Nu-Oil and Gas plc

Incorporated and registered in England and Wales with registered number 6370792

Annual Report and Financial Statements for the year ended 30 June 2017

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HIGHLIGHTS

Building a portfolio of Stranded Fields:

- Continuing focus on the development of stranded and marginal fields through the investment in, and relationship with, Marginal Field Development Company (MFDevCo) Ltd. (formerly ABT Oil and Gas Ltd.) in which the Company holds a 50% interest.
- Strategy focused on utilising engineering solutions that reduce both Capex and Opex and are redeployable to build a portfolio of low risk, highly appraised marginal assets.
- The Company is actively seeking new assets in conjunction with MFDevCo.

Western Newfoundland:

- The Company entered into a Production Sharing Agreement (the 'PSA') with PVF Energy Services Inc. ('PVF') for PL2002-01(A) on 31 January 2017. The PSA provides for the Company to receive 50% of net revenue from production following the recovery of any costs incurred by PVF in performing its obligations.
- Operations have commenced on PL2002-01(A) and the Company awaits the results.
- An Option Agreement was signed with G2 Energy Corp ('G2 Energy') whereby G2 Energy has an exclusive option to earn 100% of the Company's working interest in the Deep Rights on EL1070, with the Company's wholly owned subsidiary, Enegi Oil Inc., retaining a 5% gross overriding royalty should the option be exercised.
- The transactions above allow for the Company to concentrate its efforts on the acquisition of a marginal field portfolio in conjunction with MFDevCo while costs in Western Newfoundland are minimised but activity advanced.

Financial:

- Loss before tax for the year was £1,671,000 (2016: £816,000). The main area of expense has been the continuing development of the foundations for the marginal field initiative. Management continued to significantly cut costs in western Newfoundland but increased its expenditure with respect to the implementation of the marginal field strategy. The loss included depreciation charges of £367,000 in the period relating to intangible assets consistent with its accounting policies.
- The Group has a net liability position of £1,880,000 (2016: £3,239,000). The net liabilities mainly relate to the loan owed to Shard Capital Management ('Shard') and to related party creditors. At this time neither Shard nor related parties have sought to recover these debts and it is expected that they will continue to support the Group.
- The Group had cash balances of £654,000 at 30 June 2017 (2016: £nil).
- The status of commercial discussions on a number of projects and the Company's current cash position provide management with the confidence that the business model has the potential to allow the Group to satisfy its liabilities and operate as a going concern.
- During the year the Company raised £3,357,000 (before expenses of £328,000) through the issue of new ordinary shares.
- Post year end, in July 2017, the Company raised £1,419,000 (before expenses of £110,000) through the issuance of new ordinary shares in a placing and through the exercise of warrants.

OUTLOOK

- Clear focused strategy for commercialising stranded and marginal fields.
- Recent enquiries provide directors and management with confidence regarding the viability of the business model and provide confidence that the Company can add further projects to its portfolio.

STRATEGIC REPORT

CHAIRMAN'S STATEMENT AND OPERATIONAL REVIEW

The Company's share price has recovered strongly over the last year, despite the sector still suffering from low oil prices and inactivity following the oil price crash of 2014. This seemed unlikely last September when the share price was under 10% of its current level but management has worked to reinvigorate the Company and this has seen tangible results. We have raised additional capital for implementation of our marginal field strategy and a number of transactions aimed at ensuring that the current asset portfolio in Newfoundland is rejuvenated have been concluded; the ultimate aim is to establish a revenue stream that can form the foundation for the Company's continued growth.

We have high hopes for the assets in western Newfoundland but the assets are complex. Resource estimates have always indicated good production rates are possible and the additional activity currently being carried out on PL2002-01(A) is part of the 'proving-up' exercise but it is choosing the best investment strategy which is key. To achieve short term growth, we require capital to undertake the various workover tasks and more capital to implement appropriate longer term plans and the most effective strategy, we believe, is that currently being adopted. We have executed a Production Sharing Agreement with PVF Energy Services Inc. ('PVF') whereby the investment to commence generating the value from the western Newfoundland assets is predicated on the work PVF are undertaking at their expense which 'ring-fences' the demands on the Company even as it seeks to re-value the assets. It is hoped that the discussions taking place with PVF with respect to a further farm-in agreement will yield greater investment and more wider ranging activity on PL2002-01(A). We aim to announce the results of those discussions in due course.

We've chosen a strategy of external investment for our Canadian assets because, in our view, the best way to achieve higher valuations of the Company is to target, lower risk, well appraised but undervalued fields. This led to the marginal field strategy and our investment in Marginal Field Development Company ('MFDevCo'). The strategy removes our exposure to the major risk of the oil sector, namely the need for exploration drilling, and allows us to focus on the more controllable factors associated with project development or redevelopment, depending on the field. All the parts are in place to implement the strategy and success should yield the valuation multiples we expect from our business model.

I would like to address the issues of timetables associated with project acquisition under this strategy; this has been raised by many shareholders and it is important that a number of factors in the acquisition process are understood. The negotiating process and timeline ebbs and flows and any estimates made by management represent management's opinion at that time considering the state of such negotiations. Issues can arise, priorities can change and there are often numerous parties involved and permissions required to conclude a transaction. We can state though, that management are working hard to implement that strategy and should we be successful we expect large returns will be made by all concerned; the Company, field owners, Consortium members and most importantly shareholders.

Following a period of extensive screening, the Company has identified a number of targets, and has prioritised a small set of those. The successful acquisition of only one would, in our opinion, have a huge impact. For each opportunity, the potential benefit offered by our approach has been identified and verified against pro forma engineering models but a level of detailed engineering needs to be performed to agree commercial terms with the asset owners and secure the appropriate finance, which in most cases will be vendor finance secured from suppliers. In many ways, the downturn in the industry is hugely beneficial due to reduced field costs, the risk that suppliers are willing to take to employ resources and infrastructure and the financing terms available.

Recent proposals to field owners focus on the provision, in conjunction with members of MFDevCo's consortium, of a turnkey solution for field redevelopment where the services provided to a project are secured against production and production royalties are granted in favour of the facilitating party. Such proposals are well received by asset owners as they retain field equity, do not need to raise finance themselves and see large valuation increases in their assets.

STRATEGIC REPORT
CHAIRMAN'S STATEMENT AND OPERATIONAL REVIEW (Continued)

Western Newfoundland

With respect to our assets in western Newfoundland, the Company's wholly owned subsidiary, Enegi Oil Inc entered into a Production Sharing Agreement (the 'PSA') with PVF Energy Services Inc. ('PVF') for PL2002-01(A). The PSA provides for the Company to receive 50% of net revenue from production following the recovery of any costs incurred by PVF in performing its obligations. The term of the PSA is five years and PVF are covering all costs associated with an agreed work programme aimed at restoring production from PL2002-01(A) (the 'Work Programme'). In addition to PVF providing 100% of the funding for the Work Programme, PVF will also fund 100% of ongoing operations on PL2002-01(A) in exchange for 50% of net revenue from production following the recovery of its costs.

The primary objective of the first phase of the Work Programme is to clean up the well and remove obstructions that have been preventing the well from flowing in advance of an extended well test. Progress achieved thus far includes:

- Salt blockages have been cleared.
- Communication has been re-established between the reservoir and the surface.
- Pressure recovery is strong.
- PVF have experienced no issues that are believed to have the potential to compromise the successful completion of this first phase of the Work Programme.

Although the Work Programme is taking longer than originally forecast operations are advancing towards achieving the primary objective and we are confident that the well test will commence shortly. Technical programmes often have to be modified and in western Newfoundland this requires approval from the Department of Natural Resources for any alterations before proceeding. In addition, due to the remote location and the lack of local oilfield supply services, equipment has to be brought in from outside the province, which takes time both to source and to be delivered.

The Company has begun negotiations with PVF to agree a farm-in which will bring additional investment into the development of PL2002-01(A), primarily in the form of drilling investment. Further drilling is likely to target areas of hydrothermal dolomite down-dip from the current PAP#1-ST#3 well, which demonstrate enhanced connectivity and porosity and are therefore believed to be able to deliver higher flow rates. Nu-Oil has in the past undertaken significant reservoir modelling work and will work closely with PVF to ensure that this work and lessons learned from previous operations are fully integrated into future planning, alongside new data gathered from PVF's work, to maximise chances of success. Negotiations on the farm-in agreement, which has been the objective of both parties as referenced in the announcement of 22 June 2017, are ongoing and the Company will provide an update in due course. Shareholders should note that, whilst both parties hope to conclude an agreement, there is no guarantee one will be reached.

In addition to the activity on PL2002-01(A), an Option Agreement was signed with G2 Energy Corp ('G2 Energy') whereby G2 Energy has an exclusive option to earn 100% of the Company's working interest in the Deep Rights on EL1070, with Enegi Oil Inc., retaining a 5% gross overriding royalty should the option be exercised. Pursuant to the Option Agreement, G2 Energy had a period of 45 days to conclude due diligence on EL1070, which was concluded satisfactorily and the Option Agreement came into full effect.

STRATEGIC REPORT
CHAIRMAN'S STATEMENT AND OPERATIONAL REVIEW (Continued)

Outlook

Significant changes have occurred to the Company's outlook over the past 12 months and we expect that to continue over the coming period as our negotiations and activity on a number of opportunities, currently well-advanced, are concluded. We remain confident of the successful conclusion of the first phase of operations on PL2002-01(A) and we look forward to announcing the results in due course. We are pleased to be continuing negotiations with PVF on the future development of the Garden Hill field, one of our legacy assets, which we believe, if successfully concluded, will provide the opportunity for Nu-Oil to maximise its returns from the field. In the meantime, the Board remains committed to focusing its resources on the acquisition of marginal field projects, in line with our stated strategy.

Finally, I would like to thank both management and shareholders for their continued support and look forward to realising the rewards from the opportunities that have been created over the last few years.

Alan Minty
Chairman
20 December 2017

STRATEGIC REPORT

FINANCIAL REVIEW

The Consolidated Financial Statements and notes on pages 29 through to 57 should be read in conjunction with this review which has been included to assist in the understanding of the Group's financial position at 30 June 2017.

Revenue

No revenue was generated during the year. Management awaits the results of activity on its lease, PL2002-01(A), to assess the likelihood of it becoming revenue generating in future years. The Company entered into a Production Sharing Agreement (the 'PSA') with PVF Energy Services Inc. ('PVF') for PL2002-01(A). The PSA provides for the Company to receive 50% of net revenue from production following the recovery of any costs incurred by PVF in performing its obligations.

Loss before tax

Loss before tax for the year was £1,671,000 (2016: £816,000 loss). The main area of expense has been the continuing development of the foundations for the marginal field initiative. Management continued to significantly cut costs in western Newfoundland but increased its expenditure with respect to the implementation of the marginal field strategy. The loss included depreciation charges of £367,000 in the period relating to intangible assets. Operating loss in effect was £1,304,000.

Statement of Financial Position

The consolidated statement of financial position for the Group is shown on page 30. Net liabilities at 30 June 2017 were £1,880,000 (2016: net liabilities of £3,239,000). The decrease in net liabilities reflects fundraising activities that were undertaken in the period. During the year the Company raised £3,357,000 (before expenses of £328,000) through the issue of new ordinary shares. The majority of the Group's liabilities are due to related parties and to Shard Capital Management. It is the Group's view that these creditors are supportive of the Group.

At 30 June 2017, the Group had cash balances of £654,000 compared to £nil at 30 June 2016 and raised an additional £1,419,000 before expenses through the placement of shares and exercise of warrants post year end. The Group had trade and other payables of £3,781,000 at 30 June 2017 (2016: £4,604,000). These cash balances when considered with the additional information provided in Note 1 to the financial statements allow the Directors to conclude that the Group and Company should be treated as a going concern.

Cash flows

Cash inflows for the year were £683,000 compared to a net outflow of £1,000 in 2016. The Group's cash position was carefully managed during the year while it sought to implement its marginal field strategy.

Future funding and capital requirements

The Directors believe that the Company has developed a very attractive business model in choosing to focus on the development of stranded and marginal fields. It has concluded the necessary foundations and its global potential should see an upturn in activity in 2018. Management believe that the Company has sufficient resources to allow significant, tangible progress to be achieved from its current resources. As a result of the size of projects that the Company is targeting, project finance will be required to realise project returns.

Principal risks and uncertainties

Principal risks and uncertainties are included in the Directors' report on page 16.

STRATEGIC REPORT
FINANCIAL REVIEW (Continued)

Key performance indicators

Key performance indicators are referenced in the Directors' report on page 17.

On behalf of the board

Damian Minty

Chief Financial Officer

20 December 2017

DIRECTORS AND ADVISERS

Directors	Alan Minty (Executive Chairman) Dr Nigel Burton (Chief Executive Officer) Damian Minty (Chief Financial Officer) Frank Jackson (Non-executive Director) Prof. Mike Bowman (Non-executive Director) Tejvinder Minhas (Non-executive Director)
Company secretary	David Lau
Registered office and head office	5th Floor, Castlefield House Liverpool Road, Manchester. M3 4SB United Kingdom
Website	www.nu-oilandgas.com
Nominated adviser	Strand Hanson Ltd, 26 Mount Row, Mayfair, London W1K 3SQ.
Broker	Beaufort Securities Ltd 63 St Mary Axe London EC3A 8AA
Solicitors	As to English law: Gowling WLG 4 More London Riverside, London, SE1 2AU As to Canadian law: Stewart McKelvey 100 New Gower Street St. John's, NL, A1C 5V3 Canada
Bankers	HSBC 5 Great Underbank, Stockport, Cheshire SK1 1LH HSBC Bank Canada, 205, Water Street, St. John's, Newfoundland A1C 1B4 Canada

DIRECTORS AND ADVISERS (Continued)

Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1, Hardman Square, Manchester. M3 3EB
Registrars	SLC Registrars, 42-50 Hersham Road, Walton-on-Thames, Surrey, KT12 1RZ.
Country of incorporation	The Company is incorporated and registered in England and Wales with registered number 6370792

DIRECTORS' BIOGRAPHIES

Alan Minty, Executive Chairman (Age 71)
Mr. Minty qualified as a Chartered Engineer in 1975. He has over 30 years' industrial experience, having worked for companies such as Anglo American Corporation, British Steel Corporation and Occidental Oil Corporation/Petromin as well as having extensive experience of the oil and gas industry worldwide and in Newfoundland in particular. Mr. Minty's first experience in the offshore industry was as a risk adviser for the Norwegian Petroleum Directorate in 1979 where he was a member of the team responsible for the development of risk-based regulations. Since then he has worked on major contracts for clients such as Mobil, BP, Amerada Hess, Shell, Texaco, and, in Newfoundland, on the Hibernia, Terra Nova, and White Rose projects. Mr. Minty has a BSc in Mechanical Engineering from Manchester University and an MSc in Management Studies from Bradford Management Centre.

Nigel Burton, Chief Executive Officer (Age 59)
Dr Burton has over 25 years' experience in operational and financial management, debt and equity financing, acquisition and integration of businesses, disposals, IPOs and trade sales. Following over 14 years as an Investment Banker at leading City institutions including UBS Warburg and Deutsche Bank, including as the Managing Director responsible for the energy and utilities industries, Dr Burton has spent 15 years as CFO of a number of private and public companies, including Navig8 Product Tankers Inc, PetroSaudi Oil Services Limited, Advanced Power AG and Granby Oil and Gas plc. Dr Burton is a Chartered Electrical Engineer (FIET) and a Past President of the Institute of Engineering and Technology. He has a BSc. (First Class Hons) in Electrical and Electronic Engineering and a Ph.D. in Acoustic Imaging at University College London.

Damian Minty, Chief Financial Officer (Age 43)
Mr. Minty is a Chartered Accountant with over 15 years' experience. His initial experience was as an auditor in a large accountancy firm before moving to London to work at JP Morgan and Deutsche Bank. Mr. Minty was the Commercial Manager of the Company after the IPO before taking over as Chief Financial Officer in 2009. He holds a BSc in Computer Science and Management Studies.

Frank Jackson, Non-Executive Director (Age 69)
Mr. Jackson has over 20 years' experience in the oil and gas sector where he has raised significant funds, taken companies to market and negotiated hydrocarbon asset transactions. Most recently, Mr. Jackson was the Executive Commercial Director of Aurelian Oil and Gas which during his association with the company raised over C$100m. Mr. Jackson has an MBA from the University of Cape Town and is a Fellow of the Chartered Institute of Secretaries and Administrators.

Tejvinder Minhas, Non-Executive Director (Age 45)
Mr. Minhas is a Chartered Secretary and was the Company Secretary for the Company from September 2007 until July 2017 when he became a Non-Executive Director of the Company. He has extensive experience advising on commercial, contractual, legal and compliance matters. Prior to joining, Mr. Minhas worked as a Commercial Manager within the oil and gas sector. He holds a BSc in Economics, a Graduate Diploma in Law and is a Fellow of the Chartered Institute of Company Secretaries.

Mike Bowman, Non-Executive Director (Age 64)
Professor Mike Bowman has over 30 years' experience in the field of development and production geology spending his whole career in industry with BP, where he worked his way up to the position of Vice President of Geoscience and Subsurface. He is now a Professor of Development and Production Geology at the University of Manchester. Professor Bowman holds a Ph.D. in Geology from the University of Sheffield.

CORPORATE GOVERNANCE

The Directors are responsible for the stewardship of the Group and for overseeing the conduct of the business of the Group and the activities of management, who are responsible for the day-to-day conduct of the business.

The Group is committed to high standards of corporate governance. Although the Group, as an AIM quoted Group, is not required to comply with the UK Corporate Governance Code ("The Code") on Corporate Governance, the Directors support high standards of corporate governance and, in so far as is practical given the Group's size, have implemented the following corporate governance provisions.

All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experience in the industry.

All Directors receive full Board papers in sufficient time before Board meetings, and any further supporting papers and information are readily available to all Directors on request.

The Non-Executive Directors are independent of management and have no material relationship with the Group.

The Directors' primary responsibilities are to preserve and enhance long-term shareholder value and to ensure that the Group can meet its obligations on an on-going basis and that it continues to operate in a reliable and safe manner. The stewardship of the Group involves the Directors in strategic planning, key investment decisions, risk management and mitigation, senior management determination and assessment, communication planning and internal control integrity.

Management are responsible for the day to day operational affairs and decisions in accordance with the strategy, direction and business standards set by the Directors. Management reports to the Directors on a formal basis at least four times a year and there is frequent informal contact between the management and the Directors. The Directors will comply with the principles of the Code in so far as is practicable and commensurate with the size of the Company, the stage of its development and the interests of Shareholders.

The Directors will take all necessary steps to ensure compliance by the Directors and applicable employees with Rule 21 of the AIM Rules for Companies. Following the Market Abuse Regulations coming into force on 03 July 2016, the Group has adapted to ensure compliance with these regulations and adopted share dealing codes for restricted persons and all employees. The Market Abuse Regulations are followed alongside the AIM Rules and Corporate Governance Code.

Board meetings
The Board has an obligation to meet at least four times a year which take place either with a quorum or a full complement of Directors present. Meetings are supplemented by conference calls during intervening months. The executive and non-executive directors maintain frequent contact to discuss any issues of concern they may have and to keep them fully briefed on the Group's operations.

Independent Professional Advice
All Directors and Committees have access to independent professional advice when required. The cost of such professional advice is covered by the Group.

Committees
The Directors currently have in place three committees of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. Each of these committees operates within written terms of reference approved by the Directors. Brief details of each committee are set out below.

CORPORATE GOVERNANCE (Continued)

- **Audit Committee:** The Audit Committee's mandate is to assist the Directors in fulfilling their responsibilities with respect to the Group's financial statements and other financial information required to be disclosed by the Company to the public, the Group's compliance with legal and regulatory requirements, and the performance of the Company's external auditor. The committee comprises one Director: Frank Jackson.
- **Remuneration Committee:** The Remuneration Committee's mandate is to assist the Directors in fulfilling their oversight responsibilities with respect to developing compensation and human resource policies and developing and assessing executive management compensation, development and succession. The committee now comprises one Director: Frank Jackson.
- **Nomination Committee:** The Nomination Committee's mandate is to assist the Directors with the appointment and re-appointment of Directors to the Board and to senior executive office. The Committee now comprises two Directors: Prof. Mike Bowman (Chairman) and Frank Jackson.

Insurance

The Group maintains general commercial insurance cover as is appropriate for a business of its size and complexity. Frequently, specific cover is required by local regulators and the Group complies with these requirements. Additionally, during the financial year and at the date of the financial statements the Group held directors' and officers' insurance cover which is a qualifying third party indemnity insurance. The levels of insurance cover for all types of liability are reviewed on an annual basis.

HEALTH, SAFETY, THE ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

How we operate:

- We run our business in compliance with the law and applicable regulation
- We diligently pursue the safety and well-being of our people at all times
- We act openly and honestly in all our business dealings
- We strive to be a good partner with local communities and in the environments in which we operate
- We will seek to comply with best practice in terms of corporate governance and business practice

Our objective is to operate safely, to minimise our impact on the environment and to foster and support long-term development and self-sustaining enterprise in local communities.

Health and safety

The safety of our staff, contractors and those in our local communities is of paramount concern to us and we are pleased to report that there were no significant health or safety incidents during the year.

The Company has an established Health, Safety and Environmental ("HSE") policy that is reviewed on an annual basis. Where we do not have the in-house skills to develop and implement this policy, we work with specialist consultants to ensure proper control of our activities. The Company's HSE policy is supported by the Board which receives updates at Board meetings on HSE activities and any incidents which occur.

In light of our role as operator of our assets, we have commenced a thorough review and further development of our HSE systems and processes to ensure that we're ready to take on the new challenges we will face.

Environment

The Company's objective is to minimise our impact on the local environment and, during the year, Nu-Oil and Gas plc reported no environmental issues. The Company continues to maintain an excellent track record of operating as a partner in Western Newfoundland, an area of high environmental sensitivity.

The Company is aware of the importance of managing the external impact of our operations and environmental impact assessments are undertaken as a key part of our operations planning. Nu-Oil and Gas has staff who are qualified professionals to undertake our environmental planning. This team is augmented where appropriate through the use of external specialist consultants.

We are committed to transparent disclosure and clear communication of our activities and policies, both internally and externally. We are constantly refining our policies and procedures to manage the increasing range of risks we face in our business and to facilitate our day to day work.

Corporate social responsibility

Nu-Oil and Gas plc recognises both the business imperative and the moral obligation to carry out our activities in a socially responsible way. The Company's aim is to contribute to the communities in which we operate through:

Our staff: They will be trained and developed in roles providing fulfilling employment whilst maintaining a culture which encourages an enjoyable work-life balance.

Our supply chain: We will collaborate with suppliers to develop long term partnerships, locally, whenever possible, based on fair procurement methods, where long term reward is our objective and not adversarial relationships.

Our role in the community: We will recognise the environmental, social and economic needs of the communities we work in and involve them in suitable initiatives that utilise our skills, time and financial support.

Our operations: We will develop our assets using sustainable, safe methods of work while striving to continuously improve them for the benefit of all stakeholders.

DIRECTORS' REPORT

The Directors submit their report together with the audited Company and Consolidated Financial Statements of Nu-Oil and Gas plc, a publicly limited company, for the year ended 30 June 2017.

Principal activities

The principal activity of the Company and Group is the identification, development and operation of hydrocarbon opportunities with its focus being on the acquisition of stranded/marginal fields, the location of which could be in any jurisdiction. The Group's head office is in Manchester, United Kingdom and there is a regional office in Newfoundland, Canada.

Nu-Oil and Gas plc was incorporated in the United Kingdom and Enegi Oil Inc., which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador in order to acquire a portfolio of oil and gas assets on the Port au Port peninsula in Western Newfoundland.

Business review and future developments

A review of the Group's operations during the year, the results of those operations and the future prospects for the Group are contained in the Chairman's Statement and Operational Review and Financial Review on pages 4 to 8.

Directors

The Directors who served in office during the financial year and up to the date of signing the Financial Statements were as follows:
Alan Minty
Nigel Burton
Damian Minty
Frank Jackson
Tejvinder Minhas
Mike Bowman

Results and dividends

The Consolidated Financial Statements for the year ended 30 June 2017 are as set out on pages 29 to 57. The Group's loss for the year was £1,671,000 (2016: £816,000). The Company is unable to recommend the payment of a dividend at this time (2016: £nil).

Capital structure and significant shareholders

Details of the issued share capital together with details of movements in share capital during the year are included in the Consolidated Statement of Changes in Equity on page 32 and in Note 13 to the Consolidated Financial Statements. Details of employee share schemes are set out in Note 16 to the Consolidated Financial Statements.

There are no significant interests in the voting rights of the Company's issued share capital (at or above the 3% notification threshold) at 30 November 2017.

Annual General Meeting

The Company's next Annual General Meeting will be held before 28 February 2018. A notice of the Annual General Meeting will be issued at least 21 days in advance.

DIRECTORS' REPORT (Continued)

Principal Risks and Uncertainties

The Group is subject to various risks as a result of operating, industrial, financial, political, legal and social conditions at any given point in time which management consider in applying its strategy. The Directors consider the following risk factors, which are not exhaustive, particularly relevant to the Group's business activities:

Exploration and development risk: The exploration and development of hydrocarbons is speculative and involves a high degree of risk. These risks include the possibility that the Group will not discover sufficient oil or gas reserves to exploit commercially or that those reserves which it does discover cannot be recovered economically.

Ability to exploit discoveries: It may not always be possible for the Group to participate in the exploitation of discoveries. Exploitation may involve the need to obtain licences or clearances from government authorities in the relevant jurisdiction, which may require conditions to be satisfied and/or the exercise of discretion by those authorities. It may or may not be possible for such conditions to be satisfied.

Uncertainty of reserve estimates: There are numerous uncertainties inherent in estimating quantities of oil and natural gas reserves and the future cash flows attributable to such reserves. In general, estimates of economically recoverable oil and gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions including reservoir characteristics based upon geological, geophysical and engineering assessments, future oil and natural gas prices and quality differentials, production rates and the timing and amount of capital expenditures.

Environment: The Group is subject to extensive environmental and safety legislation, which may become more stringent. The Group may require further approvals before it can undertake activities which may affect the environment.

Financial Risk Management

The Group is subject to certain financial risks which management routinely consider. The Directors consider the following risk factors, which are not exhaustive, particularly relevant to the Group's business activities:

Currency risk: The Group is exposed to changes in the exchange rate between the British pound and Canadian dollar (CAD). Such movements could significantly impact the financial performance of the Group. The Group's principal operating subsidiary holds a significant proportion of its cash and cash equivalents in CAD and has a functional currency of CAD.

At each period end, assets and liabilities that are held in a currency other than the Group's reporting currency are translated into sterling. The resultant foreign currency gain or loss arising is reflected in the consolidated statement of comprehensive income (SOCI) in the period in which it arises. During the year, a further 10% gain in the value of CAD versus the pound would have led to an increase in the amount recognised in the SOCI of £35,000 (2016: increase of £41,000).

Going forward, the Group will mitigate the effects of its structural currency exposure by converting funds raised for investment and operations into the relevant currency of the investment or operations when the funds are raised. The Group's policy will also be to hedge most of its foreign exchange exposure at the point when a contractual obligation creates a forward exposure. The Group's policy is not to undertake any speculative currency positions.

Commodity prices: Any future revenues and cash flows will come primarily from the sale of oil and gas. If oil and gas prices should fall below and remain below the Group's cost of production for any sustained period, the Group may experience losses and may be forced to curtail or suspend some or all of its operations. In addition, the Group would also have to assess the economic impact of low oil or gas prices on the Group's ability to recover any losses which the Group may incur during this period and on the Group's ability to maintain adequate reserves.

DIRECTORS' REPORT (Continued)
Financial Risk Management (Continued)

Oil and gas prices are volatile and are influenced by factors beyond the Group's control such as supply and demand, political and social developments, exchange rates, interest rates and inflation.

Liquidity risk: The Group has based its future projections on achieving commercial production from the implementation of the Marginal Field Initiative business model. The implementation of the Marginal Field Initiative business plan will require an injection of new capital into the business, but the value that additional capital is able to generate should significantly exceed the effect of any potential shareholder dilution.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company has access to funding and these are considered sufficient to meet the anticipated funding requirements. Rolling cash flow forecasts of the Company's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs over the next twelve months.

Counterparty risk: The Group shares working interests in its offshore prospects with third parties. To the extent that these third parties are unable to meet their obligations under the terms of the exploration licence, the Group may face additional costs for developing those assets. The Directors monitor the financial positions of these working interest partners and look to minimise the risk of additional costs through the use of farm-in and farm-out arrangements if appropriate.

Financing risk: As the Group does not yet produce significant revenues it needs to continue to raise finance to implement its business strategy. The Board regularly monitors the availability of finance to ensure that it has sufficient confidence it can fund the actions that the Group needs to take to implement its strategy.

Key Performance Indicators
At this stage of the Company's development the Directors do not consider that standard industry performance indicators are relevant in assessing the Company's performance. The measures by which the Company assesses its performance will vary from year to year until it is in a position where standard industry indicators are relevant.

During the year, the main performance indicators have been the optimal development of the Company's portfolio and opportunities, including farm-ins and farm-outs, based upon the Company's resource base.

Contracts of significance
The Group has a number of contracts that are fundamental to its ongoing economic success and these all relate to its rights to conduct operations on its assets.

In Canada, the Group holds production lease PL2002-01(A) which covers an onshore area in Western Newfoundland and exploration licence EL1070 which covers an area just off the coast of Western Newfoundland. Each gives the Group the right to explore and then produce oil and gas from geological structures within the area defined by the lease or licence. The lease and licence have certain conditions attached to them relating to the making of deposits, carrying out of exploration and development programs and minimum expenditure. If the Group fails to meet these commitments, it risks either rescission or expiry of the lease and licence. During the year, the Group met all its commitments under both the lease and licence.

In 2013 the Company entered into a joint venture agreement with ABTechnology Ltd which provides the Company with its shareholding in Marginal Field Development Company (MFDevCo) Ltd. (formerly ABT Oil and Gas Ltd.) through which it implements its strategy of acquiring a portfolio of interests in marginal and stranded fields.

DIRECTORS' REPORT (Continued)

The Company has a loan agreement with Shard Capital Management which has a current outstanding amount of £1,780,000 (2016: £1,540,000). It is repayable on demand but the Company has the option to convert the loan to equity.

Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the Company's Auditors will be proposed at the forthcoming Annual General Meeting.

Share capital

The Company's share capital underwent a reorganisation during the 2015. Following the reorganisation, the share capital of the Company represents ordinary shares and deferred shares. Ordinary shares carry one vote per share and carry equal right to dividend. Both classes of shares are classified in equity but deferred shares carry restrictions. No dividends have been paid to any shareholder. The company has not acquired any of its own shares during the year. The reorganisation is described in more detail in Note 13 to the Consolidated Financial Statements.

Insurance

The Company maintains general commercial insurance cover as is appropriate for a business of its size and complexity. Frequently, specific cover is required by local regulators and the Company complies with these requirements. Additionally, during the financial year and at the date of the financial statements the Company held directors' and officers' insurance cover which is a qualifying, third party indemnity insurance. The levels of insurance cover for all types of liability are reviewed on an annual basis.

Going concern

The Directors continue to adopt the going concern basis in preparing the Consolidated and Parent company Financial Statements as they have a reasonable expectation that the Group and Company has, or will be able to obtain, adequate resources to continue operating for the foreseeable future. In forming this judgement the Directors reviewed the Group's funding, budget and business plan for the twelve months from signing the financial statements. The Directors have relied upon the critical assumption that the Group will be able to achieve the key milestones of the business plan associated with its strategy to acquire and develop stranded and marginal fields which they believe will result in the availability of adequate additional funding.

The Directors have concluded that to the extent that these assumptions are not valid, there exists a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties to assumptions described, and based on the relevant facts and information available on the date the financial statements were approved by the board, the Directors consider these assumptions to be valid and as such they continue to adopt the going concern basis in preparing the financial statements.

Post year end, in July 2017, the Company raised £1,419,000 through the placement of 100,000,000 shares and exercise of 69,800,000 warrants.

Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Directors' Interests

All Directors' interests in the shares of the Company are given on pages 22 to 23.

DIRECTORS' REPORT (Continued)

Approved by the Board of Directors on 20 December 2017 and signed on its behalf

Alan Minty
Chairman
Nu-Oil and Gas plc
Registered number 6370792

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT TO THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' Biographies confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to auditors

As far as each Director is aware, there is no relevant audit information of which the Company's Auditors are unaware. In addition, each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

By order of the Board

David Lau
Company Secretary
20 December 2017

UNAUDITED DIRECTORS' REMUNERATION REPORT

This report has been approved by the Board. An ordinary resolution to approve this report will be put to shareholders at the next annual general meeting. It sets out the Company's policy on the remuneration of the Directors for the current and forthcoming financial years. Although AIM listed companies are not required to provide a remuneration report and, as such, the report below is unaudited, Nu-Oil and Gas plc is committed to high standards of corporate reporting and has included the following report.

Remuneration committee
At the year end of 30 June 2017, the remuneration committee comprised of one Director: Frank Jackson (Chairman).

The purpose of the remuneration committee is to ensure that the executive directors of the Company are fairly rewarded for their individual contribution to the overall performance of the Company and to demonstrate to shareholders that the remuneration of the executive directors of the Company is set by an individual who has no personal interest in the outcome of their decisions and who will have due regard to the interests of the shareholders.

Remuneration policy
The Company's policy on remuneration is to attract and retain the best people available as the Directors believe this is one of the best ways of ensuring the Company's future success. The remuneration packages offered to directors use a combination of performance related and non-performance related elements designed to incentivise directors and align their interests with those of shareholders.

Procedures for fixing remuneration and other benefits
The basic salaries and other benefits applicable to the executive directors are decided by the remuneration committee. The remuneration committee also sets the criteria for bonuses and any other performance based remuneration. The committee is then responsible for measuring the extent to which these criteria have been achieved and setting the level of bonus awarded.

Report on remuneration
The committee is authorised to obtain such external professional advice and expertise as it considers necessary, and consults with the chairman of the Company. It is also authorised by the Board to investigate any matter within its terms of reference and seek any information that it requires from any employee. During the year, the committee did not seek any external advice.

Directors' interests in shares
The number of ordinary shares of 0.1 pence each in the Company controlled by the Directors was as follows:

	30 June 2017	30 June 2016
Alan Minty(1)	**12,608,911**	7,608,911
Nigel Burton	**4,000,000**	-
Frank Jackson	**2,000,000**	-

(1) The number of shares stated is the total number held by Alan Minty and any companies that he controls

Equity incentives
The Company operates a Performance Share Plan which is an equity reward and incentive scheme which is designed to motivate executives and staff with a view to increasing shareholder value. The remuneration committee oversees the Performance Share Plan, approves the subscription price of awards under the Plan and the performance criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the Performance Share Plan as an incentive to the executives and staff.

UNAUDITED DIRECTORS' REMUNERATION REPORT (Continued)
Equity Incentives (continued)

Under the Performance Share Plan, the options outstanding to Directors and Senior Management, as approved by the Company's Remuneration Committee, is as follows:

Name	Already Vested	Average Vest Price (£)	To Vest	Average Vest Price (£)	Total Options
Alan Minty	20,000,000	0.006	-	-	20,000,000
Damian Minty	20,000,000	0.006	-	-	20,000,000
Tejvinder Minhas	20,000,000	0.006	-	-	20,000,000
Nigel Burton	8,000,000	0.006	-	-	8,000,000
Frank Jackson	8,000,000	0.006	-	-	8,000,000
Mike Bowman	4,000,000	0.006	-	-	4,000,000

No options were exercised in the year.

Directors' contracts
The executive directors have service contracts with twelve month notice periods. Non-executive directors are appointed subject to re-election at any annual general meeting at which, pursuant to the Company's articles of association, they are required to retire by rotation. Such re-election will take place at regular intervals of not more than every three years.

Remuneration of non-executive directors
The board sets the remuneration levels for non-executive directors. They do not receive any pension or other benefits. Their level of remuneration is based on outside advice and a review of current practice in other companies.

Directors' emoluments
The following emoluments were paid or are payable to directors for the year ended 30 June 2017:

	Salaries and fees year ended 30 June 2017 £'000	Salaries and fees year ended 30 June 2016 £'000
Alan Minty	**190**	150
Nigel Burton	**48**	106
Damian Minty	**150**	120
Tejvinder Minhas	**120**	90
Frank Jackson (Non-executive director)	**30**	24
Mike Bowman (Non-executive director)	**-**	24

Pensions
The Group currently has no pension arrangements in place although it may put such arrangements in place in the future.

Alan Minty
Chairman
20 December 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NU-OIL AND GAS PLC

Report on the audit of the financial statements

Opinion

In our opinion, Nu-Oil and Gas plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2017 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Consolidated Statement of Financial Position and Company Statement of Financial Position as at 30 June 2017, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Company Statement of Cash Flows for the year ended 30 June 2017; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern - Group

In forming our opinion on the group financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. Note 1 describes the critical assumptions relied upon by the directors relating to the achievement of the key milestones of the business plan associated with the Marginal Field Initiative which will result in the availability of adequate additional funding and significant cost reductions being achieved. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The group financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

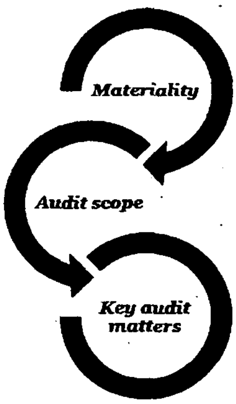
Material uncertainty relating to going concern - Parent company

In forming our opinion on the parent company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the parent company's ability to continue as a going concern. Note 1 describes the critical assumptions relied upon by the directors relating to the achievement of the key milestones of the business plan associated with the Marginal Field

Initiative which will result in the availability of adequate additional funding and significant cost reductions being achieved. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the parent company's ability to continue as a going concern. The parent company financial statements do not include the adjustments that would result if the parent company was unable to continue as a going concern.

Our audit approach

Overview



- Overall group materiality: £60,700 (2016: £50,100), based on 5% of loss before tax.
- Overall parent company materiality: £57,010 (2016: £50,100), based on 5% of loss before tax.

- 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 geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.
- In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team. All the audit work was performed by the Group engagement team for entities that were in scope for the audit.

- Management override of controls (Group and parent).
- Going concern (Group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Management override of controls	
In accordance with ISAs (UK) management override of controls is deemed a significant risk, specifically the risk that results may be manipulated by management. This is most likely to occur through the manipulation of the more judgmental balances in the financial statements, or through the use of manual journals that override the process and controls in place for regular transactions. This matter relates to both the Group and parent company.	We have assessed the overall control environment and consider that for its size, Nu-Oil and Gas Plc is a reasonably well managed business with appropriate levels of management oversight and assignment of authority. Segregation of duties is limited due to the size of the finance team. Management believe the risk in such instances is mitigated by their review of monthly management accounts and ad hoc reviews of accounting records. We have tested the appropriateness, authorisation and completeness of journal entries at both the Group and entity level. Specifically we used a risk based approach by looking at unexpected account combinations and unusual descriptions. We have not identified any entries where there was not appropriate supporting records or appropriate business rationale. We have also reviewed management's estimates and judgements and note no issues. We have considered whether there have been any significant unusual transactions within the business. No items have come to our attention.
Going concern	
The business has continued to face challenges in achieving its strategic goals resulting in loss in the current and prior years, casting doubt on its ability to continue for the foreseeable future. This matter relates to both the Group and parent company.	We have reviewed management's cash flow forecasts for the 12 months to 31 December 2018. As part of this review we have compared the cash flow forecast to current year expenditure and concluded that these forecasted cash outflows are reasonable. In addition, we have reviewed the accuracy of the historical cash flow forecasts and consider these to be reasonable on the basis that management have raised funds historically.

How we tailored the audit scope

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 group and the parent company, the accounting processes and controls, and the industry in which they operate.

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 of our audit and the nature, 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 determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Parent company financial statements*
Overall materiality	£60,700 (2016: £50,100).	£57,010 (2016: £50,100).
How we determined it	5% of loss before tax.	5% of loss before tax.
Rationale for benchmark applied	Consistent with last year, we applied this benchmark as we believe that loss before tax is the most relevant measure of the group's performance.	Consistent with last year, we applied this benchmark as we believe that loss before tax is the most relevant measure of the parent company's performance.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £51,595 and £57,010.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,040 (Group audit) (2016: £2,510) and £2,850 (Parent company audit) (2016: £2,510) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
20 December 2017

Consolidated and Parent Company Financial Statements

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2017

	Note	**2017 £'000**	2016 £'000
Revenue		**-**	-
Cost of sales		**-**	-
Gross Result		**-**	-
Administrative expenses	4	**(1,457)**	(815)
Loss from operations		**(1,457)**	(815)
Finance costs	5	**(214)**	(1)
Loss before tax		**(1,671)**	(816)
Taxation	6	**-**	-
Loss for the year		**(1,671)**	(816)
Loss per share (expressed in pence per share)			
Basic	7	**(0.2p)**	(0.3p)
Diluted	7	**(0.2p)**	(0.3p)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement or statement of comprehensive income. The loss for the Parent Company for the year to 30 June 2017 was £1,606,000 (2016: £722,000).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 £'000	2016 £'000
Loss for the year	**(1,671)**	(816)
Other comprehensive expense:		
Currency translation differences	**1**	17
Other comprehensive income for the year, net of tax	**1**	17
Total comprehensive expense for the year	**(1,670)**	(799)

Consolidated and Parent Company Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Tangible fixed assets	8	**242**	868
Intangible assets	8	**1,123**	848
Other long term assets	10	**493**	479
		1,858	2,195
Current assets			
Trade and other receivables	11	**922**	1,150
Cash and cash equivalents		**654**	-
		1,576	1,150
Total assets		**3,434**	3,345
Current liabilities			
Trade and other payables	14	**(3,781)**	(4,604)
Due to related parties	12	**(1,044)**	(1,514)
		(4,825)	(6,118)
Non-current liabilities			
Provisions	9	**(489)**	(466)
Total liabilities		**(5,314)**	(6,584)
Net liabilities		**(1,880)**	(3,239)
Equity			
Ordinary share capital	13	**2,757**	2,022
Share premium account	13	**28,671**	26,431
Reverse acquisition reserve		**9,364**	9,364
Other reserves		**(2,487)**	(2,487)
Warrant reserve		**409**	355
Accumulated losses		**(40,594)**	(38,924)
Total equity		**(1,880)**	(3,239)

The financial statements on pages 29 to 57 were approved by the Board of Directors on 20 December 2017 and signed on its behalf by:

Alan Minty
Chairman
Nu-Oil and Gas plc
Registered number 6370792

Consolidated and Parent Company Financial Statements

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	**2017 £'000**	2016 £'000
Non-current assets			
Tangible fixed assets	8	**233**	281
Intangible assets	8	**670**	848
Investments	10	**478**	516
		1,381	1,645
Current assets			
Trade and other receivables	11	**907**	949
Cash and cash equivalents		**654**	-
		1,561	949
Total assets		**2,942**	2,594
Current liabilities			
Trade and other payables	14	**(3,559)**	(4,158)
Due to related parties	12	**(855)**	(1,331)
Total liabilities		**(4,414)**	(5,489)
Net liabilities		**(1,472)**	(2,895)
Equity			
Ordinary share capital	13	**2,757**	2,022
Share premium account	13	**28,671**	26,431
Warrant reserve		**409**	355
Other reserves		**(2,487)**	(2,487)
Accumulated losses		**(36,764)**	(36,042)
Accumulated losses in the current year		**(1,606)**	(722)
Merger relief reserve		**7,548**	7,548
Total equity		**(1,472)**	(2,895)

The financial statements on pages 29 to 57 were approved by the Board of Directors on 20 December 2017 and signed on its behalf by:

Alan Minty
Chairman
Nu-Oil and Gas plc
Registered number 6370792

Consolidated and Parent Company Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Ordinary share capital £'000	Share premium account £'000	Reverse acquisition reserve £'000	Other reserves £'000(1)(2)	Warrant reserve £'000(3)	Accumulated Losses £'000	Total equity £'000
Balance at 1 July 2015		**1,857**	**26,137**	**9,364**	**(2,487)**	**355**	**(38,125)**	**(2,899)**
Comprehensive expense								
Loss for the year		-	-	-	-	-	(816)	(816)
Other comprehensive income								
Currency translation differences		-	-	-	-	-	17	17
Total other comprehensive income		-	-	-	-	-	17	17
Total comprehensive expense		-	-	-	-	-	(799)	(799)
Transactions with owners								
Effects of fundraisings	13	165	294	-	-	-	-	459
Total of transactions with owners		165	294	-	-	-	-	459
Balance at 1 July 2016		**2,022**	**26,431**	**9,364**	**(2,487)**	**355**	**(38,924)**	**(3,239)**
Comprehensive expense								
Loss for the year		-	-	-	-	-	(1,671)	(1,671)
Other comprehensive income								
Currency translation differences		-	-	-	-	-	1	1
Total other comprehensive income		-	-	-	-	-	1	1
Total comprehensive expense		-	-	-	-	-	(1,670)	(1,670)
Transactions with owners								
Effects of fundraisings	13	735	2,294	-	-	-	-	3,029
Effects of warrants			(54)			54		
Total of transactions with owners		735	2,240	-	-	54	-	3,029
Balance at the 30 June 2017		**2,757**	**28,671**	**9,364**	**(2,487)**	**409**	**(40,594)**	**(1,880)**

(1) Other reserves represents shares issued to the Employee Benefit Trust as part of the Performance Share Plan as described in Note 16 to the financial statements

(2) Other reserves also includes shares that the Company has purchased which are being used as security against the loan outstanding to Shard Capital Management

(3) Warrant reserve was established to show the total cost of warrants issued pre-IPO and post-IPO

Consolidated and Parent Company Financial Statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Ordinary share capital £'000	Share premium account £'000	Merger relief reserve £'000	Other reserves £'000[(1)(2)]	Warrant reserve £'000[(3)]	Accumulated Losses £'000	Total equity £'000
Balance at 1 July 2015		**1,857**	**26,137**	**7,548**	**(2,487)**	**355**	**(36,042)**	**(2,632)**
Comprehensive expense								
Loss for the year		-	-	-	-	-	(722)	(722)
Total comprehensive expense		-	-	-	-	-	(722)	(722)
Transactions with owners								
Effects of fundraisings	13	165	294	-	-	-	-	459
Total of transactions with owners		165	294	-	-	-	-	459
Balance at 1 July 2016		**2,022**	**26,431**	**7,548**	**(2,487)**	**355**	**(36,764)**	**(2,895)**
Comprehensive expense								
Loss for the year		-	-	-	-	-	(1,606)	(1,606)
Total comprehensive expense		-	-	-	-	-	(1,606)	(1,606)
Transactions with owners								
Effects of fundraisings	13	735	2,294	-	-	-	-	3,029
			(54)	-	-	54	-	-
Total of transactions with owners		735	2,240	-	-	54	-	3,029
Balance at 30 June 2017		**2,757**	**28,671**	**7,548**	**(2,487)**	**409**	**(38,370)**	**(1,472)**

(1) Other reserves represents shares issued to the Employee Benefit Trust as part of the Performance Share Plan as described in Note 16 to the financial statements

(2) Other reserves also includes shares that the Company has purchased which are being used as security against the loan outstanding to Shard Capital Management

(3) Warrant reserve was established to show the cost of warrants issued pre-IPO and post-IPO

Consolidated and Parent Company Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash used in operations	15	**(2,346)**	(436)
Net cash used in operating activities		**(2,346)**	(436)
Cash flows from financing activities			
Share capital issued for cash		**3,029**	435
Net cash generated from financing activities		**3,029**	435
Net increase / (decrease) in cash and cash equivalents		**683**	(1)
Cash and cash equivalents at the start of the year		**-**	1
Exchange gains		**(29)**	-
Cash and cash equivalents at the end of the year		**654**	-

COMPANY STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017 £'000	2016 £'000
Cash flows from operations			
Cash used in operations	15	**(2,375)**	(435)
Net cash used in operating activities		**(2,375)**	(435)
Cash flows from financing activities			
Share capital issued for cash		**3,029**	435
Net cash generated from financing activities		**3,029**	435
Net increase in cash and cash equivalents		**654**	-
Cash and cash equivalents at the start of year		**-**	-
Cash and cash equivalents at the end of year		**654**	-

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The consolidated and Company financial statements of Nu-Oil and Gas plc ("NUOG" or the "Company" and its *subsidiaries, together the "Group") for the year ended 30 June 2017 were authorised for issue in accordance* with a resolution of the Board of Directors on 20 December 2017.

Nu-Oil and Gas plc was incorporated in the United Kingdom on 13 September 2007 and has registered address of 5th Floor, Castlefield House, Liverpool Road, Manchester, M3 4SB. Enegi Oil Inc., which is the principal operating subsidiary of the Group, was incorporated in the Province of Newfoundland and Labrador in Canada on 5 May 2006 and has registered address of 36, Quidi Vidi Road, St.John's, NL A1A 1C1, Canada. The Group is domiciled in the UK for tax purposes and its shares are listed on the Alternative Investments Market ("AIM") of the London Stock Exchange.

The principal activity of the Company and Group is the identification, development and operation of hydrocarbon opportunities with its focus being on the acquisition of stranded/marginal fields the location of which could be in any jurisdiction.

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS-IC interpretations. The consolidated financial statements have been prepared under the historical cost convention..

The financial statements of the parent company have been prepared under the historic cost convention and in accordance with The Companies Act 2006 as applicable to companies using IFRS and in accordance with IFRS Interpretations Committee (IFRS-IC) interpretations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

a) New and amended standards adopted by the group

There are no new or amended standards adopted by the group in the year.

b) New standards, amendments and interpretations not yet adopted

The following new standards, which have been issued but are not yet effective, have not been early adopted by the Group or Parent Company:

- IFRS 9 'Financial instruments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018);
- Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
1. Basis of Preparation (Continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Going concern
The Directors continue to adopt the going concern basis in preparing the Consolidated and Parent company Financial Statements as they have a reasonable expectation that the Group and Company has, or will be able to obtain, adequate resources to continue operating for the foreseeable future. In forming this judgement the Directors reviewed the Group's funding, budget and business plan for the twelve months from signing the financial statements. The Directors have relied upon the critical assumption that the Group will be able to achieve the key milestones of the business plan associated with its strategy to acquire and develop stranded and marginal fields which they believe will result in the availability of adequate additional funding.

The assumptions described above reflect the Company's circumstances at the date that the financial statements were approved by the Board and to the extent that any of the assumptions are shown to not be valid the Directors believe that there are a number of actions that they may take to ensure that the Company remains a going concern. To the extent that the above assumptions are not valid, there exists a material uncertainty that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group or Parent Company were not considered to be a going concern.

Post year end, the Company raised £1,419,000 before expenses through the placement of shares and exercise of warrants.

Basis of consolidation
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying value is increased or decreased to recognise the investor's share of the change in net assets of the investee after the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Basis of Preparation (Continued)

The group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Distributions received from an associate reduce the carrying amount of the investment.

The Group has a 50% interest in the Marginal Field Development (MFDevCo) Ltd. The directors deem that the Group has significant influence but not control over this entity. In accordance with IAS 28 this investment is accounted for using the equity method of accounting. At the year end the investment balance is held at £nil after deduction of the Group's share of post-acquisition losses recognised.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied consistently throughout the year.

Revenue recognition

Production revenues are recognised upon transfer of title to the customer upon collection or delivery of oil. Revenue comprises the fair value of the consideration received or receivable for the sale of oil production net of sales taxes.

Segment Reporting

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company.

Tangible and intangible oil and gas assets

Tangible oil and gas assets relate to assets for a specific prospect where proven reserves are known to exist. Such assets include the development expenditure in bringing a specific prospect into production.

Intangible oil and gas assets relate to assets for a specific prospect without proven reserves. Such assets include exploration costs at a specific site to locate proven reserves. At the point where proven reserves are discovered intangible assets are transferred to tangible assets.

Intangible assets also include expenditure on the development of engineering solutions adopted in the Marginal Field Initiative such that the key engineering principles of those solutions could be easily replicated for application to other projects.

Oil and gas properties

Properties comprise payments made to obtain or extend the working interest in a specific prospect. Property acquisition costs are capitalised within oil and gas properties and depreciated on a straight-line basis at the point production commences. Property assets are reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon determination of economically recoverable reserves ("proved reserves" or "commercial reserves"), the costs are depreciated over the useful economic life of the related prospect based on known production levels and estimated commercial reserves.

Capitalised exploration costs

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, but it is deemed possible that further expenditure on the drilled well will lead to a hydrocarbon discovery, the costs associated with the well continue to be capitalised as an intangible asset.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Tangible and intangible oil and gas assets (continued)

Until the commencement of further expenditure on the drilled well the capitalised exploration costs will be deemed to have a useful economic life of 5 years and will be amortised accordingly. If the planned further activity on the well is deemed to have been terminated, then the full value of the associated intangible asset is written off but reinstated should the activity on the well recommence at a future date.

If hydrocarbons are not found, and are not expected to be discovered, the total exploration expenditure is written off. If hydrocarbons are found and are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

When proved reserves of oil and natural gas are determined, development is sanctioned and production (rather than testing) commences, the relevant expenditure is transferred to development assets within tangible fixed assets. At that point, the Company will begin to depreciate the assets over the course of their useful life.

Capitalised development costs
Expenditure on the drilling of development wells, including unsuccessful development or delineation wells, and the construction, installation or completion of infrastructure facilities such as storage tanks, is capitalised within tangible fixed assets as development costs.

Development assets are accumulated on a field by field basis and represent the cost of developing the commercial reserves discovered and bringing them into production. Changes in the estimates of commercial reserves or future field development are dealt with prospectively.

Capitalised development costs are depreciated over the course of their useful life.

Production assets
The net book values of production assets are depreciated on a field by field basis using the unit of production method by reference to the ratio of production in the period to the related commercial reserves of the field, taking into account any future development expenditures at current prices necessary to bring those reserves into production. The Group had no assets of this nature during the year.

Impairment of tangible and intangible oil and gas assets
The Company assesses assets or groups of assets for impairment annually. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists, the Company makes an estimate of the recoverable value of the asset. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

The Company has no assets with an indefinite useful life.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Tangible and intangible oil and gas assets (continued)

Licences
Exploration licence costs capitalised within intangible assets are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or committed or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence costs is written off. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to property, plant and equipment.

Fixtures and fittings, equipment
Office furniture, fittings and equipment is stated at cost less accumulated depreciation and any impairment losses. The initial cost of an asset comprises its purchase price, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs.

Office furniture, fittings and equipment is depreciated on a straight-line basis over its expected useful life. The useful life of the Company's office furniture, fittings and equipment is as follows:

Office equipment	3 to 15 years
Office furniture, fixtures and fittings	5 to 15 years

The expected useful lives and residual values of office furniture, fittings and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. The carrying value of office furniture, fittings and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. An item of office furniture, fittings and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period the item is derecognised.

Other long term assets
Long term assets usually in the form of deposits or investments, are recognised initially at fair value and subsequently measured at amortised cost less any provisions for impairment. A provision for impairment is established when there is objective evidence that the Company will not benefit from cash flows of an amount at least equal to the carrying value of the asset.

Financial instruments
Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provisions for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement within administrative costs. Subsequent recoveries of amounts previously written off are credited against administrative costs in the income statement.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Financial instruments (continued)

Financial liabilities and equity
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 of the assets of the Group after deducting all of its liabilities.

Trade and other payables
Trade payables are non interest bearing and are stated initially at fair value and then amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Asset retirement provisions
The Company recognises the fair value of estimated asset retirement provisions related to well sites as a liability when new wells are drilled. The asset retirement cost is recorded as part of the cost of the related long-lived asset at an amount that is equal to the initial estimated fair value of the asset retirement provision. Fair value is estimated using the present value of the future estimated cash flows, adjusted for inflation, using the Company's credit adjusted risk-free interest rate.

Changes in the estimated provision resulting from revisions to estimated timing or amount of undiscounted cash flows are recognised as a change in the asset retirement provision and the related asset retirement cost. Actual retirement expenditures incurred are charged against the provisions in the period incurred. Over provisions and under provisions are set off against profit for the period in which the over or under provision is recognised.

Employee Benefit Trust
The assets and liabilities of the Employee Benefit Trust are brought onto the balance sheet of the Company. Shares held by the trust are consolidated as a deduction from equity.

Performance Share Plan costs

The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date, using an appropriate pricing model taking into account the terms and conditions upon which the award was granted, and is spread over the period during which the awards vest. The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest in the same period. At each balance sheet date, the Company revises its estimates of the number of options that are expected to vest. The Company recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Foreign currency translation
The Company's functional currency is Sterling. Enegi Oil Inc.'s (a subsidiary) functional currency is Canadian dollars. The Group's presentation currency is Sterling.

In preparing the financial statements of the individual companies, transactions in foreign currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair values were determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Foreign currency translation (continued)

Exchange rate differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange rate differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the rate at the date of the transaction is used.

Exchange differences that arise on long term intra-Group loans are recognised in the income statement in the individual financial statements of each Group company.

Income taxes

Current income tax

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying value of deferred income tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each consolidated balance sheet date and are recognised to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current assets against current income tax liabilities, and the deferred income taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Income taxes (continued)

Sales tax
Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

Accrued liabilities
Trade payables and accrued liabilities are carried at payment or settlement amounts. Where agreements have been reached with suppliers to discount the amount payable, the discount is only recognised at the point at which it becomes unconditional.

Share capital
Issued share capital is recorded in the balance sheet at nominal value with any premium at the date of issue being credited to the share premium account. The share premium account is used to write off directly related expenses of any share issue.

Share-based transactions
From time to time, the Company may pay for goods or services through the issue of new shares. The cost of such equity-settled transactions is recognised in the income statement, together with a corresponding increase in equity, in the period during which the goods or services are received.

The value of such share based payments is measured by reference to the fair value of the goods or services received or the market value of the shares issued, whichever value is more readily determinable.

Warrants
From time to time, the Company may issue warrants to suppliers as partial payment for goods or services or to investors or advisers in relation to the raising of new equity finance. When warrants are issued as partial payment for goods or services related to operations, the fair value of those warrants is recognised as a cost in the income statement. When warrants are issued in relation to the raising of new equity finance, the fair value of those warrants is set off against share premium. Warrants issued but not exercised are held in a warrant reserve within equity.

Investment in subsidiary undertakings
Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Critical accounting judgments and estimates in applying the Group's accounting policies
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. In the process of applying the Group's accounting policies, management have made the following judgments that may have a significant effect on the amounts recognised in the financial statements:

Asset retirement obligation: Under the terms of the lease and licence, the Group is obliged to return the associated land to the state it was in when the lease and licence were first awarded. The Group has recognised a provision in its consolidated statement of financial position in relation to this future obligation. This provision is based on a series of assumptions and estimates which are set out in Note 9.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
2. SIGNIFICANT ACCOUNTING POLICIES (Continued)
Critical accounting judgments and estimates in applying the Group's accounting policies (Continued)

Exploration costs: Under the successful efforts method of accounting for exploration costs, such costs are capitalised as intangible assets by reference to the appropriate pool costs, and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to (i) the likely future commerciality of the asset and when such commerciality should be determined, (ii) future revenues and costs pertaining to any wider cost pool with which the asset in question is associated, and (iii) the discount rate to be applied to such revenues and costs for the purpose of deriving recoverable value.

Impairment of tangible and intangible oil and gas assets: The Company assesses assets or groups of assets for impairment annually. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists, the Company makes an estimate of the recoverable value of the asset. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Capitalisation of Development Costs: The Company capitalises expenditure on the development of engineering solutions adopted in the Marginal Field Initiative such that the key engineering principles of those solutions could be easily replicated for application to other projects. To recognise the advancing nature of technology and solutions within the field of engineering the Company applies to useful economic life of 5 years to capitalised costs and amortises costs over that period.

Impairment of Investments: The Company assesses the carrying value of its investment in all entities in which its holds an equity interest on an annual basis. It considers impairing such investments if the underlying value of the investment is deemed to not support the carrying value of the investment.

Finance Costs

Finance costs include costs associated with the Company's management of cash, cash equivalents and debt. To the extent interest expense on borrowings are included within finance costs, the interest expense is calculated using the effective interest rate method.

3. SEGMENTAL INFORMATION

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company. The Directors consider there to be two operating and reportable segments, being that of the development of the marginal field initiative and the operations in western Newfoundland.

Internal reports reviewed regularly by the Board provide information to allow the chief operating decision-maker to allocate resources and make decisions about the operations.

Over the past year, given the state of the Group's operations, the chief operating decision maker relies primarily on an understanding of the cash requirements of the business to make decisions about how resources are to be allocated across the business. The oil and gas industry has experienced a significant downturn which has affected the operations of the Group. Nevertheless, the Company has been able to generate new investment into each operating segment. In western Newfoundland the new investment has taken the form of a production sharing agreement under which its operating costs are covered by a third party.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
3. SEGMENTAL INFORMATION (Continued)

The marginal field initiative operating segment is contained within the parent company, Nu-Oil and Gas plc. The results of that operating segment are shown under the Consolidated Income Statement on page 29 and its net liabilities are shown on page 31 via the Company Statement of Financial Position.

The operations in western Newfoundland are conducted by Nu-Oil and Gas plc.'s wholly owned subsidiary Enegi Oil Inc. Management have reduced costs significantly over recent periods such that its reported loss for the period is £180,000 (2016: £127,000), excluding intercompany items. It should be noted that the loss for 2017 includes an amortisation cost of £140,000 from the adoption of a new accounting policy with respect to Exploration Licence EL1070.

Excluding intercompany balances, the net assets of Enegi Oil Inc. at 2017 are as follows:

	2017 **£'000**	2016 £'000
Non-current assets		
Tangible fixed assets	**9**	587
Intangible fixed assets	**453**	
Other long term assets	**493**	479
	955	1,066
Current assets		
Trade and other receivables	**15**	201
Cash and cash equivalents	**-**	-
	15	201
Total assets	**970**	1,267
Current liabilities		
Trade and other payables	**(222)**	(446)
Due to related parties	**(189)**	(183)
	(411)	(629)
Non-current liabilities		
Provisions	**(489)**	(466)
Total liabilities	**(900)**	(1,095)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. ADMINISTRATIVE EXPENSES

Administrative expenses included in the consolidated income statement are as follows:

	2017 £'000	2016 £'000
Depreciation of assets (Note 8)	**367**	46
Consulting	**137**	71
Employee Benefit Expense (Note 17)	**463**	607
Directors Fees	**96**	-
Site operations	**12**	8
Legal and professional	**118**	200
Accounting and finance fees	**62**	40
Write back of overstated liabilities	**(46)**	19
Business travel	**33**	6
Office running costs	**14**	20
Rent and Rates	**22**	13
Recharge of costs incurred on the development of MFDevCo	**(211)**	(215)
Provision for receivables due from MFDevCo	**390**	
	1,457	815

Any geological or geophysical costs which are not capitalised have been charged as professional fees.

Auditors' *remuneration*
During the year, the Group obtained various services from its auditors, the costs of which are set out below:

	2017 £'000	2016 £'000
Fees payable to company's auditors and its associates for the audit of parent company and consolidated financial statements	**35**	39
Fees payable to company's auditors and its associates for other services:	**10**	-
Fees for tax compliance services	**3**	-
	48	39

5. FINANCE COSTS

	2017 £'000	2016 £'000
Interest expense	**214**	1
	214	1

On 25 November 2013, the Company obtained a loan of £1,000,000 from Shard Capital Management. Under the terms of the loan, which had a term of 12 months, the Company was due to pay an interest amount of £200,000.

In December 2014, the Company obtained a further loan of £200,000 from Shard Capital Management. Under the terms of the loan, the Company was due to pay a further £120,000 interest on the original loan of £1,000,000 from November 2013 and £20,000 on the additional loan of £200,000 for a total interest expense in the period of £140,000. Shard Capital Management holds security over PL2002-01(A) for the debt and the Company has the right to convert the debt to equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. TAXATION

The Group has no current or deferred tax charge in the current or previous financial year. The Group has a net unrecognised deferred income tax asset. Differences were accounted for as follows:

	2017 £'000	2016 £'000
Loss before tax	**(1,671)**	(816)
Statutory income tax rate	**19.75%**	20.00%
Expected income tax recovery	**(330)**	(163)
Effect of overseas tax rates	**(70)**	(23)
Permanent difference	**11**	14
Transferred to losses	**389**	172
Total tax	**-**	-

The deferred income tax asset not recognised at 30 June 2017 is comprised of the following:

	2017 £'000	2016 £'000
Non-capital loss carry forward	**8,020**	7,631
Canadian Pool Assets	**1,805**	1,754
Unrecognised deferred tax asset	**9,825**	9,385

As at 30 June 2017, the Group had Canadian Development Expense pool carry forward of £3.3 million, Canadian Exploration Expense pool carry forward of £0.3 million and non-capital loss carry forward balances of approximately £19.9 million (£1.88 million will expire in 2026, £2.23 million will expire in 2027, £1.23 million will expire in 2028, £2.85 million will expire in 2029, £0.82m will expire in 2030, £1.41 million will expire in 2031, £1.13m will expire in 2032, £1.65m will expire in 2033, £1.03m will expire in 2034, £4.73m will expire in 2035, £0.26m will expire in 2036 and £0.75m will expire in 2037) that are available to reduce future years' taxable income.

Deferred tax assets were not recognised as there is significant uncertainty regarding the timing of future profits against which these assets could be utilised.

7. LOSS PER SHARE

Loss per share amounts are calculated by dividing the loss for the year by the weighted average number of common shares in issue during the year.

	2017 £'000	2016 £'000
Loss attributable to shareholders of the Company	**(1,671)**	(816)
Weighted average number of shares in issue	**708,074,539**	267,770,116
Fully diluted weighted average number of shares in issue	**708,074,539**	267,770,116
Basic loss per share (expressed in pence per share)	**(0.2p)**	(0.3p)
Diluted loss per share (expressed in pence per share)	**(0.2p)**	(0.3p)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
7. LOSS PER SHARE (Continued)

During the year the Company raised £3,357,000 (before expenses of £328,000) through the issue of 734,714,286 new ordinary shares. Post year end, in July 2017, the Company raised £1,419,000 before expenses through the issuance of 169,800,000 new ordinary shares in a placing and through the exercise of warrants.

8. TANGIBLE FIXED AND INTANGIBLE ASSETS

Group
As at 30 June 2017, the cost of tangible fixed assets consisted of the following:

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Balance at 30 June 2015	3,479	12,853	400	755	17,487
Foreign Exchange Movement	425	1,605	23	44	2,097
Balance at 30 June 2016	**3,904**	**14,458**	**423**	**799**	**19,584**
Transfer to Capitalised Exploration Costs	(62)	(378)	-	-	(440)
Foreign Exchange Movement	111	418	6	11	546
Balance at 30 June 2017	**3,953**	**14,498**	**429**	**810**	**19,690**

As at 30 June 2017, the accumulated depreciation and impairment of tangible fixed assets consisted of the following:

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Balance at 30 June 2015	(3,417)	(12,517)	(5)	(697)	(16,636)
Charge for the year	-	-	-	(48)	(48)
Foreign Exchange Movement	(425)	(1,563)	-	(44)	(2,032)
Balance at 30 June 2016	**(3,842)**	**(14,080)**	**(5)**	**(789)**	**(18,716)**
Charge for the year	-	-	(188)	(1)	(189)
Foreign Exchange Movement	(111)	(418)	(3)	(11)	(543)
Balance at 30 June 2017	**(3,953)**	**(14,498)**	**(196)**	**(801)**	**(19,448)**

As at 30 June 2017, the net book value of tangible fixed assets was:

	Oil and gas properties £'000	Capitalised development costs £'000	Fixtures and Fittings, Equipment £'000	Asset Retirement Obligation £'000	Total £'000
Net book value at 30 June 2017	**-**	**-**	**233**	**9**	**242**
Net book value at 30 June 2016	62	378	418	10	868
Net book value at 1 July 2015	62	336	395	58	851

NOTES TO THE FINANCIAL STATEMENTS (Continued)
8. TANGIBLE FIXED AND INTANGIBLE ASSETS (Continued)

As at 30 June 2017, the cost of intangible oil and gas assets consisted of the following:

	Capitalised development costs £'000	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 30 June 2015	899	1,335	420	2,654
Foreign Exchange Movement	-	168	52	220
Balance at 30 June 2016	**899**	**1,503**	**472**	**2,874**
Transfer	-	440	-	440
Foreign Exchange Movement	-	43	14	57
Balance at 30 June 2017	**899**	**1,986**	**486**	**3,371**

As at 30 June 2017, the accumulated depreciation of intangible oil and gas assets consisted of the following:

	Capitalised development costs £'000	Capitalised exploration costs £'000	Licences £'000	Total £'000
Balance at 30 June 2015	-	(1,335)	(420)	(1,755)
Disposals	(51)	-	-	(51)
Foreign Exchange Movement	-	(168)	(52)	(220)
Balance at 30 June 2016	**(51)**	**(1,503)**	**(472)**	**(2,026)**
Disposals	(-)	-	-	(-)
Charge for the year	(178)	-	-	(178)
Foreign Exchange Movement	-	(30)	(14)	(44)
Balance at 30 June 2017	**(229)**	**(1,533)**	**(486)**	**(2,248)**

As at 30 June 2017, the net book value of intangible oil and gas assets was:

	Capitalised development costs £'000	Capitalised exploration costs £'000	Licences £'000	Total £'000
Net book value at 30 June 2017	**670**	**453**	**-**	**1,123**
Net book value at 30 June 2016	848	-	-	848
Net book value at 1 July 2015	899	-	-	899

During the prior year, the Directors conducted a review of the carrying value of the Group's tangible and intangible fixed assets and after considering the implied valuation of discounted cash flow models that consider the future productivity of the PAP#1 well the Directors concluded that its producing Canadian assets should be impaired as a result of the recent fall in the price of oil and subsequent availability of capital. The Company has retained the value of Shoal Point on EL1070 pending the outcome of a regulatory assessment of fracking.

Tangible assets attributable to the company equalled £233,000 (2016: £281,000). Intangible assets for the *company equalled £670,000 (2016: £848,000).*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PROVISIONS

Under the terms of the lease and licence, the Company is obliged to return the associated land to the state it was in when the lease and licence were first awarded. This involves closing in any wells and removing the well-head equipment, removing any buildings, engineering structures, materials and waste from the site and then replanting the land to restore it to its original condition. It is not expected that the liability contemplated by the provision would be payable before 2023 as PL2002-01(A) was extended until 11 August 2022 during the year.

The Company recognises this future obligation in its consolidated statement of financial position as a provision. The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of the Company's oil and gas assets:

	2017 £'000	2016 £'000
Balance at beginning of year	**466**	416
Effects of foreign currency translation	**32**	58
Effect of discount rate unwinding	**(9)**	(8)
Balance at end of year	**489**	466

The Group is confident that the provision taken at 30 June 2017 accurately reflects the current value of its future obligations.

At 30 June 2017, the estimated future cash flows required to settle this obligation totalled £466,000. Assuming an inflation rate of 2.0%, the undiscounted future cost of this obligation was £474,000. The liability for the expected cash flow requirement has been discounted using a pre-tax risk-free rate of 1.5%. This obligation will be settled based on the operating lives of the underlying assets, which currently are estimated to be from one to fifteen years with the majority of costs expected to occur between 2022 and 2023. Any settlement amounts will be funded from general corporate resources at the time of retirement and removal.

10. OTHER LONG-TERM ASSETS AND INVESTMENTS

As at 30 June 2017, the Group's other long-term assets consisted of the following:

	2017 £'000	2016 £'000
Licence deposits	**493**	479
	493	479

The licence deposits are held by the relevant regulatory body. They were paid over when the Company acquired its stakes in the lease and licence and will either be returned at the expiry of the lease and licence or set off against royalty payments if and when they become due.

The majority of the licence deposits relate to the Company's activities on production lease PL2002-01 in Western Newfoundland. The production lease expired in August 2012 and as the lease contained a producing well, production lease PL2002-01(A) was issued which expires in August 2022 following the recent award of a 5 year extension to the expiry of PL2002-01(A).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
10. OTHER LONG-TERM ASSETS AND INVESTMENTS (Continued)

As at 30 June 2017, the Company's investments consisted of the following:

	2017 £'000	2016 £'000
Investment in Group Companies at 1 July	**478**	516
Investment in Group Companies at 30 June	**478**	516

During the year, the Directors conducted a review of the carrying value of the Company's other long-term assets, which consists solely of the investments in Group companies as described in Note 21. No impairment was deemed necessary.

The Group holds a 50% interest in Marginal Field Development Company (MFDevCo) Ltd. in which it has invested as part of its marginal or stranded field strategy. Its investment has been accounted for using the equity method and as is deemed at this point to have zero value as the cumulative losses in MFDevCo exceed the investment that has been made by the Group. Losses at this stage of MFDevCo's are as expected as MFDevCo seeks to establish itself.

The Group has no obligations to contribute to any excess losses or creditors that reside within MFDevCo.

11. TRADE AND OTHER RECEIVABLES

As at 30 June 2017, trade and other receivables consisted of the following:

	2017 £'000	2016 £'000
Sales taxes receivable	**162**	289
Prepayments and other receivables	**760**	861
	922	1,150

At 30 June 2017, trade and other receivables were within trading terms and therefore considered to be fully recoverable and as a result there was no provision for impairment (2016: £nil).

The trade and other receivables showing in the Company's statement of financial position relate to sales taxes receivable of £154,000 (2016: £162,000) and prepayments and other receivables of £753,000 (2016: £787,000).

The majority of the Group's other receivables relate to services that it has provided to MFDevCo as part of its marginal field strategy. The Group expects these balances to be repaid or converted to equity in MFDevCo in the course of the next 12 months. Nevertheless, the Group has decided to amortise receivables balances due from MFDevCo over 4 years, reinstating such amortisation upon settlement or conversion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. RELATED PARTY TRANSACTIONS

Group

The Group incurred the following charges during the year with companies related by way of directors or common shareholders:

	2017 £'000	2016 £'000
RMRI Plc	**259**	28
Advanced Buoy Technology (ABTechnology) Ltd	**-**	-
	259	28

The transactions above include Director's Fees of £241,000 for both fees attributable to the year and prior years in which directors deferred fees due to the financial state of the Group. Transactions occurred in the normal course of operations and, where applicable, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balances owed to related parties outlined below are, unsecured, not guaranteed, and are to be settled under normal credit terms, as would have applied with unrelated parties, and have arisen from the transactions referred to above.

	2017 £'000	2016 £'000
RMRI Group (U.K.)	**855**	1,331
RMRI (Canada) Inc.	**189**	183
	1,044	1,514

In addition to the above, £529,000 (2016: £432,000) is recorded in the Company's accruals as Applications for Payment but not yet invoiced. Applications for Payment are utilised where there is uncertainty with respect to the timing of payment so as to not generate a VAT liability for the service provider until payment is made.

Alan Minty and Damian Minty are shareholders in the related parties listed above. Management believe that the related parties have been crucial to the operation of the Company during the year. They expect the related parties to continue to provide certain services to the Company in the future. Any transactions with related parties are approved by an independent director.

Company

In 2017 the Company was owed an additional £173,000 by its principal trading subsidiary, Enegi Oil Inc. As a result of the trading performance of Enegi Oil Inc. the Company has provided in full against this additional receivable in 2017 and as such the amount carried at 30 June 2017 was £nil.

Amounts owed by the Company to the companies listed above totalled £855,000 (2016: £1,331,000). During the year the Company incurred charges of £18,000 from the RMRI group companies.

13. ORDINARY SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

In October 2015, the Company undertook a reorganisation of its share capital. Under the Companies Act a company is unable to issue shares at a subscription price which is lower than the nominal value. Therefore, in order to raise additional funding a reorganisation of the company's share capital was performed.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
13. ORDINARY SHARE CAPITAL AND SHARE PREMIUM ACCOUNT (Continued)

The reorganisation subdivided existing shares into new ordinary shares with a nominal value of £0.001 and deferred shares with a nominal value of £0.009. The deferred shares, amongst other things, are not traded, do not receive dividends and do not have voting rights. The issue of new ordinary shares will not require the issuance of deferred shares to new subscribers. At the time of the reorganisation 189,792,348 shares were in circulation.

At 30 June 2017, the Company had the following shares in issue:

	Number of shares	**Ordinary Share capital £'000**
Issued ordinary shares of 0.1p each	1,048,792,348	1,049
Issued deferred shares of 0.9p each	189,792,348	1,708

The weighted average number of ordinary shares in issue during the year was 708,074,539.

The movement in share capital and share premium, including the effect of the reorganisation, in the current and prior year is as follows:

Group and Company	**Number of Ordinary Shares (thousands)**	**Number of Deferred Shares (thousands)**	**Ordinary share capital £'000**	**Share premium account £'000**	**Total £'000**
At 1 July 2016	**314,079**	**189,793**	**2,022**	**26,431**	**28,453**
Share Placements and exercise of Warrants	734,713	-	735	2,294	3,029
Effect of Warrants				(54)	(54)
At 30 June 2017	**1,048,792**	**189,793**	**2,757**	**28,671**	**31,428**

Included in shares issued and fully paid are 860,000 shares issued to the Employee Benefit Trust.

As at 30 June 2017, the warrants relating to the Company's ordinary share capital had been issued:

	Number of shares	**Exercise price £**	**Expiry date**
Warrants issued to RMRI as equity based payment	2,225,000	0.210	10/07/18
Warrants issued to London Communications Agency	598,425	0.0125	31/07/17
Warrants issued to Company's Nominated Advisor	9,416,885	0.0063	6/11/21
Warrants issued to Island Investment Holdings Ltd.	15,000,000	0.004	27/02/22
Warrants issued to Beaufort Securities Ltd.	10,000,000	0.011	27/07/22

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. TRADE AND OTHER PAYABLES

As at 30 June 2017, the Group's trade and other payables consisted of the following:

	2017 £'000	2016 £'000
Trade payables	**367**	654
Accruals	**1,532**	1,788
Taxation and social security	**10**	419
Loan repayable to Shard Capital	**1,780**	1,540
Other payables	**92**	203
	3,781	4,604

On 25 November 2013, the Company obtained a loan of £1,000,000 from Shard Capital Management. Under the terms of the loan, which had a term of 12 months, the Company was due to pay an interest amount of £200,000.

In December 2014, the Company obtained a further loan of £200,000 from Shard Capital Management. Under the terms of the loan, the Company was due to pay a further £120,000 interest on the original loan of £1,000,000 from November 2013 and £20,000 on the additional loan of £200,000 for a total interest expense in the period of £140,000. The loan and interest are repayable on demand. In the current year additional interest of £240,000 has been accrued on the loan balance.

The trade and other payables shown in the Company's statement of financial position relate to trade payables and accruals of £1,768,000 (2016: £2,194,000), other payables £11,000 (2016: £424,000) and Loan repayable to Shard Capital of £1,780,000 (2016: £1,540,000).

15. CASH FLOWS FROM OPERATING ACTIVITIES

During the year ended 30 June 2017, the net change in the Group's working capital balances were made up as follows:

	2017 £'000	2016 £'000
Loss before income tax	**(1,671)**	(816)
Decrease in related party payables	**(470)**	(109)
(Decrease) / increase in trade and other payables	**(823)**	668
Depreciation	**367**	46
Decrease / (increase) in receivables	**228**	(251)
Other non-cash movements	**23**	26
Cash flows used in operating activities	**(2,346)**	(436)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
15 CASH FLOWS FROM OPERATING ACTIVITIES (Continued)

During the year ended 30 June 2017, the net change in the Company's non-cash working capital balances was made up as follows:

	2017 £'000	2016 £'000
Loss before income tax	**(1,606)**	(722)
Decrease in related party payables	**(476)**	(159)
Decrease / (increase) in trade and other receivables	**42**	(228)
(Decrease) / increase in trade and other payables	**(599)**	599
Depreciation	**226**	-
Other non-cash movements	**38**	75
Cash flows used in operating activities	**(2,375)**	(435)

16. PERFORMANCE SHARE PLAN

The Company commenced the operation of a Performance Share Plan which is an equity incentive scheme at the time of the Company's initial public offering in March 2008. The remuneration committee oversees the Performance Share Plan, approves the subscription price of awards under the Plan and any criteria to be satisfied before exercise is permitted, and monitors the effectiveness of the Performance Share Plan as an incentive to the executives and staff.

Under the terms of the Plan, an employee benefit trust ('EBT') subscribed for ordinary shares in the Company. The trust is administered by Appleby Limited. The trustee can distribute shares at its discretion directly to beneficiaries on the recommendation of the Board. All administrative costs associated with the EBT are met by the Company. The Employee Benefit Trust owns shares to be distributed at the discretion of the trustees and the employee owns any value in the shares in excess of the subscription price.

On 20 March 2008, the Company placed 860,000 shares into the EBT. The market price of the shares was £1.81 each and the market value of the shares was £1,556,600. At 30 June 2017, the EBT jointly owned 860,000 shares in the Company with a nominal value of £8,600, representing 0.082% of the allotted share capital of the Company. None of the shares held were under option or conditionally gifted.

Under the Performance Share Plan, the options outstanding to Directors and Senior Management, as approved by the Company's Remuneration Committee, is as follows:

Name	Already Vested	Average Vest Price (£)	To Vest	Average Vest Price (£)	Total Options
Alan Minty	20,000,000	0.006	-	-	20,000,000
Damian Minty	20,000,000	0.006	-	-	20,000,000
Tejvinder Minhas	20,000,000	0.006	-	-	20,000,000
Nigel Burton	8,000,000	0.006			8,000,000
Frank Jackson	8,000,000	0.006	-	-	8,000,000
Mike Bowman	4,000,000	0.006			4,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. EMPLOYEES AND DIRECTORS

During the year, the Group incurred employee benefit costs as follows:

	2017 £'000	2016 £'000
Wages and salaries	**412**	579
Director's Fees	**108**	-
Social security costs	**51**	28
	571	607

During the year, the average monthly number of people employed (including executive directors) was as follows:

	2017 Number of employees	2016 Number of employees
Average monthly number of people employed	**5**	6

The Directors during the year were:

	Date of appointment	**Date of resignation**
Alan Minty	13 September 2007	-
Nigel Burton	20 October 2015	
Damian Minty	1 October 2011	-
Prof. Mike Bowman (Non-executive director)	31 March 2014	-
Frank Jackson (Non-executive director)	1 October 2011	-
Tejvinder Minhas	28 March 2013	-

The executive directors are considered to be the key management personnel of the Group. Their aggregate remuneration was as follows:

	2017 £'000	2016 £'000
Short-term employee benefits	**400**	507
Directors Fees	**108**	-
	508	507

The largest director emoluments for the year were £190,000 (2016: £150,000).

18. COMMITMENTS AND CONTINGENCIES

Capital commitments

Under the terms of the Group's interest in its petroleum lease, the Group commenced a seismic research programme prior to 12 August 2007 as required. The cost to complete the seismic research programme is £1,178,250. None of the costs that relate to the seismic programme have been incurred to date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise cash, trade and other receivables, trade and other payables and accruals and amounts owed to related parties. The carrying values of the Company's financial instruments approximate their fair values due to the short-term maturity and normal trade credit terms of these instruments.

20. FINANCIAL RISK MANAGEMENT

The Group is subject to certain financial risks. The Directors consider the following risk factors, which are not exhaustive, particularly relevant to the Group's business activities:

Currency risk: The Group is exposed to changes in the exchange rate between the British pound and Canadian dollar (CAD). Such movements could significantly impact the financial performance of the Group. The Group's principal operating subsidiary holds a significant proportion of its cash and cash equivalents in CAD and has a functional currency of CAD.

At each period end, assets and liabilities that are held in a currency other than the Group's reporting currency are translated into sterling. The resultant foreign currency gain or loss arising is reflected in the consolidated statement of comprehensive income (SOCI) in the period in which it arises. During the year, a further 10% gain in the value of CAD versus the pound would have led to an increase in the amount recognised in the SOCI of £35,000 (2016: increase of £41,000).

Going forward, the Group will mitigate the effects of its structural currency exposure by converting funds raised for investment and operations into the relevant currency of the investment or operations when the funds are raised. The Group's policy will also be to hedge most of its foreign exchange exposure at the point when a contractual obligation creates a forward exposure. The Group's policy is not to undertake any speculative currency positions.

Commodity prices: The Group's future revenues and cash flows will come primarily from the sale of oil and gas. If oil and gas prices should fall below and remain below the Group's cost of production for any sustained period, the Group may experience losses and may be forced to curtail or suspend some or all of its operations. In addition, the Group would also have to assess the economic impact of low oil or gas prices on the Group's ability to recover any losses which the Group may incur during this period and on the Group's ability to maintain adequate reserves.

Oil and gas prices are volatile and are influenced by factors beyond the Group's control such as supply and demand, political and social developments, exchange rates, interest rates and inflation.

Liquidity risk: The Group has based its future projections on achieving commercial production from the implementation of the Marginal Field Initiative business model. The implementation of the Marginal Field Initiative business plan will require an injection of new capital into the business, but the value that additional capital is able to generate should significantly exceed the effect of any potential shareholder dilution.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company has access to funding and these are considered sufficient to meet the anticipated funding requirements. Rolling cash flow forecasts of the Company's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs over the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
20 FINANCIAL RISK MANAGEMENT (Continued)

Counterparty risk: The Group shares working interests in its offshore prospects with third parties. To the extent that these third parties are unable to meet their obligations under the terms of the exploration licence, the Group may face additional costs for developing those assets. The Directors monitor the financial positions of these working interest partners and look to minimise the risk of additional costs through the use of farm-in and farm-out arrangements if appropriate.

21. SUBSIDIARY COMPANIES

Principal Group investments

The principal Group subsidiaries are disclosed below. For a full list of subsidiaries see annual return per Companies House. Other than the effect of foreign exchange, transactions between subsidiaries and between the parent Company and its subsidiaries are eliminated on consolidation.

Name	Nature of business	Country of incorporation	Type of share	Group shareholding
Enegi Finance Limited	Intra-group finance provider	UK	Ordinary	100%
Gestion Resources Limited	Working interest holder	UK	Ordinary	100% via Enegi Oil Inc.
Enegi Oil Inc.	Principal operating subsidiary	Canada	Ordinary	100%
Marginal Field Development Company (MFDevCo) Ltd.	Marginal field development solutions	UK	Ordinary	50%

All investments are held at cost less any provision for diminution in value.

The registered office of each principal Group subsidiaries is as follows:

Name	Registered Address	Country of incorporation
Enegi Finance Limited	5th Floor, Castlefield House, Liverpool Road,Manchester. M3 4SB	UK
Gestion Resources Limited	5th Floor, Castlefield House, Liverpool Road,Manchester. M3 4SB	UK
Enegi Oil Inc.	36, Quidi Vidi Road, St. Johns, Newfoundland	Canada
Marginal Field Development Company (MFDevCo) Ltd.	5th Floor, Castlefield House, Liverpool Road,Manchester. M3 4SB	UK

22. SUBSEQUENT EVENTS

Post year end, in July 2017, the Company raised £1,419,000 before expenses through the issuance of 169,800,000 new ordinary shares in a placing and through the exercise of warrants.

APPENDIX I - GLOSSARY OF TERMS

Term	*Description*
2D	Two-dimensional images created by bouncing sound waves off underground rock formations; used to determine best places to drill for hydrocarbons
API	A gravity scale established by the American Petroleum Institute and in general use in the petroleum industry, the unit being called "the A.P.I. degree.": API gravity, is a measure of how heavy or light a petroleum liquid is compared to water. If its API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier and sinks. Crude oil is classified as light, medium or heavy, according to its measured API gravity: - Light crude oil is defined as having an API gravity higher than 31.1 °API - Medium oil is defined as having an API gravity between 22.3°API and 31.1 °API - Heavy oil is defined as having an API gravity below 22.3 °API
Appraisal	Well drilled after the discovery of oil or gas to establish the limits of the reservoir, the productivity of wells in it and the properties of the oil or gas.
Barrel	(bbl: barrel; mmbbls: million barrels) a unit of measure for oil and petroleum products equal to 42 US gallons or 35 imperial gallons
BOE	Barrels of oil equivalent
BOPD	Barrels of oil per day
Exploration	The phase of operations which covers the search for oil or gas by carrying out detailed geological and geophysical surveys followed up where appropriate by exploratory drilling
Exploration Licence	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
Farm-In	When a company acquires an interest in a block by taking over all or part of the financial commitment for drilling an exploration well
Farm-Out	A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions
Horizontal Sidetrack	Technique for cutting a bore hole in geological strata in a horizontal, rather than normal vertical, direction

APPENDIX I - GLOSSARY OF TERMS (Continued)

Interval	a vertical section of rock distinct from that above or below
Joint Operating Agreement	An agreement under which two or more companies agree to combine some of their operations as a means of sharing costs and reducing operating expenses
Line Cutting	The process of clearing land in advance of a seismic survey
MMBO	Millions of barrels of oil
Non-Operator	A member of a joint venture that is not the operator
Operator	One member of a joint venture is appointed operator and has the responsibility of carrying out operations on behalf of the joint venture
P10	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 10 per cent., probability that the quantities actually recovered will equal or exceed the estimate
P50	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 50 per cent., probability that the quantities actually recovered will equal or exceed the estimate
P90	Using probabilistic methods to analyse geological and engineering data it has been determined that there should be at least a 90 per cent., probability that the quantities actually recovered will equal or exceed the estimate
Play	The activities associated with petroleum development in an area
Port au Port Peninsula	The Port au Port Peninsula is a peninsula in the Canadian province of Newfoundland and Labrador. Roughly triangular in shape, it is located on the west coast of the island of Newfoundland
Production	1. The phase of the petroleum industry that deals with bringing the well fluids to the surface and separating them and storing, gauging, and otherwise preparing the product for delivery. 2. The amount of oil or gas produced in a given period
Production Lease	Licence issued by the DNR allowing the holder to explore for hydrocarbons within a defined geographical area or geological feature
Prospect	Potential accumulation that is sufficiently well defined to represent a viable drilling target
Re-Entry	The process of re-entering an existing well

APPENDIX I - GLOSSARY OF TERMS (Continued)

Reservoir	A subsurface, porous, permeable rock formation in which oil and gas are found
Reservoir pressure	The average pressure within the reservoir at any given time
Seismic Acquisition	Acquisition of seismic data through a seismic survey
Seismic Survey	A survey through which data is acquired by reflecting sound from underground strata and is processed to yield a picture of the sub-surface geology of an area
Side Track	A remedial operation that results in creation of a new section of well bore
Spud	To commence drilling operations
Upstream	Upstream covers the exploration, production and transport prior to refining
Working Interest	A company's equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms