Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended
31 December 2018

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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 **C Neal** – Non-Executive Director **T Hayward** – Non-Executive Director **S Hawkins** – Non-Executive Director
Company Secretary:	**S Hawkins**
Nominated adviser and Broker:	**Cantor Fitzgerald Europe** One Churchill Place Canary Wharf London E14 5RB
Registrars:	**Link Asset Services** 65 Gresham Street London EC2V 7NQ
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 Plc, the Nigeria focused oil and gas exploration and development company, announces audited final results for the year ended 31 December 2018.

Highlights

- Continued the shore-based work streams on Ororo in association with the Group's operational partners to be ready for the commencement of the Ororo development programme, pending the renewal of the licence.
- New jack-up rig contract agreement signed with Shelf Drilling Limited, joining the technical and operational consortium working alongside Sirius to develop near production and producing assets in shallow waters offshore Nigeria.
- Former agreement with COSL Drilling Pan-Pacific Limited ("COSL") for a proposed jack-up rig for the Ororo field drilling programme terminated by mutual consent.
- Announced the conditional acquisition of an indirect 30% interest in entities operating OML109, a 770km^2 shallow water block located approximately 50kms south of the Ororo field, in the western Niger Delta. OML109 contains the producing Ejulebe field and Sirius would source funding for a Minimum Work Programme Commitment intended to increase production to >5,000 barrels of oil per day ("bopd").

Post year-end events

- Announced the execution of a Crude Handling Agreement with the operator of the Ugo Ocha Floating, Storage and Offloading ("FSO") vessel, and execution of a $20 million funding facility to contribute to the funding of the Ororo field development.
- Shares suspended following announcement of debt funding agreement which triggers a reverse take-over ("RTO") under Rule 14 of the AIM Rules for Companies.
- Announced the signing of a conditional Farm Out Agreement ("FOA") on a Nigerian oil and gas asset, unrelated to the OML 109 acquisition ("Additional Producing Asset").
- Shares delisted from AIM on 27 August 2019.

Financial Summary

The loss after tax was $7,021,000 in 2018 which has increased from $2,269,000 in 2017, with administrative expenses of $4,115,000, excluding share based payments. Total assets were $17,520,000 in 2018 (2017: $18,594,000), with liabilities of $10,599,000 (2017: $6,573,000) and total equity was $6,921,000 (2017: $12,021,000).

During the year the Group raised $523,000 (£405,000) through short term loans which were repaid in January 2019, and $332,000 (£250,000) was raised through a short term bank loan. Since the period end $368,000 (£282,000) has been raised through a placing and the Group entered into a convertible loan facility for approximately $6.45m (£5m) of which $2.26m (£1.75m) has been drawn down. Of the amount drawn down $560,000 (£430,000) has been converted into equity. Additionally, the Group has raised $10m towards the FOA for the Additional Producing Asset discussed further below, and has received a term sheet for a $15m loan facility for working capital purposes.

The results for year ended 31 December 2018 reflect the costs incurred during the period to continue to build the Company's infrastructure, funding the contracted operations team and planning work on the Ororo Field, in collaboration with our Technical Advisors, and our Nigerian partners, Owena Oil & Gas Limited and Guarantee Petroleum Company Limited, our London and Nigerian operations and the costs of work carried out assessing further potential assets, one of which concluded with the conditional farm-in to the Ejulebe field OML 109, and subsequent ongoing work streams relating to that asset.

The operating loss for the year amounted to $5,745,000, an increase of $3,598,000 on the year ended 31 December 2017 operating loss of $2,147,000, giving a loss per share of 0.20 cents (31 December 2017: 0.09 cents loss per share).

Chairman's & CEO's Statement continued

Group Strategy

The Board continues to appraise opportunities to farm into or acquire high quality assets located in major proven complexes leveraging on the Group's arrangements with its range of operational and funding partners. We have prioritised discovered assets, ideally producing or near production, in shallow waters in Nigeria and focus on opportunities which we can either operate, or have an active participation in operations, and where we are entitled to directly market at least our entitlement production. We believe that this strategic focus should help to mitigate many of the risks typically faced by oil and gas companies operating in Nigeria.

Operational Summary

During the period the Group's operational teams in London and Nigeria continued the shore-based workstreams relating to preparation for the commencement of drilling of the Ororo-2 well. A number of long lead items were purchased in the early part of the year, including wellheads and some specialist completions equipment. Following extended delays relating to the delivery of the proposed rig during the first half of the year and following a rig inspection conducted in late Summer that highlighted significant repair and maintenance issues with the proposed rig, the Board eventually concluded with COSL to abrogate the agreement on mutual terms which the Group announced on 28 September 2018.

Following the decision to abrogate the agreement with COSL, the Company announced in October that it had sourced an alternative in country jack-up rig with Shelf Drilling Limited ("Shelf"), the Adriatic-1, to be deployed to the Ororo field.

Under the new agreement with Shelf, the Group's operational budget for the Ororo drilling programme as disclosed in the Group's admission document published on 30 November 2017 remained unchanged, and the Adriatic 1 jack-up rig meets all of the specifications required for the Group's proposed drilling programme at Ororo-2 and Ororo-3.

The Adriatic-1 rig completed drilling operations with the previous operator, AMNI, in October however the delays in rig mobilisation and the consequent impact on our operational team's readiness meant that we would not have been able to commence drilling until end November/early December. Shelf requested to deploy the rig temporarily to another operator, Niger Delta Exploration & Production ("NDEP"), in order to keep the rig operational and in order to minimise standby costs to the Company. At the year end, the rig remained deployed to NDEP.

OML 109 Acquisition

On 4 December 2018 the Board was delighted to announce that it had signed a conditional agreement to indirectly acquire an effective 30 per cent interest in OML 109, a block containing the producing Ejulebe field, and a transaction which it believes is potentially transformational for Sirius ("OML 109 Acquisition"). OML 109 is located approximately 30km south of OML 95, where the Ororo field is located. Encompassing 773 square kilometres, the OML 109 block has only been addressed with three exploration wells in its entire history, the first in 1966. Extensive oil and gas infrastructure exists in and around the block, including that of the Ejulebe field.

The Ejulebe field comprises some 15 hydrocarbon-bearing horizons, producing oil, associated and non-associated gas (including condensate). The field has produced approximately 14 million barrels ("mmbbls") since 1998, is currently producing c.250 bopd and has gross remaining 2P reserves of 4.7 mmbbls, according to a competent person's report prepared by PanTerra Geoconsultants in December 2017 (the "CPR").

The EJ-WSW and EJ-SW exploration prospects, which, according to the CPR, contain respectively gross unrisked P50 prospective resources of 32-38 million barrels of oil equivalent ("mmboe") and 32-53 mmboe, are located adjacent to the Ejulebe field and are expected to have similar reservoir characteristics to the Ejulebe field.

Chairman's & CEO's Statement continued

There is only nominal consideration payable on the OML 109 Acquisition, which is conditional upon, among other things, Sirius sourcing $40 million of external debt funding, to be provided by a third-party funder, to be deployed towards the execution of a minimum work programme commitment ("MWPC") on the Ejulebe field. Sirius is in advanced discussions with a third-party funder for the provision of the required $40 million debt funding, which is intended to be secured directly against the cashflows generated as a result of the Ejulebe MWPC, which is designed to boost current production on the Ejulebe Field from c. 250 bopd to over 5,000 bopd, by providing for a workover on 1 existing well and the drilling of one new development well, EJ-9 and, at the Company's option, 2 additional work-overs or side-tracks of existing wells. The MWPC also includes an obligation to drill 1 exploration well on either the EJ-WSW or EJ-SW prospect.

Following the initial announcement, the Sirius team has been working closely with the asset owners and proposed funders to progress the project and the statement goes into more details as to the current status in the post year end section below.

Corporate Governance Update

During the second half of the year Sirius Petroleum has also recently updated the Corporate Governance practices of the Group in line with Quoted Company Alliance guidelines. See the Company's website at: www.siriuspetroleum.com.

Board and Management Team

During the period there were no changes to the Board and Senior Management composition.

Post Year End Developments

Post year end, the Group has continued to pursue its strategy of building the portfolio interests of proven oil and gas assets, where the Group can deliver the required capex funding to improve the development and production profile of the assets.

£5 million Convertible Debt Facility

On 15 January 2019 the Company announced that it had agreed binding terms with European High Growth Opportunities Securitization Fund, managed by the Alpha Blue Ocean Group, in relation to the issue of convertible notes raising initially £1.75m (gross) (up to a maximum of £5m in total under the agreement) to be utilised to support the Group's ongoing requirements for work regarding existing and potential asset targets.

The Convertible Notes are issued at a 5% discount but are interest free and can be issued and subscribed in sequential tranches. The Group drew the first tranche of £1.75m on 15 January 2019. Two subsequent tranches of £0.75m and £0.5m may be drawn down only after grant of authority by Sirius in General Meeting to issue shares and then only after a minimum period of 70 trading days from the date of the first drawdown.

The Convertible Notes can convert into ordinary shares of the Group at 95% of the lowest closing VWAP within fifteen trading days immediately preceding the delivery of the relevant conversion notice by the investor. Under the terms of the transaction, the Group will issue 5-year warrants whose proceeds would represent 30% of the principal amount drawn under each tranche, exercisable at 110% of the average of the closing VWAPs over the fifteen trading days immediately preceding the request to issue a new tranche, except the warrants issued with the first tranche of Convertible Notes whose exercise price shall be equal to 0.64 pence per warrant.

As at the date of the publication of these accounts, only the first tranche has been drawn and a balance of £1.32 million is owed and must be repaid or converted into equity by 15 January 2020.

Chairman's & CEO's Statement continued

Delisting from AIM

On 23 August 2019 the company announced that its shares would be delisted from AIM on 27 August 2019. The Company is continuing to develop its portfolio and will seek a relisting on the London Stock Exchange as a new applicant (rather than pursuant to Aim Rule 14) as soon as possible. The process of a reverse takeover requires the publication of an Admission Document and as such, a delisting is not a new obstacle, given that the Company will undertake to produce an Admission Document for the relisting as a new applicant on the London Stock Exchange, engaging in a regulatory process which is essentially the same as is required for a reverse takeover. There can be no guarantee either or both proposed transactions will complete in order to achieve this. The Company will update shareholders as and when it is appropriate to do so.

Ororo Field Development and Debt Funding

On 28 January 2019 the Company announced that it had entered into a binding agreement for a debt facility of up to US$20 million with a credit fund focused on Africa, to contribute to the funding of the first phase (Ororo-2 and Ororo-3 wells) of the Ororo field development.

The US$20 million debt facility is in place and can be drawn down in specified tranches following first production from the Ororo Field. The facility will be deployed to pay for costs in relation to Ororo-2 (following first oil) as well as Ororo-3, which are due to service providers under the staged milestone payments for the Ororo work programme. The facility has a term of 3 years from the date of the first drawdown and is repayable in four equal instalments, if the facility is fully drawn, of US$5 million (plus accrued interest thereon) in the last four quarters of the term of the loan. Commencing from drawdown, interest is charged at 3-month LIBOR plus 10% and is payable quarterly in arrears.

As previously disclosed in the AIM Admission Document of 30 November 2017, to preserve its current licence, the Group was required to bring the Ororo field into production on or before 1st May 2019. As a result of the delay in the availability of the proposed rig for the Ororo-2 and Ororo-3 wells, the Company announced on 5 April that it had decided to commence the process of a licence re-application for OML 95 with the Department of Petroleum Resources ('DPR') in Nigeria. The Company awaits the results of this application process. The granting of any extension to the term of the licence will require the approval of the Minister of Petroleum whose formal appointment has yet to be made. For clarification, there would be no drilling activity on the field until an extension is granted.

Crude Handling Agreement

On 11 February 2019 the Group announced its Crude Handling Agreement ("CHA") with the terminal operator of the Ugo-Ocha Floating Storage & Offloading unit ("FSO") with offtake from production wells delivered via coastal tankers to the FSO.

The agreement is in line with the Group's commercial offshore strategy, providing for crude handling, receipt, storage and delivery, quality assurance, health, safety and environment and regulatory compliances. The Ugo-Ocha oil terminal is located offshore within the waters of the Exclusive Economic Zone of Nigeria and can store up 2,000,000 barrels of crude.

Ejulebe Development and Debt Funding

On 25 February 2019 the Group announced that it was in advanced discussions as to the provision of the proposed debt facility required to support the execution of the MWPC on the Ejulebe field. The OML 109 acquisition was conditional upon, among other things, Sirius having arranged for debt funding of $40m to be provided to fund certain capital expenditure on the Ejulebe field (Minimum Work Commitment) to drill. The proposed debt provider stipulated that the OML 109 acquisition should proceed on the basis that Sirius be both the borrower and guarantor of the proposed facility.

The effect of the proposed debt facility required under the farm-in and MWPC constituted a reverse take-over under Rule 14 of the AIM Rules for Companies and is subject to Shareholders' approval. In accordance with the AIM Rules, the Group's shares were suspended from trading on AIM and were subsequently delisted from AIM on 27 August 2019.

Chairman's & CEO's Statement continued

Additional Producing Asset

On 21 June 2019 the Group announced that it had signed a conditional Farm Out Agreement ("FOA") on a Nigerian oil and gas asset, unrelated to the OML 109 Acquisition. The proposed FOA relates to the oil assets of a substantial shallow water licence, which contains an oil field that has produced 75 mmbbls historically, has been ascribed remaining 2P reserves of 12.7 mmbbls in a CPR produced by Gaffney Cline and Associates ("GCA") in 2017 and is currently producing approx. 3,000 bopd. Under the terms of the FOA, the Group would acquire an initial 40% interest, (reducing to 30% after cost recovery), in the oil assets on the licence in return for the payment of a $10m farm-in fee and by committing to provide funding for the redevelopment of the existing producing field, estimated at $40m, and exploration, appraisal and development of other oil prospects and discoveries on the licence. The FOA also includes an option, but not an obligation, for the Group to farm-in to the discovered and appraised gas assets on the licence.

The licence contains a gas discovery which GCA ascribed recoverable 2C contingent resources of 541 billion cubic feet in its 2017 CPR.

The FOA, which was executed on 31 March 2019, provides for a two-stage completion process. The first stage, referred to in the FOA as Pre-Completion, provides that on payment of the initial $10m farm-in fee and execution of the Joint Operating Agreement ("JOA"), the Group would start to accrue the revenues from its 40% entitlement. The second stage, Completion, would occur once all remaining conditions are met, approval from the Minister of Petroleum Resources is secured relating to the transfer of the interest and once the Group has secured approval from shareholders. At the date of these financial statements, the Group has secured $10m of funding, exclusive of fees, towards the farm-in fee and is in advanced discussions with a number of financial institutions to provide the funding required to satisfy its obligations under the FOA. The JOA is now in final form and ready for execution.

The Board believes that the proposed farm-in is consistent with the Group's strategy to focus on proven, ideally producing or near production, assets in shallow waters, where we can apply our technical, commercial and financial expertise to extract more value and where we are entitled to market at least our share of production. As with the OML 109 acquisition, the Board believes that the proposed farm-in will be materially accretive for the Group's shareholders and is confident that the required funding will be secured in the near term.

The Board looks forward to updating shareholders once all of the debt funding agreements have been completed relating to both proposed transactions and announced with the publication of the forthcoming Admission Document.

Outlook

The main focus for the Group in the immediate term is to successfully complete the OML 109 acquisition and the acquisition of the Additional Producing Asset highlighted above. These bring immediate entitlement to production as well as low risk production growth and exciting development, appraisal and exploration opportunities. The Board is confident that it can secure the funding required and has the technical and commercial capabilities to successfully deliver on the potential that these two transformational acquisitions bring.

The Group will also work with its partners and the Department of Petroleum Resources to renew the Ororo licence and to commence the initial drilling programme, as previously disclosed.

Annual General Meeting

The Group will send out a Notice to shareholders of its Annual General Meeting in due course.

J Pryde
Chairman

O Kuti
Chief Executive Officer

30 August 2019

Strategic Report

Business review

The results of the Group are shown on page 42. The Directors do not recommend the payment of a dividend.

The results reflect the costs incurred during the period to continue to build the Group's infrastructure, funding the contracted operation team and planning work on the Ororo Field, in collaboration with our Technical Advisors, and our Nigerian partners, Owena Oil & Gas Limited and Guarantee Petroleum Company Limited, our London and Nigerian operations and the costs of work carried out assessing further potential assets and subsequent ongoing work streams relating to those assets one of which concluded with the conditional farm-in to the Ejulebe field OML 109 and subsequent ongoing work streams relating to that asset.

Total comprehensive loss for the year amounted to $6,782,000 (2017: $2,305,000). Of this loss, $1,682,000 (2017: $465,000) related to share based payment charges on options and warrants granted. Finance costs in 2018 were $1,276,000 (2017: $122,000), of which $1,000,000 relates to the write off of the arrangement fee on a facility the Group no longer expects to utilise.

Since the year end Sirius has issued 46,933,334 new ordinary shares for cash and 86,400,516 new ordinary shares in loan conversions, and has 3,689,299,651 shares in issue. Sirius does not hold any shares in treasury and, hence, the total number of voting rights in the Company is 3,689,299,651.

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.

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 2018 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.

Strategic Report continued

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.

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 are proceeding with their plans to acquire both OML109 and the Additional Producing Asset, and fully intend to develop both of these assets as well as commence the development of the Ororo field in the next 12 months. However, given that there are a number of uncertainties around these plans at the present time, whilst both financing and operating agreements are being finalised and the Ororo licence is being renewed, the Directors have excluded these plans from their cash flow projections for going concern purposes for the period up to 31 August 2020.

The Group has in place a term sheet for a loan facility of up to $15m to cover its working capital requirement, and have included drawing this facility in full in its projections. The projections indicate that the Group would have a cash balance of $3m at 31 August 2020. This includes fully repaying the outstanding facility from European High Growth Opportunities Securitization Fund, which was secured in January 2019, amounting to GBP £1.32m, as well as other loans and creditors, in cash. The $15m loan facility, whilst agreed, is subject to satisfactory due diligence and execution of funding and security agreements.

The Directors therefore believe that the Group and parent company 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. However, as outlined above, the conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent company's ability to continue as a going concern. The Group and parent company financial statements do not include the adjustments that would result if the Group or parent company was unable to continue as a going concern.

Strategic Report continued

Fundraising

Subsequent to the year end, the Group has received a term sheet for a loan facility of $15m for working capital purposes. The Board has also been pursuing a number of other funding options.

Future prospects

This is a very exciting time for Sirius, and the Board have been exploring a number of major opportunities to expand its global portfolio, which they look forward to detailing in due course.

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

O Kuti
Chief Executive Officer

30 August 2019

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 2018.

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 17 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 17 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 17 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 2018 and through to the date of this report.

Going concern

The Directors are proceeding with their plans to acquire both OML109 and the Additional Producing Asset, and fully intend to develop both of these assets as well as commence the development of the Ororo field in the next 12 months. However, given that there are a number of uncertainties around these plans at the present time, whilst both financing and operating agreements are being finalised and the Ororo licence is being renewed, the Directors have excluded these plans from their cash flow projections for going concern purposes for the period up to 31 August 2020.

Report of the Directors continued

The Group has in place a term sheet for a loan facility of up to $15m to cover its working capital requirement, and have included drawing this facility in full in its projections. The projections indicate that the Group would have a cash balance of $3m at 31 August 2020. This includes fully repaying the outstanding facility from European High Growth Opportunities Securitization Fund, which was secured in January 2019, amounting to GBP £1.32m, as well as other loans and creditors, in cash. The $15m loan facility, whilst agreed, is subject to satisfactory due diligence and execution of funding and security agreements.

The Directors therefore believe that the Group and parent company 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. However, as outlined above, the conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent company's ability to continue as a going concern. The Group and parent company financial statements do not include the adjustments that would result if the Group or parent company was unable to continue as a going concern.

Subsequent events

On 5 January 2019 the Group announced that it had agreed a convertible loan of up to £5 million, of which £1.75m has been drawn down to date and £3.25m remains available to draw down, on admission of the Group's shares to AIM.

On 21 January 2019, the Group announced a placing of 46,933,334 New Ordinary shares of 0.25p each at a price of 0.6 pence per Ordinary share raising gross proceeds of £281,600, and converted £240,000 of the European High Growth Opportunities Securitization Fund Convertible Note (announced on 15 January 2019) resulting in the issue of 7,272,727 New Ordinary shares at a price of 0.55 pence per share and 37,735,849 New Ordinary shares at a price of 0.53 pence per share.

On 5 February 2019, the Group announced that a further £140,000 of the European High Growth Opportunities Securitization Fund Convertible Note had been converted resulting in the issue of 28,571,428 new ordinary shares at a price of 0.49 pence per share.

On 21 February 2019, the Group announced the conversion of £50,000 of the European High Growth Opportunities Securitization Fund Convertible Note into 12,820,512 new ordinary shares at a price of 0.39 pence per share.

Following these share issues, the Company has 3,689,299,651 Ordinary shares of 0.25 pence each in issue. No ordinary shares are held in treasury. The figure of 3,689,299,651 Ordinary shares may be used by the Company's 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 Rule.

On 21 June 2019 the Group announced that it had signed a conditional Farm Out Agreement ("FOA") on a Nigerian oil and gas asset, unrelated to the OML 109 Acquisition.

On 31 July 2019 the Group appointed Africa Finance Corporation as a Financial Adviser to develop Sirius into a Pan-African Oil & Gas group.

On 2 August 2019 the Group signed a $10m loan facility with a third party to be utilised in respect of the Additional Producing Asset which has been drawn down. The loan is repayable quarterly over a 12 month period.

On 23 August 2019 the Company announced that its shares would be delisted from AIM on 27 August 2019. The Company is continuing to develop its portfolio and will seek a relisting on the London Stock Exchange as a new applicant (rather than pursuant to Aim Rule 14) as soon as possible. The process of a reverse takeover requires the publication of an Admission Document and as such, a delisting is not a new obstacle, given that the Company will undertake to produce an Admission Document for the relisting as a new applicant on the London Stock Exchange, engaging in a regulatory process which is essentially the same as is required for a reverse takeover. There can be no guarantee either or both proposed transactions will complete in order to achieve this. The Company will update shareholders as and when it is appropriate to do so.

On 28 August 2019 the Group signed a term sheet for a $15m loan facility for working capital.

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
C Neal
S Hawkins
T Hayward

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified to the Group as at 1 August 2019 were as follows:

	Ordinary shares of 0.25p each Number	Percentage of capital %
Barclays Direct Investing Nominees Limited	303,903,863	8.24%
The Bank of New York (Nominees)	279,228,732	7.57%
Vidacos Nominees Limited	264,720,040	7.18%
Hargreaves Lansdown (Nominees) Limited	240,736,545	6.53%
Interactive Investor Services Nominees Limited	216,927,468	5.88%
Jim Nominees Limited	168,874,602	4.58%
Spreadex Limited	119,835,070	3.25%

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.

Matters covered in the Group's Strategic Report

The principal risks and uncertainties and future developments have been included in the Group's Strategic Report.

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

30 August 2019

Company Number: 05181462

Corporate Governance

The board recognises the importance of good corporate governance and has adopted the QCA (Quoted Companies Alliance) Corporate Governance Code. Our website provides further information on how we comply with the QCA Corporate Governance Code at this point in time: *http://www.siriuspetroleum.com/investor/*.

The QCA Code sets out 10 principles that should be applied. These are listed below together with a short explanation of how the Company applies each of the principles:

Principle One

Establish a strategy and business model which promote long-term value for shareholders

Sirius' strategy focuses on lower risk reserves with prior and/or near term or current production and/or proven engineering. It is intended to build a range of near producing and producing oil and gas assets which will also benefit from additional development and appraisal upside.

- Nigeria's offshore fields boast some of the world's best petroleum geology with a proven track record of development.
- Sirius' investment in the Ororo field benefits from substantial reserve and production data from Chevron's prior work.
- The Ororo-1 well, the initial discovery well drilled by Chevron in 1986, flowed at 2,800 bpd and confirmed the geology of the reserves. Sirius' development plan incorporates all of the knowledge and lessons learned from Chevron's experience.
- Sirius will drill the Ororo-2 well as a "twin" well next to Ororo-1, substantially mitigating any dry-hole risk. First production to be achieved within 90 days of the start of drilling and flow rate expected to match or exceed the 2,800 bpd of Ororo-1.
- The development of any assets acquired will be based on the same model as Ororo, targeting low risk, rapid payback well developments.
- Sirius' management team is supported by a team of world-class service providers, mitigating completion and operating risk.
- Credit risk is mitigated by a tight deal structure and high-grade offtakers.
- Sovereign risk is mitigated both by deal structure and insurance (as available).
- Transaction can be back-levered to generate the returns targeted by the investor.

Principle Two

Seek to understand and meet shareholder needs and expectations

The Board and its advisers remain ever diligent to the requirements and expectations of the Company's shareholders, and discuss and assess the key areas on a regular basis in line with best practice. The Company ensures that information is shared in an appropriate and timely manner. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company and all shareholders are encouraged to attend the Company's Annual General Meeting. It is notable that whilst the Company remains in a phase of development that effective communication is often challenging given the requirements of best practice disclosure and the commercial sensitivities of the business and its current and potential future commercial partners. Investors can also communicate with the Company via email on ir@siriuspetroleum.com.

Corporate Governance continued

Principle Three

Take into account wider stakeholder and social responsibilities and their implications for long term success

The company has identified its major stakeholders as being:

Internal – Employees and consultants in both UK & Nigeria

External – Partners/co-owners
– Key Suppliers
– Customers
– Financial advisors and backers
– Regulators

The Board has regular contact with all of its stakeholders, and feedback is considered on a continuous basis by management. Due to the fast-moving operational phase minor changes to our planned work streams are implemented on a daily basis.

Sirius has a corporate responsibility to operate as safely as possible and to support the local community and landscape. Through employing locally and working to provide benefits to the local community, Sirius aims to become an asset to the local area. Sirius adheres to a Community Relations Policy which aims to benefit the local community. We believe that good community relations will aid Sirius to deliver shareholder value. Corporate Social Responsibility can; create consumer trust and increase sales; create employee morale and attract employees.

Principle Four

Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risks and their respective mitigation may be summarised as follows:

Completion Risk: All drilling and related services are provided by experienced, world-class service providers under turnkey contracts, minimizing financial risk to Sirius.

Simple development plan benefits from the substantial data and knowledge gained from Chevron's experience with the Ororo-1 discovery well.

Dry-hole Risk: Minimal. The Ororo-2 well will be a "twin" well drilled a short distance from and parallel to the successful Ororo-1 discovery well.

Ejulebe field currently in production, with 2P certified reserves.

Operational Risk: Strong service providers.

Experienced management, with individual project teams having substantial experience of relevant asset.

Repayment Risk: The direct source of repayment will be the cash flows coming from the offtakers: Glencore (ramp up period) and BP.

- Payments from offtakers will flow into a Collection Account under the control of a Trustee/Admin Agent.
- Debt service payments by Trustee/Admin Agent made directly to investors, not through Sirius.

Commodity Price Risk: Oil prices can be hedged under the offtake contract with BP.

Market Risk: Nigeria Escravos Blend is a high value, low-sulphur light crude.

- Firm offtake contracts eliminate market risk.

Corporate Governance continued

Health, Safety and Security: In-house senior risk manager with 28 years of experience

- Add Energy deeply involved in all HSS aspects
- Offshore Security and Emergency Management Response Centre managed by Hudson-Pacific Energy Ltd

Convertibility and Transfer Risk: Mitigated by the intended pre-export finance structure and collection account, which the Group intends to put in place.

Sovereign Risk: Partially mitigated by the transaction structure, and economic imperative for continued oil exports.

Principle Five

Maintain the board as a well-functioning, balanced team led by the chair

Board Composition

The Board is aware that it does not conform to good Corporate Governance recommendations in relation to the diversity of its board. The Board currently comprises six directors all of whom are male and from similar backgrounds.

As the company grows and the size of the board increases the Company intends to rectify this. Our senior management team is drawn from diverse backgrounds throughout the world.

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company 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 Company's expense.

The Board consists of three executive and three non-executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby the Board's decision making cannot be dominated by an individual. The Chairman of the Board is Mr Jack Pryde.

Evaluating board performance against primary objectives

The Board recognises that its primary objective is to ensure it delivers shareholder value in the medium to long term. In addition to this it recognises that individual Board members and committees have various responsibilities and objectives. At this stage of development, the Company has not identified criteria against which the Board, committees and individual Directors are measured although, in line with the Company's corporate culture and its strategy, it makes best efforts to operate in an ethical and honest manner with all of its employees, operational and funding partners, asset co-owners and other stakeholders at all times and continue to strive to be innovative and efficient in delivering value for shareholders and other stakeholders in the business.

Board disclosures

The executive-directors each work in excess of 35 hours per week for the company, and the non-executive directors are expected to work 8 hours per month on average. The three non-executive directors are considered to be independent. Their minor interests in shareholdings and the company's share option scheme are not considered to be an impediment to their independent status.

The Board of Directors holds scheduled Board meetings approximately six times per year plus such other ad hoc meetings as are deemed necessary to deal with urgent business matters. All the necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. At Board meetings, there is a formal schedule of matters reserved for consideration by the Board and other matters are delegated to Board committees.

Corporate Governance continued

The Board is responsible for leading and controlling the Company and in particular for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure, acquisitions and senior personnel appointments.

Below shows the number of board and committee meetings held during the year, together with the attendance records.

	Scheduled Board	Ad-hoc Board	Audit Committee	Remuneration Committee	Nominations Committee
Number attended					
J Pryde	4	4	–	–	–
O Kuti	4	4	–	–	–
M Henderson	4	4	–	–	–
T Hayward	4	4	2	2	–
S Hawkins	4	4	2	2	–
C Neal	4	4	2	2	–
Total number held	4	4	2	2	–

Internal control

The Board is responsible for maintaining a strong system of internal control 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 Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Principle Six

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Members of the Board

Jack Pryde, Chairman

Mr Pryde, is a Chartered Certified Accountant and has held various senior management positions in the investment banking industry. He is a former director and head of corporate finance at Henry Ansbacher & Co. and a former Vice President of corporate finance at Canaccord Capital. He left Jefferies International as director of equity capital markets in May 2010. He has extensive experience of advising companies in the resources and energy sectors. He has been the Chairman of Sirius since March 2011.

Jack encourages ideas and opinions from all Board members and maintains a very open dialogue with senior management, always encouraging open-mindedness across all employees. He keeps abreast of regulatory changes affecting AIM listed companies as well as changes to disclosure regulations and IFRS with regard to the Company's financial statements. He also brings excellent personal skills and experience when working and liaising with employees and the Company's broad range of other stakeholders.

Olukayode Olufemi Kuti, Chief Executive Officer

Mr Kuti, obtained a BA from Duke University, USA. He studied Economics & Psychology and also received a Markets and Management Certificate. Since University he has worked as an Investment Advisor for a South African investment fund, Huxton Capital. He was instrumental in the formation and structuring of the Company's contact base in Nigeria and has responsibility for maintenance of those relations. He has been the CEO of Sirius since September 2013.

Corporate Governance continued

Christopher John Neal, Non-Executive Director

Mr Neal, has over 25 years' experience in the City of London, initially in the gilt team at ICH Plc, before founding the bond repurchase desk at ICAP, the leading markets operator and provider of post trade risk mitigation and information services. During his time at ICAP Mr Neal served on the Bank of England code of best practice committee for gilt repurchase agreements. He joined the Institute of Directors in 1994. In July 2009 Mr Neal founded the charity GB Job Clubs, which later merged with Christians Against Poverty. CAP Job Clubs now supports a network of over 150 community Job Clubs throughout the UK. Mr Neal served as a Councillor on Edenbridge Town Council and Sevenoaks District Council, stepping down in May 2015. He currently serves on the Advisory Board for the Cobden Centre, a British economics think tank that promotes honest money and social progress. He has been a director of Sirius since November 2015.

Mark Henderson, Chief Financial Officer

Mr Henderson, is a Chartered Accountant and has focused on analysis of the global energy sector for over 20 years. He was a Director and Head of Oil & Gas at Stockdale Securities and a former Director CoHead of European Oil & Gas Equity Research at Credit Suisse Securities. Mr Henderson also held a number of senior roles at a number of oil and gas and investment companies and firms, including serving as an Investor Relations Consultant at Eurasia Drilling Company, conducting project management at Enersol Corporation and serving as a Branch Manager at Wolfgang Steubing AG, as a Senior Equity Analyst at Commerzbank Securities and as an Equity Analyst at Deutsche Morgan Grenfell. In addition, between 1999 and 2003, Mr Henderson served as a Sector Portfolio Manager at the Abu Dhabi Investment Authority.

Mark has developed a thorough understanding of oil and gas markets from his time as an equity research analyst and built a comprehensive network of relationships within the investment community, particularly those with a focus on oil and gas. Mark's analytical skills and corporate finance experience are important attributes in ensuring that Sirius is successful in taking advantage of the substantial business development opportunities that exist in Nigeria.

Toby Jonathan Hayward, Non-Executive Director and Senior Independent Director

Mr Hayward, is a chartered accountant and has been an investment banker since 1984. He was a director of corporate finance at Singer & Friedlander Limited and Henry Ansbacher & Co. Limited before becoming Head of Oil and Gas Equity Capital Markets at Canaccord Adams. He joined Jefferies International Limited as a managing director in 2005 with responsibility for the UK Equity Capital Markets and listed clients in the exploration and production sectors. He also undertook nominated adviser responsibilities. He left Jefferies in June 2008 to concentrate on a number of private initiatives. He has also previously held the positions of chairman and non-executive director at Severfield plc and Non-executive director and interim CEO at Afren plc.

Toby has experience of running UK-listed company boards and is a senior independent member of the Sirius Petroleum plc Board. He is also Chairman of the Remunerations Committee. He is very experienced in the UK market regulatory environment both AIM Rules for Companies, UKLA and the latest disclosure obligations under the European Market Abuse Regulations (MAR) designed to provide a uniform and transparent legal framework of investor protection across EU capital markets.

Simon John Lindsay Hawkins, Non-Executive Director and Company Secretary

Mr Hawkins, has over 30 years of experience in oil and gas finance, having worked in both the industry and in investment banking, and had nine years international experience with the Royal Dutch Shell group of companies in London, the Netherlands and Nigeria, he became a director and equity analyst at UBS, Dresdner Kleinwort, Ambrian Partners, MF Global and N+1 Singer. After two years at Afren plc, where he was the global head of investor relations, Mr Hawkins served for a year on the board at Sirius. He is a member of the Chartered Institute of Public Finance & Accountancy, holds a BSc Econ (Hons) in Economics from the University of Wales and a postgraduate certificate in Oil and Gas Financial Management from the University of North Texas. Mr Hawkins was ranked number one by Thomson Extel for his coverage of European Gas while at UBS.

Corporate Governance continued

Having developed considerable experience in both the oil and gas industry and the financial markets, Simon has a calm and measured approach which he brings to the Board. He has a strong sense of creativity, but at the same time he is uncompromising in choosing the right path in difficult circumstances. He keeps up to date with AIM Rule changes and UK Companies law as part of his role as Company Secretary and NED.

Principle Seven

Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

Board Performance

The Board recognises that its primary objective is to ensure it delivers shareholder value in the medium to long term. In addition to this it recognises that individual Board members and committees have various responsibilities and objectives. At this stage of development, the Company has not identified criteria against which the Board, committees and individual Directors are measured although, in line with the Company's corporate culture and its strategy, it makes best efforts to operate in an ethical and honest manner with all of its employees, operational and funding partners, asset co-owners and other stakeholders at all times and continue to strive to be innovative and efficient in delivering value for shareholders and other stakeholders in the business.

External Advisors

The Board and its committees obtain advice from the following external sources:

MM&K Limited (remuneration committee)
Grant Thornton UK LLP (audit committee)
Fladgate LLP (legal advice to both Board and committees)
Cantor Fitzgerald Europe (Nomad providing advice to both Board and committees)

Separate transaction advisors are used as appropriate.

Principle Eight

Promote a corporate culture that is based on ethical values and behaviours

The Company's ethos is to provide a working environment which promotes innovation and efficiency whilst also being mindful of the core values of honesty, empathy and commitment, which the Company makes best efforts to support with each member of the Sirius team. In addition, the Company always looks to support the personal and professional progression of each member of the team where it is able to do so.

This ethos is replicated with the Company's operational partners, co-owners and funding partners, where the Company's policy is committed to a working ethos that is both innovative and productive for each stakeholder working in partnership with the Company.

As yet at early stages in its development, the Company's corporate culture will also be translated into the community-based projects that it commits to in the future.

Principle Nine

Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

In accordance with the Companies Act 2006, the Board complies with: a duty to act within their powers; a duty to promote the success of the Company; a duty to exercise independent judgement; a duty to exercise reasonable care, skill and diligence; a duty to avoid conflicts of interest; a duty not to accept benefits from third parties and a duty to declare any interest in a proposed transaction or arrangement.

Corporate Governance continued

The Chairman's primary responsibility is in maintaining an effective Board. Management of the Company's day to day operations and communications with stakeholders and shareholders are delegated by the Board to the Executive Directors and Senior Management. Other role delegations are discussed below. However, it is the responsibility of the whole Board to continuously monitor the governance structure, particularly at points of significant change in the business, to ensure that the structure remains fit for purpose.

As the Company grows the Board will be diligent as to the balance between its Corporate Governance framework and the Company's strategic growth plans and always aims to maintain a degree of balance so that achieving growth in line with the strategy can sit comfortably alongside the Company's corporate culture and ethos.

The Board has established subcommittees of the Board, comprising an Audit Committee, a Remuneration Committee and a Nominations Committee.

Audit Committee

The Audit Committee comprises Simon Hawkins (Chairman), Toby Hayward and Christopher Neal. The Audit Committee meets at least half yearly and will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

Remuneration Committee

The Remuneration Committee comprises Toby Hayward (Chairman), Simon Hawkins and Christopher 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 committee has engaged MM&K to advise it.

Nominations Committee

The Nomination Committee, chaired by Jack Pryde, and is joined by Toby Hayward and Simon Hawkins, non-executive directors, deals with succession planning, and additions to the Board. Due to the current size of operations it meets on an ad hoc basis when necessary.

Principle Ten

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The vast majority of our shareholders are retail investors and we seek to engage with them at our Annual General Meetings, where the Directors' are available to answer questions. The company is also available to discuss any issues shareholders may have between AGMs. Shareholders can also communicate with the Company via email on ir@siriuspetroleum.com.

The Board continually evaluates the most effective ways of engaging with its shareholders, whilst at the early stages, and particularly during times of little or no news flow, shareholder engagement has been challenging given the inherent commercial sensitivities of the Company's commercial discussions and the disclosure requirements under the AIM Rules for Companies, that until now the Company has been subject to, and as the company grows it will consider creating shareholders' forums to meet on a regular basis and as budgets permit to increase the functionality of the Company's website.

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 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 $	S Hawkins $	T Hayward $	C Neal $	Total $
Short-term employment benefits:							
Year to 31 December 2018							
Salary and fees	149,055	223,697	146,390	69,868	73,195	60,971	723,176
Benefits in kind	8,343	3,962	3,412	–	–	–	15,717
Pension contributions	1,089	1,089	1,089	1,089	1,089	1,061	6,506
Share based payments	279,727	719,296	239,765	39,961	39,961	119,883	1,511,080
Total	**438,214**	**948,044**	**390,656**	**110,918**	**114,245**	**181,915**	**2,256,479**
Employers NI	**18,970**	**29,271**	**18,602**	**7,971**	**8,448**	**6,845**	**90,107**
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**

The above table includes amounts due but undrawn in respect of directors remuneration and National Insurance as at 31 December 2018 (and so are shown as liabilities within accruals) as follows:

J Pryde	$337,706	(31 December 2017: $429,682)
O Kuti	$179,891	(31 December 2017: $217,896)
C Neal	$Nil	(31 December 2017: $28,123)

Under the service agreements for O Kuti and J Pryde the above amounts are not due to be paid until the Group generates oil revenues.

Report on Remuneration continued

Addtionally the following net amounts were due for payment at 31 December 2018 and are shown as liabilities within other creditors. The PAYE on these amounts has been paid (31 December 2017: $Nil).

J Pryde	$75,295
O Kuti	$41,282
M Henderson	$14,882
T Hayward	$6,041
S Hawkins	$7,592
C Neal	$22,799

With the exception of $54,297 due to J Pryde, $19,401 due to O Kuti and $16,021 due to C Neal, these amounts were in respect of 2018 salaries and have now been paid. The outstanding amounts relate to 2017.

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 2018 or 31 December 2017.

Notice periods

The Directors all have three month rolling notice periods.

Share option incentives

At 31 December 2018 the following share options were held by the Directors.

		Date of grant	Exercise price	Number of options
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	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.

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 1.1p and 0.59p respectively. The share price at 31 December 2018 was 0.625p.

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 2018, which comprise the principal accounting policies, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, the consolidated and the parent company statements of financial position, the consolidated cash flow statement and notes to the financial statements. 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 2018 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 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.

Material uncertainty related to going concern

We draw attention to the 'Principal accounting policies – going concern' notes on page 32 and page 62 in the financial statements, which indicates that the $15m loan facility, whilst agreed, is subject to satisfactory due diligence and execution of funding and security agreements. As stated in the 'Principal accounting policies – going concern' notes, these events or conditions, along with the other matters as set forth in the 'Principal accounting policies – going concern' notes, indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Emphasis of matter – carrying value of intangibles

We draw attention to note 5 'Intangible exploration and evaluation assets' to the financial statements, which refers to the carrying value of intangible assets on the consolidated statement of financial position, which amount to $16,301,000. As described in that note, the licence on the Ororo Field expired on 1 May 2019. The Group decided, in advance of the expiry date, to seek a further extension to the term of the licence from the Department of Petroleum Resources in Nigeria as has been done previously. The Group awaits the results of this application process. The granting of any extension to the term of the licence will require the approval of the Minister of Petroleum whose formal appointment has yet to be made. For clarification, there would be no drilling activity on the field until an extension is granted. The Board remains confident that the Group will be able to obtain a further extension to the term of the licence, which has already been granted on two previous occasions, therefore management have assumed this will be renewed. In the unlikely event that this was not renewed, the Group would have to fully impair the intangible asset. Our opinion is not modified in respect of this matter.

Overview of our audit approach

GrantThornton

- Overall materiality: $187,000, which represents 1% of the group's total assets at the planning stage of the audit;
- Key audit matters were identified as accuracy of share-based payment charge and the impairment assessment of intangible assets; and
- We performed full scope audit procedures on the financial statements of the parent company, Sirius Petroleum plc. We performed specified audit procedures on the financial information of Sirius Petroleum Ororo OML95 Limited and Sirius Taglient Petro Limited. We performed analytical procedures over all other components.

Key audit matters

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

In addition to the matter described in the 'Material uncertainty related to going concern' section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Accuracy of share-based payment charge (group and parent company) The group provides benefits to employees and others in the form of share-based payment transactions, whereby officers and employees render services and receive rights over shares. These share-based payment transactions are classified by the group as an equity settled share-based payment transaction. The group and parent company recognised a share-based payment charge of $1,682,000 in the year ended 31 December 2018 (2017: $465,000). The total expense is spread over the vesting period. Attached to some of the options are vesting conditions linked to the successful first commercial production of hydrocarbons to the surface which incorporates judgement by management regarding the vesting period. We therefore identified the accuracy of the share-based payment charge 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: ● Evaluating the accounting policy for share-based payments for appropriateness in accordance with the requirements of the financial reporting framework, including IFRS 2 'Share-based Payment', and checking this has been appropriately applied; ● Reperforming management's calculation of the share-based payment charge; ● Challenging the assumptions used in respect of the valuation of the share options and ascertaining whether the expense was recognised over the appropriate vesting period; ● Comparing the date reflected in cashflow forecasts for the first commercial production of hydrocarbons to the surface to the estimate used in the valuation of share options; ● Performing sensitivity analysis on the vesting period assumption included within the valuation; and ● Comparing estimates of the date of the first commercial production of hydrocarbons to the surface to events subsequent to the year end and announcements made by the Board. The group's accounting policy in respect of share-based payments is shown on page 37 of the group financial statements and related disclosures are included in note 10. **Key observations** On the basis of our audit procedures, we concur with management's conclusion that the share-based payment charge is accurately calculated.

Independent auditor's report continued

to the members of Sirius Petroleum plc

Key Audit Matter	How the matter was addressed in the audit
Impairment assessment of intangible assets (group) At 31 December 2018, the carrying value of the intangible asset in relation to oil and gas exploration for the Ororo field was $16,301,000 (2017: $10,554,000). The extended period of non-productivity of 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 by management 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: • Testing the mathematical accuracy of management's Field Development Plan ("FDP"), also known as the impairment assessment, by performing a recalculation of the figures; • Using an oil and gas industry specialist to perform critical analysis and evaluation of the FDP 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 management's expert creating the FDP; • Assessment of the competence, capabilities and objectivity of management's expert in relation to the preparation of the FDP; • Evaluating and challenging the methodology and key assumptions used by management's expert for reasonableness and relevance to the group's oil exploration fields, and considering evidence available to support these assumptions; • Considering the sensitivity of key assumptions used in the impairment assessment to assess the potential impact of the range of possible outcomes; and • Assessing the accounting policy and related disclosures in the financial statements for compliance with 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 33 of the group financial statements and related disclosures are included on page 39 and in note 5 to the financial statements. **Key observations** Based on our audit procedures, we concur with management's conclusion in respect of the impairment assessment of intangible assets.

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	$187,000, which is 1% of the group's total assets at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results. This benchmark is considered the most appropriate because users of the financial statements will be concerned with the level of investment being made in intangible and tangible assets. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the change in benchmark from loss before taxation to total assets, and the investment made by the group in the current year.	$186,000, which was determined based on approximately 5% of the parent company's loss for the year, capped at £1,000 less than group materiality. This benchmark is considered the most appropriate because results for the year are fundamental to shareholder return and working capital. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2017 to reflect the capping at £1,000 less than group materiality, which was higher this 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	$9,350 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	$9,300 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

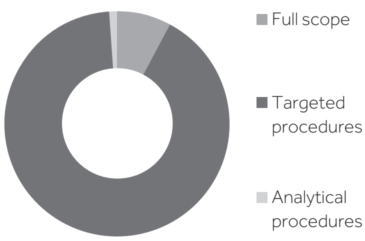
Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- 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. For example, significance as a percentage of the group's total assets, revenues and profit before taxation or significance based on qualitative factors, such as specific use is or concerns over specific components;

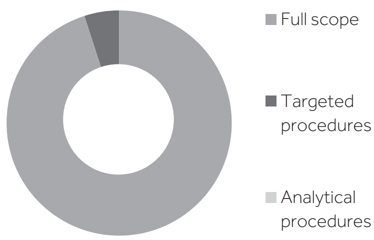
Independent auditor's report continued
to the members of Sirius Petroleum plc

- 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;
- evaluation of the group's internal control environment including its key IT and financial system controls;
- performing specific audit procedures for components with balances determined to be significant. Accordingly, we performed specified audit procedures in respect of the impairment assessment of intangible assets at Sirius Petroleum Ororo OML95 Limited and the occurrence of employee remuneration costs at Sirius Taglient Petro Limited;
- performing analytical audit procedures for 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 8% of the consolidated assets and 95% of the consolidated loss before taxation were subject to full-scope audit procedures; and
- a total of 91% of the consolidated assets and 5% of the consolidated loss before tax were subject to specific 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 financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 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 report of the directors.

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 pages 13 to 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report continued

to the members of Sirius Petroleum plc

Use of our report

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

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

30 August 2019

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 were listed on the AIM market of the London Stock Exchange until 27 August 2019. Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 61-75.

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

Going concern

The Directors are proceeding with their plans to acquire both OML109 and the Additional Producing Asset, and fully intend to develop both of these assets as well as commence the development of the Ororo field in the next 12 months. However, given that there are a number of uncertainties around these plans at the present time, whilst both financing and operating agreements are being finalised and the Ororo licence is being renewed, the Directors have excluded these plans from their cash flow projections for going concern purposes for the period up to 31 August 2020.

The Group has in place a term sheet for a loan facility of up to $15m to cover its working capital requirement, and have included drawing this facility in full in its projections. The projections indicate that the Group would have a cash balance of $3m at 30 August 2020. This includes fully repaying the outstanding facility from European High Growth Opportunities Securitization Fund, which was secured in January 2019, amounting to GBP £1.32m, as well as other loans and creditors, in cash. The $15m loan facility, whilst agreed, is subject to satisfactory due diligence and execution of funding and security agreements.

The Directors therefore believe that the Group and parent company 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. However, as outlined above, the conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent company's ability to continue as a going concern. Consequently, the financial statements have been prepared on a going concern basis. The Group and parent company financial statements do not include the adjustments that would result if the Group or parent company was unable to continue as a going concern.

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.

Principal Accounting Policies continued

Other income

Other income represents the total value, excluding VAT, of income receivable from professional services. Income is recognised as the services are provided. IFRS 15 'Revenue from Contracts with Customers' has been adopted from 1 January 2018. Please refer to page 40 where the impact of the adoption of new standards has been discussed.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. identifying the contract with a customer
2. identifying the performance obligations
3. determining the transaction price
4. allocating the transaction price to the performance obligations
5. recognising revenue when/as performance obligation(s) are satisfied.

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.

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.

Principal Accounting Policies continued

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 and trade and other receivables.

Financial assets are generally classified as assets held at amortised cost and are initially measured at fair value including transaction costs incurred.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- loans and receivables at amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as FVOCI or FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

The Group considers trade and other receivables individually in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Principal Accounting Policies continued

Cash and cash equivalents

Cash and cash equivalents include cash at bank, short term bank overdrafts and cash in hand. The bank overdraft has been considered as part of cash and cash equivalents in the statement of cash flows.

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.

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, bank overdrafts, lease liability 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.

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. There are currently no financial liabilities held at "fair value through profit or loss".

Principal Accounting Policies continued

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.

Leases

The Group has early adopted IFRS16 "Leases". Leases are recorded in the statement of financial position in the form of a right-of-use asset and a lease liability, with the exception of assets of low value and short-term leases of less than 12 months, whereby the group has taken the practical expedient to not capitalise a right-of-use asset and recognise a lease liability but instead charge to the statement of comprehensive income (net of any incentives received from the lessor) on a straight-line basis over the period of the lease.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease is recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset was available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The impact of the transition to IFRS16 is shown on page 40.

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.

Principal Accounting Policies continued

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.

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.

Principal Accounting Policies continued

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:

Property leases	–	straight line over the period of the lease
Computer equipment	–	within the current financial year
Office equipment	–	straight-line over 3 years
Vehicles	–	straight-line over 5 years

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. The functional currency of the Company is GBP, Sirius Ororo (OML95) Ltd is USD and Sirius Taglient Petrol Ltd is NGN. The presentational currency of the group and company is USD.

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.

Principal Accounting Policies continued

The average GBP exchange rate used during the year was USD 1.35501 (2017: 1.28872). The closing exchange rate at 31 December 2018 was USD 1.273562 (2017: 1.349254).

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.

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 32 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.

The Licence on the Ororo Field expired on 1 May 2019. Management has assumed that this will be renewed. Additionally in assessing the current value of the Ororo field, management have used an internal Field Development Plan ("FDP") rather than an updated Competent Persons Report ("CPR").

Share-based payment

Management has made a number of assumptions in calculating the fair value of the share options as detailed in note 10. The critical assumption used is the estimated date of first hydrocarbons to surface which determine the exercise date of the options granted in December 2017. This is expected to take place in October 2019 as this is the expected completion date of a the acquisition of an interest in a producing entity. This timing is an estimate made by management and is not a certainty. The share-based payment is charged to the statement of financial income over the period between the grant of the options and the expected exercise date.

Principal Accounting Policies continued

Lease accounting

In calculating the lease asset and liability in respect of the lease for the London office, management has assumed that the Group will take advantage of the break clause in the lease, and therefore the lease has been considered to be a three year lease rather than the full potential five years.

(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 (2017: £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 Group has applied IFRS 9 – Financial Instruments, IFRS 15 – Revenue from contracts with customers and IFRS 16 – Leases from 1 January 2018. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year.

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', and several revenue-related Interpretations this year. The group has adopted IFRS 15 through the "modified retrospective approach" and determined that there was no material impact on the financial statements of the group hence no cumulative catch up adjustment has been booked to the opening balance sheet at 1 January 2018.

IFRS 9 which replaces IAS 39 'Financial Instruments: Recognition and Measurement' makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. There were no material differences arising from the adoption of IFRS 9 in relation to the classification, measurement and impairment of financial assets and there have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The modified retrospective approach has been taken in applying IFRS 16. The impact of IFRS 16 at 31 December 2018, has been to recognise the property lease as a right-of-use asset of $570,000, with a lease liability of $483,000 of which $279,000 is due after one year. A depreciation charge has been recognised in the income statement of $53,000. As there were no assets leased prior to the period no adjustments were necessary at 1 January 2018.

Principal Accounting Policies continued

The other standards are not expected to result in significant changes to the Group's accounting policies. These are:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (IASB effective date 01 January 2019 EU endorsed 01 January 2019)
- IFRS 17 Insurance contracts (IASB effective date 01 January 2021, EU Not yet endorsed)
- Amendments to Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (issued on 7 February 2018) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to IFRS 3: Business Combinations (issued 22 October 2018) (IASB effective date 01 January 2020, EU Not yet endorsed)
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (issued 12 October 2017) (IASB effective date 01 January 2019, EU Not yet endorsed)
- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018), (IASB effective date 01 January 2020, EU Not yet endorsed)
- Annual improvements to IFRS 2014-2016 Cycle (Issued 8 December 2016) – Relating to IFRS 12 Disclosure of interest in other entities (IASB effective date 01 January 2017, EU Not yet endorsed)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Other income		52	59
Share based payments	10	(1,682)	(465)
Other administrative expenses	1	(4,115)	(1,741)
Total administrative expenses		(5,797)	(2,206)
Loss from operations		(5,745)	(2,147)
Finance cost	2	(1,276)	(122)
Loss before and after taxation, and loss attributable to the equity holders of the Company		(7,021)	(2,269)
Other comprehensive loss			
Exchange differences on translating foreign operations		239	(36)
Other comprehensive loss for the period, net of tax		239	(36)
Total comprehensive loss for the year, attributable to owners of the company		(6,782)	(2,305)
Total loss per ordinary share			
Basic and diluted loss per share (cents)	4	(0.20)	(0.09)

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 2018

	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 2017	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	–
Issue 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
Share based payments	–	–	1,682	–	–	–	1,682
Transfer on lapse of share options/warrants	–	–	(426)	–	–	426	–
Transactions with owners	–	–	1,256	–	–	426	1,682
Exchange difference on translating foreign operations	–	–	–	–	239	–	239
Loss for the year	–	–	–	–	–	(7,021)	(7,021)
Total comprehensive loss for the year	–	–	–	–	239	(7,021)	(6,782)
Balance at 31 December 2018	13,210	35,216	3,978	–	(26)	(45,457)	6,921

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

Consolidated Statement of Financial Position

As at 31 December 2018

	Notes	31 December 2018 $'000	31 December 2017 $'000
Assets			
Non-current assets			
Intangible exploration and evaluation assets	5	16,301	10,554
Property, plant and equipment	6	649	13
		16,950	10,567
Current assets			
Cash and cash equivalents		3	4,014
Trade and other receivables	7	567	4,013
Total current assets		570	8,027
Total assets		17,520	18,594
Liabilities			
Current liabilities			
Bank overdraft		87	–
Trade and other payables	8	8,927	6,236
Lease liability	16	194	–
Loans payable	9	1,214	337
Total current liabilities		10,422	6,573
Liabilities due after one year			
Lease liability	16	177	–
Total liabilities		10,599	6,573
Equity			
Share capital	11	13,210	13,210
Share premium		35,216	35,216
Share-based payment reserve	10	3,978	2,722
Exchange reserve		(26)	(265)
Retained earnings		(45,457)	(38,862)
Equity attributable to equity holders of the Company		6,921	12,021
Total equity and liabilities		17,520	18,594

The consolidated financial statements were approved by the Board and authorised for issue on 30 August 2019.

J Pryde
Director

30 August 2019

Company No 05181462

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

Consolidated Cashflow Statement

For the year ended 31 December 2018

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Cash flow from operating activities		
Continuing operations		
Loss after taxation	(7,021)	(2,269)
Depreciation	252	6
Finance cost	1,276	122
Increase in trade and other receivables	(309)	(879)
Equity settled share-based payments	1,682	465
Expenses settled in shares	–	680
Increase/(decrease) in trade and other payables	2,544	(440)
Net cash outflow from operating activities from continuing operations	(1,576)	(2,315)
Cash flows from investing activities		
Purchase of intangibles	(5,747)	(3,525)
Purchase of property, plant and equipment	(318)	(1)
Net cash outflow from investing activities	(6,065)	(3,526)
Cash flows from financing activities		
Proceeds from issue of share capital	2,755	9,230
Share issue costs	–	(608)
Finance cost	(8)	(48)
Loans received	855	526
Lease payments	(96)	–
Lease interest	(7)	–
Loans repaid	(124)	–
Net cash inflow from financing activities	3,375	9,100
Net change in cash and cash equivalents	(4,266)	3,259
Cash and cash equivalents at beginning of period	4,014	830
Exchange differences on cash and cash equivalents	168	(75)
Cash and cash equivalents at end of period	(84)	4,014
Comprising of:		
Bank overdraft	(87)	–
Cash and cash equivalents	3	4,014
	(84)	4,014

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 2018

1 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 2018 $'000	Year ended 31 December 2017 $'000
Staff costs (see note 19)	2,918	993
Depreciation of fixed assets	252	6
Operating lease rentals: land and buildings	22	86
Fees payable to the Company's auditor for the audit of the financial statements	58	52
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 $641,000 (2017: $Nil) arise in the UK and $16,309,000 (2017: $10,567,000) arise in Nigeria.

2 Finance costs

	Year ended 31 December 2018 $'000	Year ended 31 December 2017 $'000
Finance costs		
Finance fees	1,291	97
Finance cost on leases	7	–
HMRC finance costs	(22)	34
Settlement of loan	–	(9)
	1,276	122

Finance fees of $196,000 (2017: $97,000) are in respect of the short-term loans received from unconnected third parties and finance fees in respect of other loan facilities. Further information in respect of these loans is disclosed in note 9. The credit to HMRC finance costs of $(22,000) (2017: charge $34,000) is in respect of amounts accrued for ex-directors' fees now paid. Finance fees of $1,000,000 are in relation to the write off of the arrangement fee on a facility the Group does not expect to utilise.

Notes to the Financial Statements continued

For the year ended 31 December 2018

3 Taxation

There is no tax charge for the year (year ended 31 December 2017: $nil).

Unrelieved tax losses of approximately $20,100,000 (2017: $19,500,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2018 is $3,815,000 (2017: $3,754,000) 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:

	2018 $'000	2018 %	2017 $'000	2017 %
Loss before taxation	(7,021)		(2,269)	
Loss multiplied by standard rate of corporation tax in the UK	(1,334)	(19.00)	(437)	(19.25)
Effect of:				
Expenses not deductible for tax purposes	730	(19.00)	214	(19.25)
Overseas loss not recognised	73	(19.00)	44	(19.25)
Unrelieved tax losses	531	(19.00)	179	(19.25)
Total tax charge for year	–		–	

4 Loss per share

	2018 $'000	2017 $'000
Loss attributable to owners of the Company	(7,021)	(2,269)

	2018 Number	2017 Number
Weighted average number of shares for calculating basic loss per share	3,555,965,801	2,550,274,003

	2018 Cents	2017 Cents
Basic and diluted loss per share	(0.20)	(0.09)

There are 463,500,000 share options and 75,000,000 warrants outstanding as at 31 December 2018, 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 2018

5 Intangible exploration and evaluation assets

Cost of oil and gas exploration

	$'000
Cost	
At 1 January 2017	4,643
Additions	5,911
At 31 December 2017	10,554
Additions	5,747
At 31 December 2018	16,301
Amortisation and impairment	
At 1 January 2017, 31 December 2017 and 31 December 2018	–
Net book value at 31 December 2018	16,301
Net book value at 31 December 2017	10,554
Net book value at 1 January 2017	4,643

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.

Following the additional work as noted below and the completion of the feasibility report along with the ongoing funding negotiations, the Directors are confident of commencement of the operation of the well. As a result, this liability is now expected to become payable. The Directors reviewed the assumptions made and consider that the liability should be provided in full as it is expected to be paid shortly, therefore, the carrying value of the liability is assessed at $500,000 and is included in other payables (2017 $500,000). 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. The Group prepared a Field Development Plan ("FDP") in March 2019 and using an oil price of $60 per barrel the valuations resulted in a low case net present value of $42m and a mid-case net present value of $97m (excluding any allowances for pioneer tax relief). 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. Should the Group not obtain the funding required the intangible asset would have to be fully impaired.

Notes to the Financial Statements continued

For the year ended 31 December 2018

5 Intangible exploration and evaluation assets continued

The Licence on the Ororo Field expired on 1 May 2019. As notified on 5 April 2019, the Group decided, in advance of the expiry date, to seek a further extension to the term of the licence from the Department of Petroleum Resources in Nigeria as has been done previously. The Group awaits the results of this application process. The granting of any extension to the term of the licence will require the approval of the Minister of Petroleum whose formal appointment has yet to be made. For clarification, there would be no drilling activity on the field until an extension is granted. The Board remains confident that the Group will be able to obtain a further extension to the term of the licence, which has already been granted on two previous occasions, therefore management has assumed that this will be renewed. In the unlikely event that this was not renewed, the Group would have to fully impair the intangible asset.

6 Property, plant and equipment

	Leasehold Property (see note 16) $' 000	Computer Equipment $' 000	Office Equipment $'000	Motor Vehicles $'000	Total $'000
Cost					
At 1 January 2017	–	50	29	27	106
Additions	–	1	–	–	1
Exchange difference	–	–	–	(2)	(2)
At 31 December 2017	–	51	29	25	105
Additions	570	27	291	–	888
At 31 December 2018	570	78	320	25	993
Depreciation					
At 1 January 2017	–	50	29	7	86
Charge for the year	–	1	–	5	6
At 31 December 2017	–	51	29	12	92
Charge for the year	148	27	72	5	252
At 31 December 2018	148	78	101	17	344
Net book value					
Balance at 31 December 2018	422	–	219	8	649
Balance at 31 December 2017	–	–	–	13	13
Balance at 1 January 2017	–	–	–	20	20

Notes to the Financial Statements continued

For the year ended 31 December 2018

7 Trade and other receivables

	31 December 2018 $'000	31 December 2017 $'000
Current		
Other receivables	223	3,209
Prepayments and accrued income	344	804
	567	4,013

Included in other receivables in 2017 is $2,969,000 (£2,201,000) of unpaid share capital from the placing on 19 December 2017. $229,000 has been provided for in 2018.

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.

8 Trade and other payables

	31 December 2018 $'000	31 December 2017 $'000
Trade payables	6,611	3,803
Other payables	1,293	1,099
Accruals	1,023	1,334
	8,927	6,236

There are amounts totalling $518,000 (2017: $548,000) due to directors in accruals which are due on first hydrocarbons to surface.

Additionally there are deferred payments of $2,000,000 (2017: $949,000) in trade payables which only become due three months after first hydrocarbons to surface. Management expect this to be within one year of the balance sheet date and therefore have presented these amounts as such.

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 $523,000 (2017: $526,000), which incurred initial loan fees of $209,000 of which $188,000 was charged during the year (2017: $Nil). Additionally a bank loan of $332,000 was taken out at an interest rate of 2.5% over base rate. These loans are unsecured.

Convertible loans

None of the loans received in either year were convertible, but the Group repaid some convertible loans in 2017. The loans were unsecured.

In 2017 associated finance charges of $52,000 were recognised in accordance with the effective interest method, and $736,000 of the debt was repaid in shares. At 31 December 2018, the carrying value of the financial liability is $318,000 (2017: $337,000), including a $19,000 (2017: $84,000) exchange movement and is included within loans payable.

Notes to the Financial Statements continued

For the year ended 31 December 2018

9 Loans payable continued

The initial loan fees of the 2016 convertible loan could be settled, at the Lender'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 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 conversion of the loan in 2017 and $1,000 exchange difference was recognised.

Non-convertible loans

During the year the Group received non-convertible loans from third parties of $523,000 (2017: $526,000) and $188,000 of interest (2017: $22,000) was recognised on these loans during the year. Additionally a bank loan of $332,000 was taken out on which interest of $8,000 was recognised in the year. Repayments of $132,000 were made against the bank loan in the year.

In 2017 agreements were reached with lenders to repay the 2017 loans in shares and 86,103,572 shares were issued in respect of a total repayment of $743,000. Additionally $23,000 of commissions paid on loans received has been included in finance costs in 2017. The 2018 loans have all been repaid in cash subsequent to the financial year end.

The movements in the loans are summarised below:

	31 December 2018 $'000	31 December 2017 $'000
Convertible loans		
Balance at 1 January	337	937
Interest charged	–	52
Converted	–	(736)
Foreign exchange	(19)	84
Balance at 31 December	318	337
Non-convertible loans		
Balance at 1 January	–	170
Loans received	855	526
Interest charged	196	22
Repaid in cash	(132)	–
Paid in shares	–	(743)
Foreign exchange	(23)	25
Balance at 31 December	896	–

10 Share-based payments

The Group incurred a share-based payment charge of $1,682,000 (2017: $465,000), of which $1,668,000 (2017: $425,000) was in respect of share options and $14,000 (2017: $40,000) in respect of warrants. In 2017 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 have varying exercise conditions as described below and are exercisable from the date the condition has been met until ten years from the grant date. The expected life of the options varies from six months to forty six months. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

Notes to the Financial Statements continued

For the year ended 31 December 2018

10 Share-based payments continued

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 2018 Number	31 December 2017 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	36,000,000
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
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	8,000,000
The date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	22 months	0.01125	0.008154	208,750,000	208,750,000
12 months after the date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	34 months	0.01125	0.008154	104,375,000	104,375,000
24 months after the date on which the successful first commercial production of hydrocarbons to the surface occurred.	19-Dec-17	46 months	0.01125	0.008154	104,375,000	104,375,000
					463,500,000	463,500,000

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 2018, 46,000,000 options were exercisable (2017: 46,000,000).

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 22 months and 46 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.

Notes to the Financial Statements continued

For the year ended 31 December 2018

10 Share-based payments continued

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 were assumed to vest in 22/34/46 months on their vesting date as the successful first commercial production of hydrocarbons to surface is expected in October 2019.

The Group recognised a charge of $1,668,000 (year ended 31 December 2017: $426,000) 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 11 August 2011, 20,000,000 warrants were issued to consultants at 5p. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until the tenth anniversary of the date of grant.

On 7 April 2014, 5,000,000 warrants were issued to S Fletcher 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 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.

On 3 December 2018, 35,000,000 warrants at 2p were issued to Harmattan Energy Limited. These warrants may be exercised, in whole or in part or parts, at any time from the date of grant until 11 August 2020.

At 31 December 2018, a total of 75,000,000 warrants were exercisable. The weighted average share price at the date of exercise of the warrants was 2.00 pence. The weighted average exercise price is 3.00 pence and a weighted average remaining contractual life of 2.18 years.

At 31 December 2018, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2018		2017	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	333,000,000	2.23	329,000,000	3.63
Granted during the year	35,000,000	2.00	5,000,000	2.00
Lapsed during the year	(293,000,000)	2.00	(1,000,000)	5.50
Outstanding and exercisable at 31 December	75,000,000	3.00	333,000,000	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 2018

10 Share-based payments continued

The fair value of the services received is considered to be comparable to the fair value of the warrants issued in 2011 to 2018. 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
24 October 2017	0.25%	107.68%	£0.02	£0.0125	£0.006124
3 December 2018	0.75%	59.23%	£0.02	£0.00675	£0.000305

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in October 2011 were expected to vest in 12 months from date of grant. The warrants issued in April 2014 were expected to vest in 12 months from date of grant. All of the warrants issued in 2015, 2017 and 2018 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 $14,000 (2017: $40,000) relating to these equity-settled share-based payment transactions during the year.

Fees paid in shares

The Group recognised a charge of $Nil (2017: $20,000) in respect of shares issued for services received.

11 Share capital

	31 December 2018 $'000	31 December 2017 $'000
Allotted, issued and fully paid		
3,555,965,801 (2017: 3,555,965,801) ordinary shares of 0.25p	13,210	13,210

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
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
At 31 December 2018	3,555,965,801	13,210

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 2018

12 Reconciliation of liabilities arising from financing acivities

	Short-term borrowings $'000	Long-term borrowings $'000	Total $'000
1 January 2018	337	–	337
Cash-flows:			
– Proceeds	855	–	855
– Interest paid	(8)	–	(8)
– Repayments	(227)	–	(227)
Non-cash:			
– Accrued interest	200	3	203
– Lease liability	319	195	514
– Foreign exchange movement	(68)	(21)	(89)
31 December 2018	1,408	177	1,585

	Short-term borrowings $'000	Total $'000
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

13 Contingent liabilities

At 31 December 2018 there was a contingent liability of $108,000 (£85,000) to Effra for services provided. The Group disputes this claim, and no legal action has commenced. There were no contingent liabilities at 31 December 2017.

14 Contingent assets

At 31 December 2018 there was a contingent asset in respect of a potential interest in the OML 109 licence as announced on 4 December 2018. This is contingent upon financing and shareholder approval.

15 Capital commitments and undrawn borrowings

There were no capital commitments at 31 December 2018 or at 31 December 2017. At 31 December 2018 there was an undrawn partially convertible loan facility of $12 million (31 December 2017: £12 million).

Notes to the Financial Statements continued

For the year ended 31 December 2018

16 Leases

There were no commitments under non-cancellable operating leases at 31 December 2017, as such no lease liability was recognised at 1 January 2018.

In March 2018 the Group entered into an office lease at 25 Bury Street. The following amounts relate to leases.

Amounts included in property, plant and equipment in the statement of financial position:

	2018 $'000	2017 $'000
Right-of-use assets		
Properties	422	–
	422	–

Amounts shown as lease liability in the statement of financial position:

	2018 $'000	2017 $'000
Lease liabilities		
Current	194	–
Non-current	177	–
	371	–

The group leases the property at 25 Bury Street in London and an office in Lagos.

The lease in London is for a term of five years from March 2018, with a break clause after three years. Management have assumed that the Group will avail itself of the break clause in accounting for the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The office in Nigeria is held on a 12 month lease. Additionally, prior to occupation of the Bury Street office in May 2018, the group had a short term lease on a serviced office in London on which one month's notice was required.

In 2018 the Group recognised the following amounts in respect of leases:

Lease depreciation – $148,000 (2017: $Nil)
Lease interest – $7,000 (2017: $Nil)
Service charges – $32,000 (2017: $Nil)
Expense relating to short term leases (included within other administrative expenses) – $22,000 (2017: $24,000)

The total cash outflow in respect of leases was $107,000 (2017: $24,000).

Notes to the Financial Statements continued

For the year ended 31 December 2018

17 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 2018, 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 2018			31 December 2017		
	Receivables held at amortised cost $'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	223	–	223	3,209	–	3,209
Prepayments and accrued income	–	344	344	–	804	804
Cash and cash equivalents	3	–	3	4,014	–	4,014
Total	226	344	570	7,223	804	8,027

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 2018.

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 2018

17 Financial instruments continued

e Financial liabilities

The Group's financial liabilities are classified as follows:

	31 December 2018			31 December 2017		
	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 9 $'000	Total $'000	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 39 $'000	Total $'000
Trade payables	6,611	–	6,611	3,803	–	3,803
Other payables	1,293	–	1,293	1,099	–	1,099
Bank overdraft	87	–	87	–	–	–
Lease liability	371	–	371	–	–	–
Loans	1,214	–	1,214	337	–	337
Accruals	1,023	–	1,023	1,334	–	1,334
Total	10,599	–	10,599	6,573	–	6,573

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 2018 at a fair value of $500k (2017: $500k).

Maturity of financial instruments

All financial liabilities except the lease liability in the table above at 31 December 2018 and 31 December 2017 mature in less than one year. The maturity of the lease liability is shown below:

	2018 $'000	2017 $'000
Lease liability		
Amounts due within one year	194	–
Amounts due in one to five years	177	–

Borrowing facilities for the year ended 31 December 2018

At 31 December 2018 there was an undrawn partially convertible loan facility of $12 million (31 December 2017: $12 million).

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.

Notes to the Financial Statements continued

For the year ended 31 December 2018

17 Financial instruments continued

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.

18 Related party transactions

At 31 December 2018 the following amounts were due to directors:

	Net salary	Expenses	Accrued salary
31 December 2018			
O Kuti	41,282	2,371	179,891
J Pryde	75,295	4,401	337,706
M Henderson	14,882	5,206	–
C Neal	22,799	4,191	–
T Hayward	6,041	3,181	–
S Hawkins	7,592	415	–
31 December 2017			
O Kuti	–	–	217,896
J Pryde	–	3,549	429,682
M Henderson	–	–	–
C Neal	–	–	28,123
T Hayward	–	–	–
S Hawkins	–	1,574	–

During the year, the Company made loans of $360,936 (2017: $296,660) to Sirius Taglient Petro Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2018, Sirius was owed $4,042,076 (2017: $3,681,140) from Sirius Taglient Petro Limited, which has been provided for in full.

19 Employee remuneration

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

	2018 $'000	2017 $'000
Wages and salaries	1,133	459
Social security	142	113
Share-based payments	1,608	410
Benefits in kind	35	11
	2,918	993

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on pages 22-23.

The average number of employees during the year was:

	2018 No.	2017 No.
Directors	6	3
Other	9	7
	15	10

Notes to the Financial Statements continued

For the year ended 31 December 2018

20 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 Exploration and Production Company Limited (previously Sirius 2012 Limited)	100%	Exploration for mineral resources	Nigeria
Sirius Finance UK Limited	100%	Securitisation vehicle	England and Wales

21 Subsequent events

On 5 January 2019 the Group announced that it had agreed a convertible loan of up to £5 million, of which £1.75m has been drawn down to date and £3.25m remains available to draw down, on admission of the Group's shares to AIM.

On 21 January 2019, the Group announced a placing of 46,933,334 New Ordinary shares of 0.25p each at a price of 0.6 pence per Ordinary share raising gross proceeds of £281,600, and converted £240,000 of the European High Growth Opportunities Securitization Fund Convertible Note (announced on 15 January 2019) resulting in the issue of 7,272,727 New Ordinary shares at a price of 0.55 pence per share and 37,735,849 New Ordinary shares at a price of 0.53 pence per share.

On 5 February 2019, the Group announced that a further £140,000 of the European High Growth Opportunities Securitization Fund Convertible Note had been converted resulting in the issue of 28,571,428 new ordinary shares at a price of 0.49 pence per share.

On 21 February 2019, the Group announced the conversion of £50,000 of the European High Growth Opportunities Securitization Fund Convertible Note into 12,820,512 new ordinary shares at a price of 0.39 pence per share.

Following these share issues, the Company has 3,689,299,651 Ordinary shares of 0.25 pence each in issue. No ordinary shares are held in treasury. The figure of 3,689,299,651 Ordinary shares may be used by the Company's 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.

On 21 June 2019 the Group announced that it had signed a conditional Farm Out Agreement ("FOA") on a Nigerian oil and gas asset, unrelated to the OML 109 Acquisition.

On 31 July 2019 the Group appointed Africa Finance Corporation as a Financial Adviser to develop Sirius into a Pan-African Oil & Gas group.

On 2 August 2019 the Group signed a $10m loan facility with a third party to be utilised in respect of the Additional Producing Asset which has been drawn down. The loan is repayable quarterly over a 12 month period.

On 23 August 2019 the company announced that its shares would be delisted from AIM on 27 August 2019. The Company is continuing to develop its portfolio and will seek a relisting on the London Stock Exchange as a new applicant (rather than pursuant to Aim Rule 14) as soon as possible. The process of a reverse takeover requires the publication of an Admission Document and as such, a delisting is not a new obstacle, given that the Company will undertake to produce an Admission Document for the relisting as a new applicant on the London Stock Exchange, engaging in a regulatory process which is essentially the same as is required for a reverse takeover. There can be no guarantee either or both proposed transactions will complete in order to achieve this. The Company will update shareholders as and when it is appropriate to do so.

On 28 August 2019 the Group signed a term sheet for a $15m loan facility for working capital.

Sirius Petroleum plc

Parent Company Financial Statements

(prepared under UK GAAP – FRS 102)

for the year ended 31 December 2018

Company No 05181462

Principal Accounting Policies

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 as it meets the definition of a qualifying entity due to the disclosures being made in the consolidated financial statements:

- the requirement to present a statement of cash flows and related notes
- the requirement to disclose financial instruments
- the requirement to disclose key management personnel compensation
- the requirement to disclose share based payments

Going concern

The Directors are proceeding with their plans to acquire both OML109 and the Additional Producing Asset, and fully intend to develop both of these assets as well as commence the development of the Ororo field in the next 12 months. However, given that there are a number of uncertainties around these plans at the present time, whilst both financing and operating agreements are being finalised and the Ororo licence is being renewed, the Directors have excluded these plans from their cash flow projections for going concern purposes for the period up to 31 August 2020.

The Group has in place a term sheet for a loan facility of up to $15m to cover its working capital requirement, and have included drawing this facility in full in its projections. The projections indicate that the Group would have a cash balance of $3m at 31 August 2020. This includes fully repaying the outstanding facility from European High Growth Opportunities Securitization Fund, which was secured in January 2019, amounting to GBP £1.32m, as well as other loans and creditors, in cash. The $15m loan facility, whilst agreed, is subject to satisfactory due diligence and execution of funding and security agreements.

The Directors therefore believe that the Group and parent company 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. However, as outlined above, the conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group and parent company's ability to continue as a going concern. The Group and parent company financial statements do not include the adjustments that would result if the Group or parent company was unable to continue as a going concern.

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.

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 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.

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.

Principal Accounting Policies continued

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 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, bank overdrafts, lease liability 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.

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. There are currently no financial liabilities held at "fair value through profit or loss".

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.

Principal Accounting Policies continued

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 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.

Principal Accounting Policies continued

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

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 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. The functional currency of the Company is GBP and the presentational currency of the Company is USD.

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.

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.

Principal Accounting Policies continued

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 1.35501 (2017: 1.28872). The closing exchange rate at 31 December 2018 was USD 1.273562 (2017: 1.349254).

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 62 above.

Share-based payment

Management has made a number of assumptions in calculating the fair value of the share options as detailed in note 5. The critical assumption used is the estimated date of first hydrocarbons to surface which determine the exercise date of the options granted in December 2017. This is expected to take place in October 2019 as this is the expected completion date of the acquisition of an interest in a producing entity. This timing is an estimate made by management and is not a certainty. The share-based payment is charged to the statement of financial income over the period between the grant of the options and the expected exercise date.

Lease accounting

In calculating the lease asset and liability in respect of the lease for the London office, management have assumed that the Group will take advantage of the break clause in the lease, and therefore the lease has been considered to be a three year lease rather than the full potential five years.

Statement of Financial Position

As at 31 December 2018

	Note	31 December 2018 $'000	31 December 2017 $'000
Assets			
Fixed assets			
Tangible fixed assets	2	219	–
Current assets			
Cash and cash equivalents		–	4,010
Trade and other receivables	3	562	4,011
Total current assets		562	8,021
Total assets		781	8,021
Liabilities			
Current liabilities			
Bank overdraft	4	87	–
Trade and other payables	4	8,180	4,916
Loans payable	4	1,214	337
Total liabilities		9,481	5,253
Equity			
Share capital	6	13,210	13,210
Share premium		35,216	35,216
Share-based payment reserve	5	3,978	2,722
Exchange reserve		223	23
Retained earnings		(61,327)	(48,403)
Equity attributable to equity holders of the Company		(8,700)	2,768
Total equity and liabilities		781	8,021

The Company's loss for the year was $13,350,000 (year ended 31 December 2017: $8,364,000).

The financial statements were approved by the Board and authorised for issue on 30 August 2019.

J Pryde
Director

30 August 2019

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 2018

	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 2017	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	–
Issue of loan fees equity instruments (note 4)	–	–	–	(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
Share based payments	–	–	1,682	–	–	–	1,682
Transfer on lapse of share options/warrants	–	–	(426)	–	–	426	–
Transactions with owners	–	–	1,256	–	–	426	1,682
Exchange difference on translating foreign operations	–	–	–	–	200	–	200
Loss for the year	–	–	–	–	–	(13,350)	(13,350)
Total comprehensive loss for the year	–	–	–	–	200	(13,350)	(13,150)
Balance at 31 December 2018	13,210	35,216	3,978	–	223	(61,327)	(8,700)

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 2018

1 Fixed asset investments

	Investment in group undertakings $'000
Cost	
At 31 December 2017 and 31 December 2018	19,260
Amounts written off:	
At 31 December 2017 and 31 December 2018	19,260
Net book value at 31 December 2017 and 31 December 2018	–

At 31 December 2018 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 Exploration and Production Company Limited (previously Sirius 2012 Limited)	100%	Exploration for mineral resources	Nigeria	3 Jerry Iriabe Street, Lekki Scheme 1, Lagos, Nigeria
Sirius Finance UK Limited	100%	Securtisation vehicle	England and Wales	35 Great St. Helen's, London, EC3A 6AP

At 31 December 2018 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 2018

2 Property, plant and equipment

	Computer equipment $' 000	Office equipment $'000	Total $'000
Cost			
At 1 January 2017	33	8	41
Additions	1	–	1
At 31 December 2017	34	8	42
Additions	27	291	318
At 31 December 2018	61	299	360
Depreciation			
At 1 January 2017	33	8	41
Charge for the year	1	–	1
At 31 December 2017	34	8	42
Charge for the year	27	72	99
At 31 December 2018	61	80	141
Net book value			
Balance at 31 December 2018	–	219	219
Balance at 31 December 2017	–	–	–
Balance at 1 January 2017	–	–	–

3 Debtors

	31 December 2018 $'000	31 December 2017 $'000
Other debtors	221	3,207
Prepayments and accrued income	341	804
	562	4,011

Included in other receivables in 2017 is $2,969,000 (£2,201,00) of unpaid share capital from the placing on 19 December 2017. $229,000 has been provided for in 2018.

Given the uncertainty of the recoverability of the amounts owed by Group undertakings management have provided in full for the outstanding balance of $20,096,000 (2017: $13,382,000).

Notes to the Financial Statements continued

For the year ended 31 December 2018

4 Creditors: amounts falling due within one year

	31 December 2018 $'000	31 December 2017 $'000
Bank overdraft	87	–
Trade creditors	6,532	3,303
Social security and other taxes	239	249
Other creditors	468	276
Loans	1,214	337
Accruals and deferred income	941	1,088
	9,481	5,253

There are amounts totalling $518,000 (2017: $548,000) due to directors in accruals which are due on first hydrocarbons to surface.

Additionally there are deferred payments of $2,000,000 (2017: $949,000) in trade payables which only become due three months after first hydrocarbons to surface. Management expect this to be within one year of the balance sheet date and therefore have presented these amounts as such.

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 Group received loans from several unconnected parties to fund working capital amounting to $523,000 (2017: $526,000), which incurred initial loan fees of $209,000 of which $188,000 was charged during the year (2017: $Nil). Additionally a bank loan of $332,000 was taken out at an interest rate of 2.5% over base rate.

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

5 Share-based payments

Details of share-based payments are disclosed on pages 51-54 of the consolidated group accounts.

6 Share capital

	31 December 2018 $'000	31 December 2017 $'000
Allotted, issued and fully paid		
3,555,965,801 (2017: 3,555,965,801) ordinary shares of 0.25p	13,210	8,927

Notes to the Financial Statements continued

For the year ended 31 December 2018

6 Share capital continued

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
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
At 31 December 2018	3,555,965,801	13,210

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.

7 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 $13,350,000 (2017: $8,364,000).

	31 December 2018 $'000	31 December 2017 $'000
Fees payable to the Company's auditor for the audit of the financial statements	58	52
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

8 Operating leases

On 21 March 2018, the Company entered into a lease on its premises at 25 Bury Street for a minimum term of three years. The amounts due under this lease are as follows:

	Land and Buildings 2018 $'000	2017 $'000
Amounts due within one year	194	–
In two to five years	192	–

Notes to the Financial Statements continued

For the year ended 31 December 2018

9 Contingent liabilities

At 31 December 2018 there is a contingent liability of $108,000 (£85,000) to Effra for services provided. The Company disputes this claim, and no legal action has commenced. There were no contingent liabilities at 31 December 2017.

10 Capital commitments and undrawn borrowings

There were no capital commitments at 31 December 2018 or at 31 December 2017. At 31 December 2018 there was an undrawn partially convertible loan facility of $12 million (31 December 2017: $12 million).

11 Related party transactions

At 31 December 2018 the following amounts were due to directors:

	Net salary	Expenses	Accrued salary
31 December 2018			
O Kuti	41,282	2,371	179,891
J Pryde	75,295	4,401	337,706
M Henderson	14,882	5,206	–
C Neal	22,799	4,191	–
T Hayward	6,041	3,181	–
S Hawkins	7,592	415	–
31 December 2017			
O Kuti	–	–	217,896
J Pryde	–	3,549	429,682
M Henderson	–	–	–
C Neal	–	–	28,123
T Hayward	–	–	–
S Hawkins	–	1,574	–

During the year, the Company made loans of $360,936 (2017: $296,660) to Sirius Taglient Petro Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2018, Sirius was owed $4,042,076 (2017: $3,681,140) from Sirius Taglient Petro Limited, which has been provided for in full.

The Company has taken advantage of the exemption under FRS 102 to not disclose transactions with wholly owned group companies.

12 Employee remuneration

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

	2018 $'000	2017 $'000
Wages and salaries	948	289
Social security	114	113
Share-based payments	1,469	375
Benefits in kind	35	11
	2,566	788

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on pages 22-23.

Notes to the Financial Statements continued

For the year ended 31 December 2018

12 Employee remuneration continued

The average number of employees during the year was:

	2018 No.	2017 No.
Directors	6	3
Other	2	2
	8	5

13 Subsequent events

On 5 January 2019 the Company announced that it had agreed a convertible loan of up to £5 million, of which £1.75m has been drawn down to date and £3.25m remains available to draw down, on admission of the Group's shares to AIM.

On 21 January 2019, the Company announced a placing of 46,933,334 New Ordinary shares of 0.25p each at a price of 0.6 pence per Ordinary share raising gross proceeds of £281,600, and converted £240,000 of the European High Growth Opportunities Securitization Fund Convertible Note (announced on 15 January 2019) resulting in the issue of 7,272,727 New Ordinary shares at a price of 0.55 pence per share and 37,735,849 New Ordinary shares at a price of 0.53 pence per share.

On 5 February 2019, the Company announced that a further £140,000 of the European High Growth Opportunities Securitization Fund Convertible Note had been converted resulting in the issue of 28,571,428 new ordinary shares at a price of 0.49 pence per share.

On 21 February 2019, the Company announced the conversion of £50,000 of the European High Growth Opportunities Securitization Fund Convertible Note into 12,820,512 new ordinary shares at a price of 0.39 pence per share.

Following these share issues, the Company has 3,689,299,651 Ordinary shares of 0.25 pence each in issue. No ordinary shares are held in treasury. The figure of 3,689,299,651 Ordinary shares may be used by the Company's 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.

On 21 June 2019 the Group announced that it had signed a conditional Farm Out Agreement ("FOA") on a Nigerian oil and gas asset, unrelated to the OML 109 Acquisition.

On 31 July 2019 the Group appointed Africa Finance Corporation as a Financial Adviser to develop Sirius into a Pan-African Oil & Gas group.

On 2 August 2019 the Group signed a $10m loan facility with a third party to be utilised in respect of the Additional Producing Asset which has been drawn down. The loan is repayable quarterly over a 12 month period.

On 23 August 2019 the Company announced that its shares would be delisted from AIM on 27 August 2019. The Company is continuing to develop its portfolio and will seek a relisting on the London Stock Exchange as a new applicant (rather than pursuant to Aim Rule 14) as soon as possible. The process of a reverse takeover requires the publication of an Admission Document and as such, a delisting is not a new obstacle, given that the Company will undertake to produce an Admission Document for the relisting as a new applicant on the London Stock Exchange, engaging in a regulatory process which is essentially the same as is required for a reverse takeover. There can be no guarantee either or both proposed transactions will complete in order to achieve this. The Company will update shareholders as and when it is appropriate to do so.

On 28 August 2019 the Group signed a term sheet for a $15m loan facility for working capital.

Shareholder Notes

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