

# **Soma Oil & Gas Holdings Limited**

Consolidated Annual Report and Financial Statements

For the year ended 31 December 2018

Company number 08506858



# **SOMA OIL & GAS HOLDINGS LIMITED**

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# **SOMA OIL & GAS HOLDINGS LIMITED**

## **GROUP INFORMATION**

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<b>DIRECTORS:</b>	William Richard Anderson Georgy Dzhaparidze
<b>COMPANY SECRETARY:</b>	Peter Damouni
<b>REGISTERED OFFICE:</b>	21 Arlington Street St. James's London United Kingdom SW1A 1RD
<b>REGISTERED NUMBER:</b>	08506858 (United Kingdom)
<b>ACCOUNTANTS</b>	Kreston Reeves LLP Third Floor 24 Chiswell Street London EC1Y 4YX

**SOMA OIL & GAS HOLDINGS LIMITED**  
**STRATEGIC REPORT**  
For the year ended 31 December 2018

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The Directors present their Strategic Report for the year ended 31 December 2018.

Soma Oil & Gas Holdings Limited (the "Company" or "Soma") and its two wholly owned subsidiaries, Old Sycamore Management Limited formerly Soma Management Limited ("Old Sycamore Management") and Soma Oil & Gas Exploration Limited ("Soma Exploration") together are referred to herein as the Group. The Company is a private company limited by shares and incorporated in England and Wales.

**Developments since the last Annual Report**

On 10 July 2018, the Company sold all its assets for a Promissory Note. The Promissory Note pays a coupon of 1.7% p.a. and has a 5-year term.

**Principal risks and uncertainties**

The Group's financial and capital risk management policies are set out in Note 2 within the accounting policies section of this report. Other risks are shown below:

*Foreign exchange risk*

The accounts are maintained in US\$ and any future proceeds from the Group's sales are expected to be in US Dollars. Hence the Group is exposed to foreign exchange risk against UK Pound Sterling and Somali Shilling which may have positive or negative consequences for the Group's overall profitability. The Group reports in US\$ and maintains US\$ as its main currency, therefore, minimising foreign exchange risk.

During the year, the Group did not enter into any financial instruments to hedge this potential foreign exchange risk.

*Tax risk*


The Group is subject to sales, employment and corporation taxes and the payment of certain royalties in local jurisdictions in which it operates. The application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect to the Group's financial condition and results of operations.

*Financing and Liquidity risk*

This is the risk that the Group will not be able to raise working capital for its ongoing activities and this is further discussed in the Going Concern section of the Directors Report. The Group would rely on its largest Shareholder, Winter Sky Investments Limited for funding, thereby minimising financing and liquidity risk.

Although the Group is not required to prepare a strategic report as a result of being a small group, the Directors have chosen to include the above disclosures.

**ON BEHALF OF THE BOARD:**



**William Richard Anderson**  
Chief Executive Officer

**SOMA OIL & GAS HOLDINGS LIMITED**  
**DIRECTORS' REPORT**  
For the year ended 31 December 2018

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The Directors present their annual report on the affairs of the Group, together with the unaudited consolidated financial statements of Soma Oil & Gas Holdings Limited for the year ended 31 December 2018.

Soma Holdings was incorporated in England and Wales on 26 April 2013. The Company and its two wholly owned subsidiaries, Old Sycamore Management and Soma Exploration have been established to pursue oil and gas exploration in the Federal Republic of Somalia. Both subsidiaries were incorporated in England and Wales on 22 July 2013. On 12 September 2019, Soma Management Limited was sold and changed its name to Old Sycamore Management Limited.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

The Company expects to generate revenue from interest from the Promissory Note.

**RISK MANAGEMENT POLICIES**

The main risks to which the Group is exposed are discussed in the Strategic Report.

**GOING CONCERN**

*The Group is dependent on funding from existing shareholders and is primarily funded by a major shareholder and the controlling party of the group, Winter Sky Investments Limited "Winter Sky", a company incorporated in British Virgin Islands.*

The Group's capital management policy is to preserve the Group's existing assets which is cash and the Promissory Note. The Group's capital management policy is to preserve the Group's existing assets by keeping costs to a minimum and monitor the collectability of the Promissory Note

As at the 31 August 2019 the Group had a cash balance of US\$276,462 (31 July 2018: \$2,354,250).

Based on management's forecasts, the remaining cash balance will be sufficient to meet operational costs over the going concern assessment period. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Having considered the above uncertainty and all the available information, the Directors have a reasonable expectation that although the Group has adequate resources to continue in operational existence for the foreseeable future, existing shareholders will continue to support the business for the next 12 months as a minimum and as such, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

**RESULTS AND DIVIDENDS**

The Group's comprehensive loss after tax to 31 December 2018 amount to US\$12,346,000 (2017: US\$4,552,000). The Directors do not recommend the payment of a final dividend.

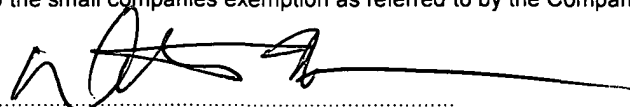
**DIRECTORS**

The Directors who held office during the year are as follows:

William Richard Anderson  
Georgy Dzhaparidze  
Basil Shiblaq (resigned 16 July 2018)  
Robert Allen Sheppard (resigned 16 July 2018)  
The Earl of Clanwilliam (resigned 16 July 2018)  
Lord Howard of Lyme, CH, QC (Chariman) (resigned 17 June 2018)

**SMALL COMPANY PROVISIONS**

The directors' report has been prepared in accordance with the special provisions applicable to companies entitled to the small companies exemption as referred to by the Companies Act 2006.



**William Richard Anderson**  
Chief Executive Officer

**SOMA OIL & GAS HOLDINGS LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**For the year ended 31 December 2018**

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

Company Law requires the Directors to prepare the Group financial statements for each financial year. Under that law they have elected to prepare the Group's financial statements in accordance with International Financial Reporting Standards as adopted by the EU and applicable law.

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 of the profit or loss of the Group for that year. In preparing each of the Group financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**ACCOUNTANTS'**  
For the year ended 31 December 2018

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**Chartered accountants' report to the board of directors on the preparation of the unaudited statutory financial statements of Soma Oil & Gas Holdings Limited for the year ended 31 December 2018**

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the consolidated financial statements of Soma Oil & Gas Holdings Limited for the year ended 31 December 2018 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes from the Company's accounting records and from information and explanations you have given us.

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance/>.

This report is made solely to the Board of directors of Soma Oil & Gas Holdings Limited, as a body, in accordance with the terms of our engagement letter dated 29 July 2019. Our work has been undertaken solely to prepare for your approval the financial statements of Soma Oil & Gas Holdings Limited and state those matters that we have agreed to state to the Board of directors of Soma Oil & Gas Holdings Limited, as a body, in this report in accordance with ICAEW Technical Release TECH07/16AAF. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Soma Oil & Gas Holdings Limited and its Board of directors, as a body, for our work or for this report.

It is your duty to ensure that Soma Oil & Gas Holdings Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of Soma Oil & Gas Holdings Limited. You consider that Soma Oil & Gas Holdings Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or review of the financial statements of Soma Oil & Gas Holdings Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the statutory financial statements.

*Kreston Reeves LLP*

**Kreston Reeves LLP**  
Chartered Accountants  
Third Floor  
24 Chiswell Street  
London  
EC1Y 4YX

Date: *30 September 2019*

**SOMA OIL & GAS HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2018

	Note	For the year ended 31 December 2018 US\$'000	For the year ended 31 December 2017 US\$'000
Other income		-	-
Administrative expenses	4	(12,709)	(3,433)
<b>Operating loss</b>		<b>(12,709)</b>	<b>(3,433)</b>
Interest received		307	1
Finance costs		-	(1,070)
<b>Loss before tax</b>		<b>(12,402)</b>	<b>(4,502)</b>
Taxation	6	-	-
<b>Loss for the year</b>		<b>(12,402)</b>	<b>(4,502)</b>
<b>Other comprehensive income</b>			
Currency translation differences		56	(50)
<b>Total comprehensive loss for the year</b>		<b>(12,346)</b>	<b>(4,552)</b>

All of the above results are derived from continuing operations. The loss for the current and prior years and the total comprehensive loss for the current and prior periods are wholly attributable to the shareholders of the Group. No other comprehensive income will be reclassified subsequently to profit and loss.

The notes on pages 13 to 33 are an integral part of these financial statements.



**SOMA OIL & GAS HOLDINGS LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
As at 31 December 2018

	Notes	Group At 31 December 2018 US\$'000	Company At 31 December 2018 US\$'000	Group At 31 December 2017 US\$'000	Company At 31 December 2017 US\$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Exploration and evaluation assets	7	-	-	43,142	-
Property, plant and equipment	8	-	-	2	-
		<u>-</u>	<u>-</u>	<u>43,144</u>	<u>-</u>
<b>Debtors: amounts falling due after more than one year</b>					
	9	32,800	-	-	-
<b>Current assets</b>					
Prepayments and other receivables	10	101	63,725	149	63,725
Cash in bank and on hand	11	1,574	-	4,135	-
		<u>34,475</u>	<u>63,725</u>	<u>4,284</u>	<u>63,725</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	12	(375)	-	(396)	-
Current tax liabilities		-	-	(586)	-
		<u>(375)</u>	<u>-</u>	<u>(982)</u>	<u>-</u>
Net current assets		34,100	63,725	3,302	63,725
<b>Net assets</b>		<u>34,100</u>	<u>63,725</u>	<u>46,446</u>	<u>63,725</u>
<b>Equity</b>					
Share capital	14	-	-	-	-
Share premium	14	68,565	68,565	68,565	68,565
Share based payment reserve		1,375	1,375	1,375	1,375
Currency translation reserve		(21)	-	(77)	-
Retained losses		<u>(35,819)</u>	<u>(6,215)</u>	<u>(23,417)</u>	<u>(6,215)</u>
<b>Total equity</b>		<u>34,100</u>	<u>63,725</u>	<u>46,446</u>	<u>63,725</u>

**SOMA OIL & GAS HOLDINGS LIMITED**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at 31 December 2018**

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The Company has taken the exemption from the requirement to publish a separate income statement. The total comprehensive loss for the Company in the year was US\$Nil (2017: US\$2,373,000).

For the year ending 31 December 2018, the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The Directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These group accounts have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime.

The financial statements of Soma Oil & Gas Holdings Limited, were approved by the Board of Directors and authorised for issue on *Sept 27, 2019*. They were signed on its behalf by:



**William Richard Anderson**  
Chief Executive Officer

The notes on pages 13 to 33 are an integral part of these financial statements.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the year ended 31 December 2018

**Group**

	Share capital	Share premium	Share based payment reserve	Currency translation reserve	Convertible Loan Reserve	Warrant Reserve	Retained losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2017</b>	-	51,800	1,543	(27)	865	2,287	(18,938)	37,530
<b>Comprehensive expense</b>								
Loss for the year	-	-	-	-	-	-	(4,502)	(4,502)
Other comprehensive loss	-	-	-	(50)	-	-	-	(50)
<b>Total comprehensive loss</b>	-	-	-	(50)	-	-	(4,502)	(4,552)
<b>Transactions with Shareholders</b>								
Share based payment	-	-	(168)	-	-	-	-	(168)
Cancellation of shares	-	(35)	-	-	-	-	-	(35)
Conversion of Director fee to shares	-	97	-	-	-	-	-	97
Conversion of US\$3m convertible loan notes	-	3,129	-	-	(842)	(2,287)	-	-
Conversion of US\$15m draw down facility	-	10,380	-	-	(23)	-	23	10,380
Exercise of Class A and B warrants	-	3,194	-	-	-	-	-	3,194
<b>Total transactions with shareholders</b>	-	16,765	(168)	-	(865)	(2,287)	23	13,468
<b>Balance as at 31 December 2017</b>	-	68,565	1,375	(77)	-	-	(23,417)	46,446
<b>Comprehensive expense</b>								
Loss for the year	-	-	-	-	-	-	(12,402)	(12,402)
Other comprehensive income	-	-	-	56	-	-	-	56
<b>Total comprehensive loss</b>	-	-	-	56	-	-	(12,402)	(12,346)
<b>Transactions with Shareholders</b>								
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	-	68,565	1,375	(21)	-	-	(35,819)	34,100

The notes on pages 13 to 33 form an integral part of these financial statements.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the year ended 31 December 2018

Company	Share capital	Share premium	Share based payment reserve	Convertible Loan Reserve	Warrant Reserve	Retained losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Balance at 1 January 2017</b>	-	51,800	1,543	865	2,287	(3,865)	52,630
<b>Comprehensive expense</b>							
Loss for the year	-	-	-	-	-	(2,373)	(2,373)
<b>Total comprehensive loss</b>	-	-	-	-	-	(2,373)	(2,373)
<b>Transactions with Shareholders</b>							
Share based payment (credit) / charge	-	-	(168)	-	-	-	(168)
Cancellation of shares	-	(35)	-	-	-	-	(35)
Conversion of Director fee to shares	-	97	-	-	-	-	97
Conversion of US\$3m convertible loan notes	-	3,129	-	(842)	(2,287)	-	-
Conversion of US\$15m draw down facility	-	10,380	-	(23)	-	23	10,380
Exercise of Class A and B warrants	-	3,194	-	-	-	-	3,194
<b>Total transactions with shareholders</b>	-	16,765	(168)	(865)	(2,287)	23	13,468
<b>Balance as at 31 December 2017</b>	-	68,565	1,375	-	-	(6,215)	63,725
<b>Comprehensive income</b>							
Loss for the year	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	-
<b>Transactions with Shareholders</b>							
<b>Total transactions with shareholders</b>	-	-	-	-	-	-	-
<b>Balance as at 31 December 2018</b>	-	68,565	1,375	-	-	(6,215)	63,725

The notes on pages 13 to 33 form an integral part of these financial statements.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**CASH FLOW STATEMENTS**  
For the year ended 31 December 2018

		<b>Group</b>	<b>Company</b>	<b>Group</b>	<b>Company</b>
		<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2018</b>	<b>For the year to 31 December 2017</b>	<b>For the year to 31 December 2017</b>
	<b>Note</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Net cash used in operating activities</b>	18	<b>(34,261)</b>	-	<b>(2,894)</b>	<b>(6,497)</b>
<b>Cash flow from investing activities</b>					
Additions of exploration and evaluation assets	7	(100)	-	(159)	-
Proceeds from disposal of exploration and evaluation assets		31,800	-	-	-
<b>Net cash used in investing activities</b>		<b>31,700</b>	-	<b>(159)</b>	-
<b>Cash flow from financing activities</b>					
Proceeds on issue of convertible loan notes		-	-	3,303	3,303
Share capital issued (net of costs)		-	-	3,194	3,194
<b>Net cash generated from financing activities</b>		-	-	<b>6,497</b>	<b>6,497</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,561)</b>	-	<b>3,444</b>	-
<b>Cash and cash equivalents at beginning of the year</b>		<b>4,135</b>	-	<b>691</b>	-
<b>Cash and cash equivalents at end of year</b>		<b>1,574</b>	-	<b>4,135</b>	-

The notes on pages 13 to 33 form an integral part of these financial statements

# **SOMA OIL & GAS HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

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### **1. Accounting policies for Group and Company**

#### **1.1 Basis of preparation for Group and Company**

The consolidated and Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Soma Oil & Gas Holdings Limited ("the Company") is a company limited by shares which was incorporated in England and Wales on 26 April 2013. The Company and its two wholly owned subsidiaries, Old Sycamore Management Limited and Soma Oil & Gas Exploration Limited have been established to pursue oil & gas exploration in the Federal Republic of Somalia. Both subsidiaries were incorporated in England and Wales on 22 July 2013. The Company's principal place of business is 21 Arlington Street, St James's, London, SW1A 1RD.

The principal accounting policies adopted are set out below.

#### *Statement of compliance with IFRS*

These financial statements have been prepared in accordance with EU Adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are as follows:

- Taking account of information at the balance sheet date, the directors make judgements based on experience on the capitalisation of exploration and evaluation assets when reviewed for impairment
- The directors make judgements on the record share-based payments based on the likelihood they will vest.

#### *Changes in accounting policy and disclosure*

A number of standards and amendments to standards and interpretations became effective during the financial year, for which the impact on the financial statements have been detailed below:

- IFRS15: Revenue from contracts with customers – The impact of this standard on the group has not been material.
- IFRS9: Financial instruments – The impact of this standard on the group has not been material. All material financial assets and financial liabilities are basic and remain classified at amortised cost as with the prior year.

The impact of expected credit loss model has been considered regarding trade receivables and intercompany debt with reference to historical data and current economic conditions.

No changes are expected from the implementation of IFRS15 as the Group does not have a revenue stream.

No changes are expected from the implementation of IFRS9 as the Group does not have any borrowers expected to default on their obligations.

Other amendments to the standards which have not materially impacted the entity include:

- IFRIC 22 (interpretation): Foreign currency transactions and advance consideration
- IFRS 4 (amendment): Applying IFRS 9 with IFRS 4
- IFRS 2 (amendment): Share based payments

The following standards and interpretations to existing standards have been published but are only effective for periods beginning on or after 1 January 2019 and therefore have not been applied to the company in the year.

IFRS16: Leases – not expected to have a material impact on the financial statements.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2018

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**1. Accounting policies for Group and Company (continued)**

**1.2 Basis of consolidation**

The consolidated financial statements incorporate the financial results of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Uniform accounting policies have been adopted across the Group. All intragroup transactions, balances, income and expenses are eliminated on consolidation. The Group's presentation currency is the United States dollar (USD). The functional currency of the majority of the Group's subsidiaries is USD except for Old Sycamore Management for which GBP was selected as functional currency.

The following subsidiaries have been included in the Group's consolidation and are directly held by the Company:

<b>Name</b>	<b>Countries of operation</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>%</b>	<b>Registered office address</b>	<b>Country of registration</b>
Old Sycamore Management Limited (formerly Soma Management Limited)	UK	Management company	Ordinary	100%	21 Arlington Street, St. James's London SW1A 1RD	England and Wales
Soma Oil & Gas Exploration Limited	The Federal Republic of Somalia and Kenya	Oil & gas exploration	Ordinary	100%	21 Arlington Street, St. James's London SW1A 1RD	England and Wales

**1.3 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when services are delivered, and title has passed.

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

**1.4 Operating lease payments**

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

**1.5 Foreign currencies**

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the monthly average exchange rate. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the closing rate at the date of the balance sheet. Income and expenses are translated at the monthly average exchange rates where these approximate the rates at the dates of the transactions. All resulting exchange differences arising are recognised within the statement of comprehensive income and transferred to the Group's currency translation adjustment reserve.

The financial statements are presented in US Dollars and all values are rounded to the nearest thousand pounds (£'000) except when otherwise stated.

**SOMA OIL & GAS HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2018

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**1. Accounting policies for Group and Company (continued)**

**1.6 Employee services settled in equity instruments**

The Group issues equity-settled share-based payments to certain Directors and employees and warrants to institutional investors as part of funding activities. Equity-settled share-based payments and warrants are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

**1.7 Oil and gas properties**

*Exploration and evaluation assets*

The Group follows the successful efforts method of accounting for intangible exploration and evaluation ("E&E") costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible exploration and evaluation assets in cost centres by field or exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised in so far as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres.

*Development and production assets*

Development and production assets are accumulated generally on a field-by-field basis within property, plant and equipment and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the exploration and evaluation expenditures incurred in finding commercial reserves transferred from intangible exploration and evaluation assets as outlined above.

The cost of development and production assets includes the cost of acquisitions and purchases of such assets, directly attributable overheads, and the cost of recognising provisions for future restoration and decommissioning.

**1.8 Depletion, amortisation and impairment – development and production assets**

Expenditure carried within each field will be amortised from the commencement of production on a unit of production basis, which is the ratio of oil or gas production in the year to the estimated quantities of commercial reserves at the end of the year plus the production in the year, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

**1.9 Commercial reserves**

Commercial reserves (2P) are proven and probable natural gas reserves, which are defined as the estimated quantities of natural gas which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.



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**1. Accounting policies for Group and Company (continued)**

**1.10 Property, plant and equipment**

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Computer equipment	3 years
Fixtures and fittings	3 to 5 years

Oil and gas properties – see note 1.7.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

**1.11 Impairment of property, plant and equipment**

At each balance sheet date, the Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. For the purposes of impairment, the Group estimates the recoverable amount of the cash-generating unit to which assets belong.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the income statement, net of any depreciation that would have been charged since the impairment.

**1.12 Financial instruments**

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

**1.12.1 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

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**1. Accounting policies for Group and Company (continued)**

*1.12.2 Cash and cash equivalents*

Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with maturities of three months or less.

*1.12.3 Trade payables*

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

*1.12.4 Warrant reserve*

Warrants represent own equity instruments issued, measured at the fair value of cash or other amounts receivable, net of issue costs. The fair value has been calculated using the Black Scholes model.

**1.13 Compound financial instruments**

Compound financial instruments issued by the Group comprise of notes that can be converted to share capital at the option of the holder. The number of shares issued does not vary with changes in the fair value.

The liability component of the compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to the initial recognition, the liability component of the compound financial instrument is measured at amortised cost using the effective interest method. The equity component of the compound financial instrument is not remeasured subsequent to initial recognition.

**1.14 Other income**

Other income is measured at the fair value of consideration received from a third party. The income in 2016 relates to the agreed reimbursable amounts for costs incurred during the SFO investigation. These costs are covered by the Group's insurance policy.

**2. Group financial risk management, critical judgements and key sources of estimation uncertainty**

**2.1. Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

*2.1.1. Market risk - foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GB pound sterling and US dollar. Foreign exchange risks could arise from future commercial transactions and recognised assets and liabilities.

The majority of the intra-group transactions are conducted in US dollar. As a result, there is no significant foreign exchange risk at present. However, the Group does review its exposure to transactions denominated in other currencies and takes necessary action to minimise this exposure.

*2.1.2 Credit risk*

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and outstanding receivables. Approximately 99 per cent of the Group's cash and cash equivalents are held by 'BBB' or better rated banks. All trade and other receivables are considered operational in nature and have payment terms of 30 days.

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**2. Group financial risk management, critical judgements and key sources of estimation uncertainty (continued)**

**2.1.3 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow and seeks to secure the necessary estimated funding before committing to expenditures. See also note 1 "Going concern".

**2.1.4 Market risk - interest rate risk**

At year end the Group did not bear any interest rate risk. The business expenses incurred and paid by the Directors were paid post year end.

**2.2 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 structure to reduce the cost of capital. The Group has no externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

**2.3 Fair values of financial assets and liabilities**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and liabilities, and the effect of discounting is negligible. There are no assets or liabilities carried at fair value at present.

**2.4 Critical judgements**

**2.4.1 Capitalisation policy of Exploration and Evaluation assets**

The Group balance sheet includes significant E&E assets (see Note 7). Management is required to exercise judgement in selecting an appropriate accounting policy for the capitalisation, or otherwise, of costs incurred in connection with the acquisition of E&E rights and costs of E&E activities to exploit those rights. The Group's accounting policy is set out in Note 2. Judgement is required in assessing whether E&E rights are sufficient to support the commencement of cost capitalisation.

Further judgement is involved in applying the Group's accounting policy to certain categories of costs, such as the Capacity Building Payments and Data Room costs as further described in the Strategic Report. Management capitalises such costs as they are considered directly attributable to the conversion of the Group's current E&E rights under the SOA into future exploration and production rights under a number of PSAs.

**2.4.2 Going concern**

The Group is dependent on funding from existing shareholders and is primarily funded by a major shareholder and the controlling party of the group, Winter Sky.

The Group's capital management policy is to preserve the Group's existing reserves through reducing near term exploration and development activities.

As at the 31 August 2018 the Group had a cash balance of US\$276,462

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**2. Group financial risk management, critical judgements and key sources of estimation uncertainty (continued)**

Based on management's forecasts, the remaining cash balance will be sufficient to meet operational costs over the going concern assessment period. The financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

Having considered the above uncertainty and all the available information, the Directors have a reasonable expectation that although the Group has adequate resources to continue in operational existence for the foreseeable future, existing shareholders will continue to support the business for the next 12 months as a minimum and as such, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

**2.5. Key sources of judgement uncertainty**

*2.5.1 Exploration and Evaluation assets recoverability*

E&E assets are required to be assessed for indications of impairment at least at each balance sheet date, with reference to the indicators of impairment set out in IFRS 6 Exploration and Evaluation of Mineral Resources. Such assessment often requires significant judgement, such as whether substantive further E&E activity is planned, and whether rights to explore in the specific area will expire in the near future. The exploration and evaluation assets were sold in the year.

*2.5.2 Share based remuneration*

The Group uses share-based remuneration arrangements to compensate its employees, details of which are provided in note 15. The Group's accounting policy for share-based remuneration is described in note 2. Accounting for the Group's share-based payment arrangements involves estimates of the fair values of share-based awards at the time they are conditionally granted to employees. Estimates of the period over which such awards may vest, and judgements as to whether performance milestones are likely to be met are also required, and these estimates and judgements are required to be reassessed each reporting period in order to determine the appropriate income statement charge in each period. Details of the Group's share-based remuneration expense and the judgements and estimates made in relation thereto are provided in note 17.

**3. Segmental analysis**

The group only has one operating segment and therefore has not prepared segmental analysis.

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**4. Group administrative expenses**

The operating loss for the year includes the following administrative expenses:

	<b>Year ended 31 December 2018 US\$'000</b>	<b>Year ended 31 December 2017 US\$'000</b>
Share based payment (note 17)	-	(168)
Directors' remuneration	14	694
Travel and subsistence	344	154
Rent and rates	195	189
Staff wages	14	300
Legal and professional fees	186	40
Accountancy	107	70
Marketing and public relations	-	18
Consultancy fees	316	299
Depreciation	2	18
Other administrative expenses	131	1,819
Loss on sale of Intangible Exploration Assets	11,400	-
	<b>12,709</b>	<b>3,433</b>

**5. Group staff numbers and costs**

The average number of employees (including executive Directors) employed was as follows:

	<b>Year ended 31 December 2018 No.</b>	<b>Year ended 31 December 2017 No.</b>
Old Sycamore Management Limited	4	6
Soma Oil & Gas Exploration Limited	1	1
	<b>5</b>	<b>7</b>

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**5. Group staff numbers and costs (continued)**

Staff costs, excluding directors comprised:

	Year ended 31 December 2018 US\$'000	Year ended 31 December 2017 US\$'000
Wages, salaries and benefits	(15)	251
Social security costs	29	48
Share based payments	-	1
	<u>14</u>	<u>300</u>

The Directors' remuneration comprised:

	Year ended 31 December 2018 US\$'000	Restated Year ended 31 December 2017 US\$'000
Directors' wages, salaries and benefits	8	598
Directors' social security costs	1	-
Directors' defined contribution pension	5	97
Share based payments	-	(168)
	<u>14</u>	<u>527</u>

No directors exercised share options in the year.

There are no directors to whom retirement benefits are accruing.

**6. Group taxation**

	Year ended 31 December 2018 US\$'000	Year ended 31 December 2017 US\$'000
<i>Current tax:</i>		
Current tax	-	-
Adjustments in respect of prior years	-	-
Total current tax expense	<u>-</u>	<u>-</u>
Deferred tax	-	-
Total income tax expense in the income statement	<u>-</u>	<u>-</u>

UK corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable loss for the year. Kenyan income tax is calculated at 37.5%, all costs incurred by the Kenyan Branch of Soma Oil & Gas Exploration Limited are recharged to the Old Sycamore Management Limited with a 10% uplift resulting in an income tax charge in the year.

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**6. Group taxation (continued)**

	Year ended 31 December 2018 US\$'000	Year ended 31 December 2017 US\$'000
Loss before tax	12,402	4,502
Income tax using the UK domestic corporation tax rate of 19% (2017: 19.25%)	2,356	867
Kenyan branch income tax	-	-
Unutilised tax losses	(2,356)	(867)
Current tax charge	-	-

UK tax losses may be carried forward indefinitely and set off against future taxable profits. Deferred tax assets have not been recognised in respect of these items because it is not yet probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

**7. Group intangible assets**

	Exploration and evaluation assets US\$'000
<b>Cost:</b>	
At 1 January 2017	43,142
Additions in the year	-
At 31 December 2017	43,142
Additions in the year	99
Disposal in the year	(43,241)
At 31 December 2018	-
<b>Amortisation and impairment:</b>	
At 1 January 2017 and 31 December 2017	-
Amortisation charge for the year	-
At 31 December 2018	-
	<b>Exploration and evaluation assets</b>
<b>Net book value:</b>	
At 31 December 2017	42,142
At 31 December 2018	-

**Consideration of impairment for exploration and evaluation assets**

All exploration and evaluation assets have been disposed of in the year. No impairment required.

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**8. Group property, plant and equipment**

	<b>Fixtures and fittings US\$'000</b>	<b>Computer equipment US\$'000</b>	<b>Total US\$'000</b>
<b>Cost:</b>			
At 1 January 2017	98	28	126
Disposals in the year	(24)	-	(24)
<b>At 31 December 2017</b>	<b>74</b>	<b>28</b>	<b>102</b>
Additions in the year	-	-	-
Disposals in the year	-	-	-
<b>At 31 December 2018</b>	<b>74</b>	<b>28</b>	<b>102</b>
<b>Depreciation:</b>			
At 1 January 2017	67	24	91
Charge for the year	15	3	18
Disposals in the year	(9)	-	(9)
<b>At 31 December 2017</b>	<b>73</b>	<b>27</b>	<b>100</b>
Charge for the year	1	1	2
Disposals in the year	-	-	-
<b>At 31 December 2018</b>	<b>74</b>	<b>28</b>	<b>102</b>
<b>Net Book Value:</b>			
<b>At 31 December 2017</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>



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**9. Debtors: Amounts falling due after more than one year**

**Group**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Other receivables	32,800	-
	<u>32,800</u>	<u>-</u>

**10. Prepayments and other receivables**

**Group**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Prepayments	66	61
VAT recoverable	12	10
Other receivables	23	78
	<u>101</u>	<u>149</u>

There are no trade receivables held by the Group at 31 December 2018 (2017: Nil), therefore there is no average credit period taken on the sale of goods.

There are no balances within either trade or other receivables that are past their due settlement date and no impairment has been deemed necessary during the year.

**Company**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Amounts owed by Old Sycamore Management Limited	19,677	18,358
Amounts owed by Soma Oil & Gas Exploration Limited	44,048	45,367
	<u>63,725</u>	<u>63,725</u>

The recoverability of the amounts owed by Old Sycamore Management Limited and Soma Oil & Gas Exploration Limited should be weighed along with the disclosures made in relation to going concern (see note 1). Management has assessed that in light of the going concern assumption being applied to all group accounts that the intercompany loan is recoverable as at the date of preparing these accounts.

**11. Cash and cash equivalents**

**Group**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Cash in bank and on hand	1,574	4,135

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**11. Cash and cash equivalents (continued)**

**Company**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Cash in bank and on hand	-	-

The Directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

**12. Trade and other payables**

**Group**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Trade payables	85	256
Accruals	-	131
Director fees, Social security and other taxes	-	595
Other payables	290	-
	<b>375</b>	<b>982</b>

Trade payables principally comprise amounts outstanding for trade purchases.

The Directors consider that the carrying amounts of trade and other payables are approximate to their fair values.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

**Company**

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
Accruals	-	-

**13. Group financial instruments**

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

***Principal financial instruments***

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

- Cash and cash equivalents
- Other receivables
- Trade payables
- Accruals

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**13. Group financial instruments (continued)**

**Financial assets**

	<b>At 31 December 2018</b>	
	<b>Current US\$'000</b>	<b>Non-current US\$'000</b>
Cash and cash equivalents	1,574	-
Other receivables	101	32,800
	<b>1,675</b>	<b>32,800</b>

	<b>At 31 December 2017</b>	
	<b>Current US\$'000</b>	<b>Non-current US\$'000</b>
Cash and cash equivalents	4,135	-
Other receivables	78	-
	<b>4,213</b>	<b>-</b>

**Financial liabilities**

	<b>31 December 2018</b>	
	<b>Current US\$'000</b>	<b>Non-current US\$'000</b>
Trade payables	85	-
Other payables	290	-
	<b>375</b>	<b>-</b>

	<b>31 December 2017</b>	
	<b>Current US\$'000</b>	<b>Non-current US\$'000</b>
Trade payables	256	-
Accruals	131	-
Other payables	595	-
	<b>982</b>	<b>-</b>

**Foreign currency risk**

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk due to the following:

- 1) Transactional exposure relating to operating costs and capital expenditure incurred in currencies other than the functional currency of Group companies, being US Dollars and GBP Sterling;
- 2) Translation exposures relating to monetary assets and liabilities, including cash and short-term investment balances, held in currencies other than the functional currency of operations and net investments that are not denominated in US Dollars.

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**13. Group financial instruments (continued)**

The table below shows the currency profile of cash and cash equivalents:

	At 31 December 2018 US\$'000	At 31 December 2017 US\$'000
US Dollars	1,446	4,065
GBP Sterling	96	55
Kenyan Shillings	2	15
	<u>1,574</u>	<u>4,135</u>

The Group has not entered into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2018 is as follows:

2018	Assets US\$'000	Liabilities US\$'000
US Dollars	1,547	290
GBP Sterling	96	85
Kenya Shilling	2	-
	<u>2</u>	<u>-</u>
2017	Assets US\$'000	Liabilities US\$'000
US Dollars	4,084	926
GBP Sterling	114	35
Kenya Shilling	15	21
	<u>15</u>	<u>21</u>

**Interest rate risk**

The Group has minimal exposure to interest rate risk as all debt was paid off prior to the year end.

**14. Group and Company issued share capital and share premium**

	Number of ordinary shares	Ordinary shares par value US\$	Ordinary shares share premium US\$
At 1 January 2018	255,529,210	412	68,564,949
As at 31 December 2018	<u>255,529,210</u>	<u>412</u>	<u>68,564,949</u>

The Company has one class of ordinary shares with a par value of US\$0.00000161 (£0.000001). There is no limit on authorised share capital. All shares have equal voting rights and rank pari passu.

There are no movements in the year to be disclosed.

Winter Sky is part owned by a close member as defined in IAS 24 by Georgy Dzhaparidze who is a Director of the Company and as such a related party relationship exists between Winter Sky and Soma.

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**15. Statement of changes in equity**

The Statement of changes in equity, set out share capital and reserves as explained below:

**Share capital**

The balance classified as share capital includes the total nominal value of the company's equity share capital, comprising \$0.0001 ordinary shares.

**Share premium**

The balance classified as share premium includes the total amount paid for share capital above the nominal value of the company's equity share capital.

**Share based payment reserve**

The balance classified as share based payment represents the potential value due based on the share options issued.

**Retained losses**

This reserve records the accumulated earnings and losses of the group.

**16. Group operating lease commitments**

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2018 US\$'000	31 December 2017 US\$'000
Within one year	64	26
Within 2-5 years	-	64
More than 5 years	-	-

At the balance sheet date, the Group had no unprovided capital commitments (2017: none).

**17. Group share options and other share-based payments**

The measurement requirements of IFRS2 have been implemented in respect of share options that were granted after 7 November 2002. The expense or credit recognised for share-based payments made during the year is shown in the following table:

	For the year ended 31 December 2018 US\$'000	For the year ended 31 December 2017 US\$'000
Credit for the year	-	(168)

The Board has established a share option plan, in which share options will be granted and vest on successful completion of certain milestones (described below). The Company signed agreements with the Directors setting out the terms of the options in 2013. Once the Remuneration Committee has confirmed the successful completion of the milestone, a certain number of share options will be granted and vest for each participant. Milestone options were put in place to incentivise the Executives Directors.

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**17. Group share options and other share-based payments (continued)**

During the year no new share options were issued to employees of the Company.

<b>Milestone</b>	<b>Number of options</b>	<b>Grant Date</b>	<b>Exercise price (\$) at grant date</b>	<b>Nonmarket vesting condition</b>	<b>Exercise period (years)</b>	<b>Assumed Vesting period</b>
1	2,250,000	Aug-13	1.00	Acquisition of 2D seismic <sup>1</sup>	5	To 31 December 2014
2	4,000,000	Jul-16	0.25	Earliest of: a) Signing the first three PSAs b) Issue of the first three blocks for hydrocarbon exploration and production <sup>3</sup>	5	To 30 June 2017 <sup>4</sup>
2.5A	4,000,000	Jul-16	0.25	Date on which the Company receives a "No Further Action" letter or a substantially similar document from the U.K. Serious Fraud Office <sup>2</sup>	5	To 31 December 2016 <sup>4</sup>
3.5A	206,900	Sep-14	0.01	Sign the fourth PSA <sup>4</sup>	5	To 31 December 2018

<sup>1</sup> Achieved in June 2014.

<sup>2</sup> Achieved in December 2016.

<sup>3</sup> Nonmarket vesting condition not achieved, and option have not vested

<sup>4</sup> Considered not probable that the non-market condition will vest.

Given that each milestone is a non-market vesting condition, the likelihood of each will be re-assessed at each year end and the charge amended annually to recognise cumulatively the grant date fair value of those awards considered likely to ultimately vest as at the balance sheet date over the estimated vesting period.

During 2017 Milestone 2 was not achieved, the Company did not achieve the non-market vesting condition and as a result the options have not vested. The options have lapsed, and charges recognised since the grant date of the options reversed.

At 31 December 2017 it was deemed that the non-market vesting condition of Milestone 3.5A would not be achieved. The charges recognised for this option since the grant date have been reversed.

The exercise price of all the options under Milestones 2, 3, 3A, 3B and 4 will be determined by the share price of any equity raised in the 12 months preceding the granting of the options. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The options were valued on the conditional grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the assumed exercise price and the risk-free interest rate. The fair value of the option is amortized over the anticipated vesting period. There is no requirement to revalue the option at any subsequent date.

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**17. Group share options and other share-based payments (continued)**

Movements in the number of share options outstanding and their related weighted average assumed exercise prices are as follows:

	<b>31 December 2018</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price in US\$ per share</b>
Outstanding at the beginning of the year	6,300,000	0.52
Granted	-	-
Lapsed	-	-
Exercised	-	-
Outstanding at the end of the year	<b>6,300,000</b>	<b>0.52</b>
Exercisable at the end of the year	<b>6,300,000</b>	<b>0.52</b>
	<b>31 December 2017</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price in US\$ per share</b>
Outstanding at the beginning of the year	10,506,900	0.41
Granted	-	-
Lapsed	(4,206,900)	0.24
Outstanding at the end of the year	<b>6,300,000</b>	<b>0.52</b>
Exercisable at the end of the year	<b>6,300,000</b>	<b>0.52</b>

Based on Management's assessment of the likelihood of the non-market vesting conditions and considering the likely vesting period and the estimated number of shares that will vest for each milestone, this has led to no credit or charge (2017: credit of US\$167,902) for the year to 31 December 2018.

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**18. Cash flows utilised in operating activities**

**Group**

		For the year ended 31 December 2018 US\$'000	For the year ended 31 December 2017 US\$'000
	Note		
<b>Cash flow from operating activities</b>			
Operating loss		(12,346)	(4,552)
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	7	2	18
Loss on disposal of fixed assets		11,400	15
Share based payment (credit)/charge	15	-	(168)
Conversion of Director fee to shares		-	97
Cancellation of Director shares		-	(35)
Effective interest charge on draw down facilities		-	1,072
(Increase) in debtors: amounts due after one year		(32,800)	-
(Increase)/ decrease in prepayments made and other receivables		48	739
Increase/ (decrease) in trade and other payables		21	(80)
(Decrease) in taxation creditors		(586)	-
<b>Net cash used in operating activities</b>		<b>(34,261)</b>	<b>(2,894)</b>

**Company**

		For the year ended 31 December 2018 US\$'000	For the year ended 31 December 2017 US\$'000
	Note		
<b>Cash flow from operating activities</b>			
Operating profit/ (loss)		-	(2,373)
<i>Adjustments for:</i>			
Share based payment charge	15	-	(168)
Cancellation of Director shares		-	(35)
Effective interest charge on draw down facilities		-	1,072
Increase in prepayments made and other receivables		-	(4,945)
Increase in trade and other payables		-	(48)
<b>Net cash used in operating activities</b>		<b>-</b>	<b>(6,497)</b>

No dividends were paid or declared during the year.



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**19. Related party transactions**

Transactions between the Company and its subsidiaries which are related parties of the Company have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

*Compensation of key management personnel*

Key management are the Directors (executive and non-executive). Further information about the remuneration of Directors is provided in the note 4.

*Shareholder funding - US\$3m convertible loan notes*

In 2015 3,000,000 convertible loan notes were issued at a price of US\$1 per note. These were funded by the Company's majority shareholder, Directors of the Company and an employee of the Company. The following holders of the convertible loan are considered to be related parties:

<b>Holder of convertible loan</b>	<b>Relationship</b>
Philip Edward Charles Wolfe	Ex Director and shareholder of Soma Oil & Gas Holdings Limited
Hassan Khaire	Ex Director and shareholder of Soma Oil & Gas Holdings Limited
Robert Allen Sheppard	Ex Director and shareholder of Soma Oil & Gas Holdings Limited
Winter Sky	Controlling shareholder of Soma Oil & Gas Holdings Limited
Afroeast Energy Limited	Director of Soma & Oil Gas Holdings Limited
Soma Oil & Gas Limited (BVI)	Basil Shiblaq is the outright shareholder of the Company and ex Director of Soma Oil & Gas Holdings Limited

On 30 January 2017 a conversion notice was issued by the Board and the principal US\$3m and interest accrued on the convertible loan notes of US\$129k has been converted in full. New ordinary shares totalling 2,086,177 were issued from the Company to the holders of the notes on 1 February 2017 at a conversion price of US\$1.50.

As part of the issue of the convertible loan notes, warrants were attached and issued to the holders of the convertible loan notes. On 15 December 2017 Winter Sky exercised in full the Class A and Class B warrants attached at an exercise price of US\$0.25 and US\$0.05 respectively per new ordinary share. The Company received US\$3.194m in respect of the exercise and issued to Winter Sky 32,059,229 new ordinary shares.

*Shareholder funding - US\$15m draw down facility*

In December 2015 the Group undertook a shareholder funding exercise to raise US\$15,000,000 from existing shareholders in the form of a Convertible Loan Note. During 2017 additional drawdowns of US\$3,303,284 have taken place under this loan by Winter Sky (31 December 2016: US\$5,513,935 had been drawn down).

Each note accrues interest from the date in which it is allocated to the Noteholder up until the earlier of conversion or redemption of the loan note at a rate of 15% per annum. During the year an interest charge of US\$1,071,557 (2016: US\$513,088) accumulated on the loan notes and was charged as a finance cost. All interest accumulated on the capital balance due to Winter Sky and on 15 December 2017 were converted into new ordinary shares in the Company at a price per new ordinary share of US\$0.25.

**SOMA OIL & GAS HOLDINGS LIMITED**  
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**19. Related party transactions (continued)**

*Other transactions*

During the year, the Group companies entered into the following transactions with related parties who are not members of the Group.

	<b>Outstanding balance 2018 US\$'000</b>	<b>Directors fees 2018 US\$'000</b>	<b>Outstanding balance 2017 US\$'000</b>	<b>Directors fees 2017 US\$'000</b>
As at 31 December				
Matador Asset Management Ltd	-	-	149	65

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Matador Asset Management Ltd is the entity controlled by The Earl of Clanwilliam which he uses to charge the Company for his Director fees.

On 23 February, Hassan Khaire a Director of the Company resigned and was simultaneously elected to be the Prime Minister of Somalia. To ensure no existing conflicts of interest or ties with the Group, he agreed to forfeit his entire shareholding, share options accumulated in Soma Oil and Gas Holdings.

Soma Oil and Gas Exploration Limited relinquished the debt due from Hassan for the acquisition of a motor vehicle. A charge to other administrative expenses of US\$67,868 has been recognised during the year for the total amount.

From January - December 2017 Old Sycamore Management Limited received services from a member of staff employed by Eurasia Drilling Company Limited, a company which shares a number of common shareholders with Winter Sky. The staff member has been charged at a market rate, services received during the year totalled US\$203,840 (2016: US\$187,217) and an amount of US\$186,812 (2016: US\$34,056) was outstanding at the year end.

**20. Group ultimate controlling party**

At 31 December 2018 Winter Sky, a company incorporated in British Virgin Islands, owned 167,090,230 of the issued Ordinary shares representing 65.39% (2017: 65.39%) giving the entity ultimate control of the Group.

Soma Oil & Gas Holdings Limited are the largest group for which consolidated accounts are prepared.