SIRIUS petroleum

Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended 31 December 2017

Contents

Corporate Advisers

Company registration number:	05181462
Registered office:	25 Bury Street London SW1Y 6AL
Directors:	**J Pryde** – Chairman **O Kuti** – Chief Executive Officer **M Henderson** – Financial Director (appointed 18/12/2017) **C Neal** – Non-Executive Director **T Hayward** – Non-Executive Director (appointed 18/12/2017) **S Hawkins** – Non-Executive Director (appointed 18/12/2017)
Company Secretary:	**S Hawkins** (appointed 18/12/2017) **L Jessup** (resigned 18/12/2017)
Nominated adviser and Broker:	**Cantor Fitzgerald Europe** One Churchill Place Canary Wharf London E14 5RB
Registrars:	**Link Asset Services** 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers:	**HSBC Bank plc** Unit 6C Borehamwood Shopping Park Borehamwood WD6 4PR
Solicitors:	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditors:	**Grant Thornton UK LLP** Registered Auditor Chartered Accountants The Colmore Building 20 Colmore Circus Birmingham B4 6AT

Chairman's & CEO's Statement

Sirius Petroleum (AIM: SRSP), the Nigeria focused oil and gas exploration and development company, announces audited Final results for the twelve-month period ended 31 December 2017.

Highlights

- Sirius entered into a Joint Operation Agreement ('JOA') on the Ororo Field enabling the Company to transition from an investing company into an operating company
    - New equity issued by the Company totaling 723,700,000 new Ordinary Shares raising gross proceeds of approximately US$9.5 million at a price of 1 pence per share – finally ratified by shareholders in December 2017.
    - In addition, a Convertible Loan Facility of US$12 million was entered into carrying a coupon of LIBOR plus 6.5 per cent. and partially convertible at a 50 per cent. premium to the Issue Price of the Placing.
    - The combined proceeds of the new capital and the commitments of the Company's commercial partners under previously announced Commercial Agreements provide the combined resources to the Company to drill the Ororo-2 well and bring it into production in accordance with the Ororo JOA.
- In Q4 the Company commenced discussions and due diligence with REYL & Co (UK) LLP, part of the Swiss banking group REYL et Cie, which has CHF 13bn AUM, to structure a contingent liquidity facility of up to US$100 million which would be backed by the securitisation of receipts under the BP Prepayment and Offtake Agreement.
- Sirius confirmed that as part of its strategy and on confirmation that the Ororo-2 well production rates of the hydrocarbon reservoirs are in line with those estimated in the Competent Persons Report ("CPR") on the asset, and conditional on the Company securing further financing, by way of the non-dilutive REYL facility, the Company will undertake a multi well campaign to fully develop the Ororo Field, involving the drilling of up to four further wells and the installation of permanent production, processing and pipeline facilities at the Field.
- Sirius entered into a Prepayment and Offtake Agreement with BP in July 2017:
    - BP will provide a prepayment facility for a fixed volume of Escravos Blend crude deliveries by prepaying an amount of up to US$10 million per cargo to Sirius.

The availability of the prepayment facility is conditional upon, among other things, the Ororo Field achieving certain daily production levels.

The Group achieved the major milestone during the Summer of 2017 by announcing that it had entered into the Joint Operating Agreement in respect of the Ororo Field, offshore Nigeria, and subsequent to that event it had successfully raised new equity funding and debt facilities to support the next stage of the Group's development into an oil and gas exploration and development company, which was ratified by shareholders in December of 2017.

Financial Summmary

The loss after tax was $2,269,000 in 2017 from $2,172,000 in 2016, with administrative expenses of $1,741,000. Total assets were $18,594,000 in 2017 (2016: $5,658,000), with liabilities of $6,573,000 (2016: $5,547,000) and total equity was $12,021,000.

During the first half of the year the Group raised a further £2 million ($2.5 million) by way of a placing at 0.75p per share and a further £70,000 ($88,000) in loans, which were converted into shares at 0.5p.

Chairman's & CEO's Statement continued

Group Strategy and the Ororo Field Development

The Board continues to seek to farm into or acquire high quality assets located in major producing complexes and during the period and into the current year has continued with a range of discussions to farm into a number of opportunities, leveraging on the Group's operational status and the commercial arrangements with its range of partners.

The development of the Ororo Field is entirely in line with the Group's strategy to target proven opportunities and maximize hydrocarbon production and recovery through the acquisition of discovered assets in Nigeria, with a particular focus on shallow water offshore areas and realise upside potential through appraisal activities.

The Ororo Field is located within OML 95 in the Niger Delta, offshore Nigeria, in the western part of the prolific Niger Delta petroleum system. It lies in shallow waters offshore Ondo State in water depths ranging between 23ft and 27ft. The field is adjacent to the Mina, West Isan, Ewan, Eko and Parabe fields, all of which are operated by Chevron.

The Ororo Field was discovered in OML 95 by Gulf Oil Company of Nigeria (Chevron) and NNPC in 1986 with the drilling of Ororo-1. Hydrocarbons were discovered in seven sandstone reservoirs (D1 to D5, F and G) in Ororo-1. Four of the reservoirs were tested, two produced oil (D3 and G) and two produced gas condensate (D4 and D5).

The Ororo Field was not developed by Chevron and was designated a marginal field by the DPR on 27 August 2001. Under the 2003 Marginal Fields Allocation Round, the Ororo Field was awarded to Guarantee (55 per cent. interest) and Owena (45 per cent. interest). Under the marginal field terms, the marginal field remains part of OML 95, but is contractually ringfenced under the Farmout Agreement to Guarantee and Owena, who are then entitled to perform petroleum operations as the farmee. NNPC and Chevron as holders of the licence to OML 95 entered into the Farmout Agreement with Guarantee and Owena in March 2004, which transferred production rights to Guarantee and Owena, as the farmee, in consideration of the grant of an overriding royalty from production from the Ororo Field.

The Farmout Agreement was initially entered into for a term of 60 months. The DPR, however, has extended the Ororo Field licence beyond its original term, and the licence is now due to expire on 1 May 2019 if the field has not been developed by that date. The term of the Farmout Agreement was, accordingly, also extended.

During 2018, the Group's aim is to commence an initial programme of two wells, Ororo-2 and Ororo-3, drilled back-to-back and access the contingent oil and gas resources in the Ororo field. The programme envisages deploying an early production scheme via extended well test and it is estimated that Ororo-2 will deliver initial production of approximately 2,700bopd.

Development of the Ororo Field

During the year the Group undertook a Seabed Survey around the Ororo field licence area. This activity is a geophysical and geotechnical marine survey, ahead of the rig mobilisation, which will provide data and analysis for the rig positioning prior to drilling and assess any marine geohazards to ensure safe operations and transportation of equipment.

Ororo-2 Well

The Ororo-2 well is planned to penetrate all of the D sands with the top three sands (D1, D2 and D3) being sampled and pressure tested. The objectives of the tests are to determine GOCs, the pressure regimes, fluid compositions, and insitu gasoil ratios to gain confidence for the full field development.

In its CPR, Rockflow Resources Limited ("Rockflow") has estimated that the Ororo-2 well will target a total Stocktank Oil Initially in Place (STOIIP) of 2.98 mmbbls in the G sands within the Ororo Field (at a midcase scenario). Drilling of the Ororo-2 well is expected to take approximately 45 days from mobilisation of the drilling rig to the Ororo-2 site.

Chairman's & CEO's Statement continued

During the Extended Well Testing ("EWT") phase, the Ororo-2 well is expected to initially produce into a temporary well test production facility mounted on a barge. Hydrocarbon production is expected to be treated (degassing and dehydration) to standard specifications for shuttle tanker transportation via the production facility and barge. Separate oil storage capacity is expected to be provided on the barge to store up to 10 days' production (approximately 50,000 bbls).

The EWT flow rate is anticipated to be a maximum of 10,000 bopd oil and up to 15 MMscfd of associated gas. The separators and the heater are expected to be sized to handle 15,000 bopd of gross liquids and 25 MMscfd gas. Gas from the Ororo-2 well fluids is expected to be separated and treated in a purpose built gas processing train to meet export specifications. It is proposed to install the oil and gas processing as well as oil storage facilities on a host facility installed on a barge. Oil is then expected to be transferred to a shuttle tanker for onward transport and offloading at the Chevron operated Escravos Terminal as per the BP Prepayment and Offtake Agreement. It is planned to install an 8 inch diameter x 5 km pipeline for export of 6.0 MMscfd gas to the Parabe field, with flaring as a fall back option.

Proposed Ororo-3 well and EWT

As already stated in the Admission document sent to shareholders in November 2017, following completion of the Ororo-2 well and conditional on further funding being obtained, the Ororo-2 drilling rig is intended to proceed to drill the Ororo-3 well, which is proposed to target the D sand reservoir sequence.

The D sands were flow tested by Chevron in the 1986 Ororo1 well and the results of Ororo-1 DST (Drill Stem Test) program recovered 36° API oil at a rate of 624 bopd from the D3 sands. The CPR estimates that the highest oil production rates could be achieved from the D1 sands which could deliver an initial combined rate from a two bore multilateral well of 4,781 bopd. Therefore, the D1 may be considered as a target for Ororo-3 if oil is recovered from this reservoir in Ororo-2. Currently, however, the Ororo-3 well is planned to target the D3 sands which holds a P50 STOIIP of 10.18 mmbbls as it was proven to flow oil on test.

Drilling of the Ororo-3 well is expected to take approximately 30-45 days following completion of the Ororo-2 well, the well is proposed to be put on early production via an EWT along with hydrocarbons produced from the Ororo-2 well.

If the fluid results in the above wells for the D1 and D2 sands are positive, two further wells, Ororo-4 and Ororo-5, targeting these sands may be drilled as the second phase of the EWT. If such further wells are drilled, their planning and design will require geophysical and geological analysis of new data gathered from the Ororo-2 and Ororo-3 wells.

Corporate and Social Responsibility Statement

Sirius Petroleum aims to have a positive relationship with the host communities and stakeholders within our areas of operations and the society at large. We are committed to ensure that we minimise the impact our operations have on the environment and strictly adhere to industry best practices.

Our Corporate Social Responsibility (CSR) focus areas are Health and Safety (Environment) and Community Development (Education, Welfare and Empowerment); we are presently working on the best strategies to implement these and ensure optimum reach.

Chairman's & CEO's Statement continued

Board and Management Team

Sirius was delighted to welcome three new Board Directors following the General Meeting held on 18 December with S Hawkins and T Hayward joining the Board as Non-Executive Directors and M Henderson as Chief Financial Officer.

In October 2017 it was with great sadness that Sirius announced that Peter Gregory, Chief Operating Officer had died suddenly. Peter was appointed Chief Operating Officer of the Group on 12 April 2017, and whilst he was not a member of the main Board he was a much valued and admired member of the Sirius team and he was instrumental in creating the operational foundations for the Ororo drilling programme.

In December 2017 Sirius announced the appointment of Dermot O'Keeffe as Interim COO, with primary responsibility for all operational areas of the Ororo field development, a role which he had fulfilled on an acting basis.

Annual General Meeting

The Annual General Meeting will be held at 10 am on Thursday, 14 June 2018 at the offices of Fladgate LLP, 16 Great Queen Street, London, WC2B 5DG. A Notice convening the meeting is at the end of this report.

Current trading and outlook

Clearly since the 2017 year end the Group has undergone both a financial and operational transformation, with the completion of the successful fund raising, a range of shore-based work streams have been commenced in association with the Group's operational partners in Schlumberger, Add Energy and COSL.

The prevailing oil price has also resulted in a substantial uplift in the underlying value of the Ororo Field and According to the Ororo CPR produced by Rockflow and set out in the Company's admission document, it is estimated that the Ororo-2 well will initially produce approximately 2,700bopd of light oil and 6mmcfd of gas. Rockflow estimates that the Ororo asset has a Mid Case Net Present Value to Sirius (NPV10) of $96.1m, based on a $65 per barrel flat real oil price for the life of the field.

During 2018 the Group commenced a range of work streams with its operational partners: Add Energy, Schlumberger and COSL which included additional technical work such as the developing the Mechanical Earth Model with the team at Schlumberger in order to optimize the drilling program on Ororo-2 and Ororo-3. The rig identification has been made in preparation for final mobilization and continued equipment requisitions such as the Compact Well Head Systems for Ororo-2 and Ororo-3 and more recently for Ororo-4 and Ororo-5.

J Pryde
Chairman

14 May 2018

Strategic Report

Business review

The results of the Group are shown on page 30. The Directors do not recommend the payment of a dividend.

The results represent the costs of developing our strategy and reviewing interests in both potential oil and gas blocks and individual marginal field opportunities. Total comprehensive loss for the year amounted to $2,305,000 (2016: $2,135,000). Finance costs in 2017 were: $122,000 (2016: $794,000).

Sirius has not issued any new ordinary shares since the year end and has 3,555,965,801 shares in issue. Sirius does not hold any shares in treasury and, hence, the total number of voting rights in the Company is 3,555,965,801. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Aims and objectives

The Group's core corporate strategy is to work alongside financial and technical industry partners on a joint farm-in basis to exploit larger oil blocks (typically, marginal fields that have flowed oil in the past) in Nigeria, and our objective for 2018 is to commence the drilling programme on the Group's first marginal field, the Ororo Field, located in OML95.

Key Performance Indicators

At this stage in the Group's development, the key performance indicator is the loss after tax. As the Group has not undertaken any trade in the year it has no other key financial or non-financial performance indicators. This will be reviewed in the forthcoming year.

Principal risks and uncertainties

The Group's overall approach to risk management is to employ suitably skilled personnel and implement appropriate policies and procedures. The risks we face have evolved over the course of the year as the business has developed and external factors have impacted the environment in which we operate.

Responsibility for reviewing the system of Risk Management rests with the Audit Committee of the Board, which has reviewed and approved the measures that are being taken to mitigate the most significant risks.

The principal risks faced by Sirius during 2017 relate to political risks in respect of the situation in Nigeria and strategic risks associated with the growth of the organisation and the economic climate.

Exploration Risk

Exploration activities can be capital intensive and may involve a high degree of risk. Thus, budgets are produced by experienced individuals and reviewed to ensure best practice exists. Exploration programmes are approved by the Board.

Oil Price Risk

The oil price is subject to market conditions which are outside of the Group's control. The decision to invest in any oil drilling will be made based on the latest and forecasted oil prices and approved by the Board.

Nigeria country risks

President Buhari's administration initiated many structural reforms within the NNPC and the MPR to provide clarity, transparency, and accountability within the Nigerian oil and gas Industry. These reforms continue to support indigenous projects. The Group hopes that its existing relationship with Owena, the energy arm of the Ondo State Government, will enhance its access to proven oil discoveries located within Ondo State.

Strategic Report continued

Health, Safety, Security and Environment

Sirius is fully committed to ensuring the health, safety and security of all personnel who are directly involved in, or affected by, the Group's operations and full compliance with environmental legislation and standards. As part of this commitment, the Group reviews the HSS&E policies and procedures on a regular basis, integrated with the Group Safety Management System (SMS) to ensure full compliance with industry 'best practice', and international and local rules and regulations.

Environmental compliance and management is a priority and the Group is committed to ensuring that all the appropriate steps are taken to ensure any environmental impacts resulting from the Group's operations are kept to a minimum. Consistent with international and local requirements, Sirius conducts Environmental and Social Impact Assessments ('ESIAs') and ensures that environmental approvals from the relevant authorities are in place prior to embarking on any new projects.

Loss of key employees

Loss of knowledge and skills to the Group in particular countries of operation is a key risk. In response to this risk, remuneration policies are designed to incentivise, motivate and retain key employees.

Taxation and other legislation changes

Operating in developing countries has the additional risk of significant changes in taxation legislation on oil field profits or other legislation. Maintenance of good open working relationships with local authorities in the countries of operation is therefore critical.

Going concern

The Directors have prepared cash flow projections for the period up to 30 June 2019. The cash flow assumes full development of the Ororo field and forecast revenue streams based upon the Competent Person's Report produced. The cash flow shows a requirement for short term borrowings of $32 million, and the Group has put in place borrowing facilities to cover this amount. The projections demonstrate that the Group will have sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Fundraising

The Group has the financial resources in place to bring the Ororo Field into production. Following completion of the Ororo-2 well and conditional on further funding being obtained, Sirius intends to proceed to drill the Ororo-3 well, which is proposed to target the D sand reservoir sequence.

Future prospects

The Board is pleased with the progress made during 2017, and anticipates being in a position to commence the extraction of hydrocarbons from the Ororo Field in the current year.

The Board also continues to review additional asset opportunities, as well as distressed producing opportunities, that require funding.

The Chairman and CEO statement is an integral part of the strategic report.

O Kuti
Chief Executive Officer

14 May 2018

Report of the Directors

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2017.

Principal activity

The Group is actively seeking to acquire and develop offshore proven oil discoveries ('marginal fields') in Nigeria.

Domicile and principal place of business

Sirius Petroleum plc is domiciled in the United Kingdom, which is currently also its principal place of business. It is expected that the Group's activities will become focused in Nigeria once the Ororo field has been brought to production.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risk currently arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this and other risks and these are summarised below.

Liquidity risk

The Group's cash flow has historically been constrained as the Group has developed its business proposition. As a consequence, the Board of Directors continually review the cash available to the Group and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Please see note 16 for further details.

Interest rate risk

The Group has not been exposed to significant interest rate risk. As the Group evolves, this exposure is likely to increase and the Directors will introduce appropriate policies to deal with this risk at that point in time. Please see note 16 for further details.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group reviews the credit risk of the entities with whom it enters into contractual arrangements. Please see note 16 for further details.

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and the indemnities applied throughout the financial year ended 31 December 2017 and through to the date of this report.

Subsequent events

There are no subsequent events to report.

Report of the Directors continued

Directors

The current membership of the Board and those directors who served during the year is set out below.

J Pryde
O Kuti
M Henderson (appointed 18 December 2017)
C Neal
S Hawkins (appointed 18 December 2017)
T Hayward (appointed 18 December 2017)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified to the Group as at 22 April 2018 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Barclays Direct Investing Nominees Limited	298,727,697	8.40%
Hargreaves Lansdown (Nominees) Limited	228,688,327	6.43%
Pershing Nominees Limited	224,695,811	6.32%
Interactive Investor Services Nominees Limited	207,183,860	5.83%
Jim Nominees Limited	175,501,046	4.94%
Vidacos Nominees Limited	165,351,571	4.65%
Spreadex Limited	129,335,070	3.64%
Hargreaves Lansdown (Nominees) Limited	106,504,803	3.00%

Payment to suppliers

It is the Group's policy to agree on appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice "United Kingdom Accounting Standards and applicable laws", including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit or loss of the company and group for that period.

Report of the Directors continued

In preparing these 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 applicable IFRSs/FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;

– 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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware there is no relevant audit information of which the Group's auditor are unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Auditors

Grant Thornton UK LLP has expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By Order of the Board

S Hawkins
Company Secretary

14 May 2018

Company Number: 05181462

Corporate Governance

We are not required to comply with the UK Corporate Governance Code and at this time, given the current nature and scope of the Group's operations, do not comply with the UK Corporate Governance Code. However, we have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the Group and best practice.

Directors

The Group supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Group's expense.

The Board consists of six Directors, who bring a breadth of experience and knowledge and will be enhanced by additional appointments when the Group commences operations in Nigeria. The structure of the Board is intended to provide a balance whereby the Board's decision making cannot be dominated by any one individual.

Relations with shareholders

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. A number of the Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a strong system of internal controls to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Audit Committee, consisting of S Hawkins (Chairman), T Hayward and C Neal, meets at least twice a year to consider the integrity of the financial statements of the Company, including its annual and interim accounts, the effectiveness of the Company's internal controls and risk management systems, auditor reports, and terms of appointment and remuneration for the auditors.

The Board is committed to maintaining a reputation for honesty and integrity in all its business dealings and seeks to avoid the appearance of impropriety in its actions. Accordingly, an Anti-Bribery and Corruption Policy has been established and a hard copy is held at the Group's head office.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify it at present. The Group will, however, keep this under annual review.

Going concern

The Directors have prepared cash flow projections for the period up to 30 June 2019. The cash flow assumes full development of the Ororo field and forecast revenue streams based upon the Competent Person's Report produced. The cash flow shows a requirement for short term borrowings of $32 million, and the Group has put in place borrowing facilities to cover this amount. The projections demonstrate that the Group will have sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Report on Remuneration

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment and performance depends on the individual contributions of the Directors and employees. The Board believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. The Company's Remuneration Committee comprises of T Hayward (Chairman), S Hawkins and C Neal. The Remuneration Committee meets at least twice a year and has as its remit the determination and review of, amongst other matters, the remuneration of Executive Directors and any share incentive plans adopted, or be adopted, by the Company.

The remuneration of the Directors was as follows:

	J Pryde $	O Kuti $	M Henderson (appointed 18 December 2017) $	S Hawkins (resigned 17 November 2016 and reappointed 18 December 2017) $	T Hayward (appointed 18 December 2017) $	C Neal $	Total $
Short-term employment benefits:							
Year to 31 December 2017							
Salary and fees	122,155	161,188	5,708	5,243	2,854	73,945	371,093
Benefits in kind	–	3,119	–	–	–	–	3,119
Pension contributions	444	734	84	41	44	425	1,772
Share based payments	71,353	183,479	61,160	10,193	10,193	30,580	366,958
Total	**193,952**	**348,520**	**66,952**	**15,477**	**13,091**	**104,950**	**742,942**
Employers NI	**15,395**	**21,173**	**320**	**–**	**–**	**7,708**	**44,596**
Year to 31 December 2016							
Salary and fees	64,704	129,825	–	51,240	–	32,341	278,110
Benefits in kind	–	2,958	–	–	–	–	2,958
Total	**64,704**	**132,783**	**–**	**51,240**	**–**	**32,341**	**281,068**
Employers NI	**7,666**	**16,006**	**–**	**–**	**–**	**–**	**23,672**

The above table includes amounts due but undrawn in respect of current and former directors remuneration and National Insurance as at 31 December 2017 (and so are shown as liabilities within accruals) as follows:

J Pryde	$429,682
O Kuti	$217,896
C Neal	$28,123

Under the service agreements for O Kuti and J Pryde $190,582 and $357,777 of the above amounts respectively are not due to be paid until the Group generates oil revenues. The balance are of these amounts are now due.

Report on Remuneration continued

Pensions

The Group makes pension contributions on behalf of the Directors, as required under law.

Benefits in kind

The Group provides medical and dental insurance to certain Directors.

Bonuses

No amounts were payable for bonuses in respect of the years ended 31 December 2017 nor 31 December 2016.

Notice periods

The Directors all have three month rolling notice periods.

Share option incentives

At 31 December 2017 the following share options and warrants were held by the Directors.

		Date of grant	Exercise price	Number of options/warrants
J Pryde	Options	19 December 2017	1.125p	70,000,000
O Kuti	Options	19 December 2017	1.125p	180,000,000
M Henderson	Options	19 December 2017	1.125p	60,000,000
T Hayward	Options	24 March 2011	5p	15,000,000
T Hayward	Options	19 December 2017	1.125p	10,000,000
S Hawkins	Warrants	30 November 2015	2p	5,000,000
S Hawkins	Options	19 December 2017	1.125p	10,000,000
C Neal	Options	19 December 2017	1.125p	30,000,000

Options Granted 24 March 2011

The share options are exercisable on the earlier of the first anniversary of the date of grant or a change of control of the Group or reverse transaction, as defined by the AIM rules, by the Group.

Warrants Granted 30 November 2015

The warrants are exercisable immediately.

Options Granted 19 December 2017

For each director, 50% of the options are exercisable on the first hydrocarbons to surface, 25% are exercisable on the first anniversary of the first hydrocarbons to surface and the remaining 25% are exercisable on the second anniversary of the first hydrocarbons to surface.

The highest and lowest share prices for the year were 1.4p and 0.72p respectively. The share price at 31 December 2017 was 0.875p.

Independent auditor's report

to the members of Sirius Petroleum plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Sirius Petroleum Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and the parent company statements of changes in equity, the consolidated and the parent company statements of financial position, the consolidated cashflow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the group and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent auditor's report continued
to the members of Sirius Petroleum plc

Conclusions relating to going concern

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

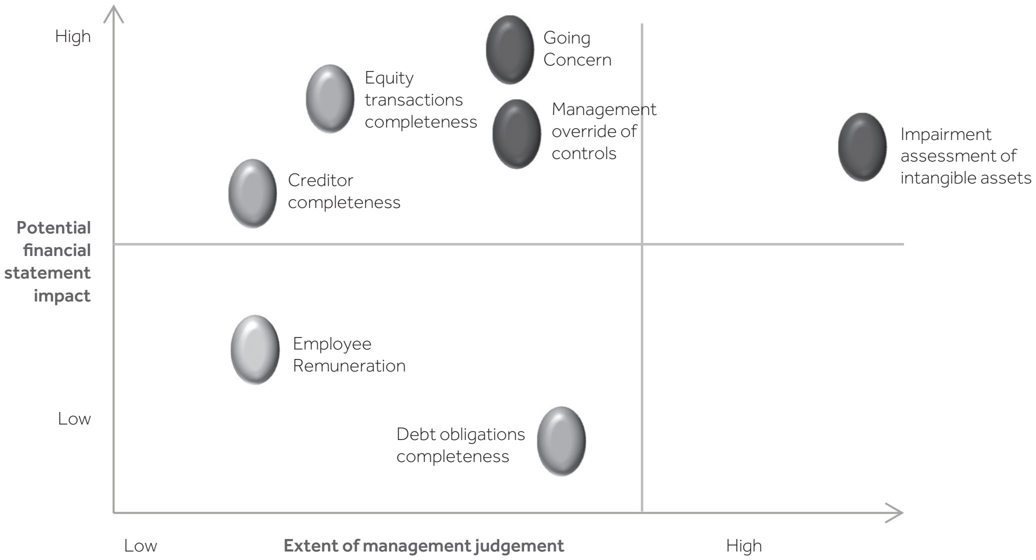
- the directors' use of the going concern basis of accounting in the preparation of the group and parent company financial statements is not appropriate; or
- the directors have not disclosed in the group and parent company financial statements any identified material uncertainties that may cast significant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

Overview of our audit approach

- Overall materiality: $149,000, which represents 5% of the group's preliminary loss before taxation
- We identified one key audit matter, which was the impairment assessment of intangible assets
- We performed full-scope audit procedures on the parent company, Sirius Petroleum Plc
- We performed targeted audit procedures at Sirius Petroleum Ororo OML95 Limited and Sirius Taglient Petro Limited

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



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

Independent auditor's report continued
to the members of Sirius Petroleum plc

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Impairment assessment of intangible assets The extended period of non-productivity from oil fields and changes in valuation factors of the oil and gas reserves indicate a risk that the carrying value of related intangible asset may no longer be recoverable. Management's assessment of recoverability of the carrying value of intangible assets involves significant judgements around the estimation of oil and gas reserves including future oil and gas price outlook. We therefore identified the impairment assessment of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Critical analysis and evaluation of the Competent Person Report ("CPR") which presented the economic reserves and valuation of the group's oil exploration fields; • Considering the appropriateness of the nature, scope and objectives of the work performed by the competent person; • Assessment of the competence, capabilities and objectivity of management's expert in relation to the preparation of the CPR; • Evaluating and challenging the methodology and key assumptions used by management's expert for reasonableness and relevance to the group's oil exploration fields; • Considering the sensitivity of key assumptions used in the impairment assessment to assess the potential impact of the range of possible outcomes. We determined that the valuation was most sensitive to the assumed oil price; and • Assessing the related disclosures in the financial statements for compliance with the International Financial Reporting Standard (IFRS) 6 'Exploration for and evaluation of mineral resources' and consistency with the results of our work. The group's accounting policy in respect of the valuation of intangible assets is shown on page 23 to the group financial statements and related disclosures are included in note 5 on page 36. **Key observations** On the basis of our audit procedures, we concur with management's conclusion that the carrying value of intangible assets is recoverable and no impairment is required.

We have determined that there are no key audit matters relating to the parent company to communicate in our audit report.

Independent auditor's report continued

to the members of Sirius Petroleum plc

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	$149,000 which is 5% of the group's preliminary loss before taxation. This benchmark is considered the most appropriate because it is the key driver of the results of the group and is monitored by management. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the increased loss in the year.	$134,000 which is 5% of the parent company's preliminary loss before taxation. This benchmark is considered the most appropriate because the parent company is a holding company without revenue, existing solely to incur costs for the group. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2016 to reflect the increased loss in the year.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We determined the threshold at which we will communicate misstatements to the Board of Directors to be $7,450. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	We determined the threshold at which we will communicate misstatements to the Board of Directors to be $6,700. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

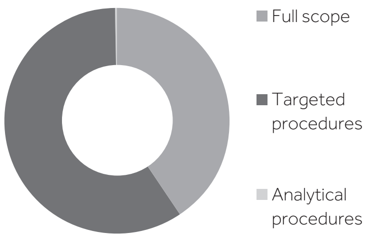
Our audit approach was based on a thorough understanding of the group's and parent company's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of total group assets, liabilities, equity and loss before taxation;.
- Evaluation of the group's internal controls environment including its key IT and financial systems and controls;

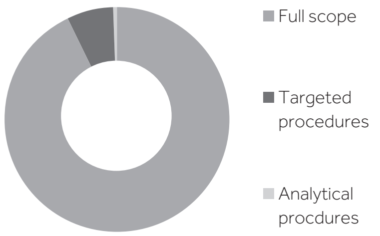
Independent auditor's report continued
to the members of Sirius Petroleum plc

- Performing full-scope audit procedures of the financial statements of the parent company based on its relative materiality to the group and our assessment of the audit risk. This included substantive testing on significant and material transactions and account balances;
- For other components with balances determined to be significant, a targeted approach was taken based on their relative materiality to the group and assessment of audit risk. Accordingly, we performed targeted audit procedures in respect of the impairment assessment of intangible assets at Sirius Petroleum Ororo OML95 Limited and the completeness of employee remuneration costs at Sirius Taglient Petro Limited;
- Performing analytical audit procedures at the non-significant group components taking into account the risks noted above and the significance to the group. All procedures were carried out by the group audit team and therefore no group instructions or component visits were considered necessary;
- A total of 40.7% of the consolidated assets and 92.8% of the consolidated loss before taxation were subject to full-scope audit procedures; and
- A total of 59.2% of the consolidated assets and 6.9% of the consolidated loss before taxation were subject to targeted audit procedures. This is reflected in the charts below:

Consolidated total assets



Consolidated loss before taxation



Other information

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

In connection with our audit of the group and parent company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the group and parent company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the group and parent company financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report continued
to the members of Sirius Petroleum plc

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors' for the financial year for which the group and parent company financial statements are prepared is consistent with the group and parent company financial statements; and
- the strategic report and the report of the directors' have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report continued
to the members of Sirius Petroleum plc

Auditor's responsibilities for the audit of the financial statements

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

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

Rebecca Eagle
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

Date: 14 May 2018

Principal Accounting Policies

Basis of preparation

The Consolidated financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company's shares are listed on the AIM market of the London Stock Exchange. Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 49-61.

The principal accounting policies of the Group are set out below.

Going concern

The Directors have prepared cash flow projections for the period up to 30 June 2019. The cash flow assumes full development of the Ororo field and forecast revenue streams based upon the Competent Person's Report produced. The cash flow shows a requirement for short term borrowings of $32 million, and the Group has put in place borrowing facilities to cover this amount. The projections demonstrate that the Group will have sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The Consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the statement of financial position date. Subsidiaries are entities which are controlled by the Group. Control is achieved when the Group has power over the investee, has the right to variable returns from the investee and has the power to affect its returns. The Group obtains and exercises control through voting rights and control is reassessed if there are indications that the status of any of the three elements has changed.

Unrealised gains on transactions between the Group and its subsidiary undertakings are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary undertakings have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiary undertakings are recorded under the acquisition method of accounting. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary undertakings, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary undertaking prior to acquisition. Acquisition costs are expensed as incurred. On initial recognition, the assets and liabilities of the subsidiary undertaking are included in the Consolidated Statement of Financial Position at their fair values, which are also used as the basis for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after first allocating consideration to identifiable intangible assets. Goodwill represents the excess of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary undertaking at the date of acquisition.

Other income

Other income represents the total value, excluding VAT, of income receivable from professional services. Income is recognised as the services are provided.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the Consolidated Statement of Financial Position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income.

Principal Accounting Policies continued

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged or credited directly to equity or other comprehensive income are charged or credited directly to equity or other comprehensive income.

Intangible exploration and evaluation assets

The Group follows the successful efforts method of accounting for intangible exploration and evaluation ("E&E") costs. Licence costs are initially capitalised as intangible assets, along with any directly attributable costs of evaluation, as these are recoverable if prospects are deemed successful.

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

The intangible assets are initially recognised at cost and are reviewed for impairment. The asset is carried at initial value less accumulated impairment losses.

Exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest they are impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, the Group decides to abandon an area, or where development is likely to proceed in an area there are indications that the exploration and evaluation costs are unlikely to be recovered in full either by development or through sale. Any impairment loss is recognised before reclassification.

Financial assets

The Group's financial assets comprise cash, loans receivable and trade and other receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Financial assets categorised as loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

Interest and other cash flows resulting from holding financial assets are recognised in the statement of comprehensive income using the effective interest rate method, regardless of how the related carrying amount of financial assets is measured.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated by discounting using the original discounted rate.

Principal Accounting Policies continued

Financial assets are derecognised when the rights to receive cash flows for the asset expire or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand.

Classification as financial liabilities or equity

Financial instruments or their component parts are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to equity.

A compound instrument is a non-derivative financial instrument which contains both a liability and an equity component. These components are accounted for separately as financial liabilities and equity components, and are presented separately in the statement of financial position.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Where warrants have been issued for services in relation to procuring subscribers, the relevant fair value charge has been set against share premium as a cost of issue.

The share-based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share-based payments, less any amounts transferred to retained earnings on the exercise of share options or warrants.

Other reserves comprise the amounts arising on the initial recognition of compound instruments.

Translation reserves are amounts in respect of translation of overseas subsidiaries, and unrealised exchange differences.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and loans payable.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Principal Accounting Policies continued

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the statement of comprehensive income.

Loans payable are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

Compound instruments

On initial recognition, the fair value of the consideration for the liability component of the instrument is determined based on the fair value of a similar instrument that does not have an equity conversion option and recognised as a financial liability. Subsequent measurement is in accordance with the financial liabilities accounting policy.

The equity component is recognised initially as the residual value remaining when the fair value of the debt component is compared to the fair value of the compound instrument as a whole. The equity component is not remeasured after initial recognition except on expiry.

Other provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the Statement of Financial Position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where the time value of money is material. All provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position. Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Share-based payments

Options

The Group issues equity-settled share-based payments to certain employees (including directors) in the form of options. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

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

Principal Accounting Policies continued

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Group has also issued equity settled share-based payments to certain employees (including directors), and in respect of services provided by external consultants in the form of warrants. The share-based payment is measured at fair value of the services provided at the grant date, or if the fair value of the services cannot be reliably measured using the Black-Scholes model. The expense is allocated over the vesting period. Where services provided relate to the issue of shares the expense has been charged to share premium.

Fees and loans settled in shares

Where shares have been issued as consideration for services provided or loans outstanding they are measured at the fair value of the services provided. The difference between the carrying amount of the financial liability (or part thereof) extinguished and the fair value of the shares is recognised in the statement of comprehensive income.

Property, plant and equipment

i Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other costs, such as repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the statement of comprehensive income.

ii Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, over its useful economic life as follows:

Computer equipment	–	within the current financial year
Office equipment	–	straight-line over 3 years
Vehicles	–	straight-line over 5 years

Principal Accounting Policies continued

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historic cost in a foreign currency are translated at the exchange rate at the date of the transaction and are not re-translated. Non-monetary assets that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

In the consolidated financial statements all individual financial statements that are originally presented in a currency different from the Group's presentational currency have been converted into USD. Assets and liabilities have been translated into USD at the closing rates at the reporting date. Income and expenses have been converted into USD at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this process have been recognised in other comprehensive income and accumulated separately in the currency exchange reserve in equity.

The average GBP exchange rate used during the year was USD 1.28872 (2016: 1.35549). The closing exchange rate at 31 December 2017 was USD 1.349254 (2016: 1.23412).

Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is oil extraction and related activities. The Group has not traded and has not generated any revenue from external customers during the period.

Principal Accounting Policies continued

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Going concern

In view of the losses during the year, the Directors have carefully considered the appropriateness of preparing the financial statements on a going concern basis. Details of the Directors' review and conclusion are detailed under the heading 'Going Concern' on page 22 above.

Intangible exploration and evaluation assets

Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Share-based payment

Management has made a number of assumptions in calculating the fair value of the share options as detailed in note 10.

(ii) Critical judgments in applying the Group's accounting policies

Sirius Taglient Petro Limited ("STPL")

In applying the accounting policies, which are described above, management have had to make a judgement on whether STPL should be consolidated as a subsidiary undertaking. The Company owns 50% of STPL's issued share capital but has the right to buy the remaining 50% for a nominal sum and has management and operating control of that company. The 50% shareholders have waived their right to receive profit distributions from the company and are holding the shares as nominee of the Group. On this basis the Group consider it is a subsidiary undertaking and, therefore, has consolidated 100% of the company's results for the period. The Directors have assessed fair value of the option to buy the remaining 50% of the share capital to be £Nil (2016: £Nil).

Adoption of new or amended IFRS

- The Directors anticipate that the adoption of new standards which are in issue but not yet effective and have not been early adopted by the Group will be relevant to the Group. The impact of IFRS 16 Leases (IASB effective 1 January 2019, EU endorsed) would not have had a significant impact on the 2017 financial statements, but is likely to have a significant impact on future accounting periods. IFRS 15 Revenue from Contracts with Customers (IASB effective 1 January 2018, EU endorsed) may potentially have a significant impact once the Group is revenue generating. The other standards are not expected to result in significant changes to the Group's accounting policies. These are:
- IFRS 9 Financial Instruments (IASB effective date 1 January 2018, EU endorsed)
- IFRS 14 Regulatory Deferral Accounts (IASB effective 1 January 2016, EU endorsement deferred until final standard released)

Principal Accounting Policies continued

- FRS 17 Insurance Contracts (IASB effective 1 January 2021, EU not yet endorsed)
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations (IASB effective 1 January 2018, EU not yet endorsed)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IASB effective 1 January 2016, EU not yet endorsed)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (IASB effective 1 January 2019, EU not yet endorsed)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (IASB effective 1 January 2019, EU not yet endorsed)
- Amendments to IAS 40: Transfers of investment property (IASB effective 1 January 2018, EU not yet endorsed)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective 1 January 2018, EU endorsed)
- Amendments to IFRS 9: Prepayment features with negative compensation (IASB effective 1 January 2019, EU not yet endorsed)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (IASB effective 1 January 2019, EU not yet endorsed)
- Amendments to IFRS 4: Applying IFRS 9 to IFRS 4 Insurance Contracts (IASB effective 1 January 2018, EU endorsed)
- Annual Improvements to IFRS 2014-2016 Cycle – Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investment in Associates and Joint Ventures (IASB effective 1 January 2018, EU endorsed)
- Annual Improvements to IFRS 2014-2016 Cycle – Relating to IFRS 12 Disclosure of interest in other entities (IASB effective 1 January 2017, EU not yet endorsed)

Consolidated Statemenet of Comprehensive Income

For the year ended 31 December 2017

	Notes	Year ended 2017 $'000	Year ended 2016 $'000
Other income		59	69
Share based payments	10	(465)	–
Other administrative expenses	1	(1,741)	(1,447)
Total administrative expenses		(2,206)	(1,447)
Loss from operations		(2,147)	(1,378)
Finance cost	2	(122)	(794)
Loss before and after taxation, and loss attributable to the equity holders of the Company		(2,269)	(2,172)
Other comprehensive loss			
Items that are or may be reclassified subsequently to profit and loss			
Exchange differences on translating foreign operations		(36)	37
Other comprehensive loss for the period, net of tax		(36)	37
Total comprehensive loss for the year, attributable to owners of the company		(2,305)	(2,135)
Total loss per ordinary share			
Basic and diluted loss per share (cents)	4	(0.09)	(0.11)

All of the activities of the Group are classed as continuing.

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Share based payment reserve $'000	Other reserves $'000	Exchange reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2016	7,144	25,252	7,225	–	(266)	(39,400)	(45)
Share issue	1,783	648	–	–	–	–	2,431
Share issue costs	–	(151)	–	–	–	–	(151)
Transfer on lapse of share options/warrants	–	–	(4,629)	–	–	4,629	–
Issue of loan fees equity instruments (note 9)	–	–	–	11	–	–	11
Transactions with owners	1,783	497	(4,629)	11	–	4,629	2,291
Exchange difference on translating foreign operations	–	–	–	–	37	–	37
Loss for the year	–	–	–	–	–	(2,172)	(2,172)
Total comprehensive loss for the year	–	–	–	–	37	(2,172)	(2,135)
Balance at 31 December 2016	8,927	25,749	2,596	11	(229)	(36,943)	111
Share based payments	–	–	465	–	–	–	465
Share issue	4,283	10,075	–	–	–	–	14,358
Share issue costs	–	(608)	–	–	–	–	(608)
Transfer on lapse of share options/warrants	–	–	(339)	–	–	339	–
Transfer on repayment of loan fees equity instruments (note 9)	–	–	–	(11)	–	11	–
Transactions with owners	4,283	9,467	126	(11)	–	350	14,215
Exchange difference on translating foreign operations	–	–	–	–	(36)	–	(36)
Loss for the year	–	–	–	–	–	(2,269)	(2,269)
Total comprehensive loss for the year	–	–	–	–	(36)	(2,269)	(2,305)
Balance at 31 December 2017	13,210	35,216	2,722	–	(265)	(38,862)	12,021

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	31 December 2017 $'000	31 December 2016 $'000
Assets			
Non-current assets			
Intangible exploration and evaluation assets	5	10,554	4,643
Property, plant and equipment	6	13	20
	1	10,567	4,663
Current assets			
Cash and cash equivalents	16	4,014	830
Trade and other receivables	7	4,013	165
Total current assets	16	8,027	995
Total assets		18,594	5,658
Liabilities			
Current liabilities			
Trade and other payables	8	6,236	4,440
Loans payable	9	337	1,107
Total liabilities	16	6,573	5,547
Equity			
Share capital	11	13,210	8,927
Share premium		35,216	25,749
Share-based payment reserve		2,722	2,596
Other reserves		–	11
Exchange reserve		(265)	(229)
Retained earnings		(38,862)	(36,943)
Equity attributable to equity holders of the Company		12,021	111
Total equity and liabilities		18,594	5,658

The consolidated financial statements were approved by the Board and authorised for issue on 14 May 2018. The Company only's loss for the year was $8,364,000 (year ended 31 December 2016: $2,644,000).

O Kuti
Director

14 May 2018

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Consolidated Cashflow Statement

For the year ended 31 December 2017

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Cash flow from operating activities		
Continuing operations		
Loss after taxation	(2,269)	(2,172)
Depreciation	6	6
Finance cost	122	794
Decrease in trade and other receivables	(879)	(183)
Equity settled share-based payments	465	–
Expenses settled in shares	680	–
Decrease in trade and other payables	(440)	(8)
Net cash outflow from operating activities from continuing operations	(2,315)	(1,563)
Cash flows from investing activities		
Investment in intangibles	(3,525)	(781)
Purchase of property, plant and equipment	(1)	–
Net cash outflow from investing activities	(3,526)	(781)
Cash flows from financing activities		
Proceeds from issue of share capital	9,230	2,431
Share issue costs	(608)	(151)
Finance cost	(48)	(138)
Loans received	526	830
Loans repaid	–	(125)
Net cash inflow from financing activities	9,100	2,847
Net change in cash and cash equivalents	3,259	503
Cash and cash equivalents at beginning of period	830	45
Exchange differences on cash and cash equivalents	(75)	282
Cash and cash equivalents at end of period	4,014	830

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1 Revenue, loss before taxation and segmental information

Loss before taxation

The loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Staff costs (see note 18)	993	420
Depreciation of owned fixed assets	6	6
Operating lease rentals: land and buildings	86	64
Fees payable to the Company's auditor for the audit of the financial statements	52	39
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to reporting accountant	139	–
Other services relating to employee tax advice	6	–
Other services relating to taxation compliance	4	4

Segmental information

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is oil extraction and related activities. The Group has not traded and has not generated any revenue from external customers during the period. In respect of non-current assets $Nil (2016: $Nil) arise in the UK and $10,567,000 (2016: $4,663,000) arise in Nigeria.

2 Finance costs

	Year ended 31 December 2017 $'000	Year ended 31 December 2016 $'000
Finance costs		
Finance fees	97	177
HMRC finance costs	34	–
Settlement of loan	(9)	617
	122	794

Finance fees of $97,000 (2016: $177,000) are in respect of the short-term loans received from unconnected third parties. Further information in respect of these loans is disclosed in note 9. HMRC finance costs of $34,000 (2016: $Nil) are in respect of amounts accrued for ex-directors' fees now paid.

The directors recognised at 31 December 2016 that they may need to cancel part, or all, of the remaining convertible drawdown facility with Calvet International Limited, which amounted to £700,000, prior to arranging finance for drilling. They therefore provided £500,000 (USD$617,000) at 31 December 2016, being the directors best estimate of the likely cost of such cancellation. This amount was paid in 2017 and the facility cancelled. There was a credit of $9,000 difference between the amount accrued and the amount paid as a result of exchange movements.

Notes to the Financial Statements continued

For the year ended 31 December 2017

3 Taxation

There is no tax charge for the year (year ended 31 December 2016: $nil).

Unrelieved tax losses of approximately $16,900,000 (2016: $16,000,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2017 is $2,873,000 (2016: $2,880,000) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise those losses.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2017 $'000	2017 %	2016 $'000	2016 %
Loss before taxation	(2,269)		(2,172)	
Loss multiplied by standard rate of corporation tax in the UK	(437)	(19.25)	(434)	(20.00)
Effect of:				
Expenses not deductible for tax purposes	151	(19.25)	166	(20.00)
Overseas loss not recognised	44	(19.25)	92	(20.00)
Interest disallowed	63	(19.25)	–	(20.00)
Unrelieved tax losses	179	(19.25)	176	(20.00)
Total tax charge for year	–		–	

4 Loss per share

	2017 $'000	2016 $'000
Loss attributable to owners of the Company	(2,269)	(2,172)

	2017 Number	2016 Number
Weighted average number of shares for calculating basic loss per share	2,550,274,003	1,945,424,787

	2017 Cents	2016 Cents
Basic and diluted loss per share	(0.09)	(0.11)

There are 463,500,000 share options and 333,000,000 warrants outstanding as at 31 December 2017, as detailed in note 10. Their effect is anti-dilutive, but is potentially dilutive against future profits.

Notes to the Financial Statements continued

For the year ended 31 December 2017

5 Intangible exploration and evaluation assets

Cost of oil and gas exploration

	$'000
Cost	
At 1 January 2016	3,862
Additions	781
At 31 December 2016	4,643
Additions	5,911
At 31 December 2017	10,554
Amortisation and impairment	
At 1 January 2016, 31 December 2016 and 31 December 2017	–
Net book value at 31 December 2017	10,554
Net book value at 31 December 2016	4,643
Net book value at 1 January 2016	3,862

During the year ended 31 December 2011 Sirius Ororo OML95 Limited entered into an agreement with Guarantee Petroleum Company Limited and Owena Oil & Gas Limited which gives it the right to acquire a 40% interest in the Ororo Oil Field.

The consideration for the 40% interest in the field was $1,000,000 paid on the date of the agreement with a further $500,000 due on the commencement of the operation of the well. At the time of signing the agreement, the Directors considered the fair value of the liability in respect of the additional $500,000 payable. Based on an assessment of how likely it would be that this would be paid discounted at 15%, the Directors considered the amount to be immaterial and did not, therefore, recognise a liability at that time.

At 31 December 2012, the Directors reassessed their estimate of the future cash flows in accordance with the Group's accounting policies. Following the additional work as noted below and the completion of the feasibility report along with the ongoing funding negotiations, the Directors were confident of commencement of the operation of the well. As a result, this liability was now expected to become payable. In 2016 the Directors reviewed the assumptions made and consider that the liability should now be provided in full as it was expected to be paid shortly, therefore, the carrying value of the liability was assessed at $500,000 and is included in other payables (2016: $500,000).

The Group has undertaken certain works including commissioning the preparation of a Competent Persons Report and has conducted an environmental impact assessment. It has also commenced planning appropriate community projects and site surveys to finalise the subsequent drilling programme and will also cover certain operational costs related to the field. Under the agreement with our partners, the Group will cover all costs of this phase of the project. Costs plus interest of LIBOR+3% will be recoverable on the production of oil before the profit interest split is applied; these costs are being added to the costs of the asset.

The Directors have reviewed the investment for impairment. On 8 September 2016, the Group announced that an independent valuation of the Ororo field prepared by Rockflow Resources Limited, gave a mid case net present value of the asset of $49.2m based on a $50 per barrel flat real oil price for the life of the field, and a low case net present value of $8.5m. This valuation was confirmed in the updated CPR in our admission document dated 30 November 2017. These valuations were recalculated at $65 per barrel and resulted in a low case net present value of $32.9m and a mid case net present value of $96.1m. These valuations support the value of the investment held on the Statement of Financial Position and support the view that no impairment triggering events have occurred.

The Group intends investing further amounts into the Ororo Oil Field, as part of its strategic development plans. The costs of the capital and operating costs will be covered by either separate funding facilities or by financial and technical industry partners on a joint farm-in basis.

Notes to the Financial Statements continued
For the year ended 31 December 2017

6 Property, plant and equipment

	Computer equipment $' 000	Office equipment $'000	Motor vehicles $'000	Total $'000
Cost				
At 1 January 2016	50	29	41	120
Exchange difference	–	–	(14)	(14)
At 31 December 2016	50	29	27	106
Additions	1	–	–	1
Exchange difference	–	–	(2)	(2)
Cost at 31 December 2017	51	29	25	105
Depreciation				
At 1 January 2016	50	29	1	80
Charge for the year	–	–	6	6
At 31 December 2016	50	29	7	86
Charge for the year	1	–	5	6
At 31 December 2017	51	29	12	92
Net book value				
Balance at 31 December 2017	–	–	13	13
Balance at 31 December 2016	–	–	20	20
Balance at 1 January 2016	–	–	–	–

7 Trade and other receivables

	31 December 2017 $'000	31 December 2016 $'000
Current		
Trade receivables	–	–
Other receivables	3,209	139
Prepayments and accrued income	804	26
	4,013	165

Included in other receivables is $2,969,000 (£2,201,000) of unpaid share capital from the placing on 19 December. Of this $2,727,000 (£2,021,000) has now been paid leaving $242,000 (GBP £180,000) unpaid.

The fair value of these short-term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value. All trade and other receivables have been reviewed for indicators of impairment.

Notes to the Financial Statements continued

For the year ended 31 December 2017

8 Trade and other payables

	31 December 2017 $'000	31 December 2016 $'000
Trade payables	3,803	395
Other payables	1,099	573
Accruals	1,334	3,472
	6,236	4,440

There are amounts totalling $548,000 due to directors in accruals which are due on first hydrocarbons to surface.

Additionally there are deferred payments of $949,000 in trade payables which only become due three months after first hydrocarbons to surface.

The fair value of trade and other payables has not been disclosed as, due to their short duration, management consider the carrying amounts recognised in the Statement of Financial Position to be a reasonable approximation of their fair value.

9 Loans payable

During the year the Group received loans from several unconnected parties to fund working capital amounting to $526,000 (2016: $830,000), which incurred initial loan fees of $Nil (2016: $83,000).

Convertible loans

None of the 2017 loans received were convertible. Of the 2016 loans 2016: $669,000 plus interest of $67,000 was convertible at 0.35p. The loans are unsecured.

Some of the loan agreements and initial loan fees represent compound instruments. The fair value of the financial liability component of these loans and arrangement fees was initially recognised at $Nil (2016: $657,000). Associated finance charges of $52,000 (2016: $23,000) have been recognised during the period calculated in accordance with the effective interest method. During the year $736,000 (2016: $Nil) of the debt was repaid in shares, and $Nil (2016: $125,000) was repaid in cash. At 31 December 2017, the carrying value of the financial liability is $337,000 (2016: $937,000), including a $84,000 (2016: $136,000) exchange movement and is included within loans payable.

The initial loan fees of the 2016 convertible loan may be settled, at the Lendor's discretion, in cash or as a fixed number of shares, to be issued at 0.35p per share. This component represents an equity instrument and was been recognised within other reserves in 2016 at the residual value of $12,000, being the difference between the $669,000 cash consideration received and the initial fair value of the financial liability component of 2016: $657,000. There was an exchange movement of $1,000 recognised on the reserve and the carrying value was $11,000. This amount was transferred to retained earnings on converson of the loan in 2017 and $1,000 exchange difference was recognised.

During the year ended 31 December 2016 $124,655 of initial loans were repaid in cash and an additional $91,718 finance charge was paid on this loan dating back to 2012, which has been included in finance cost in 2016. Additionally $46,000 of commissions paid on loans received has been included in finance costs in 2016.

Notes to the Financial Statements continued

For the year ended 31 December 2017

9 Loans payable continued

Non-convertible loans

During the year the Group received non-convertible loans of $526,000 (2016: $160,000) and $22,000 of interest (2016: $16,000) was recognised on these loans during the year. Agreements were reached with the lenders to repay these loans in shares and 86,103,572 shares were issued in respect of a total repayment of $743,000 including a $25,000 exchange movement (2016 minus $6,000 movement). Additionally $23,000 of commissions paid on loans received has been included in finance costs in 2017.

The movements in the loans are summarised below:

	31 December 2017 $'000	31 December 2016 $'000
Convertible loans		
Balance at 1 January	937	518
Loans received	–	657
Interest charged	52	23
Converted	(736)	–
Repaid in cash	–	(125)
Foreign exchange	84	(136)
Balance at 31 December	337	937
Non-convertible loans		
Balance at 1 January	170	–
Loans received	526	160
Interest charged	22	16
Paid in shares	(743)	–
Foreign exchange	25	(6)
Balance at 31 December	–	170

Notes to the Financial Statements continued

For the year ended 31 December 2017

10 Share-based payments

The Group incurred share-based payment charge of $465,000, of which $425,000 was in respect of share options and $40,000 in respect of warrants. A further charge of $20,000 related to fees which were paid in shares. The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date of a sale of the business or a reverse acquisition until the fifth anniversary of that date, or until ten years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

The options have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Assumed vesting period	Exercise price £	Fair value at grant date £	31 December 2017 Number	31 December 2016 Number
At the earlier of an exit event and 12 months after readmission to AIM	28-Feb-11	12 months	0.05	0.015628	36,000,000	41,000,000
At the earlier of an exit event and 12 months after readmission to AIM	28-Feb-11	12 months	0.09	0.006962	2,000,000	2,000,000
The later of 12 months after readmission to AIM and an exit event	28-Feb-11	–	0.05	0.00	–	3,000,000
At the earlier of the first anniversary date of the date of grant or an exit event	11-Oct-11	6 months	0.05	0.015007	8,000,000	17,000,000
The date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	4 months	0.01125	0.008154	208,750,000	–
12 months after the date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	16 months	0.01125	0.008154	104,375,000	–
24 months after the date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	28 months	0.01125	0.008154	104,375,000	–
					463,500,000	63,000,000

The share options can be exercised up to between five years after the date first exercisable, and ten years from the grant date.

At 31 December 2017, 46,000,000 options were exercisable (2016: 63,000,000).

Notes to the Financial Statements continued

For the year ended 31 December 2017

10 Share-based payments continued

For those options granted to employees and directors, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	19 December 2017	11 October 2011	28 February 2011
Risk free rate	0.50%	0.50%	0.50%
Share price volatility	108%	80%	80%
Expected life	Between 7 months and 31 months	Between 6 months and 3 years	1 year and 3 years
Share price at date of grant	£0.0090	£0.0479	£0.0500

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The following assumptions were used with regards to the vesting period:

- The options granted on 28 February 2011 with a vesting date of 24 March 2013, were assumed to vest in 12 months on their vesting date as the share price was expected to rise above 5p by that time.
- The options granted on 11 October 2011 were assumed to vest in 6 months on their vesting date as a transaction was expected to complete in March 2013.
- The options granted on 19 December 2017 at were assumed to vest in 7/19/31 months on their vesting date as the succesful first commercial production of hydrocarbons to surface is expected in July 2018.

The Group recognised a charge of $426,000 (year ended 31 December 2016: $Nil) relating to these equity-settled share-based payment transactions during the year. Although the 2011 options have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

Warrants

On 30 January 2013, the Group entered into an agreement with Strand Hanson Limited in respect of funding arrangements. Under this agreement 300,000,000 warrants would be issued at 4p, 300,000,000 at 6p and 300,000,000 warrants at 10p to Strand Hanson Limited or their advisors upon successfully procuring funding of $65 million. These warrants were issued on 4 May 2013 after signing an off-take agreement with Glencore Limited.

On 3 March 2014, the Group granted Cantor Fitzgerald Europe 1,000,000 warrants at 5p, on commencement of their services as Broker to the Group. These warrants may be exercised, in whole or in part or parts, at any time and from the date of grant until the second anniversary of the grant date.

On 7 April 2014, 5,000,000 warrants were issued to S Fletcher and 7,500,000 were issued to A Kejriwal at 5p for services performed as directors. These warrants may be exercised, in whole or in part or parts, at any time between 1 October 2015 and 31 October 2024.

On 1 May 2015, 10,000,000 warrants at 2p were issued to Juniper Capital Partners Limited Partnership for strategic and financial advice provided to the Group. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the fifth anniversary of the date of grant.

On 11 June 2015, 3,000,000 warrants at 2p were issued to Cairn Financial Advisers LLP, the Group's Nomad. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the third anniversary of the date of grant.

Notes to the Financial Statements continued

For the year ended 31 December 2017

10 Share-based payments continued

Warrants continued

On 11 August 2015, 100,000,000 warrants at 2p were issued to Havoc Services Pty Ltd, on the signing of the Technical Services Agreement. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the third anniversary of the date of grant.

On 30 November 2015, 5,000,000 warrants at 2p were issued to S Hawkins on his appointment as a director. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the third anniversary of the date of grant.

On 3 December 2015, the 900,000,000 warrants issued to Strand Hanson Limited on 30 January 2013 were cancelled and 185,000,000 warrants were concurrently granted to various parties at 2p. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the third anniversary of the date of grant.

On 24 October 2017, 5,000,000 warrants at 2p were issued to Soncer Limited. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the third anniversary of the date of grant.

At 31 December 2017, a total of 333,000,000 warrants were exercisable. The weighted average share price at the date of exercise of the warrants was 0.76 pence. The weighted average exercise price is 2.23 pence and a weighted average remaining contractual life of 1.15 years.

At 31 December 2017, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2017		2016	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	329,000,000	2.23	399,000,000	3.63
Granted during the year	5,000,000	2.00	–	–
Lapsed during the year	(1,000,000)	5.50	(70,000,000)	10.00
Outstanding and exercisable at 31 December	333,000,000	2.23	329,000,000	2.23

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Group. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

Notes to the Financial Statements continued

For the year ended 31 December 2017

10 Share-based payments continued

Warrants continued

The fair value of the services received is considered to be comparable to the fair value of the warrants issued in 2011 to 2017. These have been valued using the Black-Scholes valuation model. The inputs into the Black-Scholes model for calculating estimated fair values were as follows:

	Risk free rate	Share price volatility	Exercise price	Share price at date of grant	Fair value at date of grant
11 October 2011	0.50%	80%	£0.05	£0.0479	£0.150070
07 April 2014	0.50%	61.24%	£0.05	£0.0288	£0.017125
01 May 2015	0.50%	76.65%	£0.02	£0.0105	£0.005068
11 June 2015	0.50%	79.99%	£0.02	£0.0078	£0.002324
11 August 2015	0.50%	81.05%	£0.02	£0.0063	£0.001570
30 November 2015	0.50%	87.74%	£0.02	£0.0033	£0.000504
03 December 2015	0.50%	88.80%	£0.02	£0.0033	£0.000602
24 October 2017	0.25%	107.68%	£0.02	£0.0125	£0.006124

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in March 2011 were expected to vest immediately, and those issued in October 2011 were expected to vest in 12 months from date of grant. The warrants issued in March 2014 were expected to vest in 10 months and those issued in April 2014 were expected to vest in 12 months from date of grant. All of the warrants issued in 2015 and 2017 were expected to vest immediately. Although some have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

The Group recognised total expenses of $40,000 (2016: $Nil) relating to these equity-settled share-based payment transactions during the year.

Fees paid in shares

The Group recognised a charge of $20,000 (2016: $Nil) in respect of shares issued for services received.

Notes to the Financial Statements continued

For the year ended 31 December 2017

11 Share capital

	31 December 2017 $'000	31 December 2016 $'000
Allotted, issued and fully paid		
3,555,965,801 (2016: 2,258,029,523) ordinary shares of 0.25p	13,210	8,927

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
At 31 December 2015	1,721,362,856	7,144
Shares issued for cash	536,666,667	1,783
At 31 December 2016	2,258,029,523	8,927
Shares issued for fees due	64,323,183	214
Shares issued for cash	990,366,666	3,258
Loan repayments	243,246,429	811
At 31 December 2017	3,555,965,801	13,210

On 26 January 2017, 14,000,000 ordinary shares of 0.25p were issued at 0.5p in repayment of a loan of £70,000.

On 22 February 2017, 266,666,666 ordinary shares of 0.25p were issued at 0.75p for cash raising £2,000,000 before costs, and 3,333,333 ordinary shares of 0.25p were issued at 0.75p in payment of placing commission of £25,000.

On 5 December 2017, 394,000,000 ordinary shares of 0.25p were issued at 1p for cash raising £3,297,000 before costs.

On 19 December 2017, 329,700,000 ordinary shares of 0.25p were issued at 1p for cash raising £3,940,000 before costs, 188,571,429 ordinary shares of 0.25p were issued at 0.35p in repayment of loans and interest of £660,000, 5,500,000 ordinary shares of 0.25p were issued at 0.5p in repayment of loans and interest of £27,500, 35,175,000 ordinary shares of 0.25p were issued at 0.1p in repayment of loans and interest of £351,750, 24,977,350 ordinary shares of 0.25p were issued at 0.5p in payment of fees of £124,887, 29,012,500 ordinary shares of 0.25p were issued at 1p in payment of directors' and other fees of 290,125, and 7,000,000 ordinary shares of 0.25p were issued at 1p in payment of placing commission of £70,000.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the shareholders.

Notes to the Financial Statements continued

For the year ended 31 December 2017

12 Reconciliation of liabilities arising from financing acivities

	Short-term borrowings	Total
1 January 2017	1,107	1,107
Cash-flows:		
– Proceeds	525	525
Non-cash:		
– Repayment in shares and equivalent	(1,478)	(1,478)
– Accrued interest	74	74
– Foreign exchange movement	109	109
31 December 2017	337	337

	Short-term borrowings	Total
1 January 2016	518	518
Cash-flows:		
– Proceeds	830	830
– Interest paid	(91)	(91)
– Repayments	(125)	(125)
Non-cash:		
– Transfer to loan equity	(11)	(11)
– Accrued interest	130	130
– Foreign exchange movement	(144)	(144)
31 December 2016	1,107	1,107

13 Contingent liabilities

There were no contingent liabilities at 31 December 2017 or at 31 December 2016.

14 Capital commitments and undrawn borrowings

There were no capital commitments at 31 December 2017 or at 31 December 2016. At 31 December 2017 there was an undrawn partially convertible loan facility of $12 million (31 December 2016: £700,000).

15 Operating lease commitments

There were no commitments under non-cancellable operating leases at 31 December 2017 or at 31 December 2016.

Notes to the Financial Statements continued

For the year ended 31 December 2017

16 Financial instruments

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risks to which the Group is exposed are described below:

a Credit risk

The Group's credit risk is primarily attributable to its trade receivables. At 31 December 2017, the Group had $Nil of trade receivables and, therefore, minimal risk.

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the Statement of Financial Position date, as summarised below:

	31 December 2017			31 December 2016		
	Loans and receivables $'000	Non financial assets $'000	Statement of Financial Position total $'000	Loans and receivables $'000	Non financial assets $'000	Statement of Financial Position total $'000
Other receivables	3,209	–	3,209	139	–	139
Prepayments and accrued income	–	804	804	–	26	26
Cash and cash equivalents	4,014	–	4,014	830	–	830
Total	7,223	804	8,027	969	26	995

The credit risk on liquid funds is limited due to the level of cash held and because the Group only places deposits with leading financial institutions in the United Kingdom.

b Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

c Market risk

Interest rate risk

The Group bears negligible interest rate risk at 31 December 2017.

d Foreign currency risk

The Group operates in the UK and Nigeria and carries out transactions in US dollars, Sterling and Nigerian Naira. The Group does not have a policy to hedge but will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

Notes to the Financial Statements continued

For the year ended 31 December 2017

16 Financial instruments continued

e Financial liabilities

The Group's financial liabilities are classified as follows:

	31 December 2017			31 December 2016		
	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 39 $'000	Total $'000	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 39 $'000	Total $'000
Trade payables	3,803	–	3,803	395	–	395
Other payables	1,099	–	1,099	573	–	573
Loans	337	–	337	1,107	–	1,107
Accruals	1,334	–	1,334	3,472	–	3,472
Total	6,573	–	6,573	5,547	–	5,547

Maturity of financial instruments

All financial liabilities in the table above at 31 December 2017 and 31 December 2016 mature in less than one year.

Included in the table above is $500k relating to additional consideration for the Ororo field being the expected cash outflow on commencement of the operation of the well. This has been included in the Statement of Financial Position at 31 December 2017 at a fair value of $500k (2016: $500k).

Borrowing facilities for the year ended 31 December 2017

At 31 December 2017 there was an undrawn partially convertible loan facility of $12 million (31 December 2016: £700,000).

f Capital risk management

The Group's objectives when managing capital are:

– to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;

– to support the Group's stability and growth; and

– to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

The financial statements show that the Group's net assets are less than half its called up share capital. In these circumstances, the Directors of the Group are obliged by section 656 of the CA 2006 to convene a general meeting for the purposes of considering whether any and if so what, steps should be taken to deal with the Group's current financial position. The Directors will consider this issue at the Company's forthcoming Annual General Meeting.

Notes to the Financial Statements continued

For the year ended 31 December 2017

17 Related party transactions

At 31 December 2017, O Kuti was owed $Nil in expenses by the Group (2016: $1,451), J Pryde was owed $3,549 (2016: $Nil) in expenses and S Hawkins was owed $1,574 (2016: $Nil) in fees and expenses. At the year end undrawn salaries were due to J Pryde of $429,682 (2016: $327,247), O Kuti of $217,896 (2016: $174,319), C Neal $28,123 (2016: $Nil) and S Hawkins $Nil (2016: $3,799).

S Hawkins additionally charged $Nil for Company Secretarial fees (2016: $6,114).

18 Employee remuneration

The expense recognised for employee benefits, including the Directors' emoluments, is analysed below:

	2017 $'000	2016 $'000
Wages and salaries	459	328
Redundancy payments	–	24
Social security	113	57
Share-based payments	410	–
Benefits in kind	11	11
	993	420

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on pages 13-14.

The average number of employees during the year was:

	2017 No.	2016 No.
Directors	3	4
Other	7	6
	10	10

19 Subsidiaries

The following subsidiaries have been consolidated in these accounts:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Taglient Petro Limited	50%	Management services	Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria
Sirius 2012 Limited	100%	Exploration for mineral resources	Nigeria

Sirius Petroleum plc

Parent Company Financial Statements

(prepared under uk gaap – FRS 102)

for the year ended 31 December 2017

Company No 05181462

Principal Accounting Policies

For the year ended 31 December 2017

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, and in accordance with the Companies Act 2006.

The individual accounts of Sirius Petroleum plc have also adopted the following disclosure exemptions:

– the requirement to present a statement of cash flows and related notes.

Going concern

The Directors have prepared cash flow projections for the period up to 30 June 2019. The cash flow assumes full development of the Ororo field and forecast revenue streams based upon the Competent Person's Report produced. The cash flow shows a requirement for short term borrowings of $32 million, and the Group has put in place borrowing facilities to cover this amount. The projections demonstrate that the Group will have sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the Parent Company financial statements have been prepared on a going concern basis.

Other income

Other income represents the total value, excluding VAT, of income receivable from professional services. Income is recognised as the services are provided.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the Statement of Financial Position date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged or credited directly to equity or other comprehensive income are charged or credited directly to equity or other comprehensive income.

Principal Accounting Policies continued
For the year ended 31 December 2017

Financial assets

The Company's financial assets comprise cash, loans receivable and trade and other receivables.

All financial assets are recognised when the Company becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Financial assets categorised as loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

Trade and other receivables are provided against when objective evidence is received that the Company will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated by discounting using the original discounted rate.

Financial assets are derecognised when the rights to receive cash flows for the asset expire or the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank deposits repayable on demand, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable on demand from the date of the advance if the advance forms part of the Company's cash management.

Classification as financial liabilities or equity

Financial instruments or their component parts are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to equity.

A compound instrument is a non-derivative financial instrument which contains both a liability and an equity component. These components are accounted for separately as financial liabilities and equity components, and are presented separately in the statement of financial position.

Principal Accounting Policies continued

For the year ended 31 December 2017

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Where warrants have been issued for services in relation to procuring subscribers, the relevant fair value charge has been set against share premium as a cost of issue.

The share-based payment reserve represents the cumulative amount which has been expensed in the statement of comprehensive income in connection with share-based payments, less any amounts transferred to retained earnings on the exercise of share options or warrants.

Other reserves comprise the amounts arising on the initial recognition of compound instruments.

Translation reserves are amounts in respect of unrealised exchange differences.

Retained earnings include all current and prior year results as disclosed in the statement of comprehensive income.

Financial liabilities

The Company's financial liabilities comprise trade and other payables and loans payable. The Company has adopted IAS39 for the recognition and measurement of these financial instruments.

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the statement of comprehensive income using the effective interest method.

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the statement of comprehensive income.

Loans payable are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in the statement of comprehensive income on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

Compound instruments

On initial recognition, the fair value of the consideration for the liability component of the instrument is determined based on the fair value of a similar instrument that does not have an equity conversion option and recognised as a financial liability. Subsequent measurement is in accordance with the financial liabilities accounting policy.

The equity component is recognised initially as the residual value remaining when the fair value of the debt component is compared to the fair value of the compound instrument as a whole. The equity component is not remeasured after initial recognition except on expiry.

Principal Accounting Policies continued

For the year ended 31 December 2017

Other provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the Statement of Financial Position date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each Statement of Financial Position date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position. Probable inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

Share-based payments

Options

The Company issues equity-settled share-based payments to certain employees (including directors) in the form of options. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

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

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Company has also issued equity settled share-based payments to certain employees (including directors), and in respect of services provided by external consultants in the form or warrants. The share-based payment is measured at fair value of the services provided at the grant date, or if the fair value of the services cannot be reliably measured using the Black-Scholes model. The expense is allocated over the vesting period. Where services provided relate to the issue of shares the expense has been charged to share premium.

Fees and loans settled in shares

Where shares have been issued as consideration for services provided or loans outstanding they are measured at the fair value of the services provided. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in the statement of comprehensive income.

Principal Accounting Policies continued
For the year ended 31 December 2017

Property, plant and equipment

Measurement basis

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other costs, such as repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the statement of comprehensive income.

Depreciation

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, over its useful economic life as follows:

Computer equipment	–	within the current financial year
Office equipment	–	straight-line over 3 years

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historic cost in a foreign currency are translated at the exchange rate at the date of transaction and are not re-translated. Non-monetary assets that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the statement of comprehensive income in the period in which they arise.

In the financial statements all individual financial statements that are originally presented in a currency different from the Company's presentational currency have been converted into USD. Assets and liabilities have been translated into USD at the closing rates at the reporting date. Income and expenses have been converted into USD at the exchange rates at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this process have been recognised in other comprehensive income and accumulated separately in the currency exchange reserve in equity.

The average GBP exchange rate used during the year was USD 1.28872 (2016: 1.35549). The closing exchange rate at 31 December 2017 was USD 1.349254 (2016: 1.23412).

Principal Accounting Policies continued

For the year ended 31 December 2017

Segmental reporting

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is oil extraction and related activities. The Group has not traded and has not generated any revenue from external customers during the period.

Statement of Financial Position

As at 31 December 2017

	Note	31 December 2017 $'000	31 December 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents		4,010	828
Trade and other receivables	2	4,011	159
Total current assets		8,021	987
Total assets		8,021	987
LIABILITIES			
Current liabilities			
Trade and other payables	3	4,916	2,869
Loans payable	3	337	1,107
Total liabilities	3	5,253	3,976
EQUITY			
Share capital	5	13,210	8,927
Share premium		35,216	25,749
Share-based payment reserve		2,722	2,596
Other reserves		–	11
Exchange reserve		23	117
Retained earnings		(48,403)	(40,389)
Equity attributable to equity holders of the Company		2,768	(2,989)
Total equity and liabilities		8,021	987

The Company's loss for the year was $8,364,000 (year ended 31 December 2016: $2,644,000).

The financial statements were approved by the Board and authorised for issue on 14 May 2018.

O Kuti
Director

14 May 2018

Company number: 05181462

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital $'000	Share premium $'000	Share based payment reserve $'000	Other reserves $'000	Exchange reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2016	7,144	25,252	7,225	–	(2)	(42,374)	(2,755)
Share issue	1,783	648	–	–	–	–	2,431
Share issue costs	–	(151)	–	–	–	–	(151)
Transfer on lapse of share options/warrants	–	–	(4,629)	–	–	4,629	–
Issue of loan fees equity instruments (note 3)	–	–	–	11	–	–	11
Transactions with owners	1,783	497	(4,629)	11	–	4,629	2,291
Exchange difference on translating foreign operations	–	–	–	–	119	–	119
Loss for the year	–	–	–	–	–	(2,644)	(2,644)
Total comprehensive loss for the year	–	–	–	–	119	(2,644)	(2,525)
Balance at 31 December 2016	8,927	25,749	2,596	11	117	(40,389)	(2,989)
Share based payments	–	–	465	–	–	–	465
Share issue	4,283	10,075	–	–	–	–	14,358
Share issue costs	–	(608)	–	–	–	–	(608)
Transfer on lapse of share options/warrants	–	–	(339)	–	–	339	–
Repayment of loan fees equity instruments (note 3)	–	–	–	(11)	–	11	–
Transactions with owners	4,283	9,467	126	(11)	–	350	14,215
Exchange difference on translating foreign operations	–	–	–	–	(94)	–	(94)
Loss for the year	–	–	–	–	–	(8,364)	(8,364)
Total comprehensive loss for the year	–	–	–	–	(94)	(8,364)	(8,458)
Balance at 31 December 2017	13,210	35,216	2,722	–	23	(48,403)	2,768

The accompanying principal accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1 Fixed asset investments

	Investment in group undertakings $'000
Cost	
At 31 December 2016 and 31 December 2017	19,260
Amounts written off:	
At 31 December 2016 and 31 December 2017	19,260
Net book value at 31 December 2016 and 31 December 2017	–

At 31 December 2017 the Company holds ordinary share capital in the following subsidiary undertakings:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation	Registered Office
Sirius Oil & Gas Limited	100%	Dormant	England and Wales	16 Great Queen Street, London, WC2B 5DG, UK
Sirius Taglient Petro Limited	50%	Management services	Nigeria	3 Jerry Iriabe Street Lekki Scheme 1, Lagos, Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria	3 Jerry Iriabe Street Lekki Scheme 1, Lagos, Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria	3 Jerry Iriabe Street Lekki Scheme 1, Lagos, Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria	3 Jerry Iriabe Street Lekki Scheme 1, Lagos, Nigeria
Sirius 2012 Limited	100%	Exploration for mineral resources	Nigeria	3 Jerry Iriabe Street Lekki Scheme 1, Lagos, Nigeria

At 31 December 2017 the Company owned 50% of the shares in Sirius Taglient Petro Limited, a company incorporated in Nigeria, to operate in the oil and gas sector. The Company has the right to acquire the remaining 50% shares for a nominal sum and has management and operating control of that company.

Notes to the Financial Statements continued

For the year ended 31 December 2017

2 Debtors

	31 December 2017 $'000	31 December 2016 $'000
Other debtors	3,207	133
Amounts owed by Group undertakings	–	–
Prepayments and accrued income	804	26
	4,011	159

Included in other receivables is $2,969,000 (£2,201,000) of unpaid share capital from the placing on 19 December. Of this $2,389,000 (£1,771,000) has now been paid leaving $580,000 (GBP £430,000) unpaid.

Given the uncertainty of the recoverability of the amounts owed by Group undertakings management have provided in full for the outstanding balance of $13,382,000 (2016: $7,059,000).

3 Creditors: amounts falling due within one year

	31 December 2017 $'000	31 December 2016 $'000
Trade creditors	3,303	180
Social security and other taxes	249	19
Other creditors	276	–
Loans	337	1,107
Accruals and deferred income	1,088	2,670
	5,253	3,976

There are amounts totalling $548,000 due to directors in accruals which are due on first hydrocarbons to surface.

Additionally there are deferred payments of $949,000 in trade payables which only become due three months after first hydrocarbons to surface.

The fair value of trade and other payables has not been disclosed as, due to their short duration, management consider the carrying amounts recognised in the Statement of Financial Position to be a reasonable approximation of their fair value.

During the year the Company received loans from several unconnected parties to fund working capital amounting to $526,000 (2015: $822,000), which incurred initial loan fees of $Nil (2016: $83,000). Of the 2016 loans $669,000 plus interest of $67,000 was convertible at 0.35p. The loans are unsecured. During the year $1,479,000 of the debt was settled by the issue of 243,246,429 shares at between 0.35p and 1p.

During the year ended 31 December 2016 $124,655 of initial loans were repaid in cash and an additional $91,718 finance charge was paid on this loan dating back to 2012, which has been included in finance cost in 2016.

For details of the treatment on these loans see note 9 in the consolidated group accounts.

4 Share-based payments

Details of share-based payments are disclosed on pages 40-43 of the consolidated group accounts.

Notes to the Financial Statements continued

For the year ended 31 December 2017

5 Share capital

	31 December 2017 $'000	31 December 2016 $'000
Allotted, issued and fully paid		
3,555,965,801 (2016: 2,258,029,523) ordinary shares of 0.25p	13,210	8,927

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
At 31 December 2015	1,721,362,856	7,144
Shares issued for cash	536,666,667	1,783
At 31 December 2016	2,258,029,523	8,927
Shares issued for fees due	64,323,183	214
Shares issued for cash	990,366,666	3,258
Loan repayments	243,246,429	811
At 31 December 2017	3,555,965,801	13,210

On 26 January 2017, 14,000,000 ordinary shares of 0.25p were issued at 0.5p in repayment of a loan of £70,000.

On 22 February 2017, 266,666,666 ordinary shares of 0.25p were issued at 0.75p for cash raising £2,000,000 before costs, and 3,333,333 ordinary shares of 0.25p were issued at 0.75p in payment of placing commission of £25,000.

On 5 December 2017, 394,000,000 ordinary shares of 0.25p were issued at 1p for cash raising £3,297,000 before costs.

On 19 December 2017, 329,700,000 ordinary shares of 0.25p were issued at 1p for cash raising £3,940,000 before costs, 188,571,429 ordinary shares of 0.25p were issued at 0.35p in repayment of loans and interest of £660,000, 5,500,000 ordinary shares of 0.25p were issued at 0.5p in repayment of loans and interest of £27,500, 35,175,000 ordinary shares of 0.25p were issued at 0.1p in repayment of loans and interest of £351,750, 24,977,350 ordinary shares of 0.25p were issued at 0.5p in payment of fees of £124,887, 29,012,500 ordinary shares of 0.25p were issued at 1p in payment of directors' and other fees of 290,125, and 7,000,000 ordinary shares of 0.25p were issued at 1p in payment of placing commission of £70,000.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the shareholders.

6 Loss for the financial Year

The Company has taken advantage of the exemption under the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was $8,364,000 (2016: $2,644,000).

	31 December 2017 $'000	31 December 2016 $'000
Fees payable to the Company's auditor for the audit of the financial statements	52	39
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to reporting accountant	139	–
Other services relating to employee tax advice	6	–
Other services relating to taxation compliance	4	4

Notes to the Financial Statements continued
For the year ended 31 December 2017

7 Directors remuneration and employee numbers

Details of the Directors' remuneration is disclosed within the Report on Remuneration on pages 13-14.

The average number of employees during the year was:

	2017 No.	2016 No.
Directors	3	4
Other	2	1
	5	5

8 Contingent liabilities

There were no contingent liabilities at 31 December 2017 nor at 31 December 2016.

9 Capital commitments and undrawn borrowings

There were no capital commitments at 31 December 2017 nor at 31 December 2016. At 31 December 2017 there was an undrawn partially convertible loan facility of $12 million (31 December 2016: £700,000).

10 Related party transactions

At 31 December 2017, O Kuti was owed $Nil in expenses by the Group (2016: $1,451), J Pryde was owed $3,549 (2016: $Nil) in expenses and S Hawkins was owed $1,574 (2016: $Nil) in fees and expenses. At the year end undrawn salaries were due to J Pryde of $429,682 (2016: $327,247), O Kuti of $217,896 (2016: $174,319), C Neal $28,123 (2016: $Nil) and S Hawkins $Nil (2016: $3,799).

S Hawkins additionally charged $Nil for Company Secretarial fees (2016: $6,114).

During the year, the Company made loans of $296,660 (2016: $273,599) to Sirius Taglient Petro Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2017, Sirius was owed $3,681,140 (2016: $3,384,480) from Sirius Taglient Petro Limited, which has been provided for in full.

During the year, the Company made loans of $6,025,832 (2016: $657,740) to Sirius Ororo (OML95) Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2017, Sirius was owed $9,609,305 (2016: $3,583,473) from Sirius Ororo (OML95) Limited, which has been provided for in full.

During the year, the Company made no loans (2016: $Nil) to Sirius 2012 Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2017, Sirius was owed $91,367 (2016: $91,367) from Sirius 2012 Limited, which has been provided for in full.

Notice of Annual General Meeting

SIRIUS PETROLEUM PLC

(Company Number 5181462)

Notice is given that the annual general meeting of the members of the Company will be held at 10.00 a.m. on 14 June 2018 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG to consider in accordance with section 656 Companies Act 2006 whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition, the meeting will consider and, if thought fit, pass the following resolutions.

Ordinary resolutions

1. To receive the financial statements for the 12 month period ended 31 December 2017 and the reports of the directors and the independent auditors as set out in the annual report and accounts.

2. To re-elect Christopher Neal as a director, who is retiring by rotation in accordance with the articles of association, and who being eligible offers himself for re-election.

3. To re-elect Jack Pryde as a director, who is retiring by rotation in accordance with the articles of association, and who being eligible offers himself for re-election.

4. To re-appoint Grant Thornton UK LLP as independent auditors and to authorise the directors to fix their remuneration.

5. That:

5.1. the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (**Act**) to issue and allot shares in the Company or grant rights to subscribe for or to convert any security into shares of the Company (**Rights**) up to an aggregate nominal amount of £4,444,957, provided that this authority will, unless previously renewed, varied or revoked, expire on 31 July 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company except that the Company may, before such expiry, make offers or agreements which would or might require Rights to be allotted or granted after such expiry and the Directors may allot or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired; and

5.2. this authority revokes and replaces all unexercised authorities previously granted to the Directors to allot or grant Rights, but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special resolution

6. That, subject to the passing of resolution 5:

6.1. in accordance with section 570 of the Act, the directors be given the general power to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred by resolution 5 for cash as if section 561(1) of the Act did not apply to any such allotment. This power is limited to:

6.1.1. (subject to such exclusions or other arrangements as the board of directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in, or under, the laws of any territory or the requirements of any regulatory body or stock exchange) the allotment of equity securities in connection with an offer by way of a rights issue;

6.1.1.1. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

Notice of Annual General Meeting continued

6.1.1.2. holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

6.1.2. the allotment (otherwise than pursuant to paragraph 6.1.1) of equity securities up to an aggregate nominal amount of £2,666,974; and

6.2. the directors may, for the purposes of 6.1, impose any limits or restrictions and make any arrangements which they consider necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or any regulatory body or stock exchange;

6.3. the power granted by this resolution will expire on 31 July 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company (unless previously renewed, varied or revoked by the Company prior to or on such date) except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement notwithstanding that the power conferred by this resolution has expired; and

6.4. this resolution revokes and replaces all unexercised powers previously granted to the directors to allot equity securities as if Section 561(1) of the Act did not apply but without prejudice to any allotment of equity securities already made, offered or agreed to be made pursuant to such authorities.

By order of the board

Simon Hawkins
Company Secretary

14 May 2018

Registered Office:

25 Bury Street
London
SW1Y 6AL

Notice of Annual General Meeting continued

Notes to the notice of annual general meeting:

Entitlement to attend and vote

1. The only members entitled to attend and vote at the meeting are those who are registered on the Company's register of members at:

   1.1 close of business on 12 June 2018; or

   1.2 if the meeting is adjourned, at close of business. on the day two days prior to the adjourned meeting.

Appointment of proxies

2. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Kent, BR3 4ZF. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.

5. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using the hard copy proxy form

6. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.

7. To appoint a proxy using the proxy form, it must be:

   7.1 completed and signed;

   7.2 sent or delivered to the Company's registrars, Link Asset Services, PXS 1 34 Beckenham Road, Kent BR3 4ZF; and

   7.3 received by the Company's registrars no later than 10.00 a.m. on 12 June 2018.

8. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

9. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Notice of Annual General Meeting continued

10. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company 48 hours before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxies through CREST

11. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

12. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 10.00 a.m. 12 June 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

13. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

14. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

15. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

16. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraphs 7 or 12 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

17. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 4 above.

18. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notice of Annual General Meeting continued

Termination of proxy appointments

19. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 4 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

20. The revocation notice must be received by the Company no later than 10.00 a.m. on 12 June 2018.

21. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 22 below, your proxy appointment will remain valid.

22. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Documents available for inspection

23. The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of Directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the Directors service agreements and letters of appointment with the Company; the register of Directors interests in the share capital of the Company (maintained under section 325 of the Act)..

Total voting rights

24. As at 10.00 a.m. on 14 May 2018, the Company's issued share capital comprised 3,555,965,801 ordinary shares of 0.25p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 10.00 a.m. on 14 May 2018 is 3,555,965,801.

Communication

25. Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Link Asset Services, 34 Beckenham Road, Kent BR3 4TU.

Notice of Annual General Meeting continued

Explanatory notes concerning the resolutions set out in the notice of annual general meeting

The following explanatory information is provided by way of background to the business of the meeting.

An explanation of each of the proposed resolutions is set out below. Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolution 6 is proposed as a special resolution. This means that for this resolution to be passed, at least three quarters of the votes cast must be in favour of it.

Section 656 Companies Act 2006

Where the net assets of a public company are less than half its called up share capital, the directors must call a general meeting to consider whether any, and if so what, steps should be taken to deal with the situation. No vote will be taken on the matter.

Resolution 1: Receive accounts

The Company will put the accounts for the year ended 31 December 2017 and the reports of the Directors and the auditors to shareholders.

Resolutions 2 and 3: Re-election of directions

Ordinary resolutions will be proposed to re-elect certain directors who are retiring in accordance with the Company's articles of association.

Resolution 4: Auditors re-appointment and remuneration

Shareholders will be asked to confirm the re-appointment of Grant Thornton UK LLP as auditors of the Company and to grant authority to the Directors to determine their remuneration.

Resolution 5: authority to allot shares

The Board is seeking, by resolution 5, to grant a new authority over ordinary shares up to a maximum nominal amount of £4,444,957 representing approximately 50% of the Company's issued share capital as at 14 May 2018 (being the latest practicable date prior to publication of this document).

If approved by shareholders this authority will expire on 31 July 2019 or, if earlier, at the conclusion of the Company's next annual general meeting.

Resolution 6: dis-application of pre-emption rights

The Board is seeking, by resolution 5, to obtain a power to grant ordinary shares without offering them to existing shareholders in accordance with pre-emption rights, which would apply in circumstances where:

1. the allotment takes place in connection with a rights issue or other pre-emptive offer; or
2. the allotment is limited to a maximum nominal amount of £2,666,974, representing approximately 30% of the nominal value of the issued ordinary share capital of the Company as at 14 May 2018 (being the latest practicable date before publication of this notice).

If approved by shareholders this power will expire on 31 July 2019 or, if earlier, at the conclusion of the Company's next annual general meeting.

Shareholder Notes

SIRIUS
petroleum

www.siriuspetroleum.com