiary, Gaz du Cameroun S.A. ("GDC"), VOG has developed a cash generative business that delivers fully integrated, indigenous gas to local industry and communities. GDC has delivered gas to grid power, thermal and industrial power customers using safe, consistent and scalable solutions since 2012 via its now 51 km gas distribution pipeline network from the Logbaba Project.

Through the direct and indirect employment of people within the region, investment in local communities and its development of industry expertise and infrastructure, VOG is committed to ensuring a long-term energy future for the Douala region in Cameroon, where demand for power remains high.

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

Victoria Oil & Gas Plc	"Victoria Oil & Gas", "VOG", the "Company"
The Group	"Victoria Oil & Gas Plc and its subsidiaries"
Gaz du Cameroun S.A.	100% owned subsidiary, "GDC", "Gaz du Cameroun"
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ENEO Cameroun S.A.	Cameroon's national electricity generating company, "ENEO"
Logbaba	Logbaba Project, 20 km^2 hydrocarbon licence in Cameroon
Matanda	Matanda Block, 1,235 km^2 hydrocarbon licence in Cameroon

Please refer to full glossary, abbreviations and definitions section on page 94.

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Year in Review

Key Events

- Equity raise of US$16.8 million net of expenses.
- 93% increase in net revenue over 2018.
- 110% increase in daily average gross gas sales to 8.13 mmscf/d over 2018.

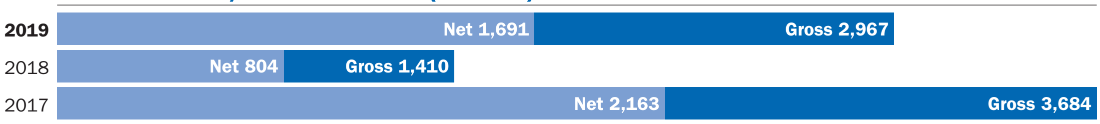
Post Year End

- Termination of ENEO contract.
- Appointment of Chief Executive Officer and Chief Financial Officer.
- Proven 1P reserves written down to 19 Bcf.

Daily Average Gross Gas Sales (mmscf/d)

8.13 mmscf/d
110% increase from 2018

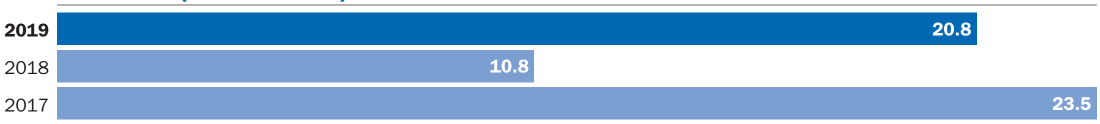
Annual Gross/Net Gas Sold (mmscf)



2,967 mmscf
110% increase from 2018

Thermal (Gross)	Industrial Power (Gross)	Grid Power (Gross)
1,505 mmscf	**98 mmscf**	**1,364 mmscf**
(YE 2018: 1,311 mmscf)	(YE 2018: 74 mmscf)	(YE 2018: 25 mmscf)
15% increase from 2018	33% increase from 2018	

Revenue (US$ million)



US$20.8 million
93% increase from 2018

Chairman's Letter

Dear Shareholders,
I assumed the role of Executive Chairman in April 2019 with the mandate to install a new senior management leadership team and tackle, if not resolve, the legacy issues facing Victoria Oil & Gas Plc ("VOG", "the Company"). 2019 was, and 2020 continues to be, a year of transition as we only welcomed Roy Kelly as the Chief Executive Officer of VOG in late March 2020. Bridging this transition to the Company's future, I will provide the sole commentary in this Annual Report.

Financial Performance

Having secured an extension of the ENEO contract late in 2018, revenue for 2019 of US$20.8 million was almost double the US$10.8 million attained in 2018.

Adjusted EBITDA for the year, which excludes depreciation, impairments and the state royalty provision for the operating loss, reflected a profit of US$4.0 million (2018: loss of US$0.5 million).

However, impairments and State Royalty provisions had a significant, and one-time impact, on the Company's profitability.

The Group is reporting a loss after tax of US$110.3 million for the year ended 31 December 2019 (2018: loss of US$8.5 million). The principle reasons for this significant loss are as follows:

- The Q2 2020 Operational Update advised shareholders that the proven ("1P") reserves for Logbaba had been revised downwards effective 1 January 2020. The stated reserves at 31 December 2019, which included production for the year, was 65 Bcf, which was revised to 19 Bcf. This is discussed in more detail later in this letter and further in the Reserves and Resources section on page 22. The reserves revision precipitated a non-cash impairment charge on the Logbaba assets of US$90.3 million (2018: Nil).
- The ongoing legal action against Cameroon Holdings Limited ("CHL"), which involves a dispute over royalty payments, has resulted in a non-cash impairment of the Group's investment in an associate of US$5.6 million (2018: Nil).
- Post year-end a decision was taken by the Logbaba partners crystallising a royalty obligation to the State of Cameroon, which back-dates to the inception of the project. The dispute surrounding this royalty has previously been disclosed as a contingent liability, and as a result of the decision a current liability of US$9.6 million has been raised for the Gaz du Cameroun S.A. ("GDC") share of the obligation (2018: contingent liability of US$8.0 million).
- ENEO ceased consuming gas in September 2019. Following protracted efforts to effect payment from ENEO, GDC terminated the Gas Sales Agreement ("GSA") with ENEO in July 2020. The invoicing from September 2019 through to the date of termination was based on take-or-pay provisions in the GSA. Owing to uncertainty over the timing of the recovery of the take-or-pay invoices, management has raised a provision for expected credit loss against these invoices and certain other customers at 31 December 2019 amounting to US$3.8 million (2018: reversal of US$0.7 million). The termination of the ENEO contract mid-2020 will have a material impact on revenues and performance during 2020.

Whilst these impairments and provisions are significant, the Board believes that it has fully accounted for the known matters and, with the exception of the disclosed contingent liabilities (Finance Review and Note 27), does not anticipate further material write-downs.

Loss per share, which includes the items listed above, was 48.2 cents (2018: loss of 5.8 cents).

The Directors have given careful consideration to the appropriateness of the going concern basis in the preparation of the Financial Statements. Whilst there are material uncertainties, the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis (see Note 3).

My Chairman's Statement in the 2018 Annual Report & Accounts brought to the forefront the key challenges for management. These same issues continued to be our strategic focus throughout 2019, as well as other matters detailed below.

Single Asset Risk (Upstream)

Logbaba wells are complex with commensurate operational risk

This risk was exemplified during the drilling of well La-108 in 2017. The well required two side-tracks and subsequent remediation efforts (of which further details below). So, mindful of capital preservation and risk, coupled with projections of demand growth, we will continue to utilise the existing well stock, though we realise this impacts our proved reserves.

This decision does not mean we don't envisage a fuller field development at a future stage given the large in-place resources in Logbaba,

> "REVENUE FOR 2019 WAS ALMOST DOUBLE YEAR-ON-YEAR AND ADJUSTED EBITDA REFLECTED A PROFIT OF US$4.0 MILLION."

Chairman's Letter continued

necessarily preceded by a modern seismic survey to better image the reservoir and optimise the locations of new wells. Such a survey would of course require a new Environmental and Social Impact Assessment ("ESIA").

Added Matanda

To diversify risk, GDC received the Presidential Decree that had been signed by H.E. Biya on 17 December 2018 authorising the transfer of the interest in Matanda. The Production Sharing Contract ("PSC") was entered into in early 2016 with GDC having a 75% working interest and Operatorship along with partner AFEX Global Ltd ("AFEX") with a 25% working interest. SNH (Société Nationale des Hydrocarbures, in English: The National Hydrocarbons Corporation of Cameroon) has the right to back into a 5% to 25% working interest post exploitation licence (progress detailed below).

Letter of Intent signed with New Age

Discussions during the period resulted in the Company announcing in February 2020 a non-binding letter of intent ("LOI") for the supply of natural gas from the Etinde Field, offshore Cameroon. The project, and in particular the upstream development, has many conditions that have to be met before it becomes a reality.

The Etinde owners (New Age, AIM-listed Bowleven, and Lukoil) have stated publicly that they hope to make a Final Investment Decision on the offshore development in the next six to nine months. In this case, the upstream joint venture partners will be taking the subsurface geological risk, drilling operational risk, and will have significant capital at risk.

Customer Concentration (Downstream)

Firstly, what we do in Cameroon

Through our wholly-owned subsidiary, GDC, we reliably and safely supply cleaner fuel to the greater Douala area in Cameroon.

Since 2012, the Company has been supplying natural gas, by far the cleanest burning fossil fuel, to numerous customers in the Douala area for a variety of uses. Many of our customers have converted diesel or heavy fuel oil equipment to run on natural gas as fuel. Diesel and fuel oils are largely imported in Cameroon and suffer supply interruptions. Liquid fuels are priced significantly higher than our gas. Furthermore, compared with diesel, natural gas represents the following reductions in emissions:

– a 25% reduction in carbon dioxide (CO_2);
– an 80% reduction in nitrogen oxide (NOx); and
– a 97% reduction in carbon monoxide (CO) emissions.

The combustion of natural gas does not emit soot, dust or fumes. Natural gas also generates 30% less CO_2 than fuel oil and 45% less than coal, with a twofold reduction in N0x emissions and almost no environmentally damaging sulphur dioxide (SO_2) emissions.

Grid Customer ENEO

Having not consumed gas throughout most part of 2018, ENEO Cameroun S.A. ("ENEO") signed a new, binding term sheet in December 2018 to resume gas consumption at the 30 MW Logbaba Power Station at a price of US$6.75 per MMBtu. Gas sales recommenced on 22 December 2018.

The issues with settlement of aged debt by ENEO has been much reported by the Company to date. In September 2019, Alternative Solutions Projects DWC-LLC ("Altaaqa"), the generator supplier to ENEO, suspended operations at ENEO's Logbaba site due to non-payment of invoices by ENEO. Consequently, GDC has not been able to provide gas to ENEO since that date, but continued to invoice ENEO based on take-or-pay provisions as per the binding term sheet. At 31 December 2019, the outstanding balance due from ENEO was US$10.3 million (US$6.2 million net to GDC, against which the Group raised a provision for expected credit loss of US$3.0 million for a disclosed receivable of US$3.2 million). Post-period, ENEO arranged payment of invoices for May, June, July and August 2019, totalling US$5.1 million via four promissory notes (akin to post-dated cheques), which were used as collateral for a bridging facility with BGFIBank Cameroon ("BGFI"). The promissory notes have subsequently been honoured and the bridging facility with BGFI has been settled.

Absent any offer of payment or payment plan for the aged debt, the Company announced in July 2020 the termination of the agreement to supply gas to ENEO. Despite ENEO's poor payment record, GDC had supplied natural gas to ENEO at its Logbaba power plant since April 2015. The Company made repeated requests in writing and in person to the senior management of ENEO to discuss a method of settlement of its burgeoning debt, which stood at US$20 million receivables (US$12 million net to GDC) at the time of termination. Furthermore, the fully termed agreement and payment guarantee that were supposed to quickly follow the binding term sheet had not been forthcoming. As a result of this untenable situation, GDC served a notice of Event of Default on ENEO pursuant to the binding term sheet on 2 June 2020, which included a 30-day remedy period. At the expiry of this period,

"AT THE TIME OF TERMINATION RECEIVABLES DUE FROM ENEO STOOD AT US$20 MILLION GROSS."

Chairman's Letter continued

GDC had no alternative but to terminate the gas supply agreement with immediate effect. The Company will now rigorously pursue this unpaid debt via the legal channels available to it, including interest, and a penalty payment of three months' fees as a result of termination as per the binding term sheet.

Industrial Customers

During 2018, when GDC made limited gas sales to grid power customer ENEO, there was a large drive to grow the Company's Industrial customer base resulting in eight new customers connected in 2018. The results of these new customers were seen in the increased gas sales in these sectors (as detailed below). Whilst ENEO has been the largest off-taker (when it was online) in 2019, it has been paying the lowest gas price amongst our large customer base. With the gas supply headroom resulting from ENEO's non-consumption of gas, GDC management is able to actively pursue the higher value, largely private, credit-worthy customers, near our infrastructure in the first phase, followed by similar customers in clusters requiring more capital to tie-in (expanded on below).

Other Independent Power Producers – AKSA

In July 2019, the Company and Aksa Enerji Uretim A.S. ("AKSA") signed a term sheet for the sale of approximately 25 mmscf/d of gas (the precise volume will depend on the calorific value of the gas and the genset specification) to AKSA's proposed 150 MW Douala Power Station (Bekoko). The term sheet is subject to various conditions precedent, including government approvals and the signing of a Power Purchase Agreement with an electricity distributor. On 2 July 2019, the Minister of Water Resources and Energy of Cameroon, on behalf of the Government of the Republic of Cameroon, and AKSA, entered into a Memorandum of Understanding to develop a 150 MW of power plant project at Bekoko, subject to receipt of the requisite approvals and licenses. The location of the proposed power plant is expected to be near the existing Bekoko substation, not far from GDC's existing gas pipeline network.

New Opportunities:

The installation of a major gas pipeline network from Limbe to Bekoko (part of the Etinde Project, operated by New Age) could provide numerous additional opportunities to GDC, which otherwise would have been deemed uneconomic. This pipeline may allow GDC to be in a position to supply gas to smaller towns along the route into Douala, such regions and towns as Ombe, Mutengene, Tiko and Buea, and provide much needed power using smaller gas-fired power plants.

Contingent Liabilities

CHL

In the first quarter of 2019, GDC ceased paying the Cameroon Holdings Ltd ("CHL") Royalty and initiated a review of the underlying documentation. In July 2019, CHL commenced proceedings against both GDC and VOG with regard to payments CHL believes it is entitled to under the Royalty Agreement. The Company is vigorously defending the claim. Whilst the Company owns 35% of CHL, the Company has not accrued for CHL royalties during 2019 and has fully impaired this investment, resulting in an impairment charge of US$5.6 million during 2019. In the event that the legal proceedings result in GDC being obliged to continue paying royalty payments, the Group's liability at 31 December 2019 would be US$3.0 million (2018: US$0.3 million).

Requirement to separate Upstream and Downstream

The separation of the business into upstream and downstream business units is a requirement of the Petroleum and Gas Codes in Cameroon, and is an industry norm.

Operationally, the separation and a downstream framework makes sense for the Company as the Logbaba Field depletes over time and the Company seeks to source other gas for the pipeline network. In order to comply with the Gas and Petroleum Codes in Cameroon, the Logbaba partners are working with the Cameroonian Government to separate the business into its upstream and downstream components. The parties are in ongoing negotiations with SNH regarding the mechanism and fiscal arrangements for, amongst others: the potential participation of SNH in the downstream activities; the allocation of assets, liabilities, revenues and costs, and the associated transfer pricing mechanisms; and the net settlement required by SNH to take ownership of their entitlement. One of the matters under negotiation has been the parties' obligation to pay state royalties. In prior years this potential liability was disclosed as a contingent liability. Following a GDC decision post year-end, the royalty liability has now been crystalised and the Company has accordingly provided US$9.6 million at 31 December 2019; however, GDC has requested to "net out" against amounts that may be owed by SNH. The presentation of the consolidated Financial Statements has required management's judgement with regard

> "WE BEGAN IN 2019 TO REPLACE GAS SUPPLIED TO ENEO WITH NEW, HIGHER PAYING, INDUSTRIAL CUSTOMERS."

Chairman's Letter continued

to the outcome of these negotiations to ensure that the Financial Statements present a fair and reasonable view of the financial position and results of the Company.

RSM

RSM has instituted an arbitration in Texas, USA under ICC rules in which it is asserting material claims primarily related to final invoices for the drilling of the two wells, La-107 and La-108, and certain audit exceptions raised by RSM following audits of the Logbaba operations between 2015 and 2018. RSM has made two attempts to obtain interim rulings which GDC has successfully defended and the substantive matter is currently scheduled for hearing at the end of January 2021.

Separately, on 3 February 2020, RSM filed an arbitration application under UNCITRAL Rules pursuant to a Participation Agreement for the project. Much of the relief sought in this second arbitration duplicates the claims in the ICC arbitration save that it also challenges the validity of cash calls GDC issued in November 2019 for RSM's share of expenses in relation to the La-108 well remediation (in aggregate US$2.9 million) and raises issues relating to the primacy of the underlying governing documents relating to the Logbaba Project, and the process of approvals for certain actions of GDC as the Operator on the Logbaba Project.

This arbitration will be heard in London under Cameroon Law.

Arbitrations under ICC and UNCITRAL rules are confidential processes. VOG is not permitted to provide detailed comments on them, beyond saying that it continues to vigorously defend the claims raised by RSM.

Equity Raise

In March 2019 the Company announced an equity raise which was completed following a General Meeting of the Shareholders in early April 2019. US$16.8 million net of expenses was raised. 104,627,788 new Ordinary Shares were issued at 13 pence per share. The Company used the proceeds of the Fundraising to continue to invest in its Logbaba and Matanda projects in Cameroon.

Board Changes

Changes to Senior Management commenced in April 2019 and have been completed in 2020. There have been many Board changes during and post period to ensure the Company has a balanced, independent and dedicated core of Directors to provide oversight and advice to the Senior Management on operations and strategy and guard the interests of shareholders and stakeholders.

As previously mentioned, with the new Senior Management in place, I plan to step back from the Executive to a Non-Executive Chairman position following the General Meeting to be held on 29 October 2020 as the Company neither needs the cost nor role of an Executive Chairman.

During the period:

April 2019	• Kevin Foo – Executive Chairman retired • Roger Kennedy – Change from Non-Executive Director ("NED") to Executive Chairman • John Knight – Appointed NED and Senior Independent Director • John Daniel – Appointed NED
July 2019	• John Bryant – Resigned NED
Nov 2019	• John Knight – Resigned NED

Post period:

Feb 2020	• Robert Collins – Appointed NED and Senior Independent Director
Mar 2020	• Roy Kelly – Appointed as CEO • Ahmet Dik – Resigned as CEO
May 2020	• Andrew Diamond – Resigned as Finance Director
Aug 2020	• Robert Collins – Changed from NED to Chief Financial Officer. Ceased to be Senior Independent Director.

I would like to take this opportunity to thank the former Directors for their contribution to the Company during their appointments and wish them well in their future endeavours.

> "NEW SENIOR MANAGEMENT AND ADDITIONS TO THE BOARD WILL ALLOW VOG TO RESET ITS STRATEGY AND FUTURE."

Chairman's Letter continued

Review of Operations

Key Events

- Grid Power Customer ENEO consumed gas from January to mid-September 2019
- 110% increase in gross annual gas sold of 2,967 mmscf (2018: 1,410 mmscf): Gross 2,967 mmscf/Net 1,691 mmscf
- Daily average gross gas sold 8.13 mmscf/d (2018: 3.86 mmscf/d)

Logbaba – Upstream:

Reserves & Resources

Following a thorough review of field and well performance data, and recognising there are no short-term plans for further drilling at this time, management has reduced its estimated Proved Reserves ("1P") for the Logbaba Field. Other categories of reserves remain unchanged at this time, as do other classifications (e.g. Contingent and Prospective Resources). The Reserves reduction is accompanied by a non-cash impairment charge of US$90.3 million discussed in the Financial Review.

All nine penetrations of the primary reservoir in the Logbaba Field have encountered mobile gas in reservoir quality sands in what is undoubtedly a significant in-place resource, and we are not downgrading previous estimates of gas in place. Our reduction in Proved Reserves at this time reflects our finite well stock, an assessment of the La-107 performance which did not meet our pre-drill expectations, and recognition that the project was designed to be a staged development, involving more wells drilled over time and in line with an improved understanding of the reservoir and growth in demand. As mentioned above, we don't propose to drill more capital-intensive and operationally risky wells at this time. Given a successful remediation of La-108, the Proved Reserves level would support sustained production at current demand levels (which excludes grid power) for several years. Additional wells in previously undrilled areas of the field would immediately add to the Proved Reserves.

It was previously determined that the acquisition of new seismic data using modern technology and methods over the Logbaba field would de-risk the block and identify prospective new well locations. To this end, a feasibility study was carried out in the downtown Douala area by a seismic specialist in April 2019 to ascertain whether a seismic survey could be acquired in an urban area. It was concluded that a full-fold 3D survey over the C38 block would be possible with suitable equipment and crew. Absent of the requirement for new wells, this work has been put on hold given the drive to conserve capital.

La-108 Remediation Project

At the end of the La-108 well testing operations in December 2017, a spent perforating gun was stuck in the production tubing at a depth of 895 m, with a wireline cable extended from the stuck gun to surface. In April 2018, the cable was cut downhole at a depth of about 700 m. The cut wire was recovered from the hole, leaving the perforating gun and about 200 m of cable in the hole. Gas consumption levels were low during 2018 and due to cash constraints the Company decided to put this project on hold until a later date. Production increased in 2019 and planning commenced for works to recover the perforating gun, conduct further perforating, and flow testing to complete well La-108. The work was to be performed using a hydraulic work-over unit. A clean out of the wellbore (tubing and lining) was to then be carried out, followed by perforation of the Upper Logbaba Sands. On completion, the La-108 well will then be tied-back to the existing flowline and the flowline made permanent. In the first half of 2019, the service provider tendering was carried out, contracts put in place, preparations on site completed, long-lead items ordered, and the work commenced in August 2019. The tool string and a large proportion of the wire were retrieved, and operations continued to retrieve the remaining wire. The wireline tool string and 130 m of wire was recovered. A clean out assembly was run to recover the remaining 50 m of wire and clean the hole, but this became stuck in the tubing at approximately 900 m. Operations were suspended at the end of October 2019 to mobilise additional equipment to complete the remediation programme. Prior to suspending operations, GDC used the available equipment on site to successfully perform additional perforations in well La-107. The remediation work on well La-108 was expected to commence during April 2020 upon the arrival of the additional equipment which was sourced to perform the project. The equipment is now on site, however, due to safety concerns related to measures taken in-country regarding Covid-19, the snubbing rig contractor evacuated their personnel.

Processing Facilities Enhancements

In December 2018, the VOG Board approved engineering and execution planning to upgrade the Logbaba Gas Plant to enable production operations at lower pressures, increasing the value of the gas deliverability and ultimately recovery from the wells. The objective of the

> "POST REPORTING PERIOD AND FOLLOWING DETAILED ANALYSIS OF WELL PERFORMANCE, THE COMPANY HAS REDUCED THE PROVED RESERVES OF THE FIELD IN LINE WITH THE PERFORMANCE OF THE CURRENT WELL STOCK. THIS DOES NOT IN ANY WAY DIMMISH OUR VIEW OF THE SIGNIFICANT IN-PLACE RESOURCES THAT REMAIN IN THE LICENSE."

Chairman's Letter continued

planned enhancements at the Logbaba Process Plant is to maximise hydrocarbon recovery from existing and future wells by lowering the minimum gas inlet pressure to the plant. Modifications made to the Logbaba Process Plant since its commissioning in 2012 have resulted in the two process trains having different configurations and capabilities. The configuration of both trains needs to be optimised to ensure maximum production availability which, in turn, should increase recovery of hydrocarbons. The project will include the installation of a feed gas chilling system to ensure continued gas and condensate export at lower wellhead pressures, whilst maximising recovery from all wells. It should also provide operational flexibility and increased reliability by enabling both high-pressure and low-pressure wells to be produced concurrently, thereby potentially extending the life of the wells at the Logbaba Field. A further benefit of the project is that it will enhance the reliability of the Logbaba Gas Plant as GDC production increases. The project is being delivered in two stages. Stage 1, which was completed in September 2019, comprised the following Front-End Engineering Design ("FEED") work: engineering design, cost estimation and execution planning for implementation of the selected process configuration; and Stage 2, focuses on execution, which at the time of writing, has commenced, and includes detailed engineering, design, equipment and materials specification, procurement, fabrication, shipping, construction and commissioning. Post reporting period, we carried out low pressure trials on the plant without any major modifications, assessing in particular whether the gas will stay within export specification, and the results suggested this was possible. We are thus able to slowly reduce the operating pressure of the plant with the full expenditure of the enhancement project deferred until such time that it becomes necessary.

Pipeline

During 2019, 1.09 km of service lines were laid and the total pipeline network at the year-end was 51.09 km.

Industrial Customers

The focus continues to be to improve our customer diversification.

During 2019, three new thermal customers (ACI, CCC and CIMAF) commenced consuming gas. The efforts in 2018 on industrial customer growth were reflected in 2019 gas sales with a 15% increase in gross thermal gas sales to 1,505 mmscf and a 33% increase in industrial gas for power consumption with 98 mmscf gross consumed.

Post year-end, a further customer has been connected to the network with another two due to be commissioned by the end of 2020. As is normal, we have also seen five customers cease consumption during the period for various reasons. At the time of writing we have 36 consuming customers.

Post Period

Covid-19 has had a limited and difficult-to-quantify effect on gas demand as borders have closed, the supply of raw materials was interrupted, and demand for customers' products fell off slightly. Crew mobilisation restrictions have led to delays to La-108 remediation work. However, at the time of writing, lockdown restrictions have been relaxed and consumption has increased again, but the impact on gas consumption has not been material.

La-108 Insurance Claim

The Company continues to pursue its claim and, post period, has employed industry claim specialists to assist in this matter.

OECD Claim

Following a complaint to the Organisation for Economic Co-operation and Development ("OECD") in 2018 and various communications with the UK National Contact Point ("NCP") for promotion of the OECD Guidelines for Multinational Enterprises (the "Guidelines"), the Company participated in mediation in late 2019 with the aim of addressing the concerns of the residents involved and this is ongoing although meetings have been postponed due to Covid-19 restrictions. The Company does not expect any economic costs resulting from this claim.

ISO Certification

GDC has worked on International Organization for Standardization Compliance ("ISO") 9001, 14001 and 45001 ISO since 2017. It has developed and implemented its Integrated Management System ("IMS") based upon the requirements of these international standards. We were pleased to announce in May 2019 that following an audit by an external certifying authority, GDC has successfully completed the audit process for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. This achievement is evidence that GDC has established management systems for Quality, Environmental and Occupational Safety and Health, which conform to international ISO standards. This accomplishment demonstrates our continued commitment to providing a high-

> "FORTUNATELY COVID-19 HAS HAD A LIMITED EFFECT ON GAS DEMAND FROM CUSTOMERS."

Chairman's Letter continued

quality product and delivering a consistent service in a safe and environmentally conscience manner to all our clients, alongside the investment of time and money into new technology, staff, processes and procedures by the Company.

Matanda

GDC received the Presidential Decree that had been signed by H.E. Biya on 17 December 2018 authorising the transfer of the interest in Matanda from Glencore resulting in GDC holding a 75% interest and operatorship and AFEX holding the remaining 25%. SNH have a right to back in up to 25% post exploitation licence. The agreed obligation for this work programme was one exploration well plus reprocessing of existing seismic in the first two-year period of the PSC.

The next phase of subsurface work on the block involved completion of the evaluation of the prospectivity and de-risking of existing prospects. The evaluation of so-called Area 2 of the Matanda Block (in between the Logbaba and North Matanda fields) has been completed and numerous Tertiary and Cretaceous prospects and leads have been identified. This work concluded Phase One of the Work Programme and the evaluation of the Matanda Block's prospectivity.

Phase Two of the Matanda Work Programme commenced in early June 2019 with a risk mitigation workflow. The initial stages of this work flow include an analysis of the gathered data over each prospect. The aim of this work is to refine the understanding of the risk of the identified prospects which will lead into the next phase of the work flow: detailed well planning to geological prognosis.

Alongside the above workstreams, the scope for the Environmental and Social Impact Assessment ("ESIA") was finalised to ensure that all aspects of risks to the environment and social factors have been assessed and necessary precautions taken, in accordance with the requisite rules and regulations, to ensure there is minimal impact on the environment ahead of drilling preparation. The EISA is ongoing.

West Medvezhye ("West Med")

A third-party Technical Report has been completed by a specialist Russian consultancy on the Company's 100% owned Western Medvezhye Licence in the prolific West Siberian basin, containing the 2006 oil discovery. Based on this Technical Report, the Company has commenced a formal process to divest the Western Medvezhye Field and is in discussions with potential buyers of the field. Whilst a prospective buyer is conducting due diligence, the Company expects an extended sales process due to the Covid-19 crisis and the volatility of crude prices. This asset has previously been fully impaired.

As this report covers a period of time that preceded Roy Kelly's appointment as CEO, I am going to personally refrain from detailing the future strategy of the Company. Roy is a CEO of the calibre that does not need an Executive Chairman. His appointment predicated my announcement to step down to a Non-Executive Chairman role after the publication of this Report and our General Meeting in October 2020. I am confident that under Roy's leadership, and with the addition of our new CFO, Rob Collins, the Company is in good hands and will be set in a new direction to ensure shareholder value. They themselves will communicate their plans in due course and will have my continued input and backing. In the coming weeks the Company will be releasing its Q3 20 Operational Update and the Interim Results to the end of June 2020.

It goes without saying that the Company is grateful for the commitment of all management and staff. I would like to thank our operational partners, stakeholders in the Projects, and, of course, our shareholders for their continued support and patience.

Roger Kennedy
Executive Chairman
29 September 2020

> "I AM CONFIDENT THAT UNDER THE LEADERSHIP OF OUR NEW CEO ROY KELLY AND NEW CFO ROB COLLINS THE COMPANY IS IN GOOD HANDS."

Financial Review

The year ended 31 December 2019 ("current year") was a challenging year for VOG. The renewal of the gas supply contract with ENEO on 22 December 2018 provided great hope of a successful 2019, following a difficult year in 2018 ("prior year"). Unfortunately that hope soon dissipated when the ongoing difficulties in the Cameroonian energy sector resulted in delayed and sporadic payments for gas provided to ENEO. In September 2019 the generator provider shut down the generators at ENEO's Logbaba Power Station citing non-payment by ENEO. Eventually, despite tireless efforts to recover amounts due, GDC terminated the Gas Sales Agreement ("GSA") with ENEO on 2 July 2020 and is currently using all means available to recover the outstanding amounts from ENEO.

The working interests in the upstream operations of the Logbaba Project are as follows:

- GDC (operator) 57%
- RSM Corporation ("RSM") 38%
- National Hydrocarbons Corporation of Cameroon ("SNH") 5%

A down-grading of the Group's Proven ("1P") Reserves on the Logbaba Project (as discussed on page 22, in conjunction with the deteriorating grid power outlook for Cameroon, have resulted in a US$90.3 million impairment of the Group's Logbaba tangible and intangible assets. This is discussed in more detail below.

The Logbaba Project has operated as an integrated upstream and downstream operation since inception. In order to comply with the Gas and Petroleum Codes in Cameroon, the parties are working with the Cameroonian Government to separate the business into its components. The parties are in ongoing negotiations with SNH regarding the mechanism and fiscal arrangements for, amongst others: the potential participation of SNH in the downstream activities; the allocation of assets, liabilities, revenues and costs, and the associated transfer pricing mechanisms; and the net settlement required by SNH to take ownership of their entitlement. One of the matters under negotiation has been GDC's obligation to pay state royalties. In prior years this potential liability was disclosed as a contingent liability. Following a GDC decision post year-end, the royalty liability has now crystalised and the Company has accordingly provided US$9.6 million at 31 December 2019. The presentation of the consolidated Financial Statements has required management's judgement with regard to the outcome of these negotiations to ensure that the Financial Statements present a fair, balanced and understandable view of the financial position and results of the Company.

The Company completed a fundraise of US$16.8 million net of expenses in April 2019 to strengthen the Company's financial position and provide a stable growth platform

	31 December 2019	31 December 2018
Gas sales (mmscf) – Gross	**2,967**	1,410
Gas sales (mmscf) – Attributable	**1,691**	804
Condensate sales (bbls) – Attributable	**12,641**	8,309
Revenue (US$'000) – Gross	**35,793**	18,596
Revenue (US$'000) – Attributable	**20,822**	10,796
Net royalties (US$'000)	**9,324**	1,145
Impairment of tangible and intangible assets (US$'000)	**90,289**	–
Impairment of investment in associate (US$'000)	**5,556**	–
Impairment of assets (US$'000)	**95,845**	–
Adjusted EBITDA (US$'000)	**3,991**	(529)
Loss before tax (US$'000)	**(111,952)**	(8,302)
Loss after tax (US$'000)	**(110,280)**	(8,521)
Basic loss per share (cents)	**(48.2)**	(5.8)
Operating cash flow before working capital (US$'000)	**(4,267)**	(1,487)
Cash working capital movement (US$'000)	**3,942**	1,367
Capital invested (US$'000)	**7,710**	3,363
Net debt (US$'000)	**(10,685)**	(17,440)

Financial Review continued

for the business. The net proceeds of the fundraising enabled the Company to, amongst other things, initiate the remediation project on well La-108 at Logbaba. The remediation works, which were performed during H2 2019 were partially successful in that the perforating gun, which was previously stuck, was retrieved and removed. Unfortunately, in the process of cleaning out residual wireline the toolstring became stuck and operations were suspended to bring additional tooling in country. The tooling arrived in March 2020, and just as the team were gearing up to restart operations Covid-19 struck and the rig contractor deemed the conditions and local lockdown procedures unsuitable to continue with the operations and repatriated the crew. It is anticipated that the remediation of La-108 will continue in Q4 2020.

Since January 2019, the Company has ceased making payments under the CHL Royalty Agreement. CHL has commenced proceedings against both GDC and the Company regarding payments CHL believes it is entitled to under the Royalty Agreement. The Company is defending such claims and the matter is progressing towards an interim court hearing expected in November 2020. The Company has not accrued for CHL royalties in the current year, and has reversed the accrual relating to the royalty from the prior year of US$0.3 million. Furthermore, as the investment in associate relates to the Group's 35% interest in CHL, the Company has fully impaired this investment, resulting in an impairment charge of US$5.6 million in 2019.

Statement of Comprehensive Income

The strong gas sales and revenue growth in the current year (93%) is largely attributable to the renewal of the ENEO binding term sheet. Grid sales in the current year amounted to US$8.0 million (2018: US$0.1 million). Despite not providing gas to ENEO since September 2019, when the generator provider ceased operations, GDC has invoiced ENEO monthly on a take-or-pay basis in accordance with the GSA. GDC continued to invoice ENEO on this basis until June 2020, at which point the GSA was terminated. Shareholders should be aware that revenue for grid power in 2020 will only reflect January to June 2020 invoicing.

Excluding grid revenue, thermal and industrial power revenue contributed US$12.0 million (2018: US$10.1 million), a healthy 19% increase, and reflective of the efforts made by the GDC sales team to expand the customer base in the prior year when ENEO was not consuming gas. Condensate revenue of US$0.8 million (2018: US$0.6 million) reflects the increased volumes of gas sold, but has also suffered as a result of the fire at the Sonara refinery, following which GDC was forced to seek an alternate condensate off-taker at less advantageous pricing.

Net royalties consist of an accrual of US$9.6 million (2018: contingent liability of US$8.0 million), being GDC's share of the current and past state royalties. The Logbaba Project incurs state royalties at 8% of hydrocarbon production, and it is anticipated that this royalty will be levied on upstream revenues going forward. State royalties for downstream operations in Cameroon, according to the Gas Code, attract royalty at 5% of revenues. The current year royalties balance includes a US$0.3 million reversal of an accrual for CHL royalties from the prior year (2018: CHL net royalty charges of US$1.1 million).

The increase in unit of production depreciation, which amounted to US$7.3 million (2018: US$5.0 million) reflects the increased gross gas sales. When unit of production depreciation and net royalties are stripped out of cost of sales, the remaining costs of sales combined with other administrative costs amounted to US$18.4 million (2018: US$11.9 million). The reasons for this increase, during a period when the Group was actively trying to reduce costs, are as follows:

- A non-cash increase of US$3.7 million in provision for expected credit losses (2018: reversal of US$0.7 million). The increase relates principally to ENEO take-or-pay invoices which, although contractual, may be slow to recover, and an additional provision for expected credit losses of US$0.8 million due to a fire which destroyed the Sonara refinery in Limbe, Cameroon. Sonara declared force majeure, however GDC continues to seek payment for condensate delivered prior to the fire;
- Non-cash cost of US$1.0 million associated with the issuance of share options to directors and employees pursuant to the Long-Term Incentive Plan ("LTIP"). These options were issued with a strike price of 14p, 1p higher than the shares issued in the fundraise in April 2019;
- Significant legal fees of US$0.6 million incurred in defending the RSM arbitrations and CHL litigation;
- Termination costs of US$0.5 million (2018: Nil) paid to the Company's former chairman (see page 40); and

Financial Review continued

- Following a plethora of various fiscal audits, in common with many businesses in Cameroon, GDC was required to make additional customs, and various social tax payments, including penalties and interest, of US$0.5 million.

Impairments raised in the current year consist of an impairment of the Logbaba tangible and intangible assets of US$90.3 million (2018: Nil), and a further US$5.6 million (2018: Nil) impairment of the Group's investment in associate CHL. These impairments are disclosed in greater detail in Note 4. Impairment indicators, namely the downward revision of the Group's Logbaba 1P Reserves, termination of the ENEO GSA and the deteriorating conditions in the Cameroonian energy sector, were identified and an impairment review was performed on a value-in-use basis. A discounted cashflow model was based on management's best estimates for the Logbaba Project, including the aforementioned indicators and other key assumptions. The results of the review concluded that the assets required impairment and accordingly wells La-105, La-107 and La-108 as well as the pipeline infrastructure in Douala have had their carrying values reduced by US$90.3 million in 2019.

	31 December 2019 US$'000	31 December 2018 US$'000
Operating loss	**(110,101)**	(6,336)
Depreciation	**8,609**	5,807
Provision for state royalties	**9,638**	–
Impairment charges	**95,845**	–
Adjusted EBITDA	**3,991**	(529)

Adjusted EBITDA, which removes depreciation and significant one-off charges (provision for current and historic state royalties and impairment charges in the current year) from the reported operating loss, was a gain of US$4.0 million (2018: loss of US$0.5 million) reflecting the impact of the increased revenues. The result would be even better if the non-cash ENEO and Sonara expected credit loss provision increases of US$4.5 million were excluded.

The Group produced a loss before tax of US$112.0 million (2018: US$8.3 million), and a loss after tax of US$110.3 million (2018: US$8.5 million). The basic and diluted loss per share was 48.2 cents (2018: loss of 5.79 cents).

Statement of Financial Position

Intangible assets consist mainly of the costs incurred on well La-108 less impairment charges. Works to remediate the well amounting to US$6.7 million were capitalised in 2019 (2018: Nil) and succeeded in recovering the stuck perforating gun. Further remediation work will be performed in 2020 to recover a stuck section of drill string, clean out the well and conduct further perforating and flow testing to complete the well. When feasible these costs will be transferred to oil and gas assets within property, plant and equipment. Intangible assets were impaired by US$27.4 million (2018: Nil), with a residual carrying value of US$8.6 million (2018: US$30.4 million).

Property, plant and equipment was impaired by US$62.9 million (2018: Nil), being the full impairment of well La-107, a partial impairment of well La-105, and a partial impairment of the pipeline infrastructure. The remaining carrying value was US$20.6 million (2018: US$91.1 million).

The increase in net trade receivables to US$13.7 million (2018: US$8.7 million) is largely due to the increased receivables due from ENEO at 31 December 2019 of US$3.2 million (2018: US$0.3 million). As mentioned above, GDC terminated the GSA with ENEO on 2 July 2020 following multiple contractual breaches, including non-provision of payment security and non-timely payment of invoices. At the termination date ENEO was charged interest on all late and outstanding payments as well as a contractual termination penalty of three months of take-or-pay invoices, a total outstanding balance of US$20.4 million (US$11.6 million net to GDC). An increase of US$3.0 million (2018: reduction of US$3.2 million) was recorded in respect of amounts owed by operating partners on the Group's Cameroonian assets. This increase relates principally to the disputes with RSM which are discussed below.

Trade and other payables of US$9.3 million (2018: US$10.8 million) reduced as the residual drilling contractor obligations were settled during the year.

Cash and cash equivalents of US$7.2 million (2018: US$3.5 million). Borrowings reduced to US$17.9 million (2018: US$20.9 million). Provisions of US$11.7 million (2018: US$1.9 million) includes a US$9.6 million provision for the payment of state royalties on the Logbaba Project. As noted above, this provision arises from a decision taken by GDC post year end which will result in the state royalty becoming payable to SNH. The provision was raised in 2019 as the matter had previously been disclosed as a contingent liability. GDC

Financial Review continued

continues to negotiate with SNH to resolve the separation of business and to recover SNH's contribution for past exploitation costs on the project. The level of past costs is uncertain pending the negotiated settlement with SNH regarding SNH's level of participation in the downstream operations. Whilst there is no legal right to set amounts owed by SNH off against the royalty amounts due and payable, the parties are working to ensure that any settlement is done on a net basis to minimise cash outflows to the Company.

Net Debt and Liquidity

	31 December 2019 US$'000	31 December 2018 US$'000
Cash and cash equivalents	**7,237**	3,467
Borrowings: Current liabilities	**(5,969)**	(4,109)
Borrowings: Non-current liabilities	**(11,953)**	(16,798)
Net debt	**(10,685)**	(17,440)

Net debt of US$10.7 million (2018: US$17.4 million) reflects the liquidity position of the Group. The Group has no further available credit facilities.

The Company raised US$16.8 million net proceeds in an equity placement in April 2019.

Cash Flow Statement

Operating cash utilised, prior to the effects of working capital movements, was US$4.3 million (2018: US$1.5 million). The increase in receivables was offset by the increased provision for state royalties resulting in a working capital movement of US$3.9 million (2018: US$1.4 million). Net cash utilised in operations was US$2.4 million (2018: US$2.2 million).

Capital investment in 2018 was reduced to only the essential spending and committed costs. The Company's capital investment increased to US$7.7 million (2018: US$3.4 million). The majority of the investment was on the remediation of well La-108. Fundraising generated net cashflows of US$16.8 million in 2019 (2018: Nil). Repayment of capital on borrowings was US$2.6 million (2018: US$2.8 million).

Commitments

The Logbaba Concession does not contain any work programme obligations.

GDC's work programme on the Matanda Block is US$11.25 million, which should be executed prior to December 2020. However, following delays in obtaining PSC amendments, security concerns and Covid-19 interruptions, GDC is unlikely to complete the required work programme on time and is currently in the process of making an application for an extension.

Share or option issuances

Following the fundraise in April 2019, there were 255,073,945 Ordinary Shares in issue.

On 31 May 2019, 961,546 Ordinary Shares were allotted to employees in lieu of cash bonuses at 13p per share, 152,088 Ordinary Shares were allotted to a former consultant at 22.84p per share, and 240,482 Ordinary Shares were issued to Kevin Foo, former Chairman, pursuant to the exercise of nil-cost options.

On 5 August 2019, options totalling 13 million Ordinary Shares were granted to Directors and employees pursuant to the LTIP. The options were granted with a strike price of 14p, with a five-year exercise period. Mr Ahmet Dik, former CEO, was issued 433,735 Ordinary Shares on 5 August 2019 pursuant to the exercise of nil-cost options.

The number of Ordinary Shares in issue at the date of this report was 256,861,796.

Arbitrations

On 22 July 2016, RSM filed a request for arbitration with the International Chamber of Commerce ("ICC") pursuant to the Operating Agreement between the parties regarding the rig and drilling contractor selected by GDC to conduct the drilling of two new wells at the Logbaba project. In January 2019, the subject of the claim was withdrawn on condition that RSM pay GDC's costs, which it did.

In another ICC arbitration filed in October 2018, which RSM amended in August 2019, RSM is asserting material claims primarily related to final invoices for the drilling of the two wells, La-107 and La-108, and certain audit exceptions raised by RSM following audits of the Logbaba operations between 2015 and 2018. RSM has made two attempts to obtain interim rulings which GDC has successfully defended and the substantive matter is currently scheduled for hearing at the end of January 2021.

Separately, on 3 February 2020, RSM filed an arbitration application under UNCITRAL Rules pursuant to a Participation Agreement for the project. Much of the relief sought in this second arbitration duplicates the new claims in the ICC

Financial Review continued

arbitration save that it also challenges the validity of cash calls GDC has issued for RSM's share of expenses in relation to the La-108 well remediation and raises issues relating to the primacy of the underlying governing documents relating to the Logbaba Project, and the process of approvals for certain actions of GDC as the Operator on the Logbaba Project. This arbitration will be heard in London under Cameroon Law and is scheduled for hearing at the end of September 2021.

Arbitrations under ICC and UNCITRAL rules are confidential processes. The Company is not permitted to provide detailed comments on them, beyond saying that the claim and counter-claim amounts are material and that it continues to vigorously defend the claims raised by RSM.

Subsequent Events

Mr Robert Collins was appointed as a Non-Executive director of the Company on 10 February 2020. Mr Roy Kelly was appointed CEO of the Company on 23 March 2020. Mr Ahmet Dik stepped down as CEO on 20 March 2020. Mr Andrew Diamond resigned as Finance Director on 15 May 2020. Mr Robert Collins was appointed CFO on 11 August 2020.

The Company held its Annual General Meeting ("AGM") on 29 June 2020. All of the resolutions proposed and voted on at the AGM were approved. The Company obtained Companies House and AIM approval to extend the filing date of the Annual Report until not later than 30 September 2020. The Company will hold a General Meeting on 29 October 2020 for the Shareholders to receive the Annual Report.

On 3 July 2020, GDC terminated the GSA with ENEO, as discussed earlier.

Directors' Statement under Section 172 (1) of the Companies Act 2006

Section 172 (1) of the Companies Act obliges the Directors to promote the success of the Company for the benefit of the Company's members as a whole. This section specifies that the Directors must act in good faith when promoting the success of the Company and in doing so have regard (amongst other things) to:

a) the likely consequences of any decision in the long term,
b) the interests of the Company's employees,
c) the need to foster the Company's business relationship with suppliers, customers and others,
d) the impact of the Company's operations on the community and environment,
e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the Company.

The Board of Directors is collectively responsible for formulating the Company's strategy which is the appraisal and exploitation of the assets currently owned.

1. The decision to progress with the remediation of La-108;
2. The decision to terminate the ENEO Gas Sales Agreement in July 2020.

The Directors believe this key strategic decision will generate value for our shareholders in the long term. In executing the Company's strategy, the Directors remain focused on responsible and ethical business practices, and the Company strives to be a responsible corporate citizen in all its territories of operation.

The Board places equal importance on all shareholders and strives for transparent and effective external communications within the regulatory confines of an AIM-listed company. The primary communication tool for regulatory matters and matters of material substance is through the Regulatory News Service, ("RNS"). The Company's website is also updated regularly, and provides further details on the business as well as links to helpful content such as our latest investor presentations.

Further detail illustrating how Directors adhere to the requirement set out in Section 172 (1) a to f above, are included in the Corporate Governance Report which begins on page 32.

The Directors believe they have acted in the way they consider most likely to promote the success of the Company for the benefit of its members as a whole, as required by Section 172 (1) of the Companies Act 2006.

Roger Kennedy
Executive Chairman
29 September 2020

Principal Risks and Uncertainties

The Group is subject to a number of potential risks and uncertainties, which could have a material impact on the long-term performance of the Group and could cause actual results to differ materially from expectation.

The management of risk is the collective responsibility of the Board of Directors and the Group has developed a range of internal controls and procedures in order to manage the risk. The controls and procedures and identified risks are discussed and reviewed annually by the Audit Committee and their findings and recommendations are reported to the Board.

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

GLOBAL	The Group operates within the upstream and midstream gas sectors in Cameroon, and also has an operation in Russia and its headquarters in London, UK.
RISK OR UNCERTAINTY	2020 DEVELOPMENTS AND MITIGATING ACTION
Covid-19 or other global pandemic implications	As has been recently demonstrated, a global pandemic can have a material impact on a number of areas of the business. Government regulations to control the spread of this virus could result in customers slowing down or ceasing operations, and/or requirements to cease the production of gas and condensates. There are numerous other material impacts which either inhibit or prevent the continuation of business, including health and mobility of employees, access to existing and/or prospective customers, liquidity and financial constraints with customers, suppliers, banks and other stakeholders. The Group has developed a comprehensive contingency plan to ensure the safeguarding of staff and assets.
Global oil supplies and prices	Circumstances where global oil demand is dramatically reduced and/or major oil producers cannot agree on production targets can result in significant downside pressure on oil prices and consequently all hydrocarbon prices. Where the Group has been competitive on pricing with alternative products for energy generation, a significant reduction in oil prices will result in price pressure for the Group when competitive products become cheaper. Furthermore, at dramatically reduced oil pricing, new hydrocarbon developments face significant headwinds in obtaining the financing and approval for development, which will impede on the Group's strategy to seek alternate gas sources for distribution in Cameroon.

Principal Risks and Uncertainties continued

STRATEGIC	The Group is reliant on the development of the energy sector in Cameroon for the monetisation of its assets. Failure to develop this sector to meet the growing power demand in the country is a significant risk to the strategy of the Group. Additional strategic risks include those risks inherent in the appraisal, development and production of hydrocarbons.
RISK OR UNCERTAINTY	2019 OUTCOME AND MITIGATING ACTION
The existence of a growing market for gas in Cameroon is key to the successful commercial development of the Logbaba and Matanda Blocks	The Company has relied on several sources such as the Cameroon Government's estimate of future power demand and discussions with potential new power suppliers seeking to use gas as well as existing customers seeking to increase gas consumption in Cameroon. The Company cannot guarantee the future demand, nor that energy demand will be met through gas sales, rather than alternatives such as hydropower, and therefore there is a risk that revenue from these potential customers will not materialise or be reduced. The Group has established strong relationships with local and national government and regulatory bodies which enable the Group to monitor the political and regulatory environment.
Political and regulatory uncertainty and delays or refusal in granting approvals may severely inhibit project development	Any changes to political leadership could result in increased political uncertainty and slower decision taking in Cameroon. The uncertain regulatory environment and adverse investment climate may affect the Group's ability to execute commercial transactions. The Group continues to engage with the respective Government and regulatory body representatives to progress the Group's agenda. The Group has a comprehensive political violence insurance package including business interruption.

Principal Risks and Uncertainties continued

FINANCIAL	The production and distribution of gas in Douala, Cameroon, is a capital-intensive business model. Companies in the oil and gas industry are commonly associated with funding and liquidity risks. Other financial risks include volatility in commodity prices, foreign currency risk, interest rate risk, changes in fiscal regimes and credit risk.
RISK OR UNCERTAINTY	2019 OUTCOME AND MITIGATING ACTION
The Group has sufficient funds available to continue running operations and meeting financial obligations	Group cash flows are rigorously monitored and managed to ensure the Group is in a liquid position and able to meet its ongoing commitments. As highlighted in this Annual Report, there are various matters that may significantly, positively or negatively, impact the cash generation of the Group. The Directors and management regularly meet to agree the appropriate course of action to ensure that these matters are resolved in the best interests of the Group and its shareholders. In the scenario of restrictive Governmental regulations being imposed, as in the case of the Covid-19 pandemic, where customers cease consumption and/or payment for the gas they have consumed, the Group will face liquidity constraints.
The Group's ability to access funding to meet commitments and development plans	No guarantee that market conditions will permit the raising of the necessary funds by way of debt financing, issue of new equity or farming out of interests. The Group raised US$16.8 million net of expenses in equity during 2019. Stringent capital discipline is deployed to maximise value and is reviewed at every Board meeting. The Board considers different possible sources of funds and the timing of accessing the markets, including funds generated from sales, debt financing, convertible loans and raising equity.
Non-payment by key customer (ENEO)	On 3 July 2020 the Group terminated the agreement to supply gas to its largest customer ENEO. At termination, the outstanding receivable from ENEO was US$20 million (US$12 million net to GDC). The Group will now rigorously pursue this unpaid amount via the legal channels available to it. However, non-recovery of these amounts will result in a significant reduction in the cash generation of the Group.

Principal Risks and Uncertainties continued

COMPLIANCE	The Group's current business is dependent on the continuing enforceability of the Logbaba Concession, Matanda PSC, farm-in agreements and exploration and development licences. Developments in politics, law, regulations and/or general adverse public sentiment could compromise the business.
RISK OR UNCERTAINTY	2019 OUTCOME AND MITIGATING ACTION
Title to oil and gas assets can be complex and may be disputed	Operations in Cameroon must be carried out in accordance with the terms of the concession contract and local laws. The Directors and management monitor any threats to the Group's interest in its licences and employ the services of experienced and competent lawyers in relevant jurisdictions to defend those interests. To date the Group has not paid royalties at 8% to the State of Cameroon on the Logbaba Concession. In August 2020 the Group has concluded a long-standing dispute regarding the Logbaba Concession agreement, and in so doing has crystalised a liability to pay back-dated royalties to the Cameroonian State in the amount of US$9.6 million (net amount). GDC and its joint venture partner are seeking to ensure that the royalty amounts payable are netted against amounts due by Cameroon for their participating interest in the Logbaba Project. There is no guarantee that the State of Cameroon will accede and the Group may be exposed to material financial exposure and liquidity risk.
The areas in which the Group operates are perceived to have serious bribery and corruption problems and issues	The Board has a zero-tolerance attitude towards bribery and corruption and is committed to acting professionally, fairly and with integrity in all business dealings and relationships. The Group has an Integrity Policy, consistent with the Group's obligations arising under all relevant legislation and has procedures in place to monitor compliance, including regular training for all Group staff. The Group includes anti-bribery and corruption compliance provisions in all contracts entered into with third-parties. As part of the regular training, staff are also reminded of the relevant whistleblowing provisions in the Group's Integrity Policy and encouraged to confidentially raise any concerns that they may have about dangerous, illegal activity or any wrongdoing within the organisation.
The Group is subject to compliance requirements within the regulatory frameworks under which it operates	The Group is subject to operational, environmental, safety and fiscal requirements, which are subject to frequent change. The legislation often lacks clarity and there is the added risk of receiving substantial fines for non-compliance. Fiscal pressures on Government as a result of reduced revenues due to lower oil prices is evident in the increasing number of audits been undertaken to identify areas of non-compliance. The Group remains committed to maintaining the highest levels of compliance and works closely with local regulatory authorities to ensure it operates within the regulatory frameworks. Furthermore, the Logbaba Project is required to separate the operations into upstream and downstream components in order to comply with the Petroleum and Gas legislations in Cameroon. The Group is currently negotiating the economic and fiscal implications of this separation. The final outcome of this process is uncertain and may impact the Logbaba Project economics. The Group maintains a good working relationship with all relevant Government departments and with SNH, who are kept updated on all key developments impacting GDC.

Principal Risks and Uncertainties continued

OPERATIONAL	Exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities and/or pipeline expansions, technical difficulties, lack of access to key infrastructure, labour disputes, health and safety incidents and other acts of God are inherent to the business.
RISK OR UNCERTAINTY	2019 OUTCOME AND MITIGATING ACTION
Exploration and production activities are inherently uncertain in their cost, reserve estimations and outcomes	Projections of future production are based on historic production levels and reserve estimates. Generally accepted, industry standard reserves reporting techniques have been used to calculate reserves and resources. All estimates of reserves and resources involve some degree of uncertainty. Future production and the quantity of recoverable reserves may vary significantly from that expected and could affect the estimated remaining quantity of the Company's reserves and, therefore, the commercial viability of the Group's current, future or potential producing assets. The Groups activities are in proven gas basins. The Group uses a range of geotechnical techniques to minimise risk prior to drilling and utilises independent reserves auditors to assess reserves and commercial viability. The Group has access to specialists who have gained knowledge and experience in the Company's technical challenges.
Natural disasters, project delays and cost overruns	The remediation of well La-108 required the removal of a stuck perforation gun, clean-up and reperforation. The project encountered difficulties following the retrieval of the perforating gun when a section of the drill string became stuck in the wellbore. The project was put on hold and new equipment imported. The completion of the remediation of La-108 will be subject to the risks normally associated with exploration and production of oil and gas, including blow-outs, explosions, hurricanes, earthquakes and fires and may result in the Group's current or future projected target dates for production being delayed or further capital expenditure being required. The Group mitigates the risks through careful and detailed planning, expertise on site and selection of qualified and experienced contractors. The Group has a comprehensive all-risk insurance package including business interruption.

Principal Risks and Uncertainties continued

OPERATIONAL (continued)	Exploration and production activities by their nature involve significant risks. Risks such as delays in executing work programmes, construction and commissioning of production facilities and/or pipeline expansions, technical difficulties, lack of access to key infrastructure, labour disputes, health and safety incidents and other acts of God are inherent to the business.
RISK OR UNCERTAINTY	2019 OUTCOME AND MITIGATING ACTION
The nature of the Group's operations exposes it to a wide range of HSSE risks, including cybercrime risk	The Logbaba gas wells and pipeline network are located in the metropolitan area of Douala, Cameroon, with a population of 2.5 million. The Board is committed to maintaining high health, safety, security and environmental standards and continuously reviews HSSE policies and procedures and monitors performance. International Organisation for Standardisation compliance ("ISO") 9001, 14001 & 45001 audits successfully completed in 2019, emphasising the Company's commitment to international standards in its management systems. The Group is aware of the growing threat of cybercrime. The Company is implementing measures to ensure that the Group systems are secure and able to adequately protect its intellectual property and confidential information.
Alternative gas markets cannot be developed quickly enough or in sufficient volume to provide required revenue	The Group is working on developing a gas-to-power solution for new and existing customers, with CNG and natural gas vehicles as potential alternative markets. The Directors will assess if such alternative gas markets are economically viable before implementation.
Failure to effectively manage community relations could impact production and sales	The Group has a Corporate and Social Responsibility Policy and is committed to conducting it business in accordance with best practice standards. The Group carries out impact assessments, identifies mitigation measures and implements them. The Group engages regularly with local communities to provide information on operations and address any concerns.

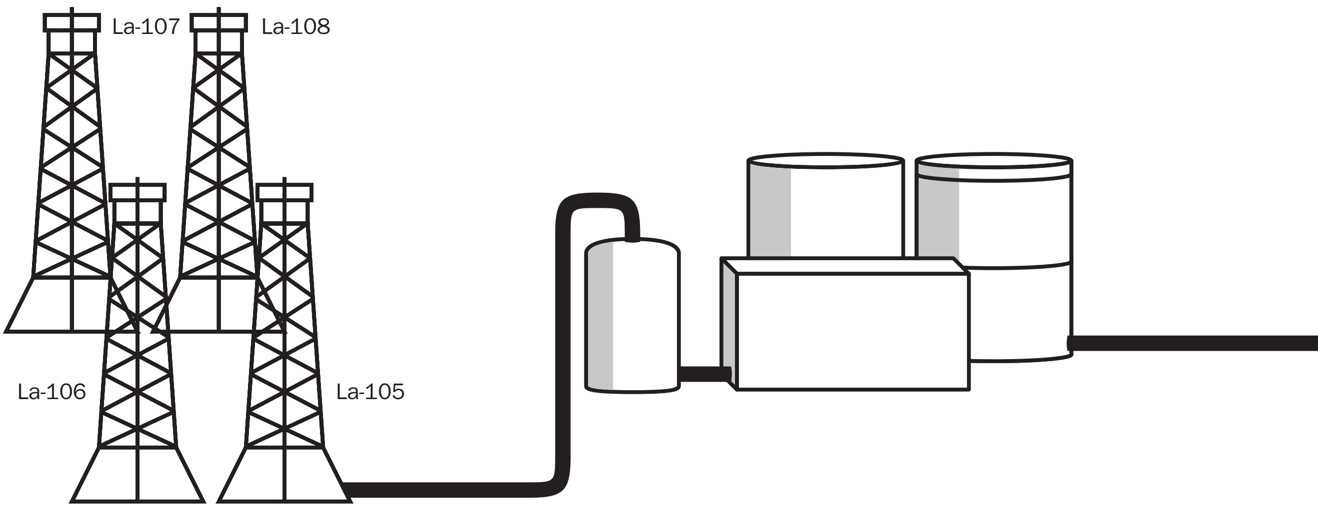
This Strategic Report was approved by the Board of Directors on 29 September 2020 and signed on its behalf by:

Roger Kennedy
Executive Chairman
29 September 2020

Operations and Customers

Logbaba Wells

Processing



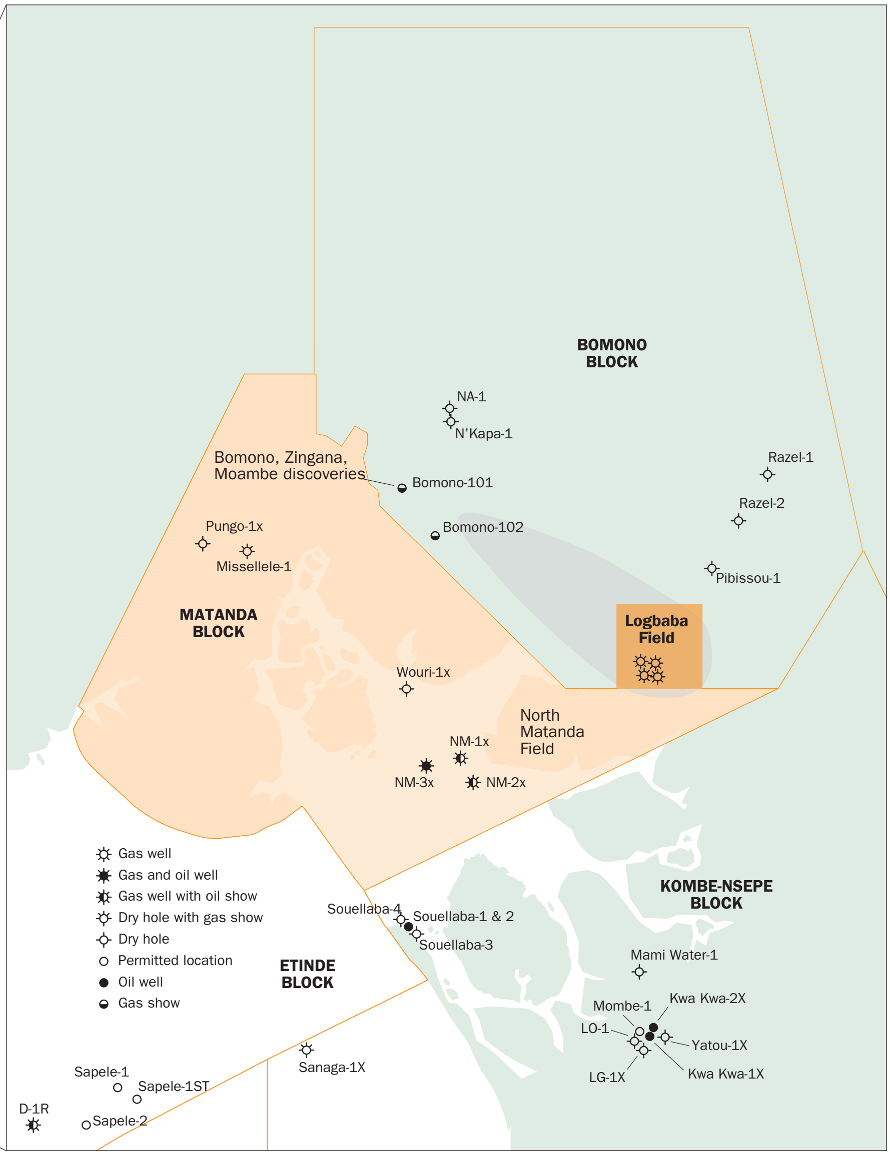
Gas Field Locations

Logbaba Field

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

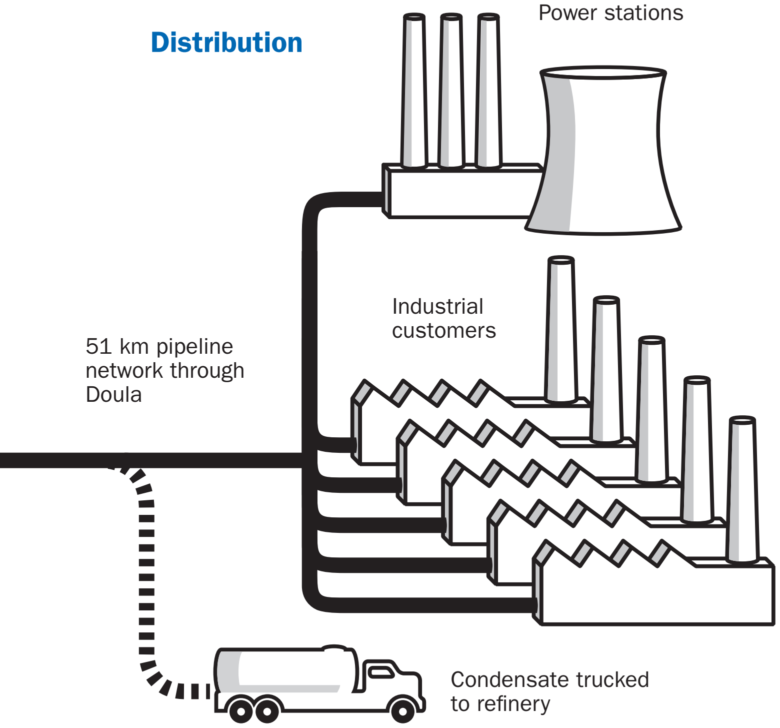
Matanda Block

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



Operations and Customers continued

Distribution



Operations & Customer Types

Doualа is a growing industrial and manufacturing hub serving Cameroon and Central/West African markets. Since being operational, GDC has supplied gas to a diversified customer base.

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

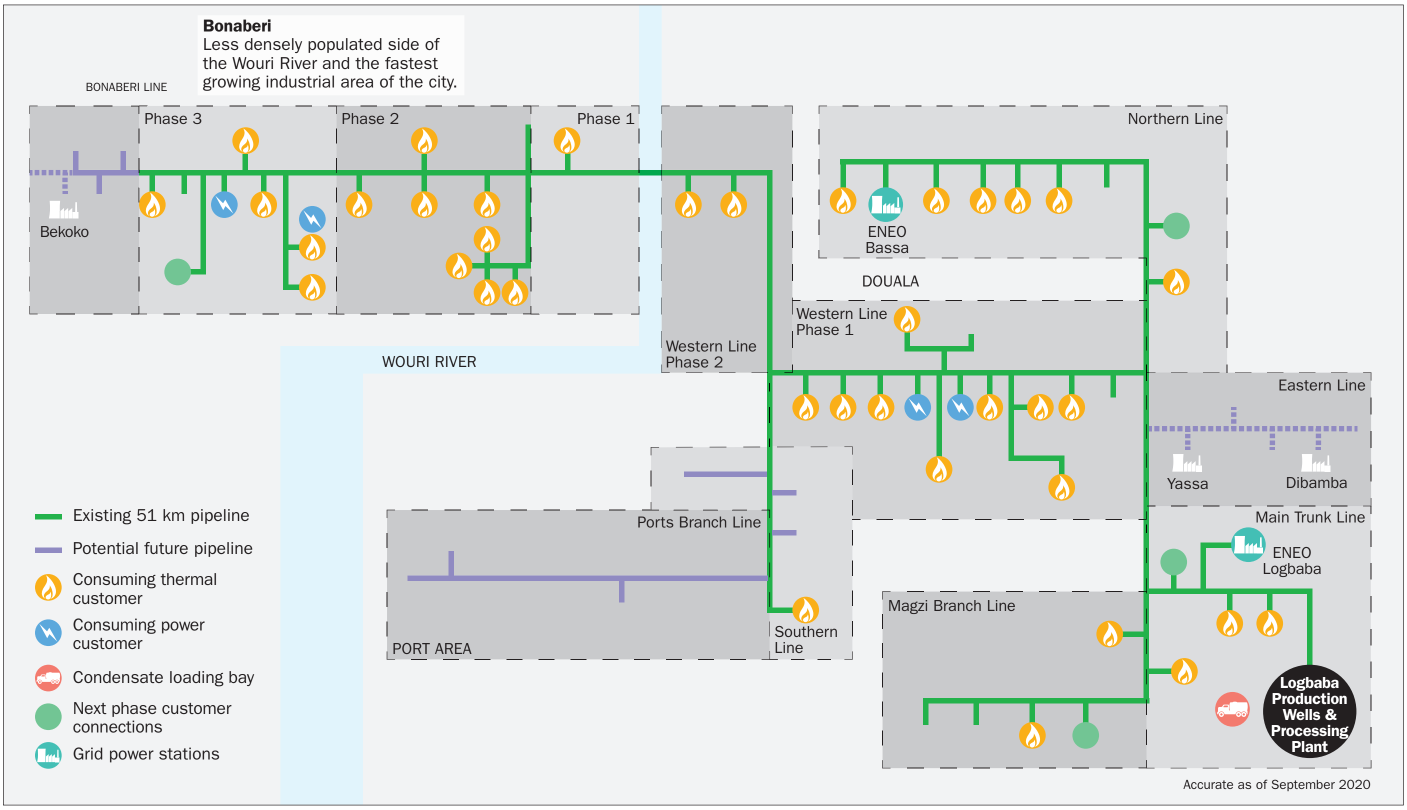
Thermal customers
GDC supplies gas to industrial customers for use in boilers, process plants and furnaces.

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

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

Pipeline Network

GDC's 51 km gas pipeline distributes gas across the city of Douala as illustrated in the schematic below (not to scale).



Reserves and Resources

Logbaba C38 Reserves and Resources

Post period the Company carried out a review of the 1P Reserves on the Logbaba Field and, given the analysis of the well stock and recognising that there are no plans to drill further wells at present (at least in the short-term), the Company has reduced its estimates of 1P Reserves per the table below. The overall Resource estimates remain unchanged as the Company has not amended the gas in place volumes derived from previous work.

	Bcf 100% basis
As at 1 January 2019	68
2019 Production	-3
Adjustment	-46
As at 1 January 2020	19

All nine penetrations of the primary reservoir in the Logbaba Field have encountered mobile gas in reservoir quality sands in what is undoubtedly a significant in-place resource. Our reduction in Proved Reserves at this time reflects our finite well stock, an assessment of the La-107 performance which did not meet our pre-drill expectations, and recognition that the project was designed to be a staged development involving more wells drilled through time in line with improved understanding of the reservoir and growth in demand. The Proved Reserves support sustained production at current demand levels. Additional wells in previously undrilled areas of the field would immediately add to the Proved Reserves.

			Gross	Net (57%)
Proven (1P)[1]	Gas	Bcf	19	11
Probable (2P)[2]	Gas	Bcf	204	116
Possible (3P)[2]	Gas	Bcf	361	206
Mean Prospective Resources[3]	Gas	Bcf	752	429

Matanda Resources

Post period the Company was pleased to report a material increase of its estimate of Prospective Resources onshore Matanda, with gross unrisked, mean Prospective Resources increased to 1,196 Bcf in the Matanda Licence (onshore) from the previously reported 903 Bcf. This increase is the result of a detailed internal prospect evaluation which has identified 19 gas prospects in shallower Tertiary-aged reservoirs, plus 7 prospects in deeper, Cretaceous-aged prospects. The Company believes the larger of these prospects has mean unrisked, Prospective Resources of over 65 Bcf, with geological Chance of Success estimated at better than 40%. This acreage is contiguous with the greater Logbaba license, offering an easy monetisation route for gas discoveries.

			Gross	Net (75%)
Matanda Onshore				
Mean Prospective Resources[4]	Gas	Bcf	1,196	897
North Matanda Offshore[5]				
1C Contingent Resources	Gas	Bcf	43	32
2C Contingent Resources	Gas	Bcf	163	122
3C Contingent Resources	Gas	Bcf	384	288
P50 Prospective Resources[6]	Gas	Bcf	3,747	2,810

Reserves and Resources continued

West Medvezhye Reserves and Resources[7]

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

1 Company estimates.

2 From work by Gaz du Cameroun and Exploration Reservoir Consultants Ltd ("ERCL") in 2018 using the SPE/WPC/AAPG/SPEE Petroleum Resources Management System as the basis for its classification and categorisation of hydrocarbon volumes.

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

4 Company Estimates.

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

6 From the Volumetrics Assessment for North Matanda, Cameroon, November 2015, by ERCL.

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

Strategic Summary

	2019 Objectives	Key Performance Indicators
Capital Value	• Increase shareholder return	• Share Price Performance
Upstream Development – Logbaba	• Completion of La-108 remediation programme • Process plant optimisation works • Independent reserves & resources report	• Reserves increase following completion of La-108 remediation programme
Upstream Development – Matanda	• Develop targets for drilling sites on Matanda • Commence ESIA	• Completion of seismic reinterpretation and identification of potential well locations • Commence ESIA
Downstream Development	• Expansion of pipeline network following La-108 remediation completion • Additional grid power opportunities • Expansion of thermal and industrial power • CNG project development	• Additional customers • Expansion of pipeline network • Implementation of a CNG solution
Financial Performance	• Credit management under new ENEO GSA • Ongoing cashflow and working capital management • Close spending supervision on La-108 remediation and process plant optimisation projects • Further cost reductions at corporate and operating levels	• EBITDA • Operating Cash Flow • Debt and equity financing
Responsible Operations	• Ensuring safe operations, respectful of the environment and committed to local communities • Resolution of OECD instance	• Maintain Group's strong safety record • Contribute to the societies in which we operate
Strategic Opportunities	• Under review	
Non-Core Projects	• West Medvezhye Project, Russia	• Sale/Farm-out

Strategic Summary continued

2019 Outcomes	2020 Priorities	Principal Risks & Uncertainties See page 14 for more information
• Share price -72% yoy (2/1/19: 24.0p, 31/12/19: 6.5p)	• Increase shareholder return	
• Remediation work partially complete with wireline tool string and 130 m of wire recovered • Process plant optimisation Stage 1 (Front End Engineering Design) completed • Uninterrupted gas supply during 2019 and gas demand met	• Completion of La-108 remediation works to retrieve remaining 50 m of wire, clean out well bore, perforate and tie back to flowline • Progress Process plant optimisation Stage 2 if required	• Existence of Gas Market • Political/Regulatory Delay • Exploitation & Production Risks • Title to assets • Natural Disasters • Project delays and costs
• Presidential Decree conferring title to Matanda Block announced January 2019 • Continued seismic reinterpretation to identify potential well locations	• Finalise targets for drilling sites on Matanda • Complete ESIA	• Existence of Gas Market • Political/Regulatory Delay • Exploitation & Production Risks • Title to assets • Natural Disasters • Project delays and costs
• ENEO online until end Q3 2019 and 3 additional industrial customers connected • 1.09 km added to the pipeline network • CNG implementation put on hold pending commercial studies	• Expansion of thermal and industrial power customer base and associated expansion of the pipeline network • Additional grid power opportunities	• Reliance on key customer • Existence of Gas Market • Political and Regulatory Delay • Alternative Market Development
• Adjusted EBITDA US$4.0 million (2018: a loss of US$0.5 million) • Net Cash utilised in operating activities US$2.4 million (2018: cash utilised of US$2.2 million) • Net debt US$10.7 million (2018: US$17.4 million) • US$16.8 million net equity raise	• Ongoing cashflow and working capital management • Recovery of outstanding receivables	• Reliance on key customer • Access to funding • Liquidity
• Nil lost time injuries throughout the year • OECD instance mediation initiated	• Ensuring safe operations, respectful of the environment and committed to local communities • Resolution of OECD instance	• HSSE & Cyber crime • Bribery & Corruption • Regulatory Compliance • Human Rights/Community
	• Under review	• Political/Regulatory Delay • Title to assets
• Continued marketing of West Medvezhye with various parties	• Sale/Farm-out	• Title to Assets • Political and Regulatory delay

Corporate Social Responsibility Report

Community relations

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

During 2019 GDC continued with its dialogue led Community Work, working with representative groups from those living and working in our area of operations. GDC operates within a highly urban environment, some of the challenges faced by ourselves, and our neighbours are very context specific. Platform Meetings are held within the local community alongside SNH to report on the ongoing environmental monitoring and compliance reporting that the Company undertakes and provide a direct dialogue with the community to raise any concerns or issues they may have.

GDC has continued its commitment to health and education schemes.

Education

GDC makes annual donations of educational materials to junior schools in the local proximity to the Logbaba site. As part of a "back to school" initiative donations of stationery and school books were made to government primary schools within the city of Douala in the neighbourhoods of Ndogpassi, Logbaba, Bonapriso and Bonaberi.

All GDC employees can apply for loan assistance in relation to school fees.

Environmental Education

GDC continued into 2019 its involvement in the "Waste Management Awareness Sessions" with a number of educational institutions selected around the Logbaba Concession Area to try and improve awareness within the area. The students ranged from Junior to Senior school ages.

Medical

GDC employees and their families covering 490 people are covered under the Company's medical insurance policy.

During 2018 VOG and GDC worked with the Cameroonian Presidents Office representative in the UK in their bid to raise funds for, and the delivery of some dialysis machines for Buea Kidney Dialysis Centre in Cameroon. Four Fresenius 5008 refurbished and fully serviced dialysis machines were obtained with the incredible assistance of St Georges Hospital in Tooting and these were handed over in Buea in May 2019.

"OUR COMMUNITY COMMITMENT:

- ENSURING A SAFE WORKING AND OPERATING ENVIRONMENT
- DIALOGUE LED LOCAL COMMUNITY PARTNER INITIATIVES
- ADHERING TO BEST PRACTICE ENVIRONMENTAL STANDARDS."

Corporate Social Responsibility Report continued

GDC's wider impact

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

1. Supporting the provision of clean energy – As a domestic supplier of gas we contribute a major energy source to the Cameroon economy. This has seen businesses move into the area of our pipeline reach allowing those wishing to access it to be provided with a consistent, safe source of combustion. Many existing businesses have switched from the use of heavy fuel oil to a cleaner natural gas solution.
2. Fiscal contributions – GDC pays all applicable taxes disclosing our dealings in an appropriate and transparent manner. In the eight years that VOG has been operating in the Douala region, the Company has contributed significantly to the local and national economy, paying circa US$81 million in taxes and spending >US$147 million with local contractors.
3. Direct employment and skills training – Over 40% of the GDC senior management are Cameroon nationals and other senior positions are now filled in the majority by individuals from the region. 96% of GDC's employees are Cameroonian nationals. We maintain an equal opportunities employment policy and have defined skills and training programmes both internally and externally provided to develop our employees' careers. GDC is particularly proud of its staff retention record and we have reskilled a core team, that have been with us from the start, that have adapted their roles in step with our transition from E&P company to gas supply utility. The consistent, highly skilled work force we have within the Group is one of our key strengths. Notably, in a process that was initiated in 2019, and came to fruition post period, the Minister of Labour acknowledged recipients of Bronze, Silver and Gold Cameroonian Long Standing Service Awards, a scheme established to encourage a commitment to employment.

During 2019 community workers were continuously engaged by ourselves and our on site suppliers.

US$12.3 million paid in local Cameroon direct and indirect taxes in 2019. US$81 million in total since 2011.

Total investment in Cameroon to end 2019 US$485 million.

Corporate Social Responsibility Report continued

Environment

GDC is subject to best practice standards and extensive regulations, which govern environmental protection. GDC is committed to uphold these standards and regulations as a minimum, and to keep these important matters under continuous review and operates to ensure compliance with the standards expected of an international oil and gas exploration and production company.

At the outset of GDC's Logbaba Project GDC commissioned an independent Social and Environmental Due Diligence study in the context of the Equator Principles, 2006 and the IFC Performance Standards, 2012. The Project was identified as being limited in adverse social or environmental impact, and any impacts were likely to be few in number, generally site specific, largely reversible and readily addressed through mitigation measures. The Group completed a further Environmental and Social Impact Assessment ("ESIA") as part of the La-108 and La-108 drilling programme planning the results of which feed into the Environmental and Social Management Plans ("ESMP") for the entire operation. In line with the ESMPs, Environmental Monitoring and Compliance is carried out as per Cameroon's environmental regulations notably: The Environmental Framework Law and the implementation Decree which lays down procedures for the realisation of Environmental Assessments. The Projects have been thus awarded Certificates of Environmental Conformity ("CEC") are subjected to administrative and technical Environmental Monitoring. Such, obligatory follow-up and supervision ensures projects respect their terms of approval in line with ESMP. The responsibility to monitor the compliance of ESMP implementation during projects/operations is vested on GDC's Environmental Officer.

Within this context, GDC in respect of national and international legislations and aligned with its integrated Quality, Health, Safety and Environmental, Policy prepares quarterly reporting in compliance with the specifications of the ESMPs which are submitted to the relevant stakeholders. These are also presented to the local communities at regular Platform Meetings held by GDC.

Health and Safety

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

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

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

ISO Certification

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

During 2019 GDC received its certification following an audit by an external certifying authority completing the audit process for ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018. GDC has established management systems; Quality, Environmental and Occupational Safety and Health, which conform to international ISO standards demonstrating our continued commitment to providing a high-quality product and delivering a consistent service to all our clients, alongside the investment of time and money into new technology, staff, processes and procedures by the Company.

136 employees.

96% local Cameroonians.

Medical Insurance provided to 128 employees and 362 family members.

Corporate Social Responsibility Report continued

OECD Instance

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

The Guidelines are principles for responsible business conduct in areas including employment, human rights and the environment. While the Board and GDC both strongly believes that the Company has and has had the necessary policies and processes in place, during 2019 the Company attended mediation sessions with the complainants and the process continues, albeit meetings postponed due to the Covid-19 restrictions.

Covid-19

In the period since 31 December 2019, the emergence and spread of Covid-19 has not had a significant impact on the Group's operations. Remediation work in relation to La-108 was postponed due to the Covid-19 pandemic as crews were unable to mobilise.

A crisis management team was established in accordance with the GDC corporate management plan to manage the company's activities and coordinate with the State authorities in order to implement all the recommended guidelines and preventive controls for Covid-19.

Many of our office based workers have worked from home; education and training was provided to all staff and appropriate PPE equipment issued.

The Company continues to monitor the development of Covid-19 as presented by WHO and the State of Cameroon and implement recommendations and guidelines within GDC site and offices. The Drilling Camp was isolated in order to be used for any quarantine requirements.

A Community Platform meeting scheduled for July 2020 has had to be postponed due to social distancing requirements.

Directors & Other Information

Roger Kennedy
Executive Chairman

Dr Kennedy has worked within the natural resources industry for over 30 years developing and executing company and project strategies, in addition to his roles as an investment manager and as a senior advisor. Currently he is Director of KCP Private Limited, a family office focused on investments in natural resources, infrastructure, technology, consumer finance and power. In 2012, he co-founded QKR Corporation Limited, a diversified mining investment company backed by sovereign funds, institutional investors and high-net-worth individuals and served as a director until 2014.

Prior to 2012, Dr Kennedy was Managing Director and Head of the Energy & Natural Resources Group, Asia Pacific at JP Morgan Securities (Asia Pacific) Limited, where he managed a large Asia Pacific based team focused on Oil & Gas, Metals & Mining, Power and Chemicals. From 1994 to 2000 Mr Kennedy was Head of the Latin American Industrials Group (Oil & Gas, Metals & Mining, Utilities, Infrastructure and Construction) and member of the M&A, Debt Capital Markets, Telecom and Natural Resources Investment Banking teams at Salomon Brothers Inc. Dr Kennedy has graduated from Oxford University with a D.Phil./PhD in Economics and Politics, holds a Juris Doctorate from New York University and is a member of the New York Bar Association.

Roy Kelly
Chief Executive Officer

Roy Kelly has over 35 years of technical, commercial and managerial experience in the international energy industry and was previously Partner, Head of Technical, at Kerogen Capital, a specialist oil, gas and energy private equity fund with over US$2 billion in assets under management across several funds. Mr Kelly remains on Kerogen's Technical Committee as an operating partner. Prior to Kerogen, Mr Kelly trained as a petroleum engineer with BP and a number of independent oil companies. He also spent 14 years in consulting and advisory roles to the energy industry, latterly as Managing Director of Consulting at RPS Energy Ltd, which included reserves and resource auditing, and technical and advisory roles throughout West Africa, including Cameroon. Mr Kelly is a Chartered Petroleum Engineer, a Fellow of the Energy Institute and a Member of the Society of Petroleum Engineers. He holds a BSc (Honours) from the University of Wales and an MBA from the University of Durham.

Robert Collins
Chief Financial Officer

Rob joined the Company in February 2020 as a Non-Executive Director and in August 2020 assumed the role of Chief Financial Officer. Rob brings a wealth of expertise with over 20 years' experience in Natural Resources Corporate Finance, advising on a broad range of corporate transactions spanning various commodity groups and transactions. He has successfully advised on numerous IPOs, public and private equity raises and M&A transactions for many Official List, AIM, TSX and ASX listed companies. Prior to joining the Company as a Non-Executive Director, Rob was joint senior partner of Alternative Resource Capital LLP ("ARC"), a business he co-founded. He will remain an advisor to ARC in a non-executive capacity. Prior to ARC, Rob headed up the Natural Resource teams at Zeus Capital Limited, GMP Securities Europe LLP, Canaccord Genuity Europe Limited and Evolution Securities Limited. Rob commenced his career at Coopers and Lybrand and is qualified as a Chartered Accountant.

Directors & Other Information continued

John Daniel
Non-Executive Director

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

Directors
Roger Kennedy, *Executive Chairman*
Roy Kelly, *Chief Executive Officer*
Robert Collins, *Chief Financial Officer*
John Daniel *Independent Non-Executive Director*

Company Secretary
Leena Nagrecha

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Corporate Governance Statement

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

As a Company whose shares are traded on the AIM market of the London Stock Exchange, the Company complies with the Quoted Companies Alliance ("QCA") Corporate Governance Code ("the Code") as the basis of the Group's Governance framework and its Statement of Compliance with the same can be found on the Company website:

www.victoriaoilandgas.com/investor-relations/corporate-governance.

Board

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

The Board of Directors currently has four members, comprising the Executive Chairman, Chief Executive Officer, Chief Financial Officer and one independent Non-Executive Director.

During the current year, Roger Kennedy replaced Kevin Foo as Executive Chairman at the conclusion of the General Meeting ("GM") held on 3 April 2019. John Knight was appointed Senior Independent Director in place of Roger Kennedy effective 3 April 2019. John Bryant resigned from the Board on 7 July 2019 and John Knight on 7 November 2019, reducing the number of independent Non-Executive Directors to one.

The Board was strengthened with the appointment of Robert Collins as an additional independent Non-Executive Director on 10 February 2020. He was also appointed as Senior Independent Director. Ahmet Dik resigned as Chief Executive Officer on 20 March 2020 and Roy Kelly was appointed Chief Executive Officer on 23 March 2020. On 15 May 2020, Andrew Diamond, Finance Director, tendered his resignation and he is currently working out his six-month notice period. Robert Collins (formerly Non-Executive Director) was appointed Chief Financial Officer on 11 August 2020. The Company is reviewing the appointment of an additional Non-Executive Director. Roger Kennedy will assume the role of Non-Executive Chairman after the General Meeting to be held on 29 October 2020.

The Chairman is responsible for leadership of the Board. He is assisted by other Board members in formulating strategy and, once agreed by the Board, the Executive Directors are responsible for its delivery. The structure of the Board ensures that no one individual dominates the decision-making process and the Chairman facilitates and ensures that there is effective contribution from other Executive and Non-Executive Directors. The Board provides effective leadership and overall management of the Group's affairs. The Board approves the Group's strategy and investment plans and regularly reviews operational and financial performance and risk management matters. A schedule of matters reserved for Board decision is maintained. This includes the approval of business plans, the annual budget, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the Financial Statements.

The Board currently represents an effective balance of skills and experience in the international energy industry, including resource exploration and production, finance, corporate and business development as well as entrepreneurial and country background. The experience and knowledge of each of the Directors gives them the ability to constructively challenge the strategy and to scrutinise performance. The Board is committed to ensuring diversity of skill, experience and gender balance. Biographical details of the Directors as at the date of the Annual Report and Accounts are available in the section 'Directors and Other Information'.

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

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

Corporate Governance Statement continued

Directors	Board (scheduled)	Board (additional)	Audit Committee	Remuneration Committee	Nomination Committee
Roger Kennedy	6/6	16/18	–	–	–
Ahmet Dik	6/6	17/18	–	–	–
Andrew Diamond	6/6	18/18	–	–	–
John Daniel [(a)]	5/5	4/4	4/4	2/2	–
John Knight [(b)]	4/4	4/4	4/4	2/2	–
John Bryant [(c)]	2/2	16/17	3/3	1/1	–
Kevin Foo [(d)]	1/1	14/14	–	–	–

[(a)] John Daniel was appointed as Director on 3 April 2019.

[(b)] John Knight was appointed as Director on 3 April 2019 and resigned from the Board on 7 November 2019.

[(c)] John Bryant resigned as Director on 7 July 2019.

[(d)] Kevin Foo retired as Director on 3 April 2019.

The Board delegates certain of its responsibilities to the Board Committees, listed below, which have clearly defined terms of reference.

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

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

Board Committees

The Board has Remuneration, Audit and Nomination Committees and the membership of these Committees, during the financial year and to date, changed as follows:

	Audit Committee Members	Remuneration Committee Members	Nomination Committee Members
1 January 2019 – 3 April 2019	Roger Kennedy (Chairman) and John Bryant	John Bryant (Chairman) and Roger Kennedy	Kevin Foo (Chairman) Roger Kennedy and John Bryant
3 April 2019 – 7 July 2019 [(a)]	John Knight (Chairman), John Bryant and John Daniel	John Bryant (Chairman), John Daniel and John Knight	John Daniel (Chairman) Roger Kennedy, John Bryant and John Knight
7 July 2019 – 7 November 2019 [(b)]	John Knight (Chairman) and John Daniel	John Daniel (Chairman) and John Knight	John Daniel (Chairman) Roger Kennedy and John Knight
7 November 2019 – 9 February 2020 [(c)]	–	–	John Daniel (Chairman) and Roger Kennedy
10 February 2020 – 10 August 2020 [(d)]	Robert Collins (Chairman) and John Daniel	John Daniel (Chairman) and Robert Collins	John Daniel (Chairman) Roger Kennedy and Robert Collins
11 August 2020 – to date [(e)]	–	–	John Daniel (Chairman) and Roger Kennedy

[(a)] On 3 April 2019 Roger Kennedy ceased to be an independent Non-Executive Director, on his appointment as Executive Chairman. John Knight and John Daniel were appointed independent Non-Executive Directors.

[(b)] John Bryant resigned as independent Non-Executive Director on 7 July 2019.

[(c)] John Knight resigned as independent Non-Executive Director on 7 November 2019.

[(d)] Robert Collins appointed independent Non-Executive Director on 10 February 2020.

[(e)] Robert Collins appointed as Chief Financial Officer on 11 August 2020.

Corporate Governance Statement continued

Audit Committee

The membership of the Committee is as set out above.

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

The Committee meets at least four times per year. During 2019, the Committee met four times and Audit Committee matters during the period 7 November 2019 to 9 February 2020 and from 11 August 2020 onwards were dealt with by the Board. Additional meetings are held where necessary to consider matters referred by the Board. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on, complying with relevant legal requirements. The Committee receives and reviews reports from management and the Group's auditors relating to the Group's Report and Accounts, the interim results and review of the accounting policies. Meetings are held at least twice a year with the auditors, once at the audit planning stage to consider the scope of the audit and thereafter at the reporting stage, to receive post-audit findings. The ultimate responsibility for reviewing and approving the annual report remains with the Board of Directors. The Committee is also responsible for reviewing the relationship with the external auditors, making recommendations to the Board on their appointment and remuneration, monitoring their independence, as well as assessing scope and results of their work, including any non-audit work. The Committee authorises any non-audit work to be carried out by the external auditors and ensures that the objectivity and independence of the external auditor has not been impaired in anyway by the nature of the non-audit work undertaken, the level of non-audit fees charged for such work or any other factors.

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

Remuneration Committee

The membership of the Committee is as set out above.

The Committee recommends to the Board the scale and structure of the Executive Directors' remuneration and that of senior management and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of the Executive Directors and senior management, the Committee seeks to ensure that the Company will be able to attract and retain executives of the highest calibre. It makes recommendations to the Board concerning bonuses and share awards. No Director participates in discussions or decisions concerning his own remuneration. Further details regarding matters considered by the Remuneration Committee during the year are outlined in the Remuneration Report.

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

Nomination Committee

The membership of the Committee is as set out above and currently comprises one independent Non-Executive Director and the Executive Chairman. The Committee did not meet during the year because there were no Executive Directors appointed during the period.

The Committee oversees the composition of the Board (including skills, knowledge and experience), senior executive recruitment and succession, and the process for appointment of Directors.

Corporate Governance Statement continued

Dialogue with Shareholders

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

The Board recognises the AGM as an important opportunity to meet with private shareholders. The Non-Executive Director attends the shareholders' meetings and is available to answer any questions relevant to the Committees chaired by him. The Executive Directors are also available to listen to the views of shareholders informally immediately following the shareholder meetings. Covid-19 lockdown restrictions, and related social distancing requirements impeded the ability of shareholders to communicate with the Board members at the AGM. The Board will seek an alternative forum to engage with shareholders at the GM to be held to receive the 2019 Annual Report and Accounts.

Extensive information about the Group's activities is included in the Annual Report and the Interim Report. The Group also issues quarterly updates to shareholders. Market sensitive information is regularly released to all shareholders in accordance with London Stock Exchange rules for AIM-listed companies. The Company maintains a corporate website where information on the Company is regularly updated, including Annual and Interim Reports, presentations and announcements.

Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and reviewing its effectiveness. The procedures that include, inter alia, financial, operational, health and safety, compliance matters and risk management (as detailed in the Principal Risks and Uncertainties section) are reviewed on an ongoing basis.

The Group's internal control procedures include Board approval for all significant projects, including corporate transactions and major capital projects. The Board receives and reviews regular reports covering both the technical progress of projects and the Group's financial affairs to facilitate its control.

The Group has in place internal control and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts, which the Board considers adequate in view of the size and nature of the Group's operations. These systems include policies and procedures to ensure that adequate accounting records are maintained, and transactions are recorded accurately and fairly to permit the preparation of Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRSs"). The Audit Committee reviews draft Annual and Interim Reports before recommending them for approval to the Board. The Audit Committee discusses with the Executive Chairman, Finance Director and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

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

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the Group, does not consider it necessary at the current time.

Directors' Report

Principal Activities, Business Review and Future Developments

The principal activities of the Group are gas exploration, production and distribution in Cameroon. During the year, the Group continued the sale of gas and condensate to customers in Cameroon and development of the Group's strategy to increase gas sales in Cameroon. The main activity has been the ongoing development of the Logbaba gas and condensate field and progress the development of the neighbouring Matanda Block to supply gas to our customers in Douala, Cameroon, and the expansion of the gas pipeline distribution network to reach new customers. A detailed update on these activities is provided in the Chairman's Letter.

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

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

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

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

Directors

The following Directors held office during the financial year and as at the date of this Annual Report and Accounts:

Executive Directors

Kevin Foo (retired 3 April 2019)
Roger Kennedy (appointed Executive Chairman 3 April 2019)
Ahmet Dik (resigned 20 March 2020)
Roy Kelly (appointed Chief Executive Officer 23 March 2020)
Andrew Diamond (resigned 15 May 2020)
Robert Collins (appointed Chief Financial Officer 11 August 2020)

Independent Non-Executive Directors

John Bryant (resigned 7 July 2019)
John Knight (appointed 3 April 2019 and resigned 7 November 2019)
John Daniel (appointed 3 April 2019)
Roger Kennedy (ceased to be independent Non-Executive Director on 3 April 2019)
Robert Collins (appointed 10 February 2020 and ceased to be independent Non-Executive Director 11 August 2020)

Rotation and Election of Directors

In accordance with Article 102.2 of the Company's Articles of Association, Roger Kennedy retired by rotation at the Annual General Meeting ("AGM") held on 29 June 2020 and he was duly re-elected. Also at this AGM Robert Collins and Roy Kelly, who were appointed Directors by the Board following the 2019 AGM, were elected as Directors in accordance with Article 106.

Dividends

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

Directors' Indemnities

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

Auditors

Each person who is a Director at the date of approval of this Report and Accounts confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

A resolution to re-appoint the auditors, Deloitte Ireland LLP, was duly approved at the AGM held on 29 June 2020.

Substantial Shareholders

At 29 September 2020, the Company had received notification from the following shareholders of interests in excess of 3% of the Company's issued Ordinary Shares with voting rights:

Shareholder	Number of shares	Percentage of issued share capital
Askar Alshinbayev	60,913,330	23.71%
Hadron Capital LLP	27,440,962	10.7%
Forest Nominees Limited (GC1)	7,775,366	3.0%

Share Capital

Details of changes to share capital in the year are set out in Note 23. This includes the subscription of shares during the year.

Directors' Report continued

Information set out in the Strategic Report

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

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

Going Concern

The Group's consolidated Financial Statements have been prepared on a going concern basis as detailed in Note 3.

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

In performing their assessment of going concern, the Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets to 30 September 2021. The expected cash flows, plus available cash on hand, after allowing for funds required for administration and development costs, working capital improvement and debt servicing, are expected to cover these activities.

The Directors are of the view that the Group is sufficiently funded for the twelve-month period from the date of approval of these Financial Statements. However, the Directors note that there are material uncertainties as set out in Note 3, which if any should eventuate, would require the Group to raise additional funds in 2021.

Although the Directors consider the likelihood of all uncertainties eventuating to be remote, they are confident additional funding can be accessed should it be required.

On the basis of the considerations set out above, the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis. These Financial Statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group was unable to continue as a going concern.

Covid-19

A statement on the impact of the Covid-19 pandemic on the Group, as well as the additional risks faced, contingency planning and responses is detailed in the Chairman's Letter, Finance Review, Principal Risks and Uncertainties and Going Concern Review (see Note 3, Financial Statements).

Annual General Meeting

The AGM of the Company was held in London on 29 June 2020 in compliance with the Company's statutory requirements and all the resolutions put to vote were duly approved.

The Company's 2019 Annual Report and Accounts were not available to consider at the AGM and a General Meeting ("GM") will be held in London on 29 October 2020 to receive these. The Notice of the GM will be available on the Company's website: www.victoriaoilandgas.com.

By Order of the Board,

Leena Nagrecha
Company Secretary
29 September 2020

Directors’ Remuneration Report

As an AIM-listed company, Victoria Oil & Gas is not obliged to implement the remuneration reporting requirement for premium listed companies set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. However, the Remuneration Committee (“the Committee”) has chosen to disclose the following information in the interests of greater transparency:
- An overview of the remuneration policy for the Group’s executives endorsed by the Committee following a review of the existing remuneration arrangements; and
- Remuneration arrangements including payments and awards made to the Directors for the current year.

Remuneration Committee
The remit of the Committee is provided in the Corporate Governance section.

During the financial year the Committee was represented by independent Non-Executive Directors. John Bryant and Roger Kennedy as members of the Committee until 3 April 2019, when John Knight and John Daniel were appointed members of the Committee and Roger Kennedy ceased to be a member. John Bryant continued to chair the Committee until his resignation as independent Non-Executive Director of the Company on 7 July 2019. John Daniel was appointed Chairman of the Committee effective 7 July 2019. John Knight ceased to be a member of the Committee when he resigned as independent Non-Executive Director on 7 November 2019.

Robert Collins was appointed a member of the Committee on 10 February 2020 on his appointment as Non-Executive Director. He ceased to be a member of the Remuneration Committee on his appointment as Chief Financial Officer on 11 August 2020. For the period 11 November 2019 to 10 February 2020 and from 11 August 2020 onwards, all Remuneration Committee matters were dealt with by the Board as the Committee was represented by only one Non-Executive Director. Roger Kennedy will be appointed a member of the Committee effective from the date of his appointment as Non-Executive Chairman of the Company.

The Committee met twice during the current year.

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

The Company’s remuneration policy during the financial year consisted of the following elements, which are explained in more detail below:
- Salary at market related levels to attract the right calibre executive;
- Annual bonus to recognise performance during the financial year against targets aligned with shareholder value accretion; and
- Long-Term Incentive Plan introduced following the fundraising in April 2019, to align the interests of the Directors and the Senior Management with that of the shareholders.

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

Salary – Executive Directors
The purpose of the base salary is to:
- reflect market rates to help recruit and retain key individuals;
- reflect the individual’s experience, role and contribution within the Company; and
- ensure fair reward for carrying out their duties.

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

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

In order to align executives’ interests with those of shareholders and manage cash costs, a proportion of the bonus may be paid in shares of the Company. The Committee will, in accordance with Executives’ contracts, determine on an annual basis the level of deferral of the bonus payment into the Company’s shares, the vesting period and the maximum vesting period.

The performance targets for the year ended 31 December 2019, included the following:
- Total Shareholder Return performance relative to the AIM All Share Oil and Gas index;
- Additional Gas Sale Agreements with grid and non-grid customers;
- Ensure sufficient cash levels are maintained;
- Safe and successful remediation of well La-108; and
- Increase customer base of GDC.

Based on review of performance against the above listed targets, the Committee has concluded that whilst certain of the objectives were achieved, in light of the current financial position of the Company, no bonus awards for the year ended 31 December 2019 should be granted. This recommendation from the Committee was approved by the Board. The Company did not make any bonus awards for the financial year ended 31 December 2018.

The performance targets for the year ending 31 December 2020 include the following:
- Total Shareholder Return performance relative to the AIM All Share Oil and Gas index;
- Recovery of ENEO receivables;
- Ensure sufficient cash levels are maintained; and
- Safe and successful remediation of well La-108.

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

Directors' Remuneration Report continued

Long-Term Incentive Plan ("LTIP")

Following the fundraising in April 2019, and as set out in the shareholder circular dated 11 March 2019, work was carried out to set up a new LTIP to align the interests of the Executive Directors and senior management with the shareholders. On 31 July 2019, the Board, on the recommendation of the Committee, adopted the new LTIP and the Committee approved the grant of share options under the LTIP as detailed below.

The Long-Term Incentive Plan adopted by the Board on 12 September 2017 has not been activated to date and has been superseded by the new LTIP adopted by the Board.

Share Options

In addition to the share options granted to Executive Directors under the LTIP, on 31 July 2019, the Board granted share options to the two Non-Executive Directors in accordance with individual share option agreements. Upon resignation as Non-Executive Director on 7 November 2019, John Knight waived his rights to 1,000,000 share options awarded to him. Further details are set out in this report (page 41).

Benefits

The Company provides medical insurance cover and pensions auto-enrolment for all UK based employees. The Company makes a monthly contribution into pension schemes nominated by Mr Dik and Mr Diamond at 15% of their respective salaries. The total value of the benefits for the Executive Directors is disclosed in the Directors' Remuneration table below.

The details of the benefits paid/earned during 2019 are as follows:

Executive Director	Healthcare US$	Pension US$	Total US$
Roger Kennedy	16,219	–	16,219
Ahmet Dik	16,260	90,117	106,377
Andrew Diamond	3,669	35,404	39,073
Kevin Foo	5,186	–	5,186
Grand Total	**41,334**	**125,521**	**166,855**

Directors' Service Contracts

Executive Directors

Executive Directors are employed under service contracts with notice periods as follows:

Roger Kennedy	(appointed Executive Chairman 3 April 2019)	6 months
Ahmet Dik	(resigned 20 March 2020)	12 months
Andrew Diamond	(resigned 15 May 2020)	6 months
Kevin Foo	(retired 3 April 2019)	12 months
Roy Kelly	(appointed Chief Executive Officer 23 March 2020)	12 months
Robert Collins	(appointed Chief Financial Officer 11 August 2020)	12 months

Non-Executive Directors

The Non-Executive Directors are appointed for an initial term of three years, with a notice period of one month from the Company or the Non-Executive Director. As at the date of the 2019 Annual Report, the unexpired terms of the Non-Executive Directors' letters of appointment were:

	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at the date of this Report
John Daniel	3 April 2019	3 April 2022	18 months
Robert Collins[(a)]	10 February 2020	10 August 2020	–

(a) Robert Collins ceased to be Non-Executive Director of the Company on his appointment as Chief Financial Officer on 11 August 2020.

Effective April 2019, the Non-Executive Directors receive a fixed cash fee of £40,000 per annum. Non-Executive Directors may, at the discretion of the Board, also be awarded share options.

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

Directors' Remuneration Report continued

Directors' Remuneration

Directors' remuneration in aggregate for the year ended 31 December 2019 is as follows:

	Salaries and fees US$	Benefits in kind US$	Share-based payments US$	Settlement payments US$	Total US$
12-months to 31 December 2019					
Executive Directors					
Roger Kennedy[(a)]	193,821	16,219	345,340	–	555,380
Ahmet Dik	593,629	106,377	394,674	–	1,094,680
Andrew Diamond	241,864	39,073	197,337	–	478,274
Kevin Foo[(b)]	127,275	5,186	81,007	494,323	707,791
Non-Executive Directors					
John Bryant[(c)]	49,359	–	–	8,108	57,467
John Daniel	37,414	–	24,667	–	62,081
John Knight[(d)]	29,636	–	–	–	29,636
Grand Total	**1,272,998**	**166,855**	**1,043,025**	**502,431**	**2,985,309**

	Salaries and fees US$	Benefits in kind US$	Share-based payments US$	Settlement payment US$	Total US$
12-months to 31 December 2018					
Executive Directors					
Kevin Foo	376,140	13,309	–	–	389,449
Ahmet Dik	549,953	95,048	–	–	645,001
Andrew Diamond	241,903	43,375	–	–	285,278
Non-Executive Directors					
John Bryant	100,304	–	–	–	100,304
Iain Patrick	37,266	–	–	53,256	90,522
Roger Kennedy	100,304	–	–	–	100,304
Grand Total	**1,405,870**	**151,732**	**–**	**53,256**	**1,610,858**

(a) Appointed as Executive Chairman and ceased to be independent Non-Executive Director on 3 April 2019.
(b) Retired as Executive Chairman on 3 April 2019.
(c) Resigned as Non-Executive Director on 7 July 2019.
(d) Resigned as Non-Executive Director on 7 November 2019.

Ahmet Dik, who resigned as Chief Executive Officer on 20 March 2020, will serve out his notice period of twelve months with the Company, unless the Board agrees to a shorter duration. During the term of his notice period, his annual salary will revert to US$600,000 and he will be entitled to all of the employment benefits he received under his former service agreement.

Roger Kennedy, who resigns as Executive Chairman, and takes up the role of Non-Executive Chairman following the General Meeting scheduled on 29 October 2020, will waive his entitlements to his contractual notice period, holiday entitlements, and any further benefits pursuant to his Executive Director services contract. During the year, Mr Kennedy received a loan of US$22,576 from the Company to assist with his relocation to the UK. This loan has been fully repaid as at the date of reporting.

Directors' Remuneration Report continued

Directors' Interests in Share Capital of the Company

The interests of Directors who held office at 31 December 2019 are set out in the table below:

	Ordinary Shares held		Ordinary Share Options				
	1 January 2019	31 December 2019	1 January 2019[a]	Granted during the year	Exercised	31 December 2019	Weighted Exercise price
Executive Directors							
Roger Kennedy	1,754	1,754	–	3,500,000[b]	–	3,500,000	0.14 pence
Ahmet Dik	1,148,110	1,582,845	433,735	4,000,000[b]	433,735	4,000,000	0.14 pence
Andrew Diamond	14,554	14,554	205,422	2,000,000[b]	–	2,205,422	0.13 pence
Non-Executive Directors							
John Daniel	–	–	–	1,000,000[c]	–	1,000,000	0.14 pence

[a] Fully vested Nil cost options which expire on 31 August 2022. These options relate to the annual bonus awards relating to 2016.

[b] Share options awarded on 31 July 2019 to Executive Directors pursuant to the LTIP, at an exercise price of 14 pence and fully vested from the date of grant. The options are exercisable over a five-year period from the date of grant.

[c] Share options awarded on 31 July 2019 to the Non-Executive Director at an exercise price of 14 pence, 25% of the options vested on the date of grant, with the balance vesting equally over three years. The options are exercisable over a five-year period from the date of grant.

John Daniel
Remuneration Committee Chairman
29 September 2020

Statement of Directors' Responsibilities

Responsibility Statement

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

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

Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing the Financial Statements for the Group and the Company, the Directors are required to:

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

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

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

We confirm that to the best of our knowledge:

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

By order of the Board,

Roger Kennedy
Executive Chairman
29 September 2020

John Daniel
Non-Executive Director
29 September 2020

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

Opinion

In our opinion:

- **the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;**
- **the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB");**
- **the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.**

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

- The Consolidated Income Statement;
- The Consolidated Statement of Comprehensive Income;
- The Consolidated and Parent Company Statements of Financial Position;
- The Consolidated and Parent Company Statements of Changes in Equity;
- The Consolidated Cash Flow Statement ; and
- The related Notes 1 to 32 and Notes A to K including a summary of significant accounting policies as set out in Note 2 and Note A.

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

Basis for opinion

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

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

Material uncertainty relating to going concern

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

Note 3 to the Group's Consolidated Financial Statements concerning the Group and Parent Company's ability to continue as a going concern. The Group incurred a loss of $110.3 million for the year ended 31 December 2019. The Group had a cash balance of $7.2 million and borrowings of $17.9 million at the Balance Sheet date.

The Parent Company incurred a loss of $110.3 million for the year ended 31 December 2019. The Parent Company has a cash balance of $3.6 million at the Balance Sheet date.

The ability of the Group and the Parent Company to continue as a going concern is dependent on a number of uncertainties including the recoverability of amounts owed by ENEO, a successful conclusion to the Logbaba Concession agreement negotiations, and the ability to raise additional financing if required.

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

Material uncertainty relating to going concern continued

The Directors have prepared the Financial Statements of the Group and Parent Company on the basis that the Group and Parent Company is a going concern.

In response to this, we:
- obtained an understanding of the Group and Parent Company's controls over the development and approval of the projections and assumptions used in the cash flow forecasts to support the going concern assumption and assessed the design and determined the implementation of these controls;
- challenged the key assumptions used in the cash flow forecasts by agreement to historical run rates, expenditure commitments and other supporting documentation;
- performed sensitivity analysis on the cash flow forecasts to assess the amount of headroom;
- tested the clerical accuracy of the cash flow forecast model; and
- assessed the adequacy of the disclosures in the Financial Statements.

These events and conditions, along with the other matters as set forth in Note 3 to the Financial Statements, indicate the existence of a material uncertainty on the Group's and Parent Company ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • *Recoverability of Property, Plant and Equipment and other assets* – Group and Parent Company; • *Recoverability of Exploration and Evaluation Assets*; and • *Going concern (see material uncertainty relating to going concern section)*. Within this report, any new key audit matters are identified with and any key audit matters which are the same as the prior year identified with .
Materiality	The materiality that we used for the Group Financial Statements was US$300,000 which was determined on the basis of a blended rate of 2% of shareholders equity and 2% of revenue. The Parent Company materiality that we determined was US$150,000 based on 1.3% of net assets.
Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and assessing the risks of material misstatement at the Group level. We also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature. We assessed the Group to consist of three significant components being Victoria Oil & Gas PLC ("Company"), Gaz Du Cameroun S.A. ("GDC") and Bramlin Limited ("Bramlin"). We performed a full scope audit on these components.
Significant changes in our approach	No significant changes in our approach.

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

Key audit matters

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

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

Key audit matter title	Recoverability of Property, Plant & Equipment and other assets – Group and Parent Company
Key audit matter description	As at 31 December 2019, the carrying value of Property, Plant & Equipment ("PPE") including Oil and Gas assets ("O&G") was US$20.6 million (2018: US$91.1 million). The Parent Company had amounts due from subsidiaries of US$9.5 million (2018: US$85.9 million) at the Balance Sheet date. During the year the Group recorded an impairment charge of US$62.9 million in relation to PPE (2018: Nil) and an impairment charge of US$5.6 million (2018: Nil) in relation to investment in associates. The Parent Company fully impaired its investments in subsidiaries and associates during the year recording an impairment charge of US$16.9 million (2018: Nil). PPE assets relate to costs capitalised in relation to the gas reserves in production. PPE assets are tested against the expected recoverable amount by comparing the carrying value of the asset against the future net cash flows expected. Calculation of the recoverable amount of the asset requires judgement in determining appropriate assumptions including but not limited to reserves and production profiles, revenue assumptions and discount rates to use when projecting future cash flows. The realisation of the carrying value of PPE is dependent on the continued development of economic reserves from the Logbaba project and the successful remediation of LA-108 well. The realisation of amounts due from subsidiaries is also dependent on the realisation of PPE, and accordingly, on the continued development of economic reserves from the Logbaba Project. Refer to the accounting policy in Note 2 (Significant accounting policies), Note 4 (Impairment of assets) and the disclosures in Note 15 (Property, Plant & Equipment) of the Group Financial Statements and as described in Note A (Significant accounting policies) and in Note B of the Parent Company Financial Statements.
How the scope of our audit responded to the key audit matter	Our audit response included the procedures below: • We have evaluated management's procedures for assessing indicators of impairment; • We obtained an understanding of management's controls over the development and approval of the projections and assumptions used in the impairment model and assessed the design and determined the implementation of these controls; • We assessed the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; • We challenged the key assumptions used in management's calculation of the value in use by reference to historical trends and gathering of other relevant information including market data; • We engaged our valuation experts to determine an independent discount rate to assess the appropriateness of the discount rate used by management; • We assessed revenue growth assumptions by agreeing details of new customers to relevant gas supply agreements; • We assessed cost assumptions by agreement to relevant information including capital expenditure commitments and historical run rates of operating costs; • We recalculated the impairment charges recorded by management to assess their reasonableness in the context of the value in use models prepared; and • We assessed the completeness and accuracy of disclosures within the financial statements in accordance with IFRSs.
Key observations	The recoverability of PPE and amounts due from subsidiaries is dependent on the continued development of economic reserves and revenue growth from the Logbaba Project which is subject to a number of uncertainties including the ability of the Group to raise sufficient finance to continue to develop operations. The Financial Statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.

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

Key audit matter title	Recoverability of Exploration and Evaluation Assets
Key audit matter description	As described in Note 2 (Significant accounting policies), Note 4 (Impairment of assets) and Note 14 (Intangible assets), the Group held Exploration and Evaluation ("E&E") assets of US$8.5 million (2018: US$30.3 million) as at the year-end. The exploration and evaluation assets relate to the Logbaba drilling programme and represent the cost of the development of the LA-108 well. The Group has impaired E&E assets totalling US$27.4 million (2018: Nil). In accordance with IFRS 6, Exploration and Evaluation costs are capitalised as intangible assets until technical feasibility and commercial viability of extraction of reserves are demonstrable, at which point the cost of the assets is transferred to PPE. The recoverability of LA-108 is dependent on the successful discovery and development of reserves through the remediation of LA-108 and access to financial resources to develop LA-108 and bring the asset to economic maturity and profitability. As disclosed in Notes 4 and 14 to the Financial Statements, the outcome of ongoing field development, and therefore whether the carrying value of intangible exploration and evaluation assets will be recovered, is inherently uncertain.
How the scope of our audit responded to the key audit matter	In response to the risk identified we performed the following: • We considered and evaluated the Directors assessment of indicators of impairment in relation to the E&E assets in accordance with IFRS 6; • We obtained an understanding of management's controls over the development and approval of the projections and assumptions used in the impairment model and assessed the design and determined the implementation of these controls; • We assessed the mechanical accuracy of the impairment models and the methodology applied by management for consistency with the requirements of IAS 36; • We challenged the key assumption used in management's calculation of the value in use by reference to historical trends; • We engaged our valuation experts to determine an independent discount rate to assess the appropriateness of the discount rate used by management; • We reviewed the current results level of expenditure required to bring well La-108 into production; and • We assessed the completeness and accuracy of disclosures within the Financial Statements in accordance with IFRSs.
Key observations	Recoverability of E&E assets is dependent on the successful remediation of the LA-108 well and access to financial resources to develop LA-108 and bringing the asset to economic maturity and profitability. The Financial Statements do not include any adjustments relating to this uncertainty and the ultimate outcome cannot, at present, be determined. Our opinion is not modified in respect of this matter.

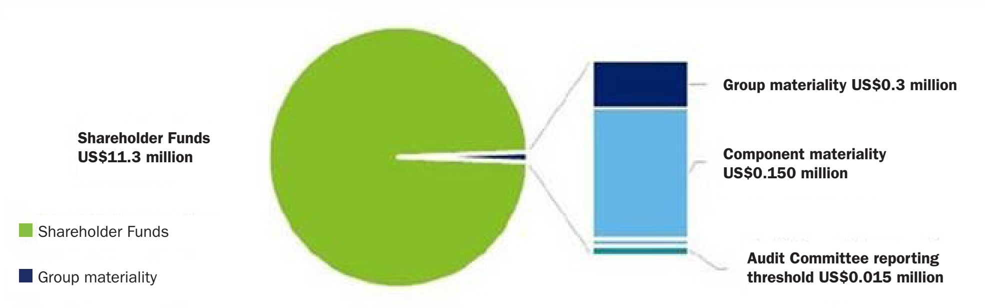
Independent Auditor's Report to the members of Victoria Oil & Gas Plc continued

Our application of materiality

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

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

	Group Financial Statements	Parent Company Financial Statements
Materiality	US$300,000 (2018: US$600,000)	US$150,000 (2018: US$450,000)
Basis for determining materiality	Group materiality was determined based on a blended rate of an average of approximately 2% of shareholders equity and 2% of Revenue.	The Parent Company materiality equates to 1.3% of net assets, which is capped at 50% of Group materiality.
Rationale for the benchmark applied	We have used two benchmarks to determine our materiality, which we believe cover key metrics of the Group which are used by stakeholders. Given that the Group is currently transitioning from an exploration company to a production company, we have determined materiality based on an average blended rate between shareholders' equity (2%) and revenue (2%). The Parent Company does not trade. It holds intercompany receivables. As a result, net assets are the key metric for the Parent Company. We believe that using a materiality based on these benchmarks reflects critical underlying measures of the Group given these are the critical elements of the business.	



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$15,000 (2018: US$30,000) for the Group and US$7,500 (2018: US$22,500) for the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

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

An overview of the scope of our audit

We determined the scope of our Group audit by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the Group level. We also considered the quantum of Financial Statement balances and individual financial transactions of a significant nature.

Based on this assessment, we assessed the Group to consist of three significant components being Victoria Oil & Gas PLC ("the Parent Company"), Bramlin Limited and Gaz Du Cameroun S.A. ("GDC"). We performed a full scope audit on these components covering 100% of revenue, 98% of profit before tax and 99% of net assets. In addition, we have performed analytical procedures on all non-significant components. The work performed by the component audit team in Cameroon was directed by the Group audit team and performed to component materiality levels applicable to each component which were lower than Group materiality.

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2019, other than the Financial Statements and our Auditor's Report thereon.

We have nothing to report in respect of these matters.

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

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

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

Responsibilities of Directors

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

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the Financial Year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of this matter.

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.

Sinéad McHugh (Senior Statutory Auditor)
For and on behalf of Deloitte Ireland LLP
Chartered Accountants and Statutory Auditor
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
Ireland

29 September 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Continuing operations			
Revenue	5	**20,822**	10,796
Cost of sales		**(18,403)**	(10,117)
Gross profit		**2,419**	679
Administrative expenses	8	**(16,615)**	(8,366)
Other (losses)/gains	6	**(60)**	821
Share of profit of associate	16	**–**	530
Impairment of assets	4	**(95,845)**	–
Operating loss		**(110,101)**	(6,336)
Finance costs	7	**(1,851)**	(1,966)
Loss before tax		**(111,952)**	(8,302)
Tax credit/(charge)	9	**1,672**	(219)
Loss for the year – attributable to shareholders of the parent		**(110,280)**	(8,521)

	Note	Cents	Cents
Loss per share – basic & diluted	13	**(48.20)**	(5.79)

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	2019 US$'000	2018 US$'000
Loss for the year	**(110,280)**	(8,521)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	**(91)**	78
Total comprehensive loss for the year – attributable to shareholders of the parent	**(110,371)**	(8,443)

Consolidated Statement of Financial Position
At 31 December 2019

	Notes	**31 December 2019 US$'000**	31 December 2018 US$'000
Assets:			
Non-current assets			
Intangible assets	14	**8,620**	30,445
Property, plant and equipment	15	**20,606**	91,087
Investment in associate	16	**–**	5,556
		29,226	127,088
Current assets			
Inventories		**12**	18
Trade and other receivables	17	**13,711**	8,666
Cash and cash equivalents	18	**7,237**	3,467
		20,960	12,151
Total assets		**50,186**	139,239
Liabilities:			
Current liabilities			
Trade and other payables	19	**9,272**	10,800
Provisions	20	**9,638**	199
Borrowings	21	**5,969**	4,109
		24,879	15,108
Net current liabilities		**(3,919)**	(2,957)
Non-current liabilities			
Borrowings	21	**11,953**	16,798
Deferred tax liabilities	9	**–**	2,030
Provisions	20	**2,037**	1,651
		13,990	20,479
Net assets		**11,317**	103,652
Equity:			
Called-up share capital	23	**1,826**	1,130
Share premium		**42,817**	26,254
ESOP Trust reserve	24	**–**	(4)
Translation reserve		**(17,725)**	(17,634)
Other reserves		**1,093**	401
Retained (losses)/earnings		**(16,694)**	93,505
Total equity		**11,317**	103,652

The Financial Statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 29 September 2020.

Roger Kennedy
Executive Chairman

John Daniel
Non-Executive Director

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital US$'000	Share premium US$'000	ESOP Trust reserve US$'000	Translation reserve US$'000	Other reserves US$'000	Retained (losses)/ earnings US$'000	Total US$'000
For the year ended 31 December 2018							
At 31 December 2017	1,095	24,218	(4)	(17,712)	248	102,005	109,850
Shares issued	35	2,036	–	–	–	–	2,071
Vesting of share options	–	–	–	–	174	–	174
Warrants expired	–	–	–	–	(21)	21	–
Total comprehensive loss for the year	–	–	–	78	–	(8,521)	(8,443)
At 31 December 2018	1,130	26,254	(4)	(17,634)	401	93,505	103,652
For the year ended 31 December 2019							
At 31 December 2018	**1,130**	**26,254**	**(4)**	**(17,634)**	**401**	**93,505**	**103,652**
Shares issued	**685**	**16,067**	**–**	**–**	**–**	**–**	**16,752**
Share-based payments	**11**	**496**	**–**	**–**	**(308)**	**–**	**199**
Vesting of share options	**–**	**–**	**–**	**–**	**1,000**	**–**	**1,000**
Shares granted to ESOP members	**–**	**–**	**4**	**–**	**–**	**81**	**85**
Total comprehensive loss for the year	**–**	**–**	**–**	**(91)**	**–**	**(110,280)**	**(110,371)**
At 31 December 2019	**1,826**	**42,817**	**–**	**(17,725)**	**1,093**	**(16,694)**	**11,317**

Consolidated Cash Flow Statement
For the year ended 31 December 2019

	Notes	**2019 US$'000**	2018 US$'000
Cash flows from operating activities			
Loss for the year		**(110,280)**	(8,521)
Adjustments for non-cash and other items:			
Tax		**(1,672)**	219
Share of profit in associate		**–**	(530)
Impairment of assets		**95,845**	–
Finance costs		**1,851**	1,966
Depreciation and amortisation		**8,609**	5,807
Other losses/(gains)		**60**	(821)
Other non-cash items		**40**	–
Shares vested by ESOP Trust		**81**	–
Share-based payments		**1,199**	393
		(4,267)	(1,487)
Movements in working capital			
(Increase)/decrease in trade and other receivables		**(5,160)**	4,998
Decrease in inventories		**6**	6
Increase/(decrease) in trade and other payables and provisions		**9,096**	(3,637)
Net movements in working capital		**3,942**	1,367
Tax paid		**(358)**	(119)
Interest paid		**(1,738)**	(1,920)
Net cash utilised in operating activities		**(2,421)**	(2,159)
Cash flows from investing activities			
Payments for intangible assets		**(6,673)**	(1,889)
Payments for property, plant and equipment		**(1,037)**	(1,474)
Dividends received from associate		**–**	403
Net cash utilised in investing activities		**(7,710)**	(2,960)
Cash flows from financing activities			
Repayment of borrowings	28	**(2,563)**	(2,809)
Net cash generated from equity raise		**16,752**	–
Net cash generated by/(utilised in) financing activities		**14,189**	(2,809)
Net increase/(decrease) in cash and cash equivalents		**4,058**	(7,928)
Cash and cash equivalents – beginning of year		**3,467**	11,476
Effects of exchange rate changes on the balance of cash held in foreign currencies		**(288)**	(81)
Cash and cash equivalents – end of year	18	**7,237**	3,467

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1. GENERAL INFORMATION

Victoria Oil & Gas Plc is a public company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is 200 Strand, London, WC2R 1DJ. The primary activity of the Group is the discovery, production and supply of gas to customers in Cameroon. The Company is listed on the AIM market of the London Stock Exchange ("AIM").

The Consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2019. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards adopted for use by the European Union ("IFRSs"). They have also been prepared in accordance with the Companies Act 2006.

The Company has elected to prepare its Parent Company's Financial Statements in accordance with UK Generally Accepted Accounting Practice adopting Financial Reporting Standard 101 Reduced Disclosure Framework. These are presented on pages 88 to 93.

2. SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of Preparation

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

(ii) New and amended standards, interpretations and amendments adopted by the Group

The following new and revised standards and interpretations, all of which are effective for accounting periods beginning on or after 1 January 2019, have been adopted in the current financial year.

- Amendments to IAS 28 *Sale of Long-Term Interest in Associates and Joint Ventures.*
- IFRS 16 *Leases*.
- IFRIC 23 *Uncertainty over Income Tax Treatments*.
- Annual Improvements to IFRS Standards *2015-2017 Cycle*.
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement*.
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*.

The adoption of IFRS 16 Leases is described below. The Group has adopted IFRIC 23 Uncertainty over Income Tax Treatments which is effective for accounting periods beginning on or after 1 January 2019. The interpretation is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The adoption of this interpretation has not had a material impact on the financial statements of the Group. The other new standards effective from 1 January 2019, as listed above, do not have a material effect on the Group's Financial Statements.

IFRS 16 Leases

The Group adopted IFRS 16 Leases for the period beginning 1 January 2019. The adoption of IFRS 16 impacts both the measurement and disclosures of leases over a value threshold and with terms longer than one year. For qualifying leases additional lease liabilities and right of use assets are recorded. The Group has assessed its existing leases and, as none were longer than twelve months in duration, was not required to make any adjustments. Any future leases will be assessed and accounted for in accordance with the new standard. For existing leases, under the new IFRS 16 Leases standard, the Group has continued to recognise lease expenses on a straight-line basis over the term of the lease.

Other new and amended standards and interpretations issued by the International Accounting Standards Board ("IASB") that have been applied for the first time in these Annual Financial Statements have not had a significant impact on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

(iii) New standards, interpretations and amendments not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*
- Amendments to IFRS 3 *Definition of a Business*
- Amendments to IAS 1 and IAS 8 *Definition of material*
- Conceptual Framework *Amendments to References to the Conceptual Framework in IFRS Standards*

The Company is currently assessing the impact of these new accounting standards and amendments. None of these are expected to have a significant effect on the Group.

(iv) Basis of Consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not control or have joint control over these policies. The Group's investment in Cameroon Holdings Limited ("CHL") is accounted for as an investment in associates.

The results and assets and liabilities of associates are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group no longer recognises its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

Interests in joint operations

The Group's operations in Cameroon are conducted through joint arrangements. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, such as is the case between Gaz du Cameroun S.A. and its partners on the Logbaba and Matanda Projects.

When a Group entity undertakes its activities under a joint operation, the Group as a joint operator recognises in relation to its interest in the joint operation:
- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities jointly incurred;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

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

In these Consolidated Financial Statements, the Group has recognised its interest in the joint operation of the Logbaba and Matanda projects in Cameroon as described above.

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

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

(v) Revenue

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

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

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

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

(vi) Production Royalties

Royalty expenses are recognised on an accrual basis at the time of sale of the hydrocarbons, subject to the applicable royalty conditions.

(vii) Foreign Currencies

The presentation currency of the Group Financial Statements is US Dollars and the functional currency and the presentation currency of the Company is US Dollars. The individual Financial Statements of each Group company are maintained in the currency of the primary economic environment in which it operates (its functional currency).

The Group's expenses, which are primarily for development and operation of the Logbaba gas and condensate field, are incurred principally in Central African Franc (which is pegged to the Euro) and US Dollars but also Sterling, Euros, Russian Roubles and Kazakhstan Tenge. The Group's revenue is based on GSAs which are priced in US Dollars. For the purpose of the Consolidated Financial Statements, the results and financial position of each Group company are expressed in US Dollars, the presentation currency.

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

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

Fair value adjustments arising on the acquisition of a foreign

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(viii) Intangible Assets

Exploration and evaluation assets

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

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

The costs of exploration and evaluation assets include the cost of acquiring rights to explore. Costs incurred in relation to evaluating the technical feasibility and commercial viability of extracting a hydrocarbon resource are capitalised as part of exploration and evaluation assets. Exploration and evaluation costs include an allocation of administration and salary costs, including share-based payments, as determined by management.

Exploration and evaluation costs are capitalised until technical feasibility and commercial viability of extraction of reserves are demonstrable. At that point, all costs which have been capitalised to date and included in exploration and evaluation assets are assessed for impairment. All impairment losses are recognised immediately in the Income Statement. The remaining unimpaired costs are reclassified to oil and gas interests within Property, Plant and Equipment.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are not depreciated, but are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. The Company reviews and tests for impairment on an ongoing basis and specifically if the following occurs:

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

Software

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

(ix) Property, Plant and Equipment

Components

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

Plant and equipment

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

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

Depreciation is charged so as to write off the cost of plant and equipment over its useful life using the straight-line method for all assets, with the exception of the pipeline, which is depreciated using the unit-of-production method.

Oil and gas assets

Exploration and evaluation costs are transferred to oil and gas assets when technical feasibility and commercial viability of extraction of reserves are demonstrated.

Depreciation and depletion of costs is provided so as to write off the cost of the assets over their useful lives using the straight-line method or the unit-of-production method, whichever is considered most appropriate. Until such time as field development permits more comprehensive analysis, calculations under the unit-of-production method are based on proven reserves. Changes in estimates affecting unit-of-production calculations for depreciation and decommissioning provisions are accounted for prospectively. Expected decommissioning costs of a property are provided on the basis of net present value of the liability. An equivalent amount is added to the oil and gas asset and charged to the Income Statement on a unit-of-production basis.

Impairment

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

Assets under construction

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

(x) Inventory

Inventories consist of gas and condensate stocks. Inventories

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

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

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

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

Decommissioning and rehabilitation ("D&R") provision
D&R costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas.

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

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

(xiii) Financial Instruments
Classification and measurement
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The financial assets of the Group consist of cash and cash equivalents and trade receivables.

Cash and cash equivalents comprise cash on hand. Cash and cash equivalents are initially measured at fair value and are subsequently measured at amortised cost. They are held by the Group to collect deposit interest and to meet the liquidity requirements of the Group.

Trade receivables are initially measured at fair value and subsequently measured at amortised cost as they are held by the Group in order to collect receipts under the credit terms of the sales contracts i.e. solely payment of principal and interest ("SPPI").

Financial liabilities are initially recognised at fair value of consideration received net of transaction costs as appropriate and subsequently carried at amortised cost. Financial liabilities that contain provisional pricing features and derivatives are carried at FVTPL.

Impairment
The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade receivable. The expected credit losses are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers, general economic conditions and an assessment of both the current as well as the forecast conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed in liquidation or has entered into bankruptcy proceedings.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

Where the value of the goods and services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of an appropriate valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of share-based payments for the year ended 31 December 2019 was US$1.2 million (2018: US$0.4 million).

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

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

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

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

Recoverability of receivables
The Group has one significant customer with long outstanding invoices issued on both a provision of gas and a take-or-pay basis in accordance with the terms of the relevant GSA. The Group's ability to recover the amounts due from this customer requires judgement. The Group has terminated the GSA with this customer post the reporting period and is pursuing legal means to recover the outstanding amounts. The Directors have recognised a loss allowance in relation to the expected credit loss associated with this customer.

Unit-of-production depreciation method
The Group's policy is to use the unit-of-production method of depreciation based on proven reserves for depreciation and amortisation of its oil and gas assets. These calculations require the use of estimates and assumptions and significant judgement is required in assessing the amount of estimated reserves. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to future revision. Changes in proven reserves will prospectively affect the unit-of-production depreciation charges to the Income Statement.

The proven reserves used in the calculation of unit-of-production depreciation were 69 billion cubic feet ("Bcf") (2018: 69 Bcf) in the Logbaba Field. The unit-of-production depreciation charged to the Income Statement, which was calculated, based on these reserves, was US$7.3 million (2018: US$4.2 million). If the reserves were to vary by plus 10%, the unit-of-production depreciation for the current period would have decreased by US$0.7 million and if they were to vary by minus 10% the unit-of-production depreciation for the current period would have increased by US$0.8 million.

Effective 1 January 2020 the Group has reassessed its proven reserves for Logbaba to 19 Bcf. The reduction in proven reserves was viewed by the Directors as an indication of potential impairment, following which an impairment assessment was carried out over the Logbaba assets (see below and Note 4).

Accounting for joint operations
On 12 June 2017, Société Nationale des Hydrocarbures ("SNH") exercised its right in accordance with the Participation Agreement to participate for 5% of the upstream operations of the Logbaba Project. This participation is retrospective and therefore they are deemed to have participated since first production. The net share of this venture that has been included in these Financial Statements is 57% of the upstream operations and 60% of the downstream operations.

The Financial Statements are prepared on the basis that downstream operations charge cost plus 15% to the upstream operations as a fee for marketing the gas. This transfer pricing mechanism has not been formally agreed to by the Parties of the Logbaba Concession but represents management judgement of the most likely outcome of the current negotiations. Shared services have been allocated between upstream and downstream operations based on management's assessment of the activity during the year.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES continued

Deferred tax assets
The assessment of availability of future taxable profits involves judgement. A deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. In the event that all tax losses could be utilised, a deferred tax asset of US$18.0 million (2018: US$17.0 million) would be recognised in the Financial Statements.

The Group's operation in Cameroon has deferred capital allowances of US$9.3 million (2018: US$8.7 million) which are available for offset against future taxable profits. A deferred tax asset of Nil has been recognised in the current year in relation to the deferred capital allowances as it is considered unlikely that the operations will generate near-term future taxable profit against which the deferred capital allowances will be able to be applied (2018: Nil).

No deferred tax asset has been recognised in the current year in relation to the Group's other operations due to the unpredictability of future profit streams in the companies that have unutilised tax losses.

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

Operating in Cameroon, Russia and Kazakhstan
The Group's activities are conducted through its investments and subsidiaries operating in the oil and gas industry. These operations are subject to political, economic and regulatory uncertainties prevailing in these countries. The legislation regarding taxation and foreign exchange transactions is constantly evolving and many new laws and regulations are not always clearly written and their interpretation is subject to the opinions of local inspectors. It is not possible to quantify the potential impact of changes in the above on these Financial Statements as there are too many possible variables and outcomes, but management believe that the Group has adequately recorded its assets and liabilities in the context of these uncertainties, or made appropriate disclosures where uncertain outcomes exist.

Provisions
Provisions for the current year were US$11.7 million (2018: US$1.9 million). Post year-end the Group signed an amendment to the Logbaba Concession documents which resulted in royalties to the State of Cameroon becoming due and payable. This matter has been disclosed as a contingent liability in prior financial statements. As a consequence the Group has provided an amount of US$9.6 million, being the Groups share of the royalty obligation at 31 December 2019. The Group intends to settle this obligation on a net basis with the State of Cameroon following completion of the negotiations with the State on their participation in the downstream business, but has no legal right to insist upon this measure and has accordingly reflected the receivable and obligation separately.

The other provisions are based on present obligations as a result of past events, probable outflows and the ability to reliably measure. The laws and regulations concerning environmental assessments and site rehabilitation continue to evolve and, accordingly, the Group may be liable to substantial decommissioning and rehabilitation costs in the future relating to past and current operations. Management has applied their knowledge at the Statement of Financial Position date in measuring provisions, however the actual outcomes could vary from these measurements (see Note 20).

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

The Group has reassessed its proven reserves on Logbaba, which the Directors viewed as an indication of impairment of the Group's assets in Cameroon. Accordingly an impairment assessment was carried out on the Cameroonian assets. Estimated future cashflows were forecast over the life of the project, and discounted back to evaluate against the asset carrying values. An impairment of US$90.3 million has been recorded over the Logbaba assets in the current year (2018: Nil) (see Note 4).

Furthermore, having ceased to make royalty payments under the CHL Royalty Agreement, which is the only source of income for CHL, the Group has fully impaired its US$5.6 million investment in associate (2018: Nil) (see Note 4).

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

The Directors expect certain of the key sources of estimation uncertainty to be resolved in the next twelve months.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

3. GOING CONCERN

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

Revenue for the year was US$20.8 million (2018: US$10.8 million). The Group raised impairment charges of US$95.8 million (2018: Nil). The Group incurred a loss of US$110.1 million for the year ended 31 December 2019 (2018: loss of US$8.5 million). Adjusted EBITDA, which excludes impairment charges and the state royalty provision, for the year was a profit of US$4.0 million (2018: loss of US$0.5 million). At year-end the Group had cash and cash equivalents of US$7.2 million (2018: US$3.5 million) in addition to borrowings of US$17.9 million (2018: US$20.9 million). Net cash utilised in operating activities for the year was US$2.4 million (2018: cash utilised US$2.2 million). The Consolidated Statement of Financial Position shows that the Group had net current liabilities of US$3.9 million at the year-end date (2018: net current liabilities of US$3.0 million).

The Parent Company incurred a loss of $110.3 million for the year ended 31 December 2019. The Parent Company has a cash balance of $3.5 million at the balance sheet date.

Since year end the Group has implemented cost reduction measures, including headcount reductions and the removal of non-essential capital spend. Operating and capital costs are being monitored very closely in order to maximise cash preservation.

In their consideration of the appropriateness of applying the going concern assumption the Directors have prepared cash flow forecasts for the period to 31 December 2021, the factors, estimates and assumptions included in the forecasts and the related sensitivities. Future outcomes may differ materially from these estimates.

The significant factors, estimates and assumptions applied in the cash flow forecast are as follows:

Grid power and recovery of receivable amounts

In September 2019 the generator supplier to ENEO suspended operations at ENEO's Logbaba site due to non-payment of invoices by ENEO. Consequently, GDC has not provided gas to ENEO since that date, but has continued to invoice ENEO based on a take-or-pay basis in accordance with the GSA. In June 2020, GDC issued a notice of Event of Default to ENEO, which included a 30-day remedy period. On 2 July 2020, with ENEO having failed to remedy the breaches identified in the notice of Event of Default, GDC issued a notice of termination to ENEO.

At 31 December 2019, the gross amount owing by ENEO to the Logbaba Project was US$10.4 million (net: US$6.2 million), and at the date of termination the gross amount outstanding, including interest and termination charges was US$20.2 million (net: US$12.1 million). Subsequent to year end $3.2 million was received from ENEO in respect of 2019 invoices. Included in the cash flow forecast is an assumption that the remaining amount of $3.0 million owed by ENEO in respect of 2019 invoices will be received within the next twelve months. The timing of the recovery of the remaining amounts is uncertain.

Failure to recover amounts outstanding by ENEO and any other significant debtors, would jeopardise the Group's ability to fund expansion projects, in particular the La-108 intervention and would have a material impact on the Group's financial position.

Cameroonian State royalty obligation

As outlined in Note 20, following a protracted negotiation with the State of Cameroon, in August 2020 the Group has concluded a long-standing dispute regarding the Logbaba Concession agreement, and in so doing has crystalised a liability to pay back-dated royalties to the Cameroonian State in the amount of US$9.6 million (net amount). GDC and its joint venture partner are seeking to ensure that the royalty amounts payable are netted against amounts due by the Cameroon State for their participating interest in the Logbaba Project and accordingly the Directors have included an assumption in their forecast that the amount of US$9.6 million will not be paid within the next twelve months as discussions continue in relation to the State's participating interest in the Logbaba Project. There is no guarantee that the State of Cameroon will accede and any requirement to pay the royalty in the short term would have a material impact on the Group's ability to continue as a going concern.

Debt

The Group ended the year with cash and cash equivalents of US$7.2 million (2018: US$3.5 million) (see Note 18) and in a net debt position of US$10.7 million (2018: US$17.4 million) (see Note 22). The Group had borrowings of US$17.9 million (2018: US$20.9 million), approximately $6.0 million of which is due within 12 months from the date of approval of the Financial Statements. The Group has no available headroom on any of its current credit facilities. The Group is actively seeking additional debt facilities with financial institutions. Should the Group not succeed in securing additional facilities, this potentially will have a material impact on the Group's ability to continue as a going concern.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

3. GOING CONCERN continued

New funding
In 2019 the Group raised funds with net proceeds of US$16.8 million. There is significant uncertainty regarding the ability of the Group to raise further funds in the current market conditions due to the Covid-19 pandemic and the depressed oil price and the impact of both of these factors on investor sentiment towards funding further development in the oil and gas sector. These factors may result in the Group having to raise funds at whatever terms are available at the time, which, at the Group's current share price, could lead to significant shareholder dilution.

Other items

Contingencies
The Group is exposed to further contingent liabilities as outlined in Note 27. The amounts concerned in each of these matters is material, and an adverse finding would have material impacts on the Group's ability to continue as a going concern.

Covid-19
In response to Covid-19, we are complying with all the instructions and guidance issued by the authorities in each of the jurisdictions in which we operate. At the time of writing, Cameroon remains relatively free of operating restrictions, however, we remain cognisant that this position may change at any point which may impact GDC staff, GDC's ability to produce and sell gas, our customers ability to purchase gas, and/or our suppliers ability to deliver the services procured.

Available gas reserves and the La-108 intervention
With effect of 1 January 2020, the Group has revised the Logbaba proved developed reserves ("1P") from 69 Bcf to 19 Bcf. The successful completion of the La-108 intervention, the funding of which is dependent on the recovery of amounts owed to GDC by ENEO, or by alternative funding arrangements, is fundamental to GDC's ability to recover the revised 1P Reserves and its continuing ability to provide gas to customers. As with any such operation, the outcome of the La-108 intervention has typical geological and operational uncertainty. Should the outcome be at the lower end of expectations, this would shorten the life of the Logbaba Field. The Group is actively pursuing other sources of gas to mitigate this risk.

Conclusion
These conditions indicate the existence of a material uncertainty in relation to the Group and the Parent Company's ability to continue as a going concern.

The Directors have reviewed operating and cash forecasts in respect of the operating activities and planned work programmes of the Group's assets. The expected cash flows, plus available cash on hand, after allowing for funds required for administration and development costs, working capital improvement and debt servicing, are expected to cover these activities.

Based on the cash flow forecasts prepared the Directors are of the view that the Group and the Parent Company is sufficiently funded for the twelve-month period from the date of approval of these Financial Statements. However, the Directors note that there are material uncertainties as listed above, which if any should eventuate, would require them to raise additional funds in 2021.

Although the Directors consider the likelihood of these uncertainties eventuating to be remote, they are confident additional funding can be accessed should it be required.

On the basis of the considerations set out above, the Directors have concluded that it is appropriate to prepare the Financial Statements on a going concern basis. These Financial Statements do not include any adjustments to the carrying amount and classification of assets and liabilities that may arise if the Group or the Parent Company was unable to continue as a going concern.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

4. IMPAIRMENT OF ASSETS

	2019 US$'000	2018 US$'000
Intangible assets – Exploration and evaluation assets	**27,367**	–
Tangible assets – Property, plant and equipment	**62,922**	–
Investment in associate	**5,556**	–
	95,845	–

Intangible and tangible asset

The Group has undertaken a full impairment review of the Logbaba Project as at 31 December 2019. This review was undertaken following impairment indicators being identified, namely the downward revision of the Logbaba proven ("1P") reserves and the termination of the ENEO GSA in July 2020. In accordance with IAS 36, the impairment review has been performed on a value-in-use basis. The cash-generating unit for the purpose of impairment testing is the Logbaba Project. A financial model of the forecast discounted cash flows for the project was employed for the value-in-use calculation.

The discounted cash flow model is based on our best estimate of the Logbaba Project, adjusted to reflect the Group's working interest, taking consideration of the following key factors and assumptions:

- a conservative forward-looking consumption profile based on the existing set of thermal and retail power customers, including modest increases based on existing GSAs. The model did not consider any future grid power consumption or revenue;
- the reserves available for production, in line with the revised 1P reserves estimate. The model assumed success on the second stage of the La-108 remediation programme resulting in access to the entire disclosed 1P reserves, but did not assume any further deliverability of possible reserves ("2P");
- the macroeconomic environment, globally and in Cameroon, in relation to the Logbaba Project and to the oil and gas sector as a whole;
- the potential impact of global hydrocarbon prices on both gas and condensate sales prices;
- the Group will seek to reduce operating costs in the initial two years of the model followed by inflationary cost increases for the remainder of the assessment period;
- capital costs during the assessment period are limited to those required to ensure the Group is able to monetise the remaining gas reserves; and
- the assumptions surrounding contingent liabilities in the financial model are the same as those disclosed in Note 27.

A discounting rate of 14.2% was used to discount pre-tax cash flow projections to the present value. In determining the appropriate discounting rate, the Group considers the weighted average cost of capital employed ("WACC"), which takes into consideration the risk free rate of US treasury bonds with a long-term maturity period, the country risk rating for Cameroon, an equity risk premium, the Group's beta and the cost of the Group's debt.

The key sensitivity is the Group's ability to successfully complete the remediation of La-108. If the project cannot be completed, and the 1P reserves attributable to this well are not economically recoverable, then an additional impairment would be required. An increase of 2% in the pre-tax WACC rate would result in an increased impairment requirement of US$1.9 million.

Based on the value-in-use calculation, the discounted value of projected future cashflows was US$90.3 million lower than the carrying value of the tangible and intangible assets. Accordingly, an impairment provision of US$90.3 million has been accounted for between tangible and intangible assets related to the Logbaba Project. The split of the impairment provision was determined according to:

- the reserves attributable to each remaining well; and
- the remaining useful life of the pipeline network in Douala, Cameroon.

Investment in associate

Since January 2019 the Company has ceased to make payments under the CHL Royalty Agreement. CHL has commenced legal proceedings against both GDC and the Company with regard to payments CHL believes it is entitled to under the Royalty Agreement. The CHL royalty paid by GDC is the only source of revenue for CHL. Consequently, the Company has fully impaired its 35% investment in CHL, resulting in an impairment charge of US$5.6 million.

To the extent that future events crystalise assumptions made in the impairment assessment, the impairment charge will be reassessed in future reporting periods.

Forecasting of scenarios, likelihood of occurrence and future cashflows relies heavily on management judgement and is inherently uncertain and a source of significant risk of causing material adjustment.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

5. SEGMENTAL ANALYSIS

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

The following tables present revenue, loss and certain asset and liability information regarding the Group's business segments:

Year to 31 December 2019	Cameroon US$'000	Russia and Kazakhstan US$'000	Corporate US$'000	Total US$'000
Revenue				
Gas sales – thermal power	11,360	–	–	11,360
Gas sales – industrial power	621	–	–	621
Gas sales – grid power	7,983	–	–	7,983
Gas revenue	19,964	–	–	19,964
Condensate sales	832	–	–	832
Other revenue	26	–	–	26
Total revenue	20,822	–	–	20,822
Segment result	(8,077)	452	(6,632)	(14,257)
Impairment of assets	(90,289)	–	(5,556)	(95,845)
Finance costs	(1,712)	8	(147)	(1,851)
(Loss)/profit before tax	(100,078)	460	(12,335)	(111,953)
Tax	1,672	–	–	1,672
(Loss)/profit for the year	(98,406)	460	(12,335)	(110,281)
Total assets	46,409	71	3,706	50,186
Total liabilities	(36,670)	(271)	(1,928)	(38,869)
Other segment information				
Capital expenditure:				
Intangible assets	6,673	–	–	6,673
Property, plant and equipment	1,035	–	2	1,037
Depreciation, amortisation and impairment	98,883	–	15	98,898

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

5. **SEGMENTAL ANALYSIS** continued

Year to 31 December 2018	Cameroon US$'000	Russia and Kazakhstan US$'000	Corporate US$'000	Total US$'000
Revenue				
Gas sales – thermal power	9,673	–	–	9,673
Gas sales – industrial power	419	–	–	419
Gas sales – grid power	105	–	–	105
Gas revenue	10,197	–	–	10,197
Condensate sales	599	–	–	599
Total revenue	10,796	–	–	10,796
Segment result	(3,768)	421	(2,989)	(6,336)
Finance costs	(1,801)	(21)	(144)	(1,966)
(Loss)/profit before tax	(5,569)	400	(3,133)	(8,302)
Tax	(219)	–	–	(219)
(Loss)/profit for the year	(5,788)	400	(3,133)	(8,521)
Total assets	130,705	52	8,482	139,239
Total liabilities	(33,047)	(234)	(2,306)	(35,587)
Other segment information				
Capital expenditure:				
Intangible assets	2,173	–	–	2,173
Property, plant and equipment	1,751	–	–	1,751
Depreciation and amortisation	5,750	–	57	5,807

Information about major customers
For the purposes of IFRS, a group of entities known to a reporting entity to be under common control shall be considered a single customer. Under this measure, revenues of US$20.8 million (2018: US$10.8 million) related to sales of gas and condensate to 38 customers. One customer contributed 10% or more to the Group's revenue during the current year, contributing US$7.8 million or 38% (2018: two customers contributed 10% or more, contributing US$2.0 million and US$1.9 million respectively).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

6. OTHER (LOSSES)/GAINS

	2019 US$'000	2018 US$'000
Foreign exchange (losses)/gains	**(147)**	787
Discount on settlement of debts	**38**	–
Loss on disposal of non-current assets	**(78)**	(23)
Other Income	**127**	57
	(60)	821

7. FINANCE COSTS

	2019 US$'000	2018 US$'000
Loan interest	**1,730**	1,952
Unwinding of discount on provisions	**121**	14
	1,851	1,966

8. LOSS BEFORE TAX

Cost of sales includes:

	2019 US$'000	2018 US$'000
Production Royalties	**9,324**	1,675
Depreciation and amortisation	**7,854**	4,952
Operating costs	**1,225**	3,490
	18,403	10,117

The loss before tax is stated after charging:

	2019 US$'000	2018 US$'000
Administrative expenses comprise:		
Wages and salaries	**6,031**	5,190
Professional fees	**2,407**	1,034
Office and other administrative expenditure	**3,069**	1,214
Travel	**410**	174
Rent	**448**	575
Depreciation and amortisation	**589**	855
Provision for expected credit loss	**3,661**	(676)
	16,615	8,366
Directors' remuneration (see Note 11)	**2,985**	1,611

The analysis of auditor's remuneration is as follows:

	2019 US$'000	2018 US$'000
Fees for audit services	**264**	216
	264	216

Comparatives
The prior year's comparatives have been regrouped on a basis consistent with the current year to enhance the understanding of the Financial Statements.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

9. TAX

	2019 US$'000	2018 US$'000
Current tax	**358**	119
Deferred tax	**(2,030)**	100
Tax (credit)/charge	**(1,672)**	219

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

United Kingdom

The main rate of UK corporation tax is 19% effective from 1 April 2019 (previously 20%). Income tax losses have no expiry period. Taxable losses in the United Kingdom at 31 December 2019 amounted to US$69.0 million (2018: US$64.1 million).

Cameroon

The income tax rate enacted in Cameroon is 33% on taxable profits or 2.2% of turnover, whichever is higher. The concession contract for Logbaba specifies a tax rate of 38.5% on taxable profits or 1.1% of turnover, whichever is higher. Tax regulations in Cameroon allow for the deferral of capital allowances to the extent that they result in Companies generating income tax losses. Income tax losses have a four-year expiry period. Deferred capital allowances do not expire. GDC has tax losses in both the current and prior years, however the 1.1% tax rate on revenue applies and is reflected as current tax. The effect of this is shown below as "tax on revenue".

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

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

	2019 US$'000	2018 US$'000
Loss on ordinary activities before tax	**(111,952)**	(8,302)
Tax calculated at 34.9% (2018: 21.3%)	**(39,062)**	(1,768)
Less the effects of:		
Share of profit in associate	**–**	(113)
Impairment losses not deductible for tax	**33,442**	–
Expenses not deductible for tax	**646**	419
Non-utilisation of tax losses	**4,974**	1,462
Deferred tax	**(2,030)**	100
Tax on revenue	**358**	119
Total tax (credit)/charge	**(1,672)**	219

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

	2019 US$'000	2018 US$'000
Deferred tax balances		
Deferred tax liabilities – non-current liabilities	**–**	(2,030)
	–	(2,030)

The deferred tax liability arose on the acquisition of GDC (formerly Rodeo Development Limited) by Bramlin Limited prior to Bramlin Limited becoming part of the Group, and relates to property, plant and equipment in Cameroon. The property, plant and equipment was fully impaired at 31 December 2019 and accordingly the deferred tax liability was released (see Note 4).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

9. TAX continued

The deferred tax balances are analysed as follows:

	Tax losses US$'000	Other temporary differences US$'000	Total US$'000
Year to 31 December 2019			
Opening balance	**–**	**(2,030)**	**(2,030)**
Charge to Income Statement	**–**	**2,030**	**2,030**
Closing balance	**–**	**–**	**–**
Year to 31 December 2018			
Opening balance	916	(2,846)	(1,930)
(Credit)/charge to Income Statement	(916)	816	(100)
Closing balance	–	(2,030)	(2,030)

At the Balance Sheet date, the Group has aggregate unused tax losses of US$83.4 million (2018: US$78.3 million) available for offset against future profit.

Of unused tax losses, Nil (2018: Nil) relates to the Group's operation in Cameroon. However GDC has deferred capital allowances of US$9.3 million (2018: US$8.7 million) which are not included above. A deferred tax asset of Nil has been recognised in relation to the tax losses and deferred capital allowances in Cameroon (2018: Nil). As a result of the aggressive capital allowances in Cameroon, the Group's forecast indicates that it is not probable that near-term future taxable profits will be available against which the losses and deferred capital allowances will be able to be utilised. The actual tax results in future periods may differ from the forecast. At the year-end, a deferred tax asset relating to taxable losses and deferred capital allowances of US$21.6 million (2018: US$20.4 million) has not been recognised.

10. EMPLOYEE INFORMATION

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

	2019 Number	2018 Number
Directors	**7**	5
Technical	**58**	88
Management and administration	**67**	57
	132	150

Staff costs for the above persons were:

	2019 US$'000	2018 US$'000
Wages and salaries	**4,428**	4,774
Social security costs	**432**	242
Share based payments	**1,171**	174
	6,031	5,190

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

11. DIRECTORS' REMUNERATION

Remuneration in respect of the Directors was as follows:

	2019 US$'000	2018 US$'000
Directors' emoluments	**2,985**	1,611

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

12. KEY MANAGEMENT COMPENSATION

The compensation of the Directors and the three (2018: four) other key management personnel (as defined within IAS 24 Related Party Disclosures) was as follows:

	2019 US$'000	2018 US$'000
Wages and salaries	**1,537**	1,663
Settlement payments	**502**	53
Share-based payments	**1,054**	13
Professional fees paid to consultants in key management positions	**157**	439
Share-based payments to consultants in key management positions	**27**	65
Other non-cash benefits including pension	**227**	209
	3,504	2,442

The compensation figures reflect only the Group's participating interest in the Logbaba Project for GDC employees.

Under the Pensions Act 2008, every UK employer must put certain staff into a pension scheme and contribute towards it. The Company auto-enrolled its eligible UK employees (five employees) in a defined contribution scheme on 1 January 2017. The Company makes contributions to the defined contribution pension schemes of two Directors. This is disclosed as a benefit in kind (see Directors' Remuneration Report).

13. LOSS PER SHARE

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

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

	2019 US$'000	2018 US$'000
Loss for the year	**110,280**	8,521

	Number	Number
Weighted number of ordinary shares for the purpose of basic earnings per share	**228,810,593**	147,065,148
Dilutive potential of share options and warrants	**793,958**	1,380,122
Weighted number of ordinary shares for the purpose of basic and diluted earnings per share	**229,604,551**	148,445,270

	Cents	Cents
Loss per share – basic and diluted	**(48.20)**	(5.79)

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2019

14. INTANGIBLE ASSETS

Year to 31 December 2019	Exploration and evaluation assets US$'000	Software US$'000	Total US$'000
Cost			
Opening balance	**102,279**	**383**	**102,662**
Additions	**6,673**	**–**	**6,673**
Disposal	**(13)**	**(106)**	**(119)**
Other movements	**(1,017)**	**–**	**(1,017)**
Effects of movement in foreign exchange	**2,193**	**2**	**2,195**
Closing balance	**110,115**	**279**	**110,394**
Accumulated amortisation and impairment			
Opening balance	**72,026**	**191**	**72,217**
Disposal	**–**	**(77)**	**(77)**
Charge for the year	**–**	**75**	**75**
Impairment of assets (see Note 4)	**27,367**	**–**	**27,367**
Effects of movement in foreign exchange	**2,193**	**(1)**	**2,192**
Closing balance	**101,586**	**188**	**101,774**
Carrying amount 31 December 2019	**8,529**	**91**	**8,620**

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

The exploration and evaluation assets relate to the Logbaba drilling programme on well La-108. Included in other movement noted above is a final settlement discount received in relation to the Logbaba drilling programme.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

15. PROPERTY, PLANT AND EQUIPMENT

Year to 31 December 2019	Plant and equipment US$'000	Oil and gas assets US$'000	Assets under construction US$'000	Total US$'000
Cost				
Opening balance	**46,080**	**95,467**	**3,609**	**145,156**
Additions	**55**	**23**	**959**	**1,037**
Effects of movement in foreign exchange	**6**	**–**	**–**	**6**
Transfers	**1,332**	**(984)**	**(348)**	**–**
Disposals	**(533)**	**–**	**–**	**(533)**
Closing balance	**46,940**	**94,506**	**4,220**	**145,666**
Accumulated depreciation				
Opening balance	**6,617**	**47,452**	**–**	**54,069**
Disposals	**(461)**	**–**	**–**	**(461)**
Effects of movement in foreign exchange	**(4)**	**–**	**–**	**(4)**
Charge for the year	**1,900**	**6,634**	**–**	**8,534**
Impairment of assets (see Note 4)	**26,144**	**36,778**	**–**	**62,922**
Closing balance	**34,196**	**90,864**	**–**	**125,060**
Carrying amount 31 December 2019	**12,744**	**3,642**	**4,220**	**20,606**

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

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

The realisation of property, plant and equipment of US$20.6 million is dependent on the continued successful development of economic reserves within the licence period, which is subject to a number of uncertainties including the Group's ability to access financial resources to continue to successfully generate revenue from the assets.

Depreciation rates applied by the Group are as follows:

	2019	2018
Plant and equipment		
– Process plant	**10 years**	10 years
– Pipeline network (unit of production amortisation based on pipeline capacity)	**11.8%**	9.7%
– Other plant and equipment	**4-10 years**	4-10 years
Oil and gas interests		
– Logbaba wells La-105 and La-107 (unit of production based on 1P reserves)	**20.84%**	17.24%

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

16. INVESTMENT IN ASSOCIATE

The Company has a 35% interest in CHL. See Note 29 for further information regarding CHL. The Company acquired the investment in CHL as a mechanism to buy back part of the royalty payable on the Logbaba revenue stream. Details of the investment are as follows:

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

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

	2019 US$'000	2018 US$'000
Opening balance	**5,556**	5,429
Share of profit of associate	**–**	530
Dividends received	**–**	(403)
Impairment (see Note 4)	**(5,556)**	–
Investment in associate	**–**	5,556

Summarised financial information for CHL is set out below.

	2019	2018
Assets and liabilities		
Current assets	**319**	311
Non-current assets	**3,668**	3,577
Current liabilities	**(368)**	(4)
Elements of comprehensive income		
– Revenue	**–**	1,631
– (Loss)/profit from continuous operations	**(365)**	1,515
Dividends declared	**(43)**	(1,152)

The shares of CHL are not actively traded and their fair value cannot be reliably measured. CHL's only source of income is the GDC royalty which it receives (see Note 27). The royalty income is dependent on the Group's share of revenue generated from the Logbaba Project, and is therefore subject to the same risks as the Group on the Logbaba Project. As a result there is a broad range of values that could be ascribed to the investment.

Since January 2019 the Company has ceased to make payments under the CHL Royalty Agreement. CHL has commenced legal proceedings against both GDC and the Company with regard to payments CHL believes it is entitled to under the Royalty Agreement. Consequently, the Company has fully impaired this investment, resulting in an impairment charge of US$5.6 million.

There were no further transactions between the Group and CHL during the year.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

17. TRADE AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000
Amounts due within one year:		
Trade receivables	**6,059**	2,677
Taxes recoverable	**930**	2,254
Prepayments	**101**	98
Other receivables	**6,621**	3,637
	13,711	8,666

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

Other Receivables
Other receivables includes a receivable from joint venture partners (RSM, SNH and AFEX) of US$5.6 million (2018: US$2.5 million) for their share of their participating interest in the Logbaba and Matanda Blocks. The balance of other receivables consists of deposits, customs guarantees, restricted cash and sundry receivables of US$1.0 million (2018: US$1.1 million).

Age of Trade Receivables that are Past Due but not Impaired

	2019 US$'000	2018 US$'000
31-60 days	**804**	836
61-90 days	**295**	401
91-121 days	**120**	91
121+ days	**3,321**	244
Total	**4,540**	1,572

Trade receivable days for the current year was 106 days (2018: 90 days), however if ENEO is excluded the trade receivable days in the current year was 83 days (2018: 90 days). The amount past due but not impaired for ENEO at 31 December 2019 was US$3.2 million (2018: Nil). Management has impaired certain of the ENEO invoices receivable. Amounts invoiced based on quantities of gas consumed, which the customer has confirmed, and which ENEO, post year-end has either paid or provided promissory notes against, have not been provided for. Amounts invoiced on the take-or-pay basis, in accordance with the GSA, have been provided for.

Movement in Expected Credit Loss

	2019 US$'000	2018 US$'000
Balance at beginning of the year	**156**	832
Movement in the year	**3,661**	(676)
Balance at end of the year	**3,817**	156

The change in expected credit loss during the year is included in administrative expenses (see Note 8).

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

18. CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
	7,237	3,467

Funds are held in various currencies in order to enable the Group to trade and settle its debts in the currency in which they occur and in order to mitigate the Group's exposure to short-term foreign exchange fluctuations. All cash held is available on demand.

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

	2019 US$'000	2018 US$'000
US Dollar	**294**	2,068
Sterling	**3,272**	162
Central African Franc	**3,601**	1,227
Russian Rouble	**31**	10
Kazakh Tenge	**39**	–
	7,237	3,467

19. TRADE AND OTHER PAYABLES

	2019 US$'000	2018 US$'000
Amounts due within one year:		
Trade payables	**2,842**	4,753
Taxes and social security costs	**1,258**	612
Accruals	**3,034**	2,423
Other payables	**2,138**	3,012
	9,272	10,800

It is the Group's normal practice to agree terms of transactions with suppliers, including payment terms which are typically 30 days from receipt of invoice. Trade creditor days for the Group for the year were 72 days (2018: 99 days), based on the ratio of Group trade creditors at year-end to the amounts invoiced during the year by trade creditors.

Accruals
Accruals includes an amount of US$1.2 million (2018: US$1.5 million) in relation to the land claim on the Logbaba Project.

Other payables
Other payables includes an amount of US$2.1 million (2018: US$3.0 million) due under the reserve bonus settlement.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

20. PROVISIONS

	2019 US$'000	2018 US$'000
Decommissioning and rehabilitation costs	**1,118**	909
Production bonus provision	**388**	451
Provision for legal matters	**–**	199
Provision for State Royalty	**9,638**	–
Other	**531**	291
	11,675	1,850
Disclosed as:		
Current liabilities	**9,638**	199
Non-current liabilities	**2,037**	1,651
	11,675	1,850

Non-current provisions represent the present value, as at the Balance Sheet date, of the amounts payable in future periods discounted at a rate that reflects both the time value of the money and the risks inherent in the liability.

Provision for State Royalty
Following a protracted negotiation with the State of Cameroon, in August 2020 the Group concluded a long-standing dispute regarding the Logbaba Concession agreement, and in so doing has crystalised a liability to pay back-dated royalties to the Cameroonian State in the amount of US$9.6 million. The royalty obligation is disclosed as a current liability.

Provision for Decommissioning and Rehabilitation ("D&R") Costs
The D&R provision represents an internal estimate of the present value of D&R costs relating to the Logbaba Project and the West Med Project based on an estimate of the D&R costs in the year when those costs are likely to be incurred. The provision in respect to the well locations on the West Med field is expected to be incurred by the end of 2024 and in respect to the wells, process plant and pipeline for the Logbaba Project by the end of 2034.

Assumptions have been made based on the current economic environment. Anticipated D&R in current terms are escalated to the date at which they are expected to be incurred. The inflation assumption is 2.0% p.a. (2018: 2.0% p.a.). The discount rate used to determine the present value of the obligation was 9.5% p.a. (2018: 10.56% p.a.). The Directors believe these assumptions are a reasonable basis upon which to estimate the future liability. These estimates and assumptions are reviewed at least bi-annually to take into account any material changes. However, actual D&R costs will ultimately depend upon future market prices of the necessary D&R works at the relevant time.

	2019 US$'000	2018 US$'000
Opening balance	**909**	2,318
Movement in provision during the year	**(62)**	570
Effect of movement in foreign exchange	**133**	(86)
Effect of change of discounting rate	**26**	(1,949)
Unwinding of discount charged to the Income Statement	**112**	56
	1,118	909

Production Bonus Provision
Under the Logbaba Concession Contract, a bonus of US$1.0 million is payable to the Government of Cameroon when certain levels of production are achieved which management expects will not occur within the next twelve months. The discount rate used to determine the present value of the obligation was 9.5% p.a. (2018: 10.56% p.a.).

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21. BORROWINGS

	Due 3-5 years US$'000	Due 2-3 years US$'000	Due 1-2 years US$'000	Due 0-1 year US$'000	Total US$'000
2019					
Borrowings	**1,719**	**5,337**	**4,897**	**5,969**	**17,922**
2018					
Borrowings	7,209	5,003	4,586	4,109	20,907

BGFIBank Cameroun S.A. ("BGFI")
The initial debt facility with BGFI was entered into on 4 April 2016, was for XAF 15 billion (circa US$26.0 million at that time).

At 31 December 2019, the loan has a remaining term of 42 months, and bears interest at 7.15% p.a. The loan is secured by a pledge over the revenue stream of certain customers, a pledge over attributable gas production volumes equivalent to the monthly instalments and the ceding of GDC's right to future insurance claims for the tenor of the loan. The outstanding balance at 31 December 2019 was US$16.4 million (31 December 2018: US$19.4 million). The amount due within 1-2 years is US$4.9 million, within 2-3 years is US$5.3 million and within 3-4 years is US$1.7 million. The Company has provided a letter of support to BGFI to support the facility.

Famcorp
The Group has a loan facility with United Arab Emirates based Famcorp. The facility is unsecured and incurred interest at 9.9% p.a. (2018: 9.9% p.a.) which is payable monthly. The principle is repayable on demand. The balance owing on the loan at 31 December 2019 was US$1.5 million (2018: US$1.5 million).

22. NET DEBT

	2019 US$'000	2018 US$'000
Cash and cash equivalents	**7,237**	3,467
Borrowings: Current liabilities	**(5,969)**	(4,109)
Borrowings: Non-current liabilities	**(11,953)**	(16,798)
	(10,685)	(17,440)

23. CALLED-UP SHARE CAPITAL

Allotted Called-Up and Fully Paid:

	2019		2018	
	Number	**US$'000**	Number	US$'000
Ordinary shares of 0.5 pence each:	**256,861,796**	**1,826**	150,446,457	1,130

On 5 April 2019, the Company issued 104,627,788 new Ordinary Shares at a subscription price of 13 pence per share which generated net proceeds of US$16.8 million. Further share issuances are disclosed in Note 26.

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

24. ESOP TRUST RESERVE

The Victoria Oil & Gas ESOP Trust ("ESOP Trust") are consolidated in these accounts as if it were a subsidiary undertaking in accordance with SIC 12. The ESOP Trust Reserve eliminates the cost of the shares in the Company held by the ESOP Trust, by treating these as treasury shares. The Trust was terminated on 28 June 2019.

At 31 December 2019, Nil Ordinary Shares were held by the ESOP Trust (31 December 2018: 562,501). The ESOP Trust issued 500,000 Ordinary Shares to a former Director on 9 April 2019 and liquidated the remaining shares shortly thereafter.

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

25. FINANCIAL RISK MANAGEMENT

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

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

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

Credit Risk

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

Despite signing a binding term sheet with ENEO in December 2018, which committed the parties to executing fully termed agreements and ENEO to providing the appropriate payment guarantees, neither has been achieved. At the reporting date, the gross amount owing by ENEO to the Logbaba Project was US$10.3 million (GDC share: US$6.2 million), and at the date of termination the gross amount outstanding, including interest and termination charges was US$20.2 million (GDC share: US$12.1 million). The Company will now rigorously pursue this unpaid debt via an ICC arbitration, the outcome of which is unlikely to be within the forecast period.

Trade receivables consist of 39 customers from the Logbaba Project in Douala, Cameroon with operations in various industries including electricity generators, food processors, breweries, foundries, cement producers and chemical companies, and two further customers to which the Group sells the condensate produced from Logbaba.

The Group has policies in place to ensure that sales are made to customers with adequate creditworthiness. After the initial evaluation and acceptance the Group subsequently monitors customer credit quality and payment compliance to limit its exposure on all accounts receivable. Customers failing this review are issued a warning, followed by cessation of gas supply.

Trade receivables are comprised of:
- 7% amounts due from subsidiaries of multinational companies;
- 21% amounts due from other Cameroonian companies;
- 69% amounts due from subsidiaries of multinational companies with State participation; and
- 3% amounts due from other Cameroonian companies with State participation.

The Group rates the credit quality of the first group as high (making up 7% of trade receivables). The credit quality of other local Cameroonian companies is reduced, but the Group mitigates this risk by implementing safeguards and retains the ability to restrict/terminate gas supply. The credit quality of the subsidiaries of multinational companies with State participation, namely ENEO (making up 69% of trade receivables) is uncertain, and their payment performance record is poor. The credit quality of the final category is poor, and Management monitors payment performance of these customers carefully and mitigates credit risk principally by retaining the ability to restrict/terminate the supply of gas.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

25. FINANCIAL RISK MANAGEMENT continued

Credit Risk continued

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

Credit risk arising in the context of the Group's operations, excluding ENEO, is not significant with the total ECL at the Balance Sheet date amounting to 9.5% of trade receivables (2018: 1.8%).

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

The credit risk on liquid funds is limited because the Group holds the majority of its funds with banks with investment grade credit ratings. Funds held by GDC in Cameroon are principally held at BGFI, with whom GDC has debt exposure.

Liquidity Risk

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

Following a protracted negotiation with the State of Cameroon, in August 2020 the Group has concluded a long-standing dispute regarding the Logbaba Concession agreement, and in so doing has crystalised a liability to pay back-dated royalties to the Cameroonian State in the amount of US$9.6 million (GDC share). GDC and its joint venture partner are seeking to ensure that the royalty amounts payable are netted against amounts due by Cameroon for their participating interest in the Logbaba Project. There is no guarantee that the State of Cameroon will accede and the Group may be exposed to material financial exposure and liquidity risk.

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

The Group currently does not have any headroom on its debt facilities.

The Directors believe the Company is able to finance future exploration and development operations from internally generated funds, existing facilities and, where required, access to additional debt or equity. The Group also has the option to farm-down on existing assets if this is deemed appropriate.

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

	Due 3-5 years US$'000	Due 2-3 years US$'000	Due 1-2 years US$'000	Due 0-1 year US$'000	Total US$'000
2019					
Borrowings	**1,719**	**5,337**	**4,897**	**5,969**	**17,922**
Accounts payables	**–**	**–**	**–**	**9,272**	**9,272**
Total	**1,719**	**5,337**	**4,897**	**15,241**	**27,194**

Foreign Currency Risk

Although the Company is based in the UK, overseas operations are funded primarily in US Dollars which is converted to local currency to fund operations. The Group holds surplus cash in US Dollars, Sterling and Central African Franc, and buys other currencies as required, at the most advantageous rates available, to meet short-term creditor obligations and fund other expenditure. The Central African Franc, which is the currency of Cameroon, is pegged to the Euro. Stringent foreign exchange controls within Cameroon present significant foreign currency risk as they impute procedural barriers to transferring foreign exchange out of Cameroon and also increase the cost of purchasing foreign exchange as required.

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

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

25. FINANCIAL RISK MANAGEMENT continued

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

	Monetary Assets		Monetary Liabilities	
	2019 US$'000	2018 US$'000	**2019 US$'000**	2018 US$'000
Central African Franc	**11,542**	6,700	**23,080**	20,939
Sterling	**3,413**	656	**294**	428
Euro	**–**	–	**100**	152
Russian Rouble	**31**	10	**24**	17
Kazakh Tenge	**39**	42	**1**	2
	15,025	7,408	**23,499**	21,538
US Dollar	**5,923**	4,725	**3,695**	10,169
	20,948	12,133	**27,194**	31,707

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

Foreign Currency Sensitivity Analysis

If the US Dollar had gained/lost 5% against all currencies significant to the Group at 31 December 2019, the loss would have been less than US$0.3 million lower/higher (2018: less than US$0.1 million lower/higher) and the net equity would have been less than US$0.3 million higher/lower (2018: less than US$0.1 million higher/lower). Accordingly, the impact on the Company's Income Statement and net equity would be immaterial.

The Group secured a XAF 15 billion loan facility during 2016, this loan was restructured in July 2018 (see Note 21). At 31 December 2019 the total debt outstanding on facilities held in Central African Franc ("XAF") amounted to US$16.4 million equivalent (2018: US$19.4 million equivalent), marking a reduction in the foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting similar financial instruments traded in the market. This risk principally relates to sale of gas and condensate and is included in the analysis of financial risk factors in the Strategic Report. For sales of gas, the risk is substantially reduced by entering into longer term, fixed-price gas contracts (two to five years) with customers. Whilst customers are not forced to consume gas, the contractual prices are not linked to the relevant commodity price. However, customers will weigh up the price of gas supplied against alternative fuel prices to obtain the lowest unit cost price for production. The commodity price thus presents a significant risk for the Group, but the quantum of the impact is difficult to estimate as the decision is made by customers with varying production requirements.

The condensate sales price is linked to the Brent Crude price and is anticipated to be significantly impacted by the recent collapse in the world oil prices. For the current year, it is estimated that a general weakening of ten percentage point in Brent would increase the Group's loss before tax by less than US$0.1 million (2018: less than US$0.1 million).

Interest Rate Risk

The Group is exposed to interest rate risk. Where possible the Group borrows at fixed interest rates. At 31 December 2019, the Group had the following outstanding borrowings:

- US$16.4 million from BGFI with interest payable at an average rate of 7.15% p.a.; and
- US$1.5 million from Famcorp with interest payable at a fixed rate of 9.9% p.a.

See Note 21 for more information regarding these loans. A change in the Cameroonian bank base rate of 1% would affect the Group's profit before tax by less than US$0.2 million. The Famcorp loan has a fixed rate and would have no impact from a change in base rates.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

25. FINANCIAL RISK MANAGEMENT continued

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

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

On 5 April 2019, the Company issued 104,627,788 new Ordinary Shares at a subscription price of 13 pence per share which generated net proceeds of US$16.8 million (see Note 26).

Gearing ratio
The Board considers the level of debt taking into consideration the status of projects in the development cycle and their ability to service any debt. A measure to monitor capital is the gearing ratio, that is, the ratio of net debt to equity. The Group is in a net debt position at year-end of US$10.7 million (2018: US$17.4 million) (see Note 22).

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

2019	Notes	Amortised cost US$'000	FVTPL US$'000	Total US$'000
Financial assets				
Trade and other receivables	17	**13,711**	**–**	**13,711**
Total financial assets		**13,711**	**–**	**13,711**
Financial liabilities				
Borrowings	21	**–**	**17,922**	**17,922**
Trade and other payables	19	**9,272**	**–**	**9,272**
Total financial liabilities		**9,272**	**17,922**	**27,194**

2018				
Financial assets				
Trade and other receivables		8,666	–	8,666
Total financial assets		8,666	–	8,666
Financial liabilities				
Borrowings		–	20,907	20,907
Trade and other payables		10,800	–	10,800
Total financial liabilities		10,800	20,907	31,707

Where available, market values have been used to determine fair values. The estimated fair values have been determined using market information and appropriate valuation methods. The Directors consider that the fair value of the Group's financial assets and liabilities are not materially different from their carrying values.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

26. SHARE-BASED PAYMENTS

Shares and Options granted through Long-Term Incentive Plan ("LTIP")

On 31 July 2019, the Board adopted the new LTIP scheme and approved the grant of 9,500,000 share options to Executive Directors. The share options, which were fully vested, were granted at an exercise price of 14 pence, with an expiry date of 31 July 2024 (Five years).

A further 1,500,000 share options were granted to senior management on 31 July 2019. These options were 25% vested, with a further 25% vesting annually over three years on the grant date anniversary. The strike price of these share options was 14 pence, with an expiry date five years after the vesting date.

The LTIP adopted by the Board on 12 September 2017 has not been activated to date and has been superseded by the new LTIP adopted by the Board. No options have been exercised to date.

Other Share Options

On 31 July 2019, 2,000,000 share options were granted to the two Non-Executive Directors under individual share option agreements. These options were 25% vested, with a further 25% vesting annually over three years on the grant date anniversary. The strike price of these share options was 14 pence, with an expiry date five years after the vesting date. Upon resignation as Non-Executive Director on 7 November 2019, John Knight waived his rights to 1,000,000 share options awarded to him. No options have been exercised to date.

In 2017, the Company awarded 880,122 nil cost share options to the Executive Directors in respect of annual bonus awards for 2016. 50% of the share options vested on 1 January 2018 and the remaining 50% vested on 1 January 2019. The share options have an expiry date of 31 August 2022. During 2019, 674,700 Ordinary Shares were issued to Executive Directors on exercise of these share options. At 31 December 2019, 205,422 share options remained unexercised.

Shares and Options granted through ESOP Trust

During the current year, the ESOP Trust, which is consolidated as part of the Group, transferred 500,000 Ordinary Shares to a former Director on exercise of share options. (see Note 29). Following the share issuance, the remaining 62,500 Ordinary Shares held by the ESOP Trust were sold in the open market. The ESOP Trust was closed on 28 June 2019 by Deed of Termination. No share options were granted by ESOP Trust during the current or prior year.

	2019 Number of options 000s	2018 Number of options 000s
Opening balance	**500**	500
Exercised	**(500)**	–
Closing balance	**–**	500

Bonus awards to employees and contractors

On 31 May 2019, 961,546 Ordinary Shares were allotted to employees in lieu of cash performance bonuses for 2018. The shares were issued at 13 pence per Ordinary Share. A further 152,088 Ordinary Shares of the Company were issued to a contractor in lieu of payment for services. These shares were issued at 22.8 pence per Ordinary Share.

In 2018, the Company issued 571,914 Ordinary Shares to employees for performance bonuses for 2017. The shares were issued at 30 pence per Ordinary Share. A further 4,814,815 Ordinary Shares of the Company were issued to a contractor in lieu of payment for services. These shares were issued at 30 pence per Ordinary Share.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

27. ROYALTY OBLIGATIONS AND CONTINGENT LIABILITIES

Royalty Obligations

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

- 8% of gas production to the Cameroon State as provided by the Concession Contract. Following a protracted negotiation with the State of Cameroon, in August 2020 the Group has concluded a long-standing dispute regarding the Logbaba Concession agreement, and in so doing has crystalised a liability to pay back-dated royalties to the Cameroonian State in the amount of US$9.6 million (net amount). GDC and its joint venture partner are seeking to ensure that the royalty amounts payable are netted against amounts due by Cameroon for their participating interest in the Logbaba Project. There is no guarantee that the State of Cameroon will accede and the Group may be exposed to material financial exposure and liquidity risk. The royalty obligation, which has been disclosed as a contingent liability in previous year's financial statements, is disclosed as a current liability.
- Sliding scale production royalty to CHL ranging from 0-15% of GDC revenue from the Logbaba Project for the life of the Logbaba field (0% up to US$30.0 million of cumulative GDC revenue from the Logbaba Project; 15% of cumulative revenue greater than US$30.0 million up to US$240.0 million; 6% of cumulative revenues in excess of US$240.0 million). All royalty payments are subject to 15% withholding tax in Cameroon. The Company has a 35% interest in CHL. See Note 29 for further information on CHL. Since January 2019 the Company has ceased to make payments under the CHL Royalty Agreement. CHL has commenced legal proceedings against both GDC and the Company with regard to payments CHL believes it is entitled to under the Royalty Agreement. In the event that the legal proceedings result in GDC being obliged to continue paying royalty payments, the Group's liability at 31 December 2019 would be US$3.0 million (2018: US$0.3 million).

Other Contingent Liabilities

RSM

RSM has instituted an arbitration in Texas, USA under ICC rules in which it is asserting material claims primarily related to final invoices for the drilling of the two wells, La-107 and La-108, and certain audit exceptions raised by RSM following audits of the Logbaba operations between 2015 and 2018. RSM has made two attempts to obtain interim rulings which GDC has successfully defended and the substantive matter is currently scheduled for hearing at the end of January 2021.

Separately, on 3 February 2020, RSM filed an arbitration application under UNCITRAL Rules pursuant to a Participation Agreement for the project. Much of the relief sought in this second arbitration duplicates the claims in the ICC arbitration save that it also challenges the validity of cash calls GDC issued in November 2019 for RSM's share of expenses in relation to the La-108 well remediation (in aggregate US$2.9 million) and raises issues relating to the primacy of the underlying governing documents relating to the Logbaba Project, and the process of approvals for certain actions of GDC as the Operator on the Logbaba Project. This arbitration will be heard in London under Cameroon Law.

Arbitrations under ICC and UNCITRAL rules are confidential processes. VOG is not permitted to provide detailed comments on them, beyond saying that it continues to vigorously defend the claims raised by RSM.

The amounts under dispute in these arbitrations are significant, and an adverse finding by either of the Tribunals would have a material impact upon the results and position of the Group.

Cameroon Tax Assessment

GDC received a tax assessment for the period 2014 through 2016 in the amount of US$6.6 million on 22 May 2020, which was revised to US$5.6 million on 10 August 2020 following an initial appeal by GDC. Management contends that it has paid all taxes owed in Cameroon and believes the assessment is spurious as it seeks to levy double-taxation on GDC. Consequently GDC intends to vigorously challenge this assessment. As at the date of approval of the current year Financial Statements, the outcomes of the various submissions that GDC has lodged with the relevant regulatory bodies is unknown and therefore it is not possible to quantify any potential impact. The amounts under dispute are significant, and an adverse outcome will have a material impact upon the results and position of the Group.

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

28. NOTES TO THE CASH FLOW STATEMENT

Changes in liabilities from financing activities

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

	1 January 2019 US$'000	Cashflows US$'000	Movement long-term to short-term US$'000	Other changes US$'000	31 December 2019 US$'000
Long-term borrowings	**16,798**	**–**	**(4,845)**	**–**	**11,953**
Short-term borrowings	**4,109**	**(2,563)**	**4,845**	**(422)**	**5,969**
Total liabilities from financing activities	**20,907**	**(2,563)**	**–**	**(422)**	**17,922**

	1 January 2018 US$'000	Cashflows US$'000	Movement long-term to short-term US$'000	Other changes US$'000	31 December 2018 US$'000
Long-term borrowings	21,363	–	(4,565)	–	16,798
Short-term borrowings	3,174	(2,809)	4,565	(821)	4,109
Total liabilities from financing activities	24,537	(2,809)	–	(821)	20,907

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

29. RELATED PARTY TRANSACTIONS

The Consolidated Financial Statements include the Financial Statements of the Company and the subsidiaries listed in Note 30. The Company is the ultimate parent entity of the Group.

Related parties include key management personnel. Payments (including share-based payments) to Directors and other key management are set out in Note 12 and Note 26.

The Group did not have any transactions with related parties, other than as listed below (2018: purchases from related parties US$31,000).

Directors

Kevin Foo, who resigned as a Director on 3 April 2019, and certain members of his family are potential beneficiaries of a discretionary trust that owns HJ Resources Limited ("HJR"). Mr Foo exercised 500,000 share options via the ESOP Trust on 9 April 2019. He exercised a further 240,964 nil cost options on 10 June 2019.

Ahmet Dik, who resigned as Chief Executive Officer on 20 March 2020, exercised 433,735 share options on 1 August 2019.

Roger Kennedy, Executive Chairman, took a loan of US$22,576 from the Company. The loan was fully repaid in March 2020.

Cameroon Holdings Limited ("CHL")

In 2009, the Group signed agreements with a private company, CHL, to secure a drilling rig and provide drilling services and emergency funding to enable the Group to meet its work obligations to the Government of Cameroon for the Logbaba Concession. Part of the consideration was a royalty over the Group's share of the revenues from the Logbaba Concession (see Note 27). There was also an obligation to pay 15% of the first US$30 million of cumulative GDC revenue from the Logbaba Project to meet mobilisation and demobilisation costs of the drilling rig.

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

HJR has an indirect 43.3% shareholding in CHL due to its 66.6% interest in Logbaba Projects Limited, the controlling entity of CHL. Kevin Foo, former Executive Chairman, was excluded from the Board discussions and decisions in respect of the Group's investment in or decisions related to CHL. During the year GDC ceased making royalty payments to CHL (2018: US$1.7 million), and consequently the Group did not receive any dividends from CHL (2018: US$0.4 million). CHL has commenced legal proceedings against both GDC and the Company with regard to payments CHL believes it is entitled to under the Royalty Agreement.

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

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

30. COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS

The holdings of the Group as at 31 December 2019 were:

Company	Country of incorporation	Registered address	Class of shares	Percentage of capital held	Nature of business
Victoria Oil & Gas Plc	England & Wales	200 Strand, London, WC2R 1DJ			
Victoria Petroleum Ltd	England & Wales	200 Strand, London, WC2R 1DJ	Ordinary	100%	Holding company
ZAO SeverGas-Invest	Russia	Proezd 13, promzona, panel "C", Nadym, 629730, Yamal-Nenets Autonomous Okrug	Ordinary	100%	Exploration
Bramlin Ltd	Guernsey	St Peters House, Le Bordage, St Peter Port, Guernsey, GY1 1BR	Ordinary	100%	Holding company
Gaz du Cameroun S.A.	British Virgin Islands	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Exploration and production
Victoria Oil & Gas Central Asia Ltd	England & Wales	200 Strand, London, WC2R 1DJ	Ordinary	100%	Holding company
Victoria Energy Central Asia UK Ltd	England & Wales	200 Strand, London, WC2R 1DJ	Ordinary	100%	Holding company
Victoria Energy Central Asia LLP	Kazakhstan	Temirkhanova Str. 1a, 1st Floor, Atyrau, 060002, Republic of Kazakhstan	Ordinary	100%	Representative office
Gaz du Cameroun Sarl.	Cameroon	741 Rue Vasnitex, Bonapriso, PO Box 12874, Douala, Cameroon	Ordinary	100%	Licence operator
Victoria Oil & Gas International Ltd	British Virgin Islands	R G Hodge Plaza, 3rd Floor, Upper Main Street, Wickhams Cay 1, PO Box 3483, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Dormant
Gaz du Cameroun Matanda S.A.	British Virgin Islands	Sea Meadow House, Blackburne Highway, PO Box 116, Road Town, Tortola, British Virgin Islands	Ordinary	100%	Dormant
Gaz du Cameroun Investments Ltd	Guernsey	St Peters House, Le Bordage, St Peter Port, Guernsey, GY1 1BR	Ordinary	100%	Dormant

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

Following the participation of SNH in the Logbaba Project in June 2017, the Group participating interest was reduced from 60% to 57%. On 17 December 2018 the Group received the Presidential Decree authorising the transfer of the 75% participating interest in the Matanda PSC, however the PSC governing the Matanda Block grants the Cameroonian State an option to acquire between a 5% and 25% participation in the exploitation activities of the block. Should the Cameroonian State exercise its option, upon conversion to an exploitation licence, the Group's interest would thereafter be reduced to between 71.25% and 56.25% depending on the State's election.

The following subsidiaries are exempt from the requirements of the UK Companies Act 2006 relating to the audit of individual accounts by virtue of s479A of the Act:
- Victoria Petroleum Ltd
- Victoria Oil & Gas Central Asia Ltd
- Victoria Energy Central Asia UK Ltd

Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2019

31. SUBSEQUENT EVENTS

Board Changes
- On 10 February 2020, Robert Collins was appointed as Non-Executive Director.
- On 23 March 2020, Roy Kelly was appointed Chief Executive Officer following the resignation of Ahmet Dik on 20 March 2020.
- On 15 May 2020, Andrew Diamond resigned as Finance Director.
- On 11 August 2020, Robert Collins was appointed Chief Financial Officer.

Covid-19
- In the period since 31 December 2019, the emergence and spread of Covid-19 has not had a significant impact on the Group's operations. Although remediation work in relation to La-108 was postponed due to the Covid-19 pandemic, the remediation work is expected to recommence in the coming months.

Other subsequent Events
- The Company held its Annual General Meeting on 29 June 2020, at which all the resolutions put to vote were approved. A General Meeting will be convened on 29 October 2020 for the shareholders to receive the current year Annual Report and Accounts.
- On 2 July 2020, GDC terminated the ENEO Gas Sales Agreement following protracted efforts to get ENEO to abide by the contractual terms of the binding term sheet between the Parties (see Notes 3 and 17).
- On 27 July 2020 the Group reduced the estimated proven ("1P") reserves on Logbaba to 19 Bcf effective 1 January 2020. The Group has included the revised reserves estimate in its asset impairment during the current year.

32. CAPITAL AND LEASE COMMITMENTS

At 31 December 2019, GDC had no capital commitments (2018: Nil).

On 17 December 2018, the Group received the Presidential Decree authorising the transfer of the 75% interest in the Matanda PSC. The Group has a minimum work programme obligation of one exploration well plus seismic reprocessing to be completed in the first two years of the assignment following the Presidential Decree (i.e. by December 2020). The Group will not be in a position to achieve the minimum work programme and has commenced discussions with the SNH for an extension of the exploration period.

The Group's commitment is expected to be US$11.25 million (2018: US$11.25 million). The Group will seek a farm-down partner to mitigate the work programme commitment, assuming a suitable extension is obtained.

The Group has lease commitments at 31 December 2019 as follows:

	2020 US$'000	2021-24 US$'000	Total US$'000
Lease commitments	66	–	66

Parent Company Statement of Financial Position
At 31 December 2019

	Notes	**31 December 2019 US$'000**	31 December 2018 US$'000
Assets:			
Non-current assets			
Intangible assets		**–**	29
Property, plant and equipment		**–**	42
Investment in associate	B	**–**	4,502
Investment in subsidiaries	B	**–**	12,410
		–	16,983
Current assets			
Trade and other receivables	C	**9,679**	86,955
Cash and cash equivalents	D	**3,565**	2,222
		13,244	89,177
Total assets		**13,244**	106,160
Liabilities:			
Current liabilities			
Trade and other payables	E	**447**	1,126
Borrowings	F	**1,480**	1,480
		1,927	2,606
Net current assets		**11,317**	86,571
Net assets		**11,317**	103,554
Equity:			
Called-up share capital	G	**1,826**	1,130
Share premium		**42,817**	26,254
Other reserves		**1,093**	401
Retained (losses)/earnings		**(34,419)**	75,769
Total equity		**11,317**	103,554

As permitted by Section 408 of the Companies Act 2006, the Parent Company is availing of the exemption from presenting its separate Income Statement in these Financial Statements and from filing it with Companies House. The loss for the year dealt with in the Financial Statements of the Company amounts to US$110.3 million (2018: US$7.1 million).

The Financial Statements of Victoria Oil & Gas Plc, registered number 5139892, were approved by the Board of Directors on 29 September 2020.

Roger Kennedy
Executive Chairman

John Daniel
Non-Executive Director

Parent Company Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital US$'000	Share premium US$'000	Other reserves US$'000	Retained (losses)/ earnings US$'000	Total US$'000
For the year ended 31 December 2018					
At 31 December 2017	1,095	24,218	248	82,868	108,429
Shares issued	35	2,036	–	–	2,071
Vesting of share options	–	–	174	–	174
Warrants expired	–	–	(21)	21	–
Total comprehensive loss for the year	–	–	–	(7,120)	(7,120)
At 31 December 2018	1,130	26,254	401	75,769	103,554
For the year ended 31 December 2019					
At 31 December 2018	**1,130**	**26,254**	**401**	**75,769**	**103,554**
Shares issued	**685**	**16,067**	**–**	**–**	**16,752**
Share-based payments	**11**	**496**	**(308)**	**–**	**199**
Vesting of share options	**–**	**–**	**1,000**	**–**	**1,000**
Shares granted to ESOP members	**–**	**–**	**–**	**81**	**81**
Total comprehensive loss for the year	**–**	**–**	**–**	**(110,269)**	**(110,269)**
At 31 December 2019	**1,826**	**42,817**	**1,093**	**(34,419)**	**11,317**

Notes to the Parent Company Financial Statements
For the year ended 31 December 2019

A. SIGNIFICANT ACCOUNTING POLICIES

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

Statement of Compliance and Basis of Preparation
These separate Financial Statements, of Victoria Oil & Gas Plc ("the Company"), for the year ended 31 December 2019, are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 issued by the Financial Reporting Council. The separate Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101").

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

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

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

Accounting Policies
The principal accounting policies adopted are the same as those set out in Note 2 to the Consolidated Financial Statements, except as noted below.

Investments
Investments in subsidiary undertakings and associates, are stated at cost less impairment amounts.

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

Notes to the Parent Company Financial Statements continued
For the year ended 31 December 2019

B. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

Subsidiaries

	2019 US$'000	2018 US$'000
Cost	**49,774**	49,774
Impairment	**(49,774)**	(37,364)
Carrying amount	**–**	12,410

An impairment of US$12.4 million was raised during the year to recognise the impairment of assets in Cameroon following the reduction in the estimated proven ("1P") reserves on Logbaba to 19bcf (2018: Nil) (see Note 4 of the Consolidated Financial Statements).

In addition to the current year's impairment of the Cameroon investments, the provision for impairment includes the Company's Kemerkol assets in Kazakhstan which were fully impaired in 2007 and 2009 and the West Medvezhye assets in Russia which were fully impaired in 2015.

Associate

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

Since January 2019 the Company's subsidiary, Gaz du Cameroun S.A. ("GDC"), has ceased to make payments to CHL under the CHL Royalty Agreement. CHL has commenced legal proceedings against both GDC and the Company with regard to payments CHL believes it is entitled to under the Royalty Agreement. The CHL royalty paid by GDC is the only source of revenue for CHL. Consequently, in 2019 the Company has fully impaired this investment, resulting in an impairment charge of US$4.5 million.

C. TRADE AND OTHER RECEIVABLES

	2019 US$'000	2018 US$'000
Amounts due from subsidiaries	**9,538**	85,921
VAT recoverable	**33**	67
Prepayments	**62**	71
Other receivables	**46**	896
	9,679	86,955

Amounts Due from Subsidiaries

	2019 US$'000	2018 US$'000
Opening balance	**85,921**	74,996
Funds advanced	**11,085**	14,925
Impairment	**(87,468)**	(4,000)
Closing balance	**9,538**	85,921

Amounts due from subsidiaries is entirely due from GDC and are non-interest bearing loans repayable on demand. An impairment of US$87.6 million (2018: US$4.0 million) was raised against amounts due from subsidiaries. Aside from amounts due from GDC, all other loan amounts to subsidiaries have been fully impaired.

The realisation of intercompany receivables of US$9.5 million is dependent on the continued successful development of economic reserves on the Logbaba Project.

Notes to the Parent Company Financial Statements
For the year ended 31 December 2019

D. CASH AND CASH EQUIVALENTS

	2019 US$'000	2018 US$'000
Cash and cash equivalents	**3,565**	2,222
Denomination:		
US Dollar	**293**	2,065
Sterling	**3,272**	157
	3,565	2,222

E. TRADE AND OTHER PAYABLES

	2019 US$'000	2018 US$'000
Amounts due within one year:		
Trade payables	**294**	494
Taxes and social security costs	**30**	29
Accruals	**123**	603
	447	1,126

F. BORROWINGS

Borrowings relate to Famcorp and are disclosed in more detail in Note 21 of the Consolidated Financial Statements.

G. CALLED-UP SHARE CAPITAL

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

H. LOSS FOR THE YEAR

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

The loss for the year ended 31 December 2019 was US$110.3 million (2018: US$7.1 million). The current year loss contains an impairment of associate of US$4.5 million, an impairment of investment in subsidiaries of US$12.4 million and an impairment of amounts due from subsidiaries of US$87.6 million (2018: US$4.0 million).

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

Notes to the Parent Company Financial Statements continued
For the year ended 31 December 2019

I. RELATED PARTY TRANSACTIONS

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

The Company received no dividends (2018: US$0.4 million) and no loan repayments from CHL during the period (2018: US$0.1 million). There were no further material transactions with non-wholly owned Group undertakings (2018: Nil).

J. CONTINGENT LIABILITIES

At 31 December 2019 the Company had issued a Parent Company guarantee to the Cameroonian State as assurance for the Matanda PSC work programme. The Company has also provided a letter of support to BGFI in relation to the facility (see Note 21). The Parent Company guarantee and letter of support are unchanged from 2018.

K. SUBSEQUENT EVENTS

Board Changes

Details of the Company's subsequent events are disclosed in Note 31 of the Consolidated Financial Statements.

Definitions, Abbreviations & Glossary

"US$"	US$, currency of United States of America
"Adjusted EBITDA"	Adjusted EBITDA excludes depreciation, impairments and the state royalty provision. A reconciliation to the nearest IFRS measure is included in the Financial Review
"AFEX"	AFEX Global Limited
"AGM"	Annual General Meeting
"AIM"	Alternative Investment Market, a sub-market of the London Stock Exchange
"Altaaqa"	Alternative Solutions Projects DWC-LLC (equipment partner and genset supplier at ENEO owned power stations
"bbl"	Barrel, or 42 US gallons
"Bcf"	Billion cubic feet 1bcf = 0.83 million tonnes of oil equivalent
"BGFI"	BGFIBank Cameroon S.A., an African bank with operations in Cameroon
"CHL"	Cameroon Holdings Limited of which the Company owns a 35% interest
"CNG"	Compressed Natural Gas
"the Company"	Victoria Oil & Gas Plc
"D&R"	Decommissioning and rehabilitation
"Deferred Shares"	The deferred shares of 19.5 pence each in the capital of the Company to be created pursuant to the Sub-Division
"E&P"	Exploration and production
"EBITDA"	Earnings before interest, taxes, depreciation and amortisation
"ENEO"	ENEO Cameroon S.A., Cameroon's national electricity generating company
"ESOP"	Employee Share Ownership Plan
"Esia"	Environmental and social impact assessment
"Esmp"	Environmental and social management plan
"FRS 101"	Financial Reporting Standard 101 Reduced Disclosure Framework
"GDC"	Gaz du Cameroun S.A.
"Government"	Government of Cameroon
"the Group"	Victoria Oil & Gas Plc and its subsidiaries
"GSA"	Gas sales agreement
"IFRS"	International Financial Reporting Standards
"IMS"	Integrated Management System
"IPP"	Independent Power Producers
"ISO"	International Organization for Standardization Compliance
"Logbaba"	"Logbaba Project", 20km^2 hydrocarbon licence in Cameroon.
"Lost time injuries"	All on-the-job injuries that require a person to stay away from work more than 24 hours, or which result in death or permanent disability. This definition comes from the Australian standard 1885.1 – 1990 Workplace Injury and Disease Recording Standard
"Matanda"	Matanda Block, 1,235km^2 hydrocarbon licence in Cameroon
"Matanda PSC"	Matanda Production Sharing Contract
"MMbtu"	Million British Thermal Units of Energy
"mmscf"	Million standard cubic feet
"mmscf/d"	Million standard cubic feet per day
"MW"	Mega Watt
"Naturelgaz"	Naturelgaz Sanayi ve Ticaret A.S., Europe's largest CNG supplier and distributorP
"NED"	Non-Executive Director
"NCP"	UK National Contact Point
"OECD"	Organisation for Economic Co-Operation and Development
"P50"	Prospective resources with a 50% probability that the size of the field is larger or smaller than indicated
"p.a."	per annum
"Prospective"	A potential accumulation that is sufficiently well defined to represent a viable drilling target
"PSC"	Production Sharing Contract
"RSM"	RSM Productions Corporation
"SNH"	Société Nationale des Hydrocarbures, The National Hydrocarbons Corporation of Cameroon
"tcf"	Trillion cubic feet
"VOG"	Victoria Oil & Gas Plc
"XAF"	Central African Francs; currency of Cameroon

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