

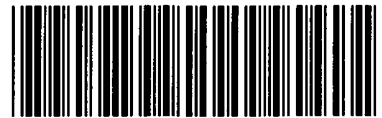
COMPANY REGISTRATION NO. 04006413 (ENGLAND AND WALES)

PATH INVESTMENTS PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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PATH INVESTMENTS PLC

**ANNUAL REPORT
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PATH INVESTMENTS PLC

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COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | Nigel Brent Fitzpatrick (Non-Executive Chairman) Christopher Theis (Chief Executive Officer) Andrew Yeo (Chief Operations Officer) Tommaso Corrado (Non-Executive) |
| Secretary | Rakesh Patel |
| Company Number | 04006413 |
| Registered office | Aston House Cornwall Avenue London N3 1LF |
| Statutory Auditor | H W Fisher & Company Acre House 11-15 William Road London NW1 3ER |
| Solicitors | Womble Bond Dickinson (UK) LLP 4 More London Riverside London SE1 2AU |
| Bankers | Royal Bank of Scotland Plc 28 Cavendish Square London W1M 0DB |
| Registrar | Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU |

PATH INVESTMENTS PLC

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CHAIRMAN'S STATEMENT

Highlights

- Admission to the Standard List segment of the London Stock Exchange Official List concluded
- Current focus on the acquisition of conventional onshore producing European Gas assets
- Conditional Farm-In Agreement signed 15 December 2017, which, subject to completion, will be the Company's first acquisition under its new stated strategy
- Subsequent to year-end, a move to the AIM market is planned with an accompanying fund raising

Review

The Company was successfully admitted to the Standard List segment of the Official List of the London Stock Exchange on the 30 March 2017 ("Admission").

Post Admission, the Directors immediately set about pro-actively reviewing a number of opportunities as they presented themselves. Those assets found to be of most interest at this time are within the European conventional onshore producing gas area. The Directors are aware of a number of such opportunities, at differing stages of transaction maturity, and have focused time and resources to advance one particular transaction at this time towards completion.

A Conditional Farm-In Agreement was signed with SP Energy GmbH on 14 December 2017 for the acquisition of a 50% Participating interest in the producing Alfeld-Elze II Licence and gas field in Lower Saxony, Germany (the "Proposed Transaction"). Alfeld Elze II has been in production since 2015 from the re-entered H-WD Z2 vertical well. The re-drilling of a second well, the A-EZ Z4(2) well, was completed in February 2018 and subject to testing, final approvals and commissioning, production from A-EZ Z4(2) is anticipated to commence around mid-2018.

This acquisition fits with the Company's stated strategy: it allows rapid deployment of capital into an existing, producing asset, it is low risk with a proven measured reserve, and the field holds development potential to generate long term cash flow. To assist with this acquisition, and others that may follow, a fund raising and an accompanying move to the AIM market of the London Stock Exchange is planned. At this time, the Directors are focused on delivering an efficient financial structure for the Proposed Transaction.

In addition to seeking to deliver significant near-term increases in gas production from Alfeld-Elze II, the Directors intend to continue to build a low risk and, over time, diversified, oil and gas portfolio which has the ability to provide the Company's shareholders with a dividend stream as well as offering development potential.

N. B. Fitzpatrick

Nigel Brent Fitzpatrick
Non-Executive Chairman

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Operational Review

The Company was incorporated and registered in England and Wales on 2 June 2000 under the Companies Act 1985 as a public company limited by shares with the name Hallco 459 plc and with registered number 04006413. On 28 November 2000, the Company changed its name to The Niche Group PLC. On 20 February 2016, the Company changed its name to Path Investments Plc. It is domiciled and its principal place of business is in the United Kingdom and is subject to the City Code.

The strategy of the Company is to acquire interests in oil and gas production or near production assets with the objective of providing the Company's shareholders with access to a low risk and, over time, diversified oil and gas portfolio which can offer a dividend stream as well as offering development potential for capital growth. The Directors are looking to create a diversified portfolio of assets that is mindful of the maturity of asset developments, life of income stream and the potential for growth.

The Company was admitted to the Official List by way of a Standard Listing and to trading on the London Stock Exchange's Main Market for listed securities on 30 March 2017. At the time of listing accrued salaries, pensions and benefits in kind amounting to £940,905 were waived and the Company raised approximately £1.4 million before expenses through the subscription of new ordinary shares.

The Company has not traded over the past twelve months and no material level of interest income has been received to date. Over that period its expenses have related to pre-deal costs, professional and associated expenses related to the Standard Listing, placing, advisory and consultancy fees, along with general administration expenses.

The previous sustained period during which oil was priced at US\$100 a barrel or more had seen companies in the sector raise their appetite for risk; not just in exploration activity but also by investing in high cost appraisal and development programmes. The subsequent fall in commodity prices has led to pressure on project commitments and cash flow shortages which have left many proven and producing projects starved of capital. This is particularly acute at the smaller end of the quoted sector where exploration exposure is much higher.

The Directors believe that attractive opportunities currently exist to acquire interests in energy assets, and in particular onshore European gas assets, which are profitable and have future development potential. In addition to the decreased costs at which interests in assets can be acquired in the current climate, new entrant advantages include ongoing reductions in project costs along with, in many cases, the benefits of significant historically incurred costs, existing infrastructure and technical understanding. Revenue generation from some of these assets can be either immediate or imminent.

The Company intends to focus on identifying acquisition opportunities which are, in the opinion of the Directors, underperforming, undeveloped and/or currently undervalued, and where the Directors believe that their expertise and experience, in conjunction with that of the incumbent management, can be deployed to facilitate growth and unlock inherent value.

On 15 December 2017 the Company announced that it had entered into a Conditional Farm-In Agreement with 5P Energy GmbH, under which Path will acquire a 50% Participating Interest in the Alfeld-Elze II License and field, subject to completion. Upon completion, this would be the Company's first acquisition under its new stated strategy. The Directors believe that admission to AIM, and the cancellation of its existing admission to the Standard Segment of the Main Market of the London Stock Exchange, will be appropriate at that time to assist with this acquisition and others that may follow.

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Financial Review

Loss for the year

In the year ended 31 December 2017, the Company recorded a loss of £623,977 after deducting £400,346 in respect of share based payments . There was no income in the period.

Cash flow

In March 2017, the Company issued 140 million additional Ordinary Shares for a subscription price of £0.01, raising £1.4 million before expenses in relation to its Listing on the Standard Segment of The London Stock Exchange.

PATH INVESTMENTS PLC

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Board of Directors and Senior Management

During the period covered by the Annual Report, the Board consisted of Nigel Brent Fitzpatrick (Non-Executive Chairman), Christopher Theis (Chief Executive Officer), Andrew Yeo (Chief Operating Officer), Rakesh Patel (Chief Financial Officer), Donal Boylan (Non-Executive) and Tommaso Corrado (Non-Executive). Both Rakesh Patel and Donal Boylan resigned as directors of the Company on 22 May 2017. The Directors consider the Board to be appropriate for a Company of Path's size and of sufficient experience to execute the investment strategy. Details of the current Board, including the new appointments are set out below:

Nigel Brent Fitzpatrick MBE, Non-Executive Chairman, aged 68

Brent is an experienced corporate finance consultant. He was previously Chairman of Global Marine Energy and is currently Chairman of Risk Alliance Group, Vela Technologies and Aboyne-Clyde Rubber Estates of Ceylon Limited. Brent is a non-executive director of Vordere PLC. He is a member of the Audit Committee Institute. In 2012, Brent was awarded an MBE for services to education.

Christopher Theis, Chief Executive Officer, aged 58

Christopher is an experienced investment banker and entrepreneur. He has led top ranked City ECM teams, including- Smith New Court and Hoare-Govett as well as a number of successful quoted and private businesses. Christopher holds an MBA from Cass Business School.

Andrew Yeo, Chief Operating Officer, aged 55

Andrew was a founder member of Evolution Securities where he was a board member and executive director. Over the last ten years, he has gained significant expertise in the oil & gas sectors having had a variety of roles including oil and gas private equity and operational experience as CFO of Wessex Exploration PLC.

Tommaso Maria Corrado, Non-Executive Director, aged 50

Tommaso is a former senior energy executive with expertise in merchant energy and an investor with board-level experience including BG Group (Italian subsidiary) and Swerve Energy (senior partner). His roles have included the selection, appraisal, evaluation, investment, divestment and assurance of international energy assets and contracts across the value chain and asset development cycles. Tommaso has a Masters in Finance from the London Business School.

Advisory Committee

The Company's Advisory Committee members, who are not Directors of the Company, advise and assist the Board on a part-time consultancy basis in the assessment of potential development projects. The Directors conduct initial appraisals of potential projects and, where they believe a potential opportunity merits detailed project work, it is passed to the Advisory Committee who ensure that an appropriately qualified person is available to assist with the detailed due diligence. Once due diligence on a proposed investment has been completed, the Board will be required to approve the proposed investment with a view to completing the investment from one of, or a combination of, existing cash resources, new equity financing or debt financing.

Tom Mackay

Having worked for Shell and Clyde Petroleum, Tom served as CEO of Oil Quest and Stratic Energy. He holds a BSc (Hons) in Geology and is a member of the Society of Petroleum Engineers and Fellow of the Geological Society of London.

Jon Ford

Jon joined BP as a Geophysicist initially in Europe, which included operations in the Netherlands, Italy and the North Sea. He later worked for Clyde Petroleum, Paladin Resources, Merlin Energy and Stratic Energy. He has been involved in international petroleum exploration, development and production as a seismic interpreter, asset valuator and subsurface manager. He holds a BSc (Hons) in Geology and Geophysics.

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DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 December 2017.

The Company's Ordinary Shares were listed on 30 March 2017 on the Official List of The London Stock Exchange, pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings.

Directors and Directors' interests

The Directors at the date of these financial statements who served during the period and their interest in the ordinary shares of the Company are as follows:

| | 31 December 2017 Number of Ordinary Shares | 31 December 2016 Number of Ordinary Shares |
|-------------------|---|---|
| C. Theis* | 11,795,589 | 395,589 |
| A. Yeo** | 4,750,625 | 250,625 |
| N. Fitzpatrick*** | 2,025,000 | 25,000 |
| T Corrado | 600,000 | - |

* 11,795,500 Ordinary Shares are held in Mr. Theis' self-invested pension plan administered by Hargreaves Lansdown.

** 4,750,625 Ordinary Shares are held in Mr. Yeo's self-invested pension plan administered by Hargreave Hale.

*** Mr. Fitzpatrick has an indirect interest in 15,000 Ordinary Shares which are registered in the name of Ocean Park Developments Limited, a company of which he is the holder of 100% of the issued share capital and a further indirect interest in 10,000 Ordinary Shares which are registered in the name of Pondermatters Limited, a company of which he is the holder of 10% of the issued share capital.

In addition, Donal Boylan and Rakesh Patel served as directors until their resignations on 22 May 2017.

Major interests in ordinary shares

Save for the interests of the Directors, as at 22 May 2018, being the latest practicable date prior to the publication of this Annual Report, the Company has identified the following holdings of Ordinary Shares which represent more than 5 per cent. of its issued share capital:

| Shareholder | Number of Shares | % of issued share capital |
|--|------------------|------------------------------|
| JIM Nominees Limited | 100,950,903 | 51.52 |
| Interactive Investor Services Nominees Limited | 13,100,290 | 6.69 |
| Beaufort Nominees Limited | 10,396,557 | 5.31 |
| Hargreaves Lansdown (Nominees) | 10,186,897 | 5.20 |
| Spreadex Limited | 10,052,916 | 5.13 |

Results

The loss for the year to 31 December 2017 amounted to £623,977 (2016: £1,907,687).

Managing business risk

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of business risks that could affect the Company. Duties in relation to risk management that are conducted by the Directors include but are not limited to:

- Initiate action to prevent or reduce the adverse effects of risk
- Control further treatment of risks until the level of risk becomes acceptable
- Identify and record any problems relating to the management of risk
- Initiate, recommend or provide solutions through designated channels

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- Verify the implementation of solutions
- Communicate and consult internally and externally as appropriate

The Board has carried out a review of the effectiveness of the Company's risk management and internal controls systems, including financial, operational and compliance controls as is appropriate at this early stage of the Company's business,

Taxation Status

The Company was not a close company within the provisions of the Corporation Tax Act 2010 and this position has not changed since the end of the financial period.

Future developments

Information about the future plans of the Company is covered in the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend.

Capital structure

The Company's issued share capital consists of Ordinary Shares (2.2% of total share capital) and Deferred Shares (97.8% of total share capital).

The ordinary shares shall confer upon the holders the right to receive dividends and other distributions and participate in the income or profits of the company, provided that the Ordinary shares shall not confer upon the holders the rights to receive dividends paid, made or declared of the proceeds of the sale of assets held by the Company at 10 October 2016 and included on the Company's Balance Sheet as "Investments – Available for Sale" as at the date of the General Meeting (the "Legacy Assets").

The deferred shares shall confer upon the holders the following rights and shall be subject to the following restrictions, notwithstanding any other provisions in these Articles:

- Return of Capital: On return of assets on a winding up of the Company after the holders of Ordinary shares have received the aggregate amount paid up thereon plus £10,000,000 for each such share held by them, there shall be a distribution to the holders of deferred shares an amount equal to the nominal value of shares held and thereafter any surplus held will be distributed to holders of ordinary shares.
- Dividends: Holders of deferred shares have no rights to dividends or other distributions or to participate in the income and profits of the company, except that deferred shareholders have a right to receive any dividends declared, made or paid out of the proceeds of the sale of Legacy Assets.
- Transfers: The company may acquire all or any of the deferred shares in issue at any time for no consideration.

Financial Instruments

Details of the use of financial instruments by the Company are contained in note 17.

Donations

There were no charitable or political donations during the current period or prior year.

Post balance sheet events

Post balance sheet events are discussed in the Chairman's Statement.

Going Concern

The financial statements have been prepared on the assumption that the Company will continue as a going concern. Under this assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to

PATH INVESTMENTS PLC

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laws or regulations. In assessing whether the going concern assumption is appropriate, the Directors take into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the financial statements.

The Directors have prepared the financial statements on a going concern basis. The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2017, the Company had cash and cash equivalents totalling £159,505 and since then has raised additional funds of £68,000 through the issue of convertible loans. As at 31 March 2018 the Company had cash equivalents totalling £11,939 and had a net deficit on its balance sheet of £228,182. The Company is therefore able to continue as a going concern only as a result of the support of its creditors. As announced, the Company is seeking to raise further funds by a placing of ordinary shares at the time of its proposed admission to AIM and conditional acquisition of a 50% participating interest in an onshore producing conventional gas field, the Alfeld-Elze II Licence and Gas Field in Germany. Should the placing and the admission to AIM not take place in a timely manner, or should the Company's creditors demand payment, the Directors will need to immediately raise additional funds in order to be able to continue as a going concern. The ability of the Company to raise additional funds is dependent upon investor appetite and if necessary the Directors' ability to obtain alternative sources of funding.

For the above detailed reasons the Directors believe there is a material uncertainty over the Company's status as a going concern. However, the Directors have a reasonable expectation that the Company will be able to raise sufficient funding to allow it to cover its working capital for a period of twelve months from the date of approval of the financial statements. It is for this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

Auditors

The auditors, H W Fisher & Company, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have prepared financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. 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 company and of the income statement of the company for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company 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.

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Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities pursuant to DTR4

The Directors confirm to the best of their knowledge:

- the Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company.
- The annual report includes a fair review of the development and performance of the business and financial position of the Company together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditors.

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditors are unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

On behalf of the board



C Theis
Chief Executive Officer
4 June 2018

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STRATEGIC REPORT

The directors present their strategic report on the company for the year ended 31 December 2017.

Principal Activities

Path Investments Plc is a public company incorporated under the Companies Act 1985 and domiciled in the United Kingdom. The objective of the Company is to acquire oil and gas production, or near production, assets which possess a lower risk profile than exploration or appraisal assets.

Business Review

The strategy of the Company is to acquire interests in oil and gas production or near production assets with the objective of providing the Company's shareholders with access to a low risk and, over time, diversified oil and gas portfolio which can offer a dividend stream as well as offering development potential for capital growth. In March 2017, in order to pursue this strategy, the company raised gross proceeds of £1.4 million through a placing of its shares and successful Admission to the Standard List segment of the Official List of The London Stock Exchange.

The requirements of the enhanced business review are contained in the Chairman's Statement and in the Operational and Financial Reviews on pages 3- 5 of this document.

Key performance indicators

The Company has not traded over the past twelve months and no material level of interest income has been received to date.

Position of the Company's business at the year-end

At the year-end, the Company's Statement of Financial Position shows net liabilities totalling £13,698.

The future plans of the Company

The Company is in the process of raising funds on listing on the Alternative Investment Market of the London Stock Exchange. The funds are to be used for the acquisition of a 50% participating interest in the producing Alfeld-Elze II Licence and Gas Field in Lower Saxony, Germany.

Employees

The Company's only employees are its two executive directors. There are no other employees.

Employee gender diversity

| | Male | Female |
|---------------------------|------|--------|
| Directors of the company | 4 | - |
| Total number of employees | 2 | - |

Principal risks and uncertainties

The Company is subject to various risks relating to investments, industry, business and financial conditions. The following risk factors, which are not exhaustive, are particularly relevant to the Company and its business activities:

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| Risk | Mitigation |
|--|--|
| <p><i>Due diligence on potential investments</i></p> <p>Any due diligence by the Company in connection with a proposed investment may not reveal all relevant considerations or liabilities, which could have a material adverse effect on the Company's financial condition or results of operations. There can be no assurance that the due diligence undertaken with respect to a potential investment opportunity will reveal all relevant facts that may be necessary to evaluate such opportunity. The Company may also make subjective judgements regarding the results of operations, financial condition and prospects of a potential investment opportunity which by their nature may subsequently result in substantial impairment charges or other losses.</p> | <p>The Company intends to conduct such due diligence as it deems reasonably practicable and appropriate based on the facts and circumstances applicable to any potential investment prior to entering into any legally binding agreement in connection therewith to acquire any assets. The objective of the due diligence process will be to identify material issues which might affect the decision to proceed with any one particular investment opportunity or the consideration payable for that investment.</p> |
| <p><i>Lack of control over investment</i></p> <p>It is likely that, in many cases, the Company will acquire an interest in an underlying asset which does not confer upon it the ability to control the underlying asset. Accordingly, the Company's decision making authority may be limited. Such investments may also involve the risk that such other stakeholders may become insolvent or unable or unwilling to fund additional investments in the underlying asset.</p> | <p>The Company will seek the greatest protection it can when negotiating the investment instrument. The company considers contingency plans in the event of default or non-performance of partners or material counterparties.</p> |
| <p><i>Operational risk in sector</i></p> <p>Activities in the oil and gas sectors can be dangerous and may be subject to interruption. The assets in which the Company will make investments are subject to the significant hazards and risks inherent in the oil and gas sector and countries in which the underlying assets are located. Disruption caused by such risks could affect the Company's performance, financial condition and business prospects.</p> | <p>The Company will make use of industry norm insurance arrangements as well as ensuring best operational practices are strictly adhered to.</p> |
| <p><i>Lack of operational control</i></p> <p>The Company will need to rely on third parties to operate its assets and will not have direct control over production from its assets. Any failure by an external contractor may lead to delays or curtailment of the production, transportation, refining or delivery of oil and gas and related products and result in adverse effect on the revenues to the Company.</p> | <p>The Company will, through its membership of each respective asset's Operational Committee, have direct involvement in day to day decisions.</p> |
| <p><i>Additional cost contribution</i></p> <p>The Company may be required to contribute to unexpected costs in the underlying assets in which it invests.</p> | <p>Whilst it is difficult to mitigate against unexpected costs, best operational practises and tight budgetary control mitigate to assist in the avoidance of such events.</p> |

PATH INVESTMENTS PLC

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| Risk | Mitigation |
|--|--|
| <i>Investments that do not proceed to completion</i> | |
| The Company expects to incur certain third party costs associated with any investment opportunity that may ultimately lead to a completed transaction. The greater the number of these deals that do not reach completion, the greater the impact of such costs on the Company's performance, financial condition and business prospects. | The Company will seek to minimise such costs with reference to its current financial resources. |
| <i>Oil and gas market conditions</i> | |
| The Company's revenues, profitability and future growth are substantially dependent on prevailing prices of oil and natural gas and its ability to either enter into, realise or seek a return from its investments. Prices for oil and natural gas are subject to large fluctuations in response to a number of factors including relatively minor changes in the supply of, and demand for, oil and natural gas, in addition to other factors beyond the control of the Company. | The Company takes a conservative approach to making investment decisions and these decisions are based upon a detailed assessment of expected future oil and gas prices. The methodologies used to assess investments against future energy prices are in line with best practice generally adopted in the oil and gas industry. |
| <i>Foreign currency exposure</i> | |
| Investments in overseas assets will expose the Company to exchange rate fluctuations. | The Company may seek to manage its foreign exchange exposure by active use of hedging and derivative instruments. |
| <i>Further funding for investments</i> | |
| The Company's investments or future acquisitions, expansion, activity and/or business development will require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. | The Company will not enter into any binding agreement without assurance of requisite funding being in place. The company is actively seeking to diversify its sources of funding to mitigate against the risk of any single source becoming inaccessible. |
| <i>Credit & Counterparty risks</i> | |
| Any investment concluded by the Company could underperform due to one or more of the partners or counterparties (both suppliers and customers) to the project defaulting or not performing. | The Company considers the credit and counterparty risks of the different partners and customers in any investment it considers and where necessary seeks to transfer, insure or prepares contingency plans in the event of default or non-performance. |
| <i>Regulatory Risks</i> | |
| In all EU markets where access to markets and to most of the logistical infrastructure are regulated the Company is exposed to changes in regulations that could substantially alter the economics of market access and logistics. In turn, this could alter the economics of investments in hydrocarbons. Similarly, all markets have regulated fiscal regimes for hydrocarbons and changes to these hydrocarbon regimes could materially impact the returns on investments. | The Company will invest in countries with established and stable regulatory regimes and actively monitors the regulatory policies and regimes to anticipate and wherever possible mitigate the impact of regulatory changes. |

PATH INVESTMENTS PLC

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The Strategic Report was approved by the board of directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'C. Theis', enclosed within a large, irregular oval shape.

**Christopher Theis,
Chief Executive Officer**

PATH INVESTMENTS PLC

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Governance Report

Introduction

As a company with a Standard Listing, the Company is not required to comply with the provisions of the Corporate Governance Code. However, the Board is committed to good corporate governance and, so far as is appropriate given the Company's size and composition of the Board, intends to comply with the QCA Guidelines on Corporate Governance which is publicly available from the Financial Conducts.

The Directors have formed an Audit Committee and a Remuneration Committee, each comprising a majority of non-executive Directors, however, these committees will only become operational once the Company's business has developed sufficiently. At the date of this Annual Report, the duties that would normally be fulfilled by such committees are undertaken by the full Board.

The audit committee is chaired by Tommaso Corrado and its other member is Brent Fitzpatrick.

The remuneration committee is chaired by Brent Fitzpatrick and its other member is Tommaso Corrado.

Set out below are Path's corporate governance practices for the year ended 31 December 2017 and, where applicable, its position for the current financial period.

Leadership

The Company is headed by an effective Board which is collectively responsible for the long-term success of the Company.

As part of the process to complete an investment, the Directors will consider any specialist skill-sets required by the new business and take steps to augment the competence of the Board. Details of the current Directors can be found on pages 6.

The role of the Board

The Board sets the Company's strategy, ensuring that the necessary resources are in place to achieve the agreed strategic priorities, and reviews management and financial performance. It is accountable to shareholders for the creation and delivery of a strong, sustainable financial performance and directs and monitors the Company's affairs within a framework of controls which enable risk to be assessed and managed effectively. The Board also has responsibility for setting the Company's core values and standards of business conduct and for ensuring that these, together with the Company's obligations to its stakeholders, are widely understood throughout the Company.

Board Meetings

The core activities of the Board are carried out in scheduled meetings of the Board. These meetings are timed to link to key events in the Company's corporate calendar and regular reviews of the business are conducted. Additional meetings and conference calls are arranged to consider matters which require decisions outside the scheduled meetings. During 2017, the Board convened on 7 occasions.

Outside the scheduled meetings of the Board, the Directors maintain frequent contact with each other to discuss any issues of concern they may have relating to the Company or their areas of responsibility, and to keep them fully briefed on the Company's operations.

The Board expects to meet formally at least 6 times a year.

Summary of the Board's work in the period

During 2017, the Board considered all relevant matters within its remit, but focused in particular on identifying and assessing suitable investment opportunities.

PATH INVESTMENTS PLC

**ANNUAL REPORT
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Attendance at meetings:

| Member | Meetings held | Meetings attended | Attendance |
|-------------------------|----------------------|--------------------------|-------------------|
| Christopher Theis | 7 | 7 | 100% |
| Andrew Yeo | 7 | 7 | 100% |
| Nigel Brent Fitzpatrick | 7 | 7 | 100% |
| Tommaso Corrado | 7 | 6 | 86% |
| D Boylan | 6 | 0 | 0% |
| R Patel | 6 | 6 | 100% |

The Board is pleased with the high level of attendance and participation of Directors at Board meetings. Due to the early stage of the Company, all relevant business was conducted at Board meetings. Committees will be formed and operated as required as the Company develops.

The Chairman sets the Board Agenda and ensures adequate time for discussion. Tommaso Corrado and Nigel Brent Fitzpatrick meet the independence criteria set out in the QCA Guidelines.

Non-Executive Directors

The non-executive Directors bring a broad range of business and commercial experience to the Company and have a responsibility to challenge independently and constructively the performance of the Executive management (where appointed) and to monitor the performance of the management team in the delivery of the agreed objectives and targets. This will become much more relevant once an initial investment has been made.

Non-executive Directors are initially appointed for a term of one year, which may, subject to satisfactory performance and re-election by shareholders, be extended by mutual agreement.

Delegations of authority

Board Committees

When the Company's business has developed sufficiently, the Directors intend to make operational the Audit and Risk Committee and Remuneration Committee which have been formed and which comprise a majority of non-executive directors. Each committee will report to the Board and the issues considered at meetings of the committees will be provided by the respective committee chairman. The terms of reference of each committee will be set at the point each committee is formed or becomes operational.

Other governance matters

All of the Directors are aware that independent professional advice is available to each Director in order to properly discharge their duties as a Director. In addition, each Director and Board committee has access to the advice of the Company Secretary.

The Company Secretary

The Company Secretary is Rakesh Patel. He is available to Directors and responsible for the Board complying with UK procedures.

Matters reserved for the Board

Currently, all matters are reserved for the Board. Following the first investment, in accordance with the QCA Guidelines, the Board will clearly set out the matters that are reserved for its consideration.

Effectiveness

The Board comprises of two Non-Executive Directors and two Executive Directors. Both Non-Executive Directors, are considered by the Board to be independent. Biographical details of the Board members are set out on page 6 of this report.

The Directors are of the view that the Board consists of Directors with an appropriate balance of skills, experience, independence and diverse backgrounds to enable them to discharge their duties and responsibilities effectively. In accordance with the QCA Guidelines, the roles of Chairman and Chief Executive Officer are separate.

PATH INVESTMENTS PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Independence

The Non-Executive Directors bring a broad range of business and commercial experience to the Company. The Board consider Tommaso Corrado and Brent Fitzpatrick to be independent in character and judgement. Both Tommaso Corrado and Brent Fitzpatrick have a small interest in the shares of the Company but hold no options and have no other relationships with the Company or the other Directors that could impact his independence.

Appointments

The full Board is responsible for reviewing its structure, size and composition and determining any required changes.

Commitments

All Directors have disclosed any significant commitments to the Board and confirmed that they have sufficient time to discharge their duties.

Induction

All new Directors receive an induction as soon as practical on joining the Board.

Conflict Of interest

A Director has a duty to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the interests of the Company. The Board had satisfied itself that there is no compromise to the independence of those Directors who have appointments on the Boards of, or relationships with, companies outside the Company. The Board requires Directors to declare all appointments and other situations which could result in a possible conflict of interest.

Board performance and evaluation

Path has a policy of appraising Board performance annually. Path has concluded that for a company of its current scale, an internal process administered by the Board is most appropriate at this stage.

Accountability

The Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. This is achieved through this Annual Report and as required through other periodic financial and trading statements.

Going concern

The Company's business activities, together with factors likely to affect its future operations, financial position, and liquidity position are set out in the Chairman's Statement, Operational Review and the Strategic Report sections of the Annual Report. In addition, note 17 to the financial statements discloses the Company's financial risk management practices with respect to its capital structure, liquidity risk, interest rate risk, credit risk, and other related matters.

The Directors have prepared the financial statements on a going concern basis. The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2017, the Company had cash and cash equivalents totalling £159,505 and since then has raised additional funds of £68,000 through the issue of convertible loans. As at 31 March 2018 the Company had cash equivalents totalling £11,939 and had a net deficit on its balance sheet of £228,182. The Company is therefore able to continue as a going concern only as a result of the support of its creditors. As announced, the Company is seeking to raise further funds by a placing of ordinary shares at the time of its proposed admission to AIM and conditional acquisition of a 50% participating interest in an onshore producing conventional gas field, the Alfeld-Elze II Licence and Gas Field in Germany. Should the placing and the admission to AIM not take place in a timely manner, or should the Company's creditors demand payment, the Directors will need to immediately raise additional funds in order to be able to continue as a going concern. The ability of the Company to raise additional funds is dependent upon investor appetite and if necessary the Directors' ability to obtain alternative sources of funding.

For the above detailed reasons the Directors believe there is a material uncertainty over the Company's status as a going concern. However, the Directors have a reasonable expectation that the Company will be able to raise sufficient funding to allow it to cover its working capital for a period of twelve months from the date of approval of the financial statements. It is for this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

PATH INVESTMENTS PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Internal controls

The Directors acknowledge their responsibility for the Company's system of internal controls and for reviewing its effectiveness. The Board confirms the need for an ongoing process for identification, evaluation and management of significant risks faced by the Company.

The Directors are responsible for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Remuneration

The Board currently retains responsibility for agreeing the remuneration policy for senior executives. The Directors remuneration report is presented on pages 19 to 21 and contains full details of the activities during the period

Nomination

Currently due to the size of the Company there is no Nomination Committee. Nominations are considered by the whole Board. The Directors anticipate that a Nomination Committee will be established in the future when the size of the Company justifies it.

The Nomination Committee will review the composition and balance of the Board and senior management on a regular basis to ensure that the Board and senior management have the right structure, skills and experience in place for the effective management of the Company's business and is expected to meet twice a year.

Diversity

As a small/medium-sized company seeking to make its first investment under its new strategy, Path Investments does not have a formal diversity policy. The Company recognises the benefits of diversity across all areas and believes that a diverse Board is a positive factor in business success, brings a broader, more rounded perspective to decision making, and makes the Board more effective. When recruiting, the Board will endeavour to consider a wide and diverse talent pool whilst also taking into account the optimum make-up of the Board, including the benefits of differences in skills, industry experience, business model experience, gender, race, disability, age, nationality, background and other attributes that individuals may bring.

Shareholder relations

Communication and dialogue

Open and transparent communication with shareholders is given high priority. The Directors are available to meet with institutional shareholders to discuss any issues and gain an understanding of the Company's business, its strategies and governance.

All Directors are kept aware of changes in major shareholders in the Company and are available to meet with shareholders who have specific interests or concerns. The Company issues its results promptly to individual shareholders and also publishes them on the Company's website: www.pathinvestmentsplc.com. Regular updates to record news in relation to the Company and the status of its projects are included on the Company's website.

Annual General Meeting

At every Annual General Meeting individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board that may be present. Notice of the Annual General Meeting is sent to shareholders at least 21 days before the meeting.

PATH INVESTMENTS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors' Remuneration Report

The Remuneration Committee

During the year to 31 December 2017, the full Board of the Company met to consider matters relating to remuneration.

The Company's Remuneration Committee will be operational once an investment has been made and it will operate within the terms of reference approved by the Board.

The items included in this report are unaudited unless otherwise stated.

Committee advisors

No Director takes part in any decision directly affecting their remuneration. No remuneration advisors were retained by the Board during the period.

Statement of the Company's policy on Directors' remuneration

The Company's policy is to maintain levels of remuneration so as to attract, motivate and retain Directors and senior executives of the highest calibre who can contribute their experience to deliver industry leading performance with the Company's operations.

Service Agreements and Letters of Appointment

All of the service contracts with Directors are on a continuous basis, subject to termination provisions. The appointment of Executive Directors is subject to termination upon twelve months notice given by either party. The appointment of Non-Executive Directors is subject to termination upon three months notice given by either party.

The Directors who held office at 31 December 2017 and who had beneficial interests in the Ordinary Shares of the Company are summarised as follows:

| Name of Director | Position |
|-------------------------|-------------------------|
| Brent Fitzpatrick | Non-Executive Chairman |
| Christopher Theis | Chief Executive Officer |
| Andrew Yeo | Chief Operating Officer |
| Tommaso Corrado | Non- Executive Director |

Details of these beneficial interests can be found in the Directors' Report on page 7.

Terms of appointment

The services of the Directors, provided under the terms of agreement with the Company dated as follows:

| Director | Year of appointment | Number of years completed | Date of current engagement letter |
|-------------------|----------------------------|----------------------------------|--|
| Brent Fitzpatrick | 2015 | 3 | 22 March 2017 |
| Christopher Theis | 2012 | 6 | 22 March 2017 |
| Andrew Yeo | 2015 | 3 | 22 March 2017 |
| Tommaso Corrado | 2016 | 2.25 | 15 March 2017 |

Consideration of shareholder views

The Board will consider shareholder feedback received and guidance from shareholder bodies. This feedback, plus any additional feedback received from time to time, is considered as part of the Company's policy on remuneration.

PATH INVESTMENTS PLC

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Policy for new appointments

Base salary levels will take into account market data for the relevant role, internal relativities, the individual's experience and their current base salary. Where an individual is recruited at below market norms, they may be re-aligned over time (e.g. two to three years), subject to performance in the role. Benefits will generally be in accordance with the approved policy.

For external and internal appointments, the Committee may agree that the company will meet certain relocation and/or incidental expenses as appropriate.

Directors' emoluments, compensation and options

Details of Directors remuneration during 2017 were as follows

| | Fees & other remuneration £ | Taxable benefits £ | Pension contribution £ | Share based payment £ | 2017 Total £ | 2016 Total £ |
|---|---|------------------------------|----------------------------------|---------------------------------|------------------------|------------------------|
| Christopher Theis | (50,673) | (4,680) | (44,739) | 242,260 | 142,168 | 117,262 |
| Nigel Fitzpatrick ¹ | (4,500) | - | - | - | (4,500) | 27,000 |
| Andrew Yeo | (61,719) | - | - | 102,288 | 40,569 | 112,500 |
| Tommaso Corrado | 11,250 | - | - | - | 11,250 | - |
| Donal Boylan (resigned 22 May 2017) | (154,000) | - | - | 43,781 | (110,219) | 36,000 |
| Rakesh Patel (resigned 22 May 2017) ² | (224,800) | - | - | 12,017 | (212,783) | 90,000 |
| R Nolan | (30,969) | - | - | - | (30,969) | 1,500 |
| | (515,411)³ | (4,680) | (44,739) | 400,346 | (164,484) | 384,262 |

Change in remuneration

| | Fees & other remuneration £ | Taxable benefits £ | Pension contribution £ | Share based payment £ | Total £ |
|--------------------------------------|---|------------------------------|----------------------------------|---------------------------------|-------------------|
| CEO - Christopher Theis - 2017 | (50,673) | (4,680) | (44,739) | 242,260 | 142,168 |
| CEO - Christopher Theis - 2016 | 103,000 | 5,262 | 9,000 | - | 117,262 |
| 2017 Total Remuneration | (515,411) | (4,680) | (44,679) | 400,346 | (164,424) |
| 2016 Total remuneration | 370,000 | 5,262 | 9,000 | - | 384,262 |
| Percentage change – CEO ⁴ | n/a | n/a | n/a | 100% | n/a |
| Average change- Total ⁴ | n/a | n/a | n/a | 100% | n/a |

¹Included in remuneration for Nigel Brent Fitzpatrick were fees of £1,500 paid to Ocean Park Developments Limited, a company owned by him.

²Directors' remuneration in respect of Rakesh Patel for the current and prior year were payable to Adler Shine LLP, a firm in which Rakesh Patel is a partner.

³Directors salaries accrued and not paid up to 31 March 2017 amounting to £940,905 were waived on listing the Company on the Standard Market, hence the credit balance in Directors' remuneration.

⁴ Percentage change and average change between 2017 and 2016 are not meaningful as salaries accrued in 2016 were waived in 2017.

PATH INVESTMENTS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2017**

Future Policy Table

| How the element supports our strategic objectives | Operation of the element | Maximum potential payout and payment at threshold | Performance measures used, weighting and time period applicable |
|---|---------------------------------|--|--|
| Base Pay | | | |
| Recognises the role and the responsibility for the delivery of strategy and results | Paid in 12 monthly instalments | Contractual sum | None |
| Pensions | | | |
| 10% of CEO and COO gross salary | Paid in 12 monthly instalments | Contractual sum | None |
| Short term incentives | | | |
| Share options (see note 18) | Vested on 30 March 2017 | 100% exercisable at stretching targets | Share price |

PATH INVESTMENTS PLC

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FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors were granted the following option awards:

| Option holder | Number of Ordinary Shares subject to option | Exercise Price (per option share) | Expiry date |
|----------------------|--|--|-----------------------------|
| Christopher Theis | 20,000,000 | 0.1p | 10 years from 30 March 2017 |
| | 16,000,000 | 1p | 10 years from 30 March 2017 |
| | 6,500,000 | 2p | 10 years from 30 March 2017 |
| Andrew Yeo | 8,500,000 | 0.1p | 10 years from 30 March 2017 |
| | 6,500,000 | 1p | 10 years from 30 March 2017 |
| | 2,875,000 | 2p | 10 years from 30 March 2017 |
| Rakesh Patel | 1,000,000 | 0.1p | 10 years from 30 March 2017 |
| | 750,000 | 1p | 10 years from 30 March 2017 |
| | 375,000 | 2p | 10 years from 30 March 2017 |
| Donal Boylan | 3,000,000 | 0.1p | 10 years from 30 March 2017 |
| | 5,125,000 | 1p | 10 years from 30 March 2017 |
| | 2,562,500 | 2p | 10 years from 30 March 2017 |

In summary:

| Number of Ordinary Shares subject to option | Exercise Price (per option share) | Expiry date |
|--|--|-----------------------------|
| 32,500,000 | 0.1p | 10 years from 30 March 2017 |
| 28,375,000 | 1p | 10 years from 30 March 2017 |
| 12,312,500 | 2p | 10 years from 30 March 2017 |

The Directors also agreed to waive historic options over a total of 1,675,000 Ordinary Shares as follows:

| Date of grant | Number of Ordinary Shares under option at 31 December 2016 | Waived | Outstanding options | Exercise price |
|----------------------|---|---------------|----------------------------|-----------------------|
| 3 May 2011 | 300,000 | (300,000) | - | £2.80 |
| 23 May 2013 | 1,375,000 | (1,375,000) | - | £0.40 |

Other matters

During the year ended 31 December 2017 the Company:

- did not have any pension plans for any of the Directors and did not pay pension amounts in relation to their remuneration though the CEO and COO have contractual pension entitlements equivalent to 10% of their salary.
- has not paid out any excess retirement benefits to any Directors or past Directors.
- has not paid any compensation to past Directors.

PATH INVESTMENTS PLC

**ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017**

Directors' Audit & Risk Report

Due to the early stage of development of the Company, the responsibilities normally delegated to the Audit & Risk Committee were discharged by the full Board during the period. When operational, the committee will oversee the Company's financial reporting and internal controls, and provides a formal reporting link with the external auditors. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports will remain with the Board.

The Company's external auditors and the board of directors will closely monitor the level of audit and non-audit services they provide to the Company. In the year ended 31 December 2017, the external auditors did provide non-audit services to the Company as reporting accountant for the Company's IPO.

Meetings

The Board met on 1 June 2018 to consider the audit for the period ended 31 December 2017.

External auditor

The Company's external auditors are H W Fisher & Company. The external auditors have unrestricted access to the Chief Executive Officer and Chief Operating Officer of the company. The Board is satisfied that H W Fisher & Company has adequate policies and safeguards in place to ensure that auditor objectivity and independence are maintained. The external auditors report to the Board annually on their independence from the Company.

The current auditors, H W Fisher & Company, were first appointed by the Company in 2006. The current audit partner is due to rotate off the engagement after completing the 2018 audit. Having assessed the performance objectivity and independence of the Auditors, the Board will be recommending the reappointment of H W Fisher & Company as auditors to the company at the 2018 Annual General Meeting.

**PATH INVESTMENTS PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PATH INVESTMENTS PLC
FOR THE YEAR ENDED 31 DECEMBER 2017**

Opinion

We have audited the financial statements of Path Investments Plc (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest 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 related to going concern

We draw your attention to note 1.2 in the financial statements, which indicates that as at 31 March 2018 the Company has a net deficit on its balance sheet of £228,182 and would not be able to pay its creditors if so required. The Company is seeking to raise funds by a placing of ordinary shares at the time of its proposed admission to AIM. However, if the admission to AIM does not take place in a timely manner or the Company's creditors demand payment the Company would need to immediately raise additional funds. As stated in note 1.2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, are of most significance in our audit of the financial statements of the current period and would include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including 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. For this audit we determined that there were no key audit matters applicable to the Company to communicate in our report.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope and the nature,

**PATH INVESTMENTS PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PATH INVESTMENTS PLC
FOR THE YEAR ENDED 31 DECEMBER 2017**

timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we assessed materiality for the financial statements of the Company as follows:

| | |
|---------------------------------|--|
| Materiality | £1,685 |
| How we determined it | 1% of gross assets |
| Rationale for benchmark applied | We believe that gross assets is the primary measure used by shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark. |

We agreed with the Directors that we would report to them misstatements identified during our audit above £84 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

There were no misstatements identified during the course of our audit that individually, or in aggregate, were considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

Path Investments PLC is an oil and gas company which did not make any acquisitions during the year, and as such there were few transactions during the year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with 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.

**PATH INVESTMENTS PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PATH INVESTMENTS PLC
FOR THE YEAR ENDED 31 DECEMBER 2017**

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement included within the directors' report as set out on pages 9-10 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

We were appointed by the Directors of the Company on 6 April 2017 to audit the financial statements for the period ending 31 December 2017. Our total uninterrupted period of engagement is 12 years, covering the periods ending 30 June 2005 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Those non-audit services provided during the year are detailed in note 4 to the financial statements.

Our audit opinion is consistent with the additional report to the audit committee.

**PATH INVESTMENTS PLC
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF PATH INVESTMENTS PLC
FOR THE YEAR ENDED 31 DECEMBER 2017**

Use of our audit 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.

Gary Miller (Senior Statutory Auditor)
For and on behalf of H W Fisher & Company
Chartered Accountants
Statutory Auditor
Acre House
11/15 William Road
London
NW1 3ER
United Kingdom

4 June 2018

PATH INVESTMENTS PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | Year ended 31 December 2017 | Year ended 31 December 2016 |
|--|------|-----------------------------------|-----------------------------------|
| | | £ | £ |
| Administrative expenses | | (585,533) | (782,195) |
| Total administrative expenses | | (585,533) | (782,195) |
| Operating loss | 4 | (585,533) | (782,195) |
| Finance income | 6 | 56 | 8 |
| Finance cost | 6 | (38,500) | (75,500) |
| Amounts written off investments | 11 | - | (1,050,000) |
| Loss on ordinary activities before taxation | | (623,977) | (1,907,687) |
| Tax on loss on ordinary activities | 8 | - | - |
| Loss for the year and total comprehensive loss for year | | (623,977) | (1,907,687) |
| Loss per share (pence) | | | |
| - Basic & diluted | 9 | (0.42) | (8.74) |

All operating income and operating gains and losses relate to continuing activities.

The notes on pages 32 to 48 form an integral part of the financial statements.

PATH INVESTMENTS PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

| | Share Capital | Share Premium | Share based payments reserve | Retained earnings | Total |
|--------------------------------|------------------|------------------|---------------------------------------|----------------------|-------------|
| | £ | £ | £ | £ | £ |
| As at 1 January 2016 | 8,578,088 | 24,134,750 | 715,752 | (32,994,924) | 433,666 |
| Comprehensive income | | | | | |
| Loss for the period | - | - | - | (1,907,687) | (1,907,687) |
| Issue of share capital | 227,750 | - | - | - | 227,750 |
| As at 31 December 2016 | 8,805,838 | 24,134,750 | 715,752 | (34,902,611) | (1,246,271) |
| Comprehensive income | | | | | |
| Loss for the period | - | - | - | (623,977) | (623,977) |
| Issue of share capital | 173,929 | 1,565,363 | - | - | 1,739,292 |
| Issue costs | - | (286,496) | - | - | (286,496) |
| Lapsed or waived share options | - | - | (382,479) | 382,479 | - |
| Transfer to retained reserves | - | - | (333,273) | 333,273 | - |
| Share based payment | - | - | - | 403,752 | 403,752 |
| As at 31 December 2017 | 8,979,767 | 25,413,617 | - | (34,407,084) | (13,700) |

The Share Capital represents the nominal value of the equity shares.

The Share Premium represents the amount subscribed for share capital, in excess of the nominal amount, less costs directly relating to the issue of shares.

The Share Based Payments reserve represents the fair value of the equity settled share options.

The Retained Earnings reserve represents the cumulative net gains and losses less distributions made.

The notes on pages 32 to 48 form an integral part of the financial statements.

PATH INVESTMENTS PLC

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

| | | As at 31 December 2017 | As at 31 December 2016 |
|----------------------------------|-------------|------------------------------|------------------------------|
| | | £ | £ |
| | Note | | |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 | - | - |
| Investments – available for sale | 11 | - | - |
| | | - | - |
| Current assets | | | |
| Trade and other receivables | 12 | 8,978 | 90,700 |
| Cash and cash equivalents | 16 | 159,505 | 23,672 |
| | | 168,483 | 114,372 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | (182,183) | (1,360,643) |
| Net Current Liabilities | | (13,700) | (1,246,271) |
| NET LIABILITIES | | | |
| | | (13,700) | (1,246,271) |
| SHAREHOLDERS' EQUITY | | | |
| Called up share capital | 14 | 195,943 | 22,014 |
| Deferred shares | 14 | 8,783,824 | 8,783,824 |
| Share premium account | | 25,413,617 | 24,134,750 |
| Share based payments reserve | | - | 715,752 |
| Retained earnings | | (34,407,084) | (34,902,611) |
| TOTAL EQUITY | | (13,700) | (1,246,271) |

The financial statements were approved by the board of directors and authorised for issue on 4 June 2018 and signed on its behalf by:


C Theis
Chief Executive Officer

The notes on pages 32 to 48 form an integral part of the financial statements.

PATH INVESTMENTS PLC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Notes | Year ended 31 December 2017 | Year ended 31 December 2016 |
|---|-------|-----------------------------------|-----------------------------------|
| | | £ | £ |
| Cash flows from operating activities | | | |
| Cash expended from operations | 15 | (1,317,018) | (307,376) |
| Net cash outflow from operating activities | | <u>(1,317,018)</u> | <u>(307,376)</u> |
| Cash flows from investing activities | | | |
| Interest received | | 56 | 8 |
| Net cash generated from investing activities | | <u>56</u> | <u>8</u> |
| Cash flows from financing activities | | | |
| Net proceeds from the issue of ordinary shares | | 1,452,795 | 227,750 |
| Net cash inflow from financing activities | | <u>1,452,795</u> | <u>227,750</u> |
| Net increase/(decrease) in cash and cash equivalents | | 135,833 | (79,618) |
| Cash and cash equivalents at beginning of year | | 23,672 | 103,290 |
| Cash and cash equivalents at end of year | 16 | <u><u>159,505</u></u> | <u><u>23,672</u></u> |

The notes on pages 32 to 48 form an integral part of the financial statements.

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation

Path Investments Plc is a public limited company incorporated in the United Kingdom, registered under company number 04006413. The address of the registered office is Aston House, Cornwall Avenue, London, N3 1LF, England. The principal activity of the Company is the investment in oil and gas development and production companies.

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in UK Sterling and all values are rounded to the nearest pound except where indicated otherwise.

The financial statements have been prepared under the historical cost convention or fair value where appropriate. The significant accounting policies adopted are described below.

The financial statements disclose information about the company only and not its group on the basis that its subsidiaries are dormant and have not traded (see note 21).

1.2 Going concern

The Directors have prepared the financial statements on a going concern basis. The Directors consider the use of the going concern assumption to be appropriate. At the latest reported date of 31 December 2017, the Company had cash and cash equivalents totalling £159,505 and since then has raised additional funds of £68,000 through the issue of convertible loans. As at 31 March 2018 the Company had cash equivalents totalling £11,939 and had a net deficit on its balance sheet of £228,182. The Company is therefore able to continue as a going concern only as a result of the support of its creditors. As announced, the Company is seeking to raise further funds by a placing of ordinary shares at the time of its proposed admission to AIM and conditional acquisition of a 50% participating interest in an onshore producing conventional gas field, the Alfeld-Elze II Licence and Gas Field in Germany. Should the placing and the admission to AIM not take place in a timely manner, or should the Company's creditors demand payment, the Directors will need to immediately raise additional funds in order to be able to continue as a going concern. The ability of the Company to raise additional funds is dependent upon investor appetite and if necessary the Directors' ability to obtain alternative sources of funding.

For the above detailed reasons, the Directors believe there is a material uncertainty over the Company's status as a going concern. However, the Directors have a reasonable expectation that the Company will be able to raise sufficient funding to allow it to cover its working capital for a period of twelve months from the date of approval of the financial statements. It is for this reason they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Financial instruments

The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument.

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

The liability component of the compound financial instrument is initially recognised at fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest rate method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

1.4 Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans receivable are carried at amortised cost. The Directors assess at the end of each reporting period whether there is objective evidence that a financial asset is impaired. Any impairment shall be recognised in the Statement of Comprehensive Income.

Investments – available for sale

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at cost, including transaction costs.

Unlisted investments are recorded at cost less impairment. Unlisted investments are instruments that do not have a quoted market price in an active market and their fair value cannot be measured reliably. The range of reasonable fair value estimates is significantly wide and the probabilities of the various estimates cannot be reasonably assessed as they relate to the underlying gas reserves in blocks which are currently being explored by a third party company.

Impairment

The Company assesses at each reporting date whether there is objective evidence that assets, financial assets or a group of financial assets are impaired. Assets are considered impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the asset that can be reliably measured.

1.5 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as interest bearing loans and borrowings in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the Income Statement. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

1.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and other short-term deposits. They are stated at carrying value which is deemed to be fair value.

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1.7 Property, plant and equipment

Property, plant and equipment are stated at cost on acquisition less accumulated depreciation and accumulated impairment losses.

Depreciation is provided on all property, plant and equipment categories at rates calculated to write off the cost, less estimated residual value on a straight line basis over their expected useful economic life. The depreciation rates are as follows:

| | Basis of depreciation |
|------------------|------------------------------|
| Office equipment | 3 years straight line |

1.8 New Standards and Interpretations

The IASB and IFRIC have issued the following standards and interpretations which are in issue but not in force at 31 December 2017:

| | | Effective date (period beginning on or after) |
|---|--|--|
| IFRS 2 | Share based payments – Amendments to clarify the classification and measurement of share-based payment transactions | 1 January 2018 |
| IFRS 3, IFRS 11, IAS 12, IAS 23, IAS 28 | Business combinations – amendments resulting from annual improvements 2015-2017 cycle | 1 January 2019 |
| IFRS 4 | Insurance contracts – Amendments regarding the integration of IFRS 4 and IFRS 9 | 1 January 2018 |
| IFRS 9 | Financial instruments – incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition | 1 January 2018 |
| IFRS 9 | Financial instruments – amendments regarding prepayment features with negative compensation and modification of financial liabilities | 1 January 2019 |
| IFRS 15 | Revenue from Contracts with Customers - Clarifications to IFRS 15 | 1 January 2018 |
| IFRS 16 | Leases – original issue | 1 January 2019 |
| IAS 19 | Employee benefits -amendments regarding plan amendments, curtailments or settlements | 1 January 2019 |
| IAS 28 | Long-term interests in associates and joint ventures | 1 January 2019 |
| IFRIC 22 | Foreign currency transactions and advance consideration | 1 January 2018 |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements other than in terms of presentation.

1.9 Share-based payments

The Company operates a number of equity-settled share-based compensation plans, under which the entity receives services from employees or suppliers as consideration for equity instruments (options) of the Company. The fair value of the employee or supplier services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement of employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

1.10 Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base.

Deferred tax liabilities are offset against deferred tax assets. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

1.11 Sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reporting amount of income and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Share based payments

The share-based payment charge is calculated using the Black-Scholes model which requires the estimation of share price volatility, expected life and the bid price discount.

PATH INVESTMENTS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. SEGMENTAL REPORTING

a. Primary segment – business

The Company has only one business segment, which is investing in oil and gas assets, either by way of equity or convertible loans primarily in the natural resources sector.

b. Secondary segment – geographical

The Company's loss for the period was derived wholly from activities undertaken in the United Kingdom.

The Company's net assets are located entirely in the United Kingdom.

3. EXPENSES BY NATURE

| | 2017 | 2016 |
|---------------------|----------------|----------------|
| | £ | £ |
| Staff costs | (620,838) | 412,012 |
| Share based payment | 400,346 | - |
| Other expenses | 806,025 | 370,183 |
| | <u>585,533</u> | <u>782,195</u> |

4. OPERATING LOSS

The operating loss is stated after charging:

| | 2017 | 2016 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Auditors remuneration – audit services | 24,000 | 24,000 |
| | <u> </u> | <u> </u> |
| Non- Audit Services | | |
| Reporting accountants services in respect off the company's Standard Listing | <u>38,845</u> | - |
| Services in relation to proposed listing on the Alternative Investment Market | 47,700 | |
| Total non-audit fees | <u>86,545</u> | <u> </u> |

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

5. EMPLOYEES

Number of employees

The average monthly number of employees (including Directors) during the period was:

| | 2017 Number | 2016 Number |
|---|-------------------|-------------------|
| Administration | 4 | 3 |
| | <u> </u> | <u> </u> |
| | 2017 | 2016 |
| | £ | £ |
| Employment costs | | |
| Wages and salaries (including benefits in kind) | (520,091) | 375,262 |
| Social security costs | (56,008) | 27,750 |
| Pension costs | (44,739) | 9,000 |
| | <u>(620,838)</u> | <u>412,012</u> |
| | <u> </u> | <u> </u> |

Included in employment costs above is a waiver of accrued remuneration of £940,905 (2016: £275,850).

6. FINANCE INCOME AND COSTS

| | 2017 £ | 2016 £ |
|--------------------------------|-------------------|-------------------|
| <u>Finance Income</u> | | |
| Bank interest | 56 | 8 |
| | <u>56</u> | <u>8</u> |
| | <u> </u> | <u> </u> |
| Finance costs | | |
| Bank charges | (1,000) | - |
| Convertible loan note interest | (37,500) | (75,500) |
| | <u>(38,444)</u> | <u>(75,492)</u> |
| | <u> </u> | <u> </u> |

7. DIRECTORS' REMUNERATION

| | 2017 £ | 2016 £ |
|----------------------|-------------------|-------------------|
| Aggregate emoluments | (520,091) | 375,262 |
| Share based payment | 400,346 | - |
| Pension costs | (44,739) | 9,000 |
| | <u>(164,484)</u> | <u>384,262</u> |
| | <u> </u> | <u> </u> |

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. DIRECTORS' REMUNERATION (continued)

The Directors continued to work without payment of their remuneration until March 2017 when the Company was listed on the Standard Market and waived their accrued salaries and pension costs to that date totalling £940,904.

The highest paid Director received remuneration of £186,496 (2016: £117,263) including a gross bonus of £94,621 paid to C Theis in recognition of his efforts in assisting the company's listing on the Standard Market and associated fundraising.

During the period, retirement benefits accrued to no Directors (2016: 1).

8. TAXATION

No corporation tax charge arises in respect of the period due to the trading losses incurred. The Company has surplus management expenses available to carry forward and use against trading profits arising in future periods of £4,304,744 (2016: £4,319,873). In addition, the Company has non-trading loan relationship debits to carry forward to offset against future non-trading loan relationship credits of £18,880,043 (2016: £18,880,318).

| | 2017 | 2016 |
|--|-------------------|-------------------|
| | £ | £ |
| Current tax charge | - | - |
| | <u> </u> | <u> </u> |
| Loss on ordinary activities before taxation | (623,977) | (1,907,687) |
| | <u> </u> | <u> </u> |
| Loss on ordinary activities before taxation multiplied by average effective rate of corporation tax of 19% (2016: 20%) | (118,556) | (381,537) |
| Effects of: | | |
| Non-deductible expenses | 131,856 | 242,085 |
| Capital allowances in excess of depreciation | - | - |
| Depreciation in excess of capital allowances | - | 282 |
| Short term timing differences | (178,771) | 89,593 |
| Other adjustments | - | - |
| Movement in tax losses | 165,471 | 49,577 |
| | <u> </u> | <u> </u> |
| Current tax charge | - | - |
| | <u> </u> | <u> </u> |

A deferred tax asset of £873,494 (2016: £743,478) in respect of losses has not been recognised due to the uncertainty regarding the availability of future profits against which the losses of the Company could be offset.

PATH INVESTMENTS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss on ordinary activities after taxation of £623,977 (2016: £1,907,687) and on the weighted average number of ordinary shares of 149,164,700 (2016: 21,824,355) in issue. The basic and diluted loss per share is 0.42p (2016: 8.74p). As the Company is loss making, there was no dilutive effect from the share options or warrants.

In order to calculate the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares according to IAS33. Dilutive potential ordinary shares include convertible loan notes and share options granted to Directors and consultants where the exercise price (adjusted according to IAS 33) is less than the average market price of the Company's ordinary shares during the period.

10. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment £ |
|---|-----------------------------------|
| Cost | |
| At 1 January 2017 | 4,233 |
| At 31 December 2017 | <u>4,233</u> |
| Accumulated depreciation | |
| At 1 January 2017 | 4,233 |
| Charge for the year | - |
| At 31 December 2017 | <u>4,233</u> |
| Net book value at 31 December 2017 | <u>-</u> |
| Net book value at 31 December 2016 | <u>-</u> |

11. INVESTMENTS – AVAILABLE FOR SALE

| | Unlisted Investments £ | Total £ |
|---------------------|---------------------------------------|--------------------|
| At 1 January 2016 | 1,050,000 | 1,050,000 |
| Impairment | (1,050,000) | (1,050,000) |
| At 31 December 2016 | <u>-</u> | <u>-</u> |
| Additions | - | - |
| At 31 December 2017 | <u>-</u> | <u>-</u> |

Unlisted investments are recorded at cost less impairment. Unlisted investments are instruments that do not have a quoted market price in an active market and their fair value cannot be measured reliably. The range of reasonable fair value estimates is significantly wide and the probabilities of the various estimates cannot be

PATH INVESTMENTS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

11. INVESTMENTS – AVAILABLE FOR SALE (continued)

reasonably assessed as they relate to the underlying gas reserves in blocks which are currently being explored by a third party company.

The unlisted investments as at 31 December 2016 and 31 December 2017 comprised of a 5 per cent. interest each in ARAR and Alpay Enerji as at an aggregate cost of £8 million. In 2016, Mr. S. Faith Alpay, the majority owner of ARAR and Alpay Enerji AS, made an initial offer to the Company of £1,050,000 for its 5% interest in both companies payable in instalments. However, since the offer was received, progress towards a legal sale and purchase agreement had not occurred, and as the payment was by instalment over a period of time, the directors considered the likelihood of finding an alternative buyer to be low and accordingly impaired the asset to £nil in the year ended 31 December 2016.

12. TRADE AND OTHER RECEIVABLES

| | 2017 £ | 2016 £ |
|-------------|--------------|---------------|
| Prepayments | 8,978 | 90,700 |
| | <u>8,978</u> | <u>90,700</u> |

13. TRADE AND OTHER PAYABLES

| | 2017 £ | 2016 £ |
|------------------------------|----------------|------------------|
| Trade payables | 38,711 | 140,740 |
| Taxation and social security | 8,542 | - |
| Other payables | - | 151,000 |
| Accruals and deferred income | 134,930 | 1,068,903 |
| | <u>182,183</u> | <u>1,360,643</u> |

Included in other payables at 31 December 2016 is £75,500 raised from the Directors in respect of Convertible Unsecured Loan Stock 2016 together with accrued interest thereon of £75,500.

Convertible Unsecured Loan Stock 2016

In October and December 2016, the Company raised £75,500 under the Convertible Unsecured Loan Stock 2016 instrument issued on 26 October 2016. In January and February 2017, the Company raised a further £37,500 under the instrument. From the total of £113,000, the following amounts were raised from the directors:

| Director | £ |
|------------------|-----------------------|
| D Boylan | 20,000 |
| C Theis* | 67,000 |
| R Patel** | 3,000 |
| A Yeo | 10,000 |
| N Fitzpatrick*** | 10,000 |
| T Corrado | 3,000 |
| Total | <u>113,000</u> |

* £57,000 from Chris Theis's Pension fund and £10,000 from Networkguru Limited, a company owned and controlled by Chris Theis' son.

** Including £1,500 from Adler Shine LLP, a firm in which Rakesh Patel has an interest.

*** From Ocean Park Developments Limited, a company controlled by N Fitzpatrick.

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13. TRADE AND OTHER PAYABLES (continued)

At the option of the loan stockholder, on an Admission of the Company to AIM or other recognised investment exchange, the loan would either be convertible into shares at the price at which the placing associated with the listing occurs or would be repayable out of the placing proceeds together with 100% interest to compensate for the risk associated with the loan. On the Standard Listing of the Company in March 2017, the loans were either repaid or converted into shares. Directors loans of £198,000 (including related interest of £106,500) were converted into shares. In total £203,000 was converted into shares, and £23,000 was repaid of which £21,500 related to loans from Directors.

14. SHARE CAPITAL

Allotted, called up and fully paid – Ordinary Shares

| | Ordinary Shares of 0.1p each | | Ordinary Shares of 40p each | |
|---|------------------------------|----------------|-----------------------------|------------------|
| | no | £ | no | £ |
| At 1 January 2016 | | | 21,445,221 | 8,578,088 |
| <i>Share issues</i> | | | | |
| On 23 March 2016 the company issued 62,500 Ordinary shares at par | | | 62,500 | 25,000 |
| On 4 April 2016 the company issued 69,375 Ordinary shares at par | | | 69,375 | 27,750 |
| On 10 May 2016 the company issued 400,000 Ordinary shares at par | | | 400,000 | 160,000 |
| On 20 May 2016 the company issued 25,000 Ordinary shares at par | | | 25,000 | 10,000 |
| On 2 June 2016 the company issued 12,500 Ordinary shares at par | | | 12,500 | 5,000 |
| | | | <u>22,014,596</u> | <u>8,805,838</u> |
| In October 2016, the Company passed an ordinary resolution to subdivide the existing 22,014,596 Ordinary shares of 40 pence each into 22,014,596 New Ordinary shares of 0.1 pence and 22,014,596 Deferred shares of 39.9 pence. The above subdivision also applies to outstanding share options and warrants in October 2016. | 22,014,596 | 22,014 | (22,014,596) | (8,805,838) |
| At 31 December 2016 | <u>22,014,596</u> | <u>22,014</u> | - | - |
| On 30 March 2017 the company issued 1,400,000 Ordinary shares at par | 140,000,000 | 140,000 | | |
| On 16 May 2017 the company issued 20,300,000 Ordinary shares at par on conversion of loans | 20,300,000 | 20,300 | | |
| On 16 May 2017 the company issued 13,629,206 Ordinary shares at par in satisfaction of invoices | 13,629,206 | 13,629 | | |
| At 31 December 2017 | <u>195,943,802</u> | <u>195,943</u> | | |

PATH INVESTMENTS PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

14. SHARE CAPITAL (continued)

Allotted, called up and fully paid –

| | <i>Deferred Shares of 39.9p each</i> | |
|---|--|-------------------------|
| | no | £ |
| In October 2016, the Company passed an ordinary resolution to subdivide the existing 22,014,596 Ordinary shares of 40 pence each into 22,014,596 New Ordinary shares of 0.1 pence and 22,014,596 Deferred shares of 39.9 pence. The above subdivision also applies to outstanding share options and warrants in October 2016. | 22,014,596 | 8,783,824 |
| At 31 December 2016 and at 31 December 2017 | <u>22,014,596</u> | <u>8,783,824</u> |

The ordinary shares shall confer upon the holders the right to receive dividends and other distributions and participate in the income or profits of the company, provided that the Ordinary shares shall not confer upon the holders the rights to receive dividends paid, made or declared of the proceeds of the sale of assets held by the Company at 10 October 2016 and included on the Company's Balance Sheet as "Investments – Available for Sale" as at the date of the General Meeting (the "Legacy Assets").

The deferred shares shall confer upon the holders the following rights and shall be subject to the following restrictions, notwithstanding any other provisions in these Articles:

Return of Capital

On return of assets on a winding up of the Company after the holders of Ordinary shares have received the aggregate amount paid up thereon plus £10,000,000 for each such share held by them, there shall be a distribution to the holders of deferred shares an amount equal to the nominal value of shares held and thereafter any surplus held will be distributed to holders of ordinary shares.

Dividends

Holders of deferred shares have no rights to dividends or other distributions or to participate in the income and profits of the company, except that deferred shareholders have a right to receive any dividends declared, made or paid out of the proceeds of the sale of Legacy Assets.

Transfers

The company may acquire all or any of the deferred shares in issue at any time for no consideration.

PATH INVESTMENTS PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2017 £ | 2016 £ |
|---|--------------------|------------------|
| Operating loss | (585,533) | (782,195) |
| (Increase)/decrease in debtors | 81,722 | (83,730) |
| Increase/(decrease) in creditors within one year | (1,178,462) | 632,638 |
| Depreciation | - | 1,411 |
| Share based payment | 403,755 | - |
| Convertible loan note interest | (38,500) | (75,500) |
| Net cash outflow from operating activities | <u>(1,317,018)</u> | <u>(307,376)</u> |

16. CASH & CASH EQUIVALENTS

| | 2017 £ | 2016 £ |
|--------------------------|----------------|---------------|
| Cash at bank and in hand | <u>159,505</u> | <u>23,672</u> |

The fair value of cash and cash equivalents at 31 December 2017 was £159,505 (2016: £23,672).

17. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise cash and cash equivalents and various other items, such as available for sale investments and trade receivables and payables, which arise directly from its operations. It is, and has been throughout the period under review, the Company's policy to ensure that there is no trading in financial instruments. The main purpose of these financial instruments is to finance the Company's operations.

Categories of Financial Instruments

| | 2017 £ | 2016 £ |
|----------------------------------|-----------------|--------------------|
| Financial Assets | | |
| Cash and cash equivalents | 159,505 | 23,672 |
| Trade and other receivables | 8,978 | 90,700 |
| | <u>168,483</u> | <u>114,372</u> |
| Financial Liabilities | | |
| Trade and other payables | 182,183 | 1,209,643 |
| Convertible loan notes | - | 151,000 |
| | <u>182,183</u> | <u>1,360,643</u> |
| Net Financial Liabilities | <u>(13,700)</u> | <u>(1,246,271)</u> |

PATH INVESTMENTS PLC

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17. FINANCIAL INSTRUMENTS(continued)

Financial Assets and Liabilities

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

Financial Risk Factors

The Company's activities expose it to liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Liquidity Risk

The Company has to date financed its operations from cash reserves funded from share issues. Management's objectives are now to manage liquid assets in the short term through closely monitoring costs.

The Company has no borrowing facilities that require repayment and therefore has no interest rate risk exposure.

Fair Values of Financial Assets and Liabilities

The Directors consider that the fair value of the Company's financial assets and liabilities are not considered to be materially different from their book values.

18. SHARE OPTIONS

The following share options have been granted by the Company and are outstanding:

| Date of grant | Number of ordinary shares under option at 1 January 2016 | Granted during year | Exercised during year | Lapsed during year | Number of ordinary shares under option at 31 December 2016 | Weighted average exercise price | Expiry date |
|---------------|--|---------------------|-----------------------|--------------------|--|---------------------------------|-------------|
| 03/05/2011 | 750,000 | - | - | - | 750,000 | £2.80 | 02/05/2021 |
| 03/05/2011 | 150,000 | - | - | - | 150,000 | £2.80 | 02/05/2021 |
| 23/05/2013 | 1,375,000 | - | - | - | 1,375,000 | 40p | 23/05/2020 |
| Total | 2,275,000 | - | - | - | 2,275,000 | £1.35 | |

| Date of grant | Number of ordinary shares under option at 1 January 2017 | Granted during year | Exercised during year | Lapsed/ waived during year | Number of ordinary shares under option at 31 December 2017 | Weighted average exercise price | Expiry date |
|---------------|--|---------------------|-----------------------|----------------------------|--|---------------------------------|-------------|
| 03/05/2011 | 750,000 | - | - | (150,000) | 600,000 | £2.80 | 02/05/2021 |
| 03/05/2011 | 150,000 | - | - | (150,000) | - | £2.80 | 02/05/2021 |
| 23/05/2013 | 1,375,000 | - | - | (1,375,000) | - | 40p | 23/05/2020 |
| 30/03/2017 | - | 32,500,000 | - | - | 32,500,000 | 0.1p | 29/03/2027 |
| 30/03/2017 | - | 28,375,000 | - | - | 28,375,000 | 1p | 29/03/2027 |
| 30/03/2017 | - | 12,312,500 | - | - | 12,312,500 | 2p | 29/03/2027 |
| Total | 2,275,000 | 73,187,500 | - | (1,675,000) | 73,787,500 | 3p | |

All options outstanding at the year-end are exercisable at that date.

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18. SHARE OPTIONS (continued)

The following warrants have been granted by the Company:

| Date of grant | Number of ordinary shares under option at 1 January 2016 | Granted during year | Exercised during year | Lapsed during year | Number of ordinary shares under option at 31 December 2016 | Weighted average exercise price | Expiry date |
|---------------|--|---------------------|-----------------------|--------------------|--|---------------------------------|-------------|
| 21/11/2013 | 2,187,500 | - | (12,500) | (2,175,000) | - | 40p | 20/11/2016 |
| 10/05/2016 | - | 125,000 | - | (125,000) | - | 40p | 20/11/2016 |
| Total | 2,187,500 | 125,000 | (12,500) | (2,300,000) | - | - | |

| Date of grant | Number of ordinary shares under option at 1 January 2017 | Granted during year | Exercised during year | Lapsed during year | Number of ordinary shares under option at 31 December 2017 | Weighted average exercise price | Exercise date |
|---------------|--|---------------------|-----------------------|--------------------|--|---------------------------------|---------------|
| 30/03/2017 | - | 1,400,000 | - | - | 1,400,000 | 1p | 29/03/2019 |
| Total | - | 1,400,000 | - | - | 1,400,000 | 1p | |

The fair value of equity settled share options and warrants granted is estimated at the date of grant using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

| | Options | Options | Options | Warrants |
|--|-------------|-------------|------------------|-------------|
| Date of grant | 03 May 2011 | 23 May 2013 | 30 Mar 2017 | 30 Mar 2017 |
| Expected volatility | 54% | 54% | 33.9% | 33.9% |
| Expected life | 3.5 years | 3.5 years | 3 years | 3 years |
| Risk-free interest rate | 1.72% | 0.55% | 0.18% | 0.18% |
| Expected dividend yield | - | - | - | - |
| Possibility of ceasing employment before vesting | - | - | - | - |
| Fair value per option | 0.014p | 0.004p | 0.9p/0.243p/0.1p | 0.243p |

The expense recognised by the Company for share based payments during the year ended 31 December 2017 was £403,755 (2016: £Nil).

The average volatility is used in determining the share based payment expense to be recognised in the period. This was calculated by reference to the standard deviation of the share price over the preceding 12-month period.

PATH INVESTMENTS PLC

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18. SHARE OPTIONS (continued)

Movement in the number of options and warrants outstanding and their related weighted average exercise price are as follows:

| | At 31 December 2017 | | At 31 December 2016 | |
|-------------------|------------------------------|---|------------------------------|---|
| | Number of Options & Warrants | Weighted average exercise price per share (pence) | Number of Options & Warrants | Weighted average exercise price per share (pence) |
| At 1 January | 2,275,000 | 135p | 4,462,500 | 88p |
| Granted | 73,187,500 | 1p | 125,000 | 40p |
| Exercised | - | - | (12,500) | 40p |
| Expired or waived | (1,675,000) | 83p | (2,300,000) | 40p |
| At 31 December | 75,187,500 | 3p | 2,275,000 | 135p |

The weighted average remaining contractual life of options as at 31 December 2017 was 9.2 years (2016: 3.8 years).

19. RELATED PARTY TRANSACTIONS

During the year Adler Shine LLP, a firm in which R Patel is a partner and who was a director until May, invoiced the Company £33,600 (2016: £96) for assisting in the Standard Listing of the Company, provision of bookkeeping and accountancy services, and provision of payroll and auto-enrolment pension services. The above transactions were on a commercial arm's length basis.

R. Patel charged the Company £7,500 for work done in assisting in the Standard Listing of the Company.

As at 31 December 2017, included within trade creditors is a balance of £504 owed to C. Theis, a director of the Company.

During the year the following shares were issued at par to directors:

| Director | Shares issued | |
|---------------|---------------|---------|
| | 2017 | 2016 |
| C Theis | 11,400,000 | 25,000 |
| A Yeo | 4,500,000 | 31,875 |
| N Fitzpatrick | 2,000,000 | 12,500 |
| T Corrado | 600,000 | - |
| D Boylan | - | 125,000 |
| R Patel | - | 12,500 |

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19. RELATED PARTY TRANSACTIONS (continued)

The following share options were held by the directors during the year:

| Director | Date of grant | Held at 1 January 2017 | Lapsed during the year | Granted during the Year | Held at 31 December 2017 | Exercise price |
|----------|---------------|------------------------|------------------------|-------------------------|--------------------------|----------------|
| D Boylan | 23/05/2013 | 250,000 | (250,000) | - | - | £0.40 |
| D Boylan | 03/05/2011 | 150,000 | (150,000) | - | - | £2.80 |
| C Theis | 23/05/2013 | 875,000 | (875,000) | - | - | £0.40 |
| D Boylan | 30/03/2017 | - | - | 3,000,000 | 3,000,000 | £0.001 |
| D Boylan | 30/03/2017 | - | - | 5,125,000 | 5,125,000 | £0.01 |
| D Boylan | 30/03/2017 | - | - | 2,562,000 | 2,562,000 | £0.02 |
| C Theis | 30/03/2017 | - | - | 20,000,000 | 20,000,000 | £0.001 |
| C Theis | 30/03/2017 | - | - | 16,000,000 | 16,000,000 | £0.01 |
| C Theis | 30/03/2017 | - | - | 6,500,000 | 6,500,000 | £0.02 |
| A Yeo | 30/03/2017 | - | - | 8,500,000 | 8,500,000 | £0.001 |
| A Yeo | 30/03/2017 | - | - | 6,500,000 | 6,500,000 | £0.01 |
| A Yeo | 30/03/2017 | - | - | 2,875,000 | 2,875,000 | £0.02 |
| | | 1,047,500 | (1,047,500) | 71,062,000 | 71,062,000 | |

During the year ended 31 December 2016 N Fitzpatrick, Director during that year, exercised 12,500 warrants with an exercise price of £0.40.

As at 31 December 2016, included in other payables were the following convertible loan notes issued to the Directors together with accrued interest thereon.

| Director | Outstanding at 31 December 2016 £ | Convertible loan notes issued during year £ | Interest accrued during the year £ | Converted during the year £ | Repaid during the year £ | Outstanding at 31 December 2017 £ |
|---------------|--------------------------------------|--|---------------------------------------|--------------------------------|-----------------------------|--------------------------------------|
| D Boylan | 20,000 | 10,000 | 10,000 | (40,000) | - | - |
| C Theis | 102,000 | 16,000 | 16,000 | (114,000) | (20,000) | - |
| R Patel | 3,000 | 1,500 | 1,500 | (3,000) | (3,000) | - |
| A Yeo | 10,000 | 5,000 | 5,000 | (20,000) | - | - |
| N Fitzpatrick | 10,000 | 5,000 | 5,000 | (20,000) | - | - |
| T Corrado | 6,000 | - | - | (6,000) | - | - |
| Total | 151,000* | 37,500 | 37,500 | (203,000) | (23,000) | - |

* including £75,500 convertible loan notes and £75,500 interest thereon

20. ULTIMATE CONTROLLING PARTY

The Company considers that there is no ultimate controlling party.

21. INVESTMENT IN SUBSIDIARIES

As at 31 December 2017 the company held more than 20% of the share capital in the following companies:

| Subsidiary Undertaking | Country of Incorporation | Class | Shares held | Principal Activity |
|------------------------|--------------------------|----------|-------------|--------------------|
| Path (Germany) Limited | UK | Ordinary | 100% | Dormant |

PATH INVESTMENTS PLC

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22. CONTINGENT FINANCIAL COMMITMENTS

On 14 December 2017 the Company entered into a conditional farm-in agreement with 5P Energy GmbH for the acquisition of a 50% participating interest in the producing Alfred-Elze II Licence and gas field. Under the terms of this farm-in agreement the Company has the following conditional commitments:

- €5m payable on completion of the agreement which is conditional upon the Company's admission to trading on AIM
- €2m payable on the declaration of commercial production from the Z4 well

The Company has also committed to cover certain costs associated with the project up to a maximum of €10m for the drilling, logging, testing and completion of one or more new wells and if agreed, the acquisition of 3D seismic over the field, plus 50% of Z4 costs incurred on or after 1 January 2018. Additional cash payments may become payable if certain milestones are successfully met following completion.

23. SUBSEQUENT EVENTS

On 3 April 2018 the Company constituted an instrument to issue £150,000 nominal convertible unsecured loan stock 2018. On admission of the Company to AIM or other recognised investment exchange, the convertible loan notes are, at the option of the loan note holder, either convertible into shares at the price at which the placing associated with the listing occurs or will be repayable out of the placing proceeds together with 100% interest to compensate for the risk associated with the loan. If the listing does not occur before 31 July 2018 the loan note holder may convert the loan together with interest into fully paid Ordinary Shares in the Company at the nominal value of an Ordinary Share.

Subsequently the Company raised £68,000 under this instrument. The following amounts were raised from the Directors:

| Director | Amount |
|-----------------|---------------|
| | £ |
| A Yeo | 25,000 |
| C Theis | 25,000 |
| Total | <u>50,000</u> |