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Cap Energy Plc

Annual Report for the year ended 31 December 2017

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Chief Executive Statement

Dear Shareholders,

In 2017 the oil and gas industry showed tremendous signs of recovery with higher oil prices, increased market confidence, and renewed appetite for exploration. The MSGBC basin remains the most sought-after region for exploration in Africa and one of the most attractive basins in the world. CAP Energy has leveraged on these favourable conditions throughout 2017 to maximise the value of our portfolio.

We began a process to farm-down our interests in our most advanced and prized concession, Block 5B in Guinea-Bissau, and have received a lot of positive responses. Our team is working arduously to achieve our goals and we expect to close a deal in the coming year.

We plan on acquiring a new 3D survey over our shallow water concessions in Guinea-Bissau and in Senegal, Blocks 1 and Djiffere, which will be done conjointly to optimise operational costs. Once interpreted, these new surveys will place us in a stronger position to capitalise on our investments through either a sale or a farm-out of our interests in each concession.

Furthermore in 2017, through close work and cooperation with the Guinea-Bissau government, we achieved an amelioration of the fiscal terms. This revision has enhanced the economic performance of Blocks 1 and 5B and further reinforces the commercial attractiveness of each opportunity.

We thank our shareholders for their support and we very much look forward to updating you at the earliest opportunity regarding the developments mentioned above. We have taken significant strides towards achieving our commercial objectives in 2017 and expect these to be realised during 2018.

Lina Haidar
Chief Executive

Strategic report for the year ended 31 December 2017

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

Financial Results

The Group is in a purely exploration phase and therefore no revenues were generated during the year (2016: £nil). There was a loss attributable to shareholders of the Company of £862,000 (2016: loss £1,766,000). The reduction in losses is due to lower operating costs due to tight control of head office costs.

At the end of the year, the Group had cash balances of £11,000 (2016: £4,000).

Going concern

The operations of the Group are currently being financed from loans from certain directors and shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from certain directors and shareholders.

The Group held cash balances of £11,000 at 31 December 2017, has obtained confirmation that the directors will not seek repayment of their loan account balances totaling £5,449,000 until the Company is in a position to settle its liabilities as they fall due and has funding plans in place for further capital to meet the Group's planned activities.

As disclosed in Notes 10 and 12 the Group holds interests in two oil and gas exploration licences offshore Guinea-Bissau and one oil and gas exploration licence offshore Senegal.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Board believes that the Group will be able to raise, as required, sufficient cash to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Principal activities

The Group's principal activity is the exploration for oil and gas in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying operations. The Group holds an 85.7% interest of the shares of Sphere Petroleum Corporation, a British Virgin Islands (BVI) registered company that holds interests in two explorations licences in the Republic of Guinea-Bissau, as described in the Strategic Review below. Cap Energy's interests in Block 1 and Block 5B were officially gazetted by the Government of Guinea-Bissau on 19th February 2013. Petroguin, the Guinea-Bissau national oil company, is a carried partner during the exploration period.

Block 1 (Corvina / 4,800 Km^2) and Block 5B (Becuda / 5,500 Km^2) are located offshore Guinea-Bissau in the productive Mauritania-Senegal-Guinea-Bissau-Conakry (MSGBC) Basin.

In February 2014, Cap Energy Plc through its wholly-owned subsidiary Sencap Limited acquired a 49% equity stake in TAOL Senegal (Djiffere) Limited (a subsidiary of Trace Atlantic Oil Limited), which has a 90% interest in the Djiffere Offshore Licence and is the Licence Operator. The Block Djiffere Offshore licence area covers 4,459 Km^2 in the shallow waters of the Senegal (Mauritania-Senegal-Gambia-Bissau-Conakry) Basin. Below is a summary of the Group's interests and partners in the three exploration blocks as at the date of this report:

Guinea-Bissau	**Block 1, (Corvina)**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Trace Atlantic Oil (operator)	52%	65%
		Cap Energy	24%	35%
		Petroguin *(NOC)*	20%	-
		SPQSC *	4%	-
Guinea-Bissau	**Block 5B, (Becuda)**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Trace Atlantic Oil (operator)	58.50%	65%
		Cap Energy	27%	35%
		Petroguin *(NOC)*	10%	-
		SPQSC *	4.5%	-
Senegal	**Block Djiffere**	**Licence Participants**	**Effective Interest**	**Cost Interest**
		Trace Atlantic Oil (operator)	45.90%	51%
		Cap Energy	44.10%	49%
		Petrosen *(NOC)*	10%	-

*Minority shareholder in Sphere Petroleum Corporation and carried during first and second exploration periods (2D and 3D surveys)

The Board is convinced of the potential for significant shareholders' value generation in sub-Saharan African exploration & production and is committed to materially expanding its asset base and activity in the region.

Review of the business

2017 like 2016 has been a successful and very encouraging year for Cap Energy with significant and steady progress being made despite the prolonged bear market in the sector due to low oil prices.

Senegal

The Djiffere block is adjacent to the highly prospective Rufisque, Sangomar and Sangomar Deep blocks which contain the SNE-1 and FAN-1 2014 oil discoveries and the subsequent successful appraisal and exploration wells (Bellatrix-1) as announced by Cairn Energy.

In June 2015, the Company announced the results of an independent interpretation by Gas Mediterraneo & Petrolio of 3,750km 2D seismic data over Djiffere. This modern 2D seismic was acquired during 2014 by the operator and well ties were made to the nearest oil discoveries. Several structural leads and prospects were mapped on the block. The largest prospect is the Antelope structure, a multi-layered three-way rollover against a fault, whose main layer is estimated to contain prospective resources of 189 mmbo (Pmean recoverable) in Campanian sands and with a total estimate at all layers of 220 mmbo (Pmean recoverable). 10 more prospects or leads have been identified, with estimated prospective resources (Pmean recoverable) varying between 4 and 94 mmbo, for a total aggregate of 367 mmbo.

In June 2017, the Company was granted a lien by the Senegalese courts on the assets of FAR Limited ("FAR") in Senegal, namely its stake in the offshore Rufisque-Sangomar-Sangomar Deep blocks. The lien has been granted as a result of the non-delivery of 3D seismic data over block Djiffere by FAR to which CAP Energy believes TAOL Djiffere Ltd, holder of the Djiffere licence in Senegal, is contractually entitled. CAP Energy is claiming damages of USD$3 million.

The Company is looking to acquire new 3D data to further delineate prospects identified by the 2D survey.

Guinea Bissau

Guinea-Bissau, Block 5B has been and continues to be of significant interest for Cap Energy, with the largest prospects in the Company's portfolio which combined or individually have billion-barrel recoverable prospective resource potential. Two of these prospects are analogues to the Cairn Energy SNE-1 and FAN-1 exploration success in Senegal. Guinea-Bissau Block 1 is under technical consideration. Whilst it has significant on block prospective resources this is over numerous prospects smaller in size and spread over a wide area compared to either Block 5B or Senegal.

During 2016 the interpretation of 2,673 Km^2 of 3D seismic was completed which identified leads and prospects in the platform and basin.

In 2017, we began a process to farm-down our interests in Block 5B in Guinea-Bissau, which we hope to conclude in 2018.

We plan on acquiring a new 3D survey over our shallow water concessions in Guinea-Bissau and in Senegal, Blocks 1 and Djiffere, which will be done concurrently to optimise operational costs. These new surveys will allow us to capitalise on our investments through either a sale or a farm-out of our interests in each concession.

In cooperation with the Guinea-Bissau government, we achieved an amelioration of the fiscal terms which has enhanced the economic performance of Blocks 1 and 5B and further reinforces our views as to the commercial attractiveness of each opportunity.

Key performance indicators (KPIs)

The Directors consider that the KPIs are:

i) A well-funded business;
ii) To carry out the work required on the various assets to identify viable pre-drill oil and gas exploration opportunities; and
iii) Ultimately for the opportunities to be drilled.

The achievement of these KPIs during 2017 is dealt with in the CEO's statement and in the strategic section of the Annual Report.

Next steps

With today's continued challenging oil price environment and the increase shown in the West Africa region Cap Energy has used this to its advantage by focusing on its existing assets and benefiting from the now prevalent lower seismic and drilling costs with the intent of farming-out an interest(s). Cap Energy is now entering the truly exciting phase where the previous years of hard work in gathering and interpreting data will in the near future be tested with the drill bit.

Principal Risks and Risk Management

Exploration is an inherently extremely risky business:

- Even the most promising prospects can have failures for many reasons, such as:
  - Hydrocarbons may not be found if there are errors in the underlying geological assumptions or analysis.
  - Hydrocarbons may have been present, but escaped due to unexpected geological events, such as the seal breaking.
  - The reservoir may not flow at commercially viable rates of flow.
  - The drilling may encounter technical problems which make it impossible or too expensive to reach the target.

- The Company may take on commitments for which it then cannot find adequate funding. Although the Company can then potentially sell all or part of its assets:
  - There is no guarantee it can find a buyer.
  - Even if it does find a buyer, the transaction may take too long and the Company's cash resources may become exhausted.

The Company's risk mitigation strategies include the following:

- The Company will not normally undertake financial responsibility for drilling. The strategy is to build seismic knowledge on each Block to the point where a financially significant number of drillable prospects have been worked up – and then sell or farm out a stake of the interest with a carry for at least one well.

- The Directors have particularly good contacts at the ministerial level and excellent local knowledge to inform decisions as to where to seek assets.

- Secure the support of several key private shareholders, and actively pursuing other sources of funding.

- The Group adheres to all current health and safety standards as recommended by the competent worldwide standard – setting organisations and to the UK's Anti-Bribery legislation. It also requires its employees and third-party contractors to confirm in writing their adherence.

Signed by order of the board

Lina Haidar
Chief Executive Officer
6 August 2018

Directors' report for the year ended 31 December 2017

The Directors present their report on the Company and its subsidiaries, Sphere Petroleum Corporation, Omcap Limited and Sencap Limited (the "Group") together with the audited financial statements for the year ended 31 December 2017.

The Company is registered in England as a public company limited by shares. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform.

Results and dividends

The results for the Group for the year and the Group and Company's financial position at the end of the year are shown in the attached financial statements. The directors do not recommend the payment of a final dividend (year ended 31 December 2016: £nil).

Business review and future developments

A full review of the business is to be found in the Strategic Review above.

Political and charitable contributions

The Group has not made any political or charitable contributions.

Financial risk management

Details of the Group's exposure to a variety of financial risks and management programme that seeks to limit the adverse effects on the financial performance of the Group are set out in Note 18 to the consolidated financial statements.

Directors

The Directors who served the Company during the year or have been appointed thereafter are shown below:

- Lina Haidar, Chief Executive Officer
- Pierantonio Tassini, Chief Operating Officer
- Alexander Haly, Non-Executive Director
- Guy Hustinx, Non-Executive Director

At the forthcoming Annual General Meeting in accordance with the Company's Articles of Association, Pierantonio Tassini will retire by rotation and being eligible, will offer himself for re-election.

Directors' remuneration

The salaries and fees paid to the Directors during the year ended 31 December 2017 was as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Lina Haidar	120	124
Pierantonio Tassini	120	120
Alexander Haly	60	69
Guy Hustinx	54	-
	354	**313**

During 2016 Guy Hustinx was awarded 38,000 shares in lieu of fees for the period from 1 July 2016 to 30 June 2017, which were issued on 10 May 2017 for a sum equivalent to £36,000.

Guy Hustinx was awarded a further 38,000 shares in lieu of fees for the period from 1 July 2017 to 30 June 2018, which were issued on the same date.

Post balance sheet events

In February 2018, the Company entered into a Letter of Intent ("LOI") with Genoil Inc ("GNOLF") to jointly explore strategic oil and gas opportunities in sub-Saharan Africa. GNOLF is a Canadian publicly listed technology, exploration and development company, with operations in China and Russia, and whose proprietary technologies include an innovative clean technology that is able to convert heavy crude oil into light crude oil. GNOLF is partnered with Anton Oilfield Services Group, headquartered in Beijing and who is a leading private Chinese oil field services company.

CAP Energy and GNOLF are actively evaluating a number of areas of potential partnership in the sub-Saharan region where Chinese partner companies will participate and the parties shall provide further updates in due course.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the directors believe that the Group's ability to sustain a competitive advantage over the long term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined based on work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Directors' responsibilities statement in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' report and Strategic report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Independent Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Crowe U.K. LLP (formerly known as Crowe Clark Whitehill LLP) be re-appointed will be made at the Annual General Meeting.

Annual General Meeting

A notice of the Annual General Meeting will be issued separately.

Signed by order of the board

Lina Haidar
Chief Executive

Date 6 August 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAP ENERGY PLC

Opinion

We have audited the financial statements of Cap Energy Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017 which comprise:

- the Group statement of comprehensive income for the year ended 31 December 2017;
- the Group and Parent Company statements financial position as at 31 December 2017;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, *including Financial* Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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, 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 regarding the Company's ability to continue as a going concern.

The future operations of the Group are dependent on raising additional funding to cover both working capital and the operational needs of the Group's exploration activities and further funding is required to meet these needs, as described in note 2. Notwithstanding the Board's belief that the Company will be able to raise the required finance, this indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were not to continue as a going concern.

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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 8 and 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

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.

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.

Leo Malkin
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

6 August 2018

Cap Energy Plc
Consolidated statement of comprehensive income
Year ended 31 December 2017

	Note	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Other income		32	-
Administrative expenses		(511)	(1,466)
Operating loss		(479)	(1,466)
Finance costs	5	(363)	(286)
		(842)	(1,752)
Share of losses of associated company	12	(25)	(15)
Loss before taxation	6	(867)	(1,767)
Income tax expense	8	-	-
Loss for the year		(867)	(1,767)
Total comprehensive loss From continuing operations Attributable to:			
- Owners of the parent		(862)	(1,766)
- Non-controlling interests		(5)	(1)
		(867)	(1,767)
Loss per share attributable to owners of the Parent:			
Basic and diluted (pence)	9	(2.81)	(5.79)

The notes on pages 17 to 36 form an integral part of these consolidated financial statements.

Cap Energy Plc
Consolidated statement of financial position
Year ended 31 December 2017

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		3	5
Intangible assets	10	6,104	5,657
Investment in associated company	12	2,514	2,499
		8,621	8,161
CURRENT ASSETS			
Other receivables, deposits and prepayments	13	134	91
Cash and cash equivalents		11	4
		145	95
TOTAL ASSETS		**8,766**	**8,256**
EQUITY AND LIABILITIES			
Share capital	14	1,538	1,535
Share premium account	15	4,147	4,078
EBT reserve	15	38	38
Accumulated losses		(3,764)	(2,902)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,959	2,749
Non-controlling interests		214	219
Total equity		2,173	2,968
CURRENT LIABILITIES			
Trade payables		157	364
Amounts due to directors	17	5,449	4,264
Amounts due to shareholders	16	6	6
Accruals and deferred income		981	654
		6,593	5,288
TOTAL LIABILITIES		6,593	5,288
TOTAL EQUITY AND LIABILITIES		**8,766**	**8,256**

The notes on pages 17 to 36 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 13 to 36 were authorised for issue by the board of directors on 6 August 2018 and were signed on its behalf by

Lina Haidar
Chief Executive Officer

Cap Energy Plc
Consolidated statement of changes in equity
Year ended 31 December 2017

	Share capital £'000	Share premium £'000	EBT reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 January 2016	1,504	2,927	38	(1,136)	3,333	220	3,553
Loss for the year	-	-	-	(1,766)	(1,766)	(1)	(1,767)
Transactions with owners:							
Issue of ordinary shares	31	1,151	-	-	1,182	-	1,182
	31	1,151	-	(1,766)	(584)	(1)	(585)
Balance at 31 December 2016	**1,535**	**4,078**	**38**	**(2,902)**	**2,749**	**219**	**2,968**
Loss for the year	-	-	-	(862)	(862)	(5)	(867)
Transactions with owners:							
Issue of share capital	3	69	-	-	72	-	72
	3	69	-	(862)	(790)	(5)	(795)
Balance at 31 December 2017	**1,538**	**4,147**	**38**	**(3,764)**	**1,959**	**214**	**2,173**

The notes on pages 17 to 36 form an integral part of these consolidated financial statements

Cap Energy PLC
Consolidated cash flows year ended 31 December 2017

	Year ended 31 Dec 2017 £'000	Year ended 31 Dec 2016 £'000
Cash flows from operating activities		
Loss before taxation	(867)	(1,767)
Adjustments for:		
Depreciation of plant and equipment	2	5
Director's remuneration	54	-
Interest charges	363	286
Share of losses of associate	25	15
Operating cash flow before working capital changes	(423)	(1,461)
(Increase) / decrease in trade and other receivables	(26)	78
Decrease in trade payables	(205)	(161)
Loans repaid to shareholders	-	(4)
Decrease in other payables	-	(4)
Increase in accruals and deferred income	326	66
	(328)	(1,486)
Interest charges	(363)	(286)
Net cash flow used in operating activities	(691)	(1,772)
Cash flow used in investing activities		
Funds used in exploration and evaluation	(447)	(469)
Investment in associated company	(40)	(3)
Cash flow used in investing activities	(487)	(472)
Cash flows from financing activities		
Increase in amounts due to directors	1,185	1,063
Proceeds from issue of shares	-	1,182
Net cash flow from financing activities	1,185	2,245
Increase in cash and cash equivalents	7	1
Cash and cash equivalents at beginning of the year	4	3
Cash and cash equivalents at end of the year	11	4

The notes on pages 17 to 36 form an integral part of these consolidated financial statements.

Cap Energy Plc

Notes to the consolidated financial statements for the year ended 31 December 2017

1. General information

Cap Energy Plc is an independent upstream oil and gas company focused on the exploration, production and development of conventional oil and gas assets in sub-Saharan Africa. The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries.

The Company is domiciled in England and incorporated and registered in England and Wales. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform. The address of its registered office is 2nd Floor, 20 Berkeley Square, London, W1J 6EQ. The registered number of the Company is 05351398.

The Consolidated Financial Statements of Cap Energy Plc and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 6 August 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

a) Basis of preparation

The consolidated financial statements of Cap Energy Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Consolidated Financial Statements of the Group are presented in Pounds Sterling, which is the presentation currency for the Group, and figures have been rounded to the nearest thousand. The functional currency of each of the Group entities is the local currency of each individual entity.

(b) Going concern

The operations of the Group are currently being financed from loans from certain directors and shareholders. The Group has not yet earned revenue as it is still in the exploration phase of its business. The Group is reliant on the continuing support from certain directors and shareholders.

The Group held cash balances of £11,000 at 31 December 2017, has obtained confirmation that the directors will not seek repayment of their loan account balances totaling £5,449,000 until the

Company is in a position to settle its liabilities as they fall due and has funding plans in place for further capital to meet the Group's planned activities.

As disclosed in Notes 10 and 12 the Group holds interests in two oil and gas exploration licences offshore Guinea-Bissau and one oil and gas exploration licence offshore Senegal.

In order to fund its share of the exploration and other licence costs, to meet day-to-day operating expenditures and add further exploration interests to the Group, it will need to raise further funds from a number of different sources which may include equity issues or a sale or farm-out of part of its interest in its licences.

The Board believes that the Group will be able to raise, as required, sufficient cash to enable it to continue its operations, including the pursuit of future exploration opportunities, and to continue to meet, as and when they fall due, its liabilities for at least the next twelve months from the date of approval of these financial statements. The financial statements have, therefore, been prepared on the going concern basis. In making its assessment the Board of the company has sought and received the support from its key directors to provide ongoing financial commitments for fifteen months from 17 May 2018.The financial statements have, therefore, been prepared on the going concern basis.

However, there can be no guarantee that the required funds will be raised within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

(c) New standards and interpretations

None of the new and revised Standards and Interpretations that were adopted in the current year was considered to have had a material effect to the presentation or disclosures reported in these Financial Statements.

Future standards

The Directors have considered those Standards and Interpretations, which have not been applied in the Financial Statements but are relevant to the Group's operations, that are in issue but not yet effective and, with the exception of IFRS 16 and IFRS 9 referred to below, do not consider that any will have a material impact on the future results of the Group.

IFRS 16 'Leases' is effective for periods commencing on or after 1 January 2019. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments.

The substantial majority of the Group's operating lease commitments, approximately £204,000 on an undiscounted basis (see note 20) would be brought on balance sheet and depreciated separately. There will be no impact on cash flows although the presentation of the cash flow statement will change significantly. Management is currently working on its detailed assessment of the impact of compliance with this accounting standard.

The Directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 9 'Financial Instruments', which will apply to periods commencing on or after 1 January 2018. It is not expected that the application of IFRS 9 will have a material impact on the Group's results. There are no other new or amended accounting standards relevant to the Group that were effective for the first time for the financial year beginning 1 January 2017 that have a material impact on the Group's consolidated financial statements.

(d) Basis of consolidation

A subsidiary is defined as an entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combinations are accounted for under the acquisition method. Under the acquisition method, the results of the subsidiaries acquired or disposed of are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Any excess of the purchase consideration of the business combination over the fair value of the identifiable assets and liabilities acquired is recognised as goodwill. Goodwill, if any, is not amortised but reviewed for impairment at least annually. If the consideration is less than the fair value of assets and liabilities acquired, the difference is recognised directly in the statement of comprehensive income.

Acquisition-related costs are expensed as incurred.

Intra-group transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

The Company includes the assets and liabilities of the Employee Benefit Trust (EBT) within its Statement of Financial Position. In the event of the winding up of the Company, neither the shareholders nor creditors would be entitled to the assets of the EBT.

Company shares held by the EBT are deducted from the shareholders' funds and classified as 'Own Shares' until such time as they are sold or vest unconditionally to participating employees. All such shares were sold during the year ended 31 December 2014.

(e) Investment in associates

The Group has applied IFRS 11 to its investment in associates. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be that of an associated company, accounted for using the equity method.

Under the equity method of accounting, interests in associated companies are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in an associated company equals or exceeds its interests in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associated company have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Oil and gas exploration and evaluation expenditure

All exploration and evaluation costs incurred or acquired on the acquisition of a subsidiary are accumulated in respect of each identifiable project area. These costs are classified as intangible assets and are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves (successful efforts). Other costs are written off unless commercial reserves have been established or the determination process has not been completed. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences the accumulated costs for the relevant area of interest are transferred from intangible assets to tangible assets as 'Developed Oil and Gas Assets' and amortised over the life of the area according to the rate of depletion of the economically recoverable costs.

(g) Impairment of oil and gas exploration and evaluation assets

The carrying value of unevaluated areas is assessed at least annually or when there has been an indication that impairment in value may have occurred. The impairment of unevaluated prospects is assessed based on the Directors' intention with regard to future exploration and development of individual significant areas and the ability to obtain funds to finance such exploration and development.

(h) Decommissioning costs

Where a material liability for the removal of production facilities and site restoration at the end of the field life exists, a provision for decommissioning is made. The amount recognised is the present value of estimated future expenditure determined in accordance with local conditions and requirements. An asset of an amount equivalent to the provision is also created and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset. As at 31 December 2017, no provisions were deemed necessary.

(i) Functional and foreign currencies

(i) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Group's presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(iii) *Foreign operations*

Assets and liabilities of foreign operations are translated to Pounds Sterling at the rates of exchange ruling at the end of the reporting period. Revenues and expenses of foreign operations are translated at the average rate of exchange. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity under the foreign exchange translation reserve. On the disposal of a foreign operation, the cumulative amount recognised in other comprehensive income relating to that particular foreign operation is reclassified from equity to profit or loss. Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period. Exchange differences are recognised in other comprehensive income.

(j) Impairment

(i) *Impairment of financial assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period as to whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of non-financial assets

The carrying values of intangible assets are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flow. An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(k) Employee benefits

(i) *Short-term benefits*

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

The Group does not currently make provision for post-employment benefits by way of pension plans or similar arrangements.

(l) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(m) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the date of issue. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19 to the Consolidated Financial Statements.

The fair value determined at the date of issue of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

(n) Leases

The Group leases certain property under operating leases. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. There were no leases classified under the category of finance leases.

(o) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Summary of critical accounting estimates and judgements

The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the accounting policies which are detailed above. These judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key estimates and underlying assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The prime areas involving a higher degree of judgement or complexity, where assumptions and estimates are significant to the financial statements, are as follows:

Going concern

The financial statements have been prepared on a going concern basis as the Directors have assessed the Company's ability to continue in operational existence for the foreseeable future. The operations of the Company and Group are currently being financed from funds which the Company has raised from private placings of its shares and by loans from certain of its Directors.

The Company and Group are reliant on the continuing support from its existing shareholders and Directors. The financial statements do not include the adjustments that would result if the Company were not to continue as a going concern.

Impairment of capitalised exploration and evaluation expenditure and recoverability of inter-company balances

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact on the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Determining whether inter-company balances are impaired requires an estimation of whether there are any indications that their carrying values are not recoverable. This in turn is directly dependent on the future recoverability of capitalised exploration and evaluation expenditure.

4. Segment analysis

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (which takes the form of the Board of Directors of the Company) as defined in IFRS 8, in order to allocate resources to the segment and to assess its performance.

The Group's business involves exploring for hydrocarbon liquids and gas. As at 31 December 2017, there are two reportable operating segments: Africa and Head Office. Intangible assets and operating assets and liabilities are located in Africa, whilst the majority of current assets are carried at Head Office. The Group has not yet commenced production and therefore has no revenue. Each reportable segment adopts the same accounting policies.

In compliance with IFRS 8 'Operating Segments' the following tables reconcile the operational loss for the year of each reportable segment with the consolidated figures presented in these Financial Statements, with comparatives for the year ended 31 December 2016, and the net assets together with comparative figures as at 31 December 2016. The Group's loss before tax and equity attributable to owners of the parent are detailed below.

	Africa	Head Office	Total
	£'000	£'000	£'000
31 December 2017			
Loss before tax	(58)	(809)	(867)
Equity attributable to owners of parent	8,618	(6,659)	1,959
31 December 2016			
Loss before tax	(21)	(1,745)	(1,766)
Equity attributable to owners of parent	8,158	(5,409)	2,749

5. Finance costs

	31 Dec 2017 £'000	31 Dec 2016 £'000
On loans from Directors	363	286
	363	286

6. Loss before taxation

Loss before taxation is arrived at after charging: -

	31 Dec 2017 £'000	31 Dec 2016 £'000
Depreciation of plant and equipment	2	5
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13	10
Directors' remuneration	354	313
Staff costs (including Directors):		
- salaries, allowances and bonuses	397	362
- social security costs	-	-
Rental of office	54	54

7. Staff costs

	31 Dec 2017 No.	31 Dec 2016 No.
The average monthly number of employees was:	5	5

	31 Dec 2017 £'000	31 Dec 2016 £'000
Aggregate remuneration (including directors):		
Wages and salaries	397	362
Social security costs	-	-
	397	362

8. Income tax

The Group has made no provision for taxation as the Group has not yet generated any taxable income. A reconciliation of income tax expense applicable to the loss before taxation at the statutory tax rate to the income tax expense at the effective tax rate of the Group is as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Loss before taxation	(867)	(1,767)
Tax calculated at statutory tax rates applicable to results in the respective countries	(162)	(349)
Tax effects of: -		
Depreciation less capital allowances	2	4
Unrelieved tax losses	160	345
Income tax expense for the financial year	-	-

The weighted average statutory applicable tax rate was 19.25% (2016: 19.75%).

The Group has tax losses of approximately £4.4 million (year ended 31 December 2016: £3.6 million) which, subject to agreement with taxation authorities, are available to carry forward against future profits. A deferred tax asset in respect of these losses has not been established as the Group has not yet generated any revenues and the Directors have therefore assessed the likelihood of future profits being available to offset such deferred tax assets to be uncertain.

9. Loss per share

Basic loss per share is calculated by dividing the loss after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. The calculation of loss per share is based on the following:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Loss after tax from continuing operations attributable to owners of the Group :	(862)	(1,766)
Weighted average number of shares:		
Basic and diluted	30,737,010	30,516,631

10. Intangible assets

	Exploration and evaluation expenditure £'000
Cost	
At 1 January 2016	5,188
Additions	469
At 31 December 2016	5,657
Additions	447
At 31 December 2017	6,104
Accumulated amortisation	
At 1 January 2016	-
Charge for the year	-
At 31 December 2016	-
Charge for the year	-
At 31 December 2017	-
Net Book Value	
At 31 December 2017	6,104
At 31 December 2016	5,657

At 31 December 2017, the aggregate capitalised Exploration and Evaluation ("E&E") costs in relation to the Group's Guinea Bissau licences was £6,104,000 (2016: £5,657,000). These amounts have not been impaired because commercial reserves have not yet been established or the determination process has not been completed. In accordance with IFRS 6, the Directors have assessed whether any indication of impairment exists in respect of those intangible assets. In their opinion, based on a review of the expiry dates of licences and the likelihood of their renewal, available funds and the intention to continue exploration and evaluation, no indications of impairment were identified. Further details of the exploration activities are included within the Chairman's Statement and Strategic Report.

11. Subsidiaries of the Group

As at the date of these financial statements, the Company's subsidiaries, all of which are private companies limited by shares, are as follows:

Subsidiaries	Registered office	Class of shares	% holding
Sphere Petroleum Corporation BVI	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	85.7%
Sencap Limited	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	100%
Omcap Limited	Clarence Thomas Building, P.O Box 4649 Road Town, Tortola, British Virgin Islands	Ordinary	100%

The accounting reference date of the subsidiaries is co-terminous with that of the Company.

12. Investment in associated company

On 19 February 2014, Sencap Limited ("Sencap"), a newly formed and wholly-owned subsidiary of the Company incorporated on 6 February 2014, acquired from Trace Atlantic Oil Limited ("TAOL") a 49 per cent interest in TAOL Senegal (Djiffere) Limited ("TAOL Djiffere"), the company holding the Djiffere Licence. TAOL Djiffere was incorporated in the British Virgin Islands. TAOL is the owner of the remaining 51 per cent interest in TAOL Djiffere and also the operating partner in TAOL Djiffere. The registered office of TAOL is Vanterpool Plaza, 2nd Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

The total consideration for the acquisition of the 49 per cent interest in TAOL Djiffere was US$150,000 (equivalent to approximately £90,000). At the same time Sencap made a shareholders' contribution of US$3 million (equivalent to approximately £1,831,000) payable to TAOL Djiffere, of which US$ 0.4 million was in respect of historic costs. The Djiffere Licence area covers approximately 4,459 km² in shallow waters in the Senegal Basin off the West African coast and is adjacent to the Block Rufisque Offshore area operated by Cairn Energy PLC.

The investment in TAOL Djiffere has been accounted for using the equity method of accounting whereby the investment is initially recognised at cost and the carrying value is increased or decreased to recognise the Group's share of the profit or loss of the associate after the date of acquisition.

At 31 December 2017, the carrying value of the investment is summarised as follows:

	£'000
Cash consideration payable on acquisition	90
Shareholder's contribution	2,529
Group's share of post-acquisition losses	(105)
Carrying value	2,514

TAOL Djiffere is a private company and there is no quoted market price available for its shares. The accounting reference date of TAOL Djiffere is co-terminous with that of the Company. There are no contingent liabilities or commitments relating to the Group's interest in TAOL Djiffere.

Summarised financial information for the associated company
Set out below is summarised financial information for TAOL Dijiffere which is accounted for using the equity method. The information reflects the amounts presented in the Financial Statements of TAOL Djiffere adjusted for differences in accounting policies between the Group and the associated company where appropriate, and not the Group's share of those amounts.

Summarised statement of financial position:

	31 December 2017 £'000	**31 December 2016 £'000**
Non-current assets	6,341	6,807
Current assets		
Cash and cash equivalents	135	216
Total assets	6,476	7,023
Current liabilities		
Financial liabilities	167	20
Other current liabilities	667	731
Total liabilities	834	751
Net assets	**5,642**	**6,272**

Summarised statement of comprehensive income:	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Revenue	-	-
Loss from continuing operations	(47)	(30)
Income tax expense	-	-
Loss for the year	(47)	(30)
Other comprehensive (expense) / income	-	-
Total comprehensive loss for the year	**(47)**	**(30)**

13. Other receivables, deposits and prepayments

	31 Dec 2017 £'000	31 Dec 2016 £'000
Sundry receivables	41	15
Prepayments and accrued income	93	76
	134	91

The fair value of sundry receivables approximates their carrying amount, as the impact of discounting is not significant. The sundry receivables are not impaired and are not past due.

14. Share capital

The allotted, called-up and fully paid share capital of the Company is as follows:-

	31 Dec 2017 £'000	31 Dec 2016 £'000
Allotted, and called-up:		
Ordinary shares of £0.05 each	1,538	1,535

The Board is authorised to allot and issue shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company up to an aggregate number of equity securities not to exceed 100% of the Company's issued ordinary share capital on a fully-diluted basis.

During the year ended 31 December 2017, the following issues of ordinary shares took place:

- On 10 May 2017, the Company issued 38,000 Ordinary shares of 5p each for a total consideration of £36,000;
- On 30 June 2017, the Company issued 38,000 Ordinary shares of 5p each for a total consideration of £36,000.

A reconciliation of the number of Ordinary share capital in issue is set out below:

	31 Dec 2017 No.	31 Dec 2016 No.
As at 1 January:	30,693,179	30,073,560
Issue of shares of £0.05 each	76,000	619,619
As at 31 December	30,769,179	30,693,179

15. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

In accordance with the requirements of SIC 12 "Consolidation – special purpose entities" and IAS 32 "Financial Instruments: Presentation", certain of the assets and liabilities were included in the Company's and Group's Statement of Financial Position resulting in the inclusion of £132 in respect of 25,654 ordinary shares in the Company held by the EBT ("Own Shares"). These shares were disposed of in December 2014 and the gain of £38,148 recognised in the EBT reserve.

16. Amounts due to shareholders

	31 Dec 2017 £'000	31 Dec 2016 £'000
Current		
Non-trade balances	6	6

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

17. Related party disclosures

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this note. Balances and transactions between the Group and other related parties are disclosed below.

Directors' remuneration, interests and transactions

The remuneration of the senior Executive Management Committee members, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

Year ended 31 December 2017	**Salary or fees £'000**	**Other £'000**	**Total £'000**
Lina Haidar	120	-	120
Pierantonio Tassini	120	-	120
Alexander Haly	60	-	60
Guy Hustinx	54	-	54
	354	-	354

During 2016 Guy Hustinx was awarded 38,000 shares in lieu of fees for the period from 1 July 2016 to 30 June 2017, which were issued on 10 May 2017 for a sum equivalent to £36,000.

Guy Hustinx was awarded a further 38,000 shares in lieu of fees for the period from 1 July 2017 to 30 June 2018, which were issued on the same date.

Year ended 31 December 2016	Salary or fees £'000	Other £'000	Total £'000
Lina Haidar	124	-	124
Pierantonio Tassini	120	-	120
Alexander Haly	69	-	69
	313	-	313

Directors' emoluments and benefits are stated for the Directors of Cap Energy Plc only. The amounts shown were recognised as an expense during the year.

Total social security costs related to Directors during the year was £nil (2016: £nil).

There were no other short-term or long-term benefits, post-employment benefits or termination benefits paid to Directors in either of the years ended 31 December 2017 or 31 December 2016.

Transactions with key management personnel

Amounts due to Directors

	31 Dec 2017 £'000	31 Dec 2016 £'000
Amounts due to Directors (including interest)	5,449	4,264

The amounts owing to Directors are unsecured, bear interest at 8% per annum and are repayable on demand. The amounts owing are to be settled in cash.

During the year ended 31 December 2017, interest charged on Directors' loans amounted to £363,000 (2016: £286,000).

Ultimate controlling party

The ultimate controlling party of the Company is Global Energy Trade Limited, a private company incorporated in the British Virgin Islands owned jointly by Lina Haidar and Alex Haly one third to two thirds respectively. Each Director therefore has a beneficial interest in Global Energy Trade Limited.

18. Financial instruments

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk) and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

(a) Financial risk management policies

The Group's policies in respect of the major areas of treasury activity are as follows:-

(i) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than Pounds Sterling. The currencies giving rise to this risk are primarily the United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of year were as follows:-

	United States Dollar £'000	Other £'000	Total £'000
31 December 2017			
Financial assets	32	4	36
Financial liabilities	5,455	-	5,455
31 December 2016			
Financial assets	1	2	3
Financial liabilities	3,634	-	3,634

Foreign currency risk sensitivity analysis

The Group maintains a natural hedge whenever possible, by matching the cash inflows (revenue stream) and cash outflows used for purposes such as capital and operational expenditure in the respective currencies.

The following table details the sensitivity analysis to possible changes in the relative values of foreign currencies to which the Group is exposed as at the end of each year, with all other variables held constant:-

	31 December 2017 Increase/ (Decrease) £'000	31 December 2016 Increase/ (Decrease) £'000
Effects on profit after taxation/equity		
United States Dollar		
- strengthened by 10%	(541)	(385)
- weakened by 10%	541	385

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Group's policy is to obtain the most favourable interest rates available on fixed interest rate terms. Any surplus funds will be placed with licensed financial institutions to generate interest income.

Interest rate risk sensitivity analysis

As the interest rates on the Group's borrowings are fixed, the Directors consider that the Group is not exposed to material interest rate risk.

(ii) Credit risk

The Group does not have any perceived credit risks on its trade and other receivables.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due. The maturity profile of the financial liabilities of the Group is short term, all amounts falling due within 12 months.

(b) Capital risk management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. It also ensures that distributions to shareholders do not exceed working capital requirements.

The Group has no external debt finance and is not subject to any external capital requirements.

(c) Classification of financial instruments

	31 Dec 2017 £'000	31 Dec 2016 £'000
Financial assets		
Loans and receivables financial assets		
Sundry receivables	41	16
Cash and cash equivalents	11	4
	52	20
Financial liabilities		
At amortised cost		
Trade payables	157	364
Amounts due to shareholders	6	6
Amount owing to directors	5,449	4,264
Accruals and deferred income	981	654
	6,593	5,288

(d) Fair values of financial instruments

The financial assets and financial liabilities maturing within the next 12 months approximated their fair values due to the relatively short-term maturity of the financial instruments.

The Group had no financial assets or liabilities carried at fair values at the end of each reporting date.

19. Share-based payment transactions

The Group's share-based payment arrangements are summarised below.

The Cap Energy Employee Benefit Trust

The Company has established an Employee Benefit Trust, which in due course may be used to provide appropriate share-based incentives to senior management of the Company. The EBT's shareholding of 25,654 Ordinary Shares in the Company was sold in December 2014 for a consideration of £38,281. A gain on disposal of these shares of £38,148 has been recognised within the EBT reserve.

Share warrants

On 17 April 2015, the Company issued 160,000 share warrants to Tim Hearley, a former director of the Company, for a cash consideration of £31,650. The proceeds of issue have been credited directly to equity.

The warrant holder was entitled to subscribe in cash for ordinary shares at a warrant subscription price of £2.00 per share. The warrants expired on 31 December 2017 with no warrants having been exercised.

20. Commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	At 31 Dec 2017 Land and buildings £'000	At 31 Dec 2016 Land and buildings £'000
Within one year	54	54
In the second to fifth years inclusive	150	204
Aggregate amounts payable	204	258

21. Net debt reconciliation

A reconciliation of net debt and the movements in net debt each of the years ended 31 December 2016 and 31 December 2017 are set out below:

	31 December 2017 £'000	31 December 2016 £'000
Cash and cash equivalents	11	4
Borrowings repayable within one year:		
Loans from directors	(5,449)	(4,264)
Loans from shareholders	(6)	(6)
Net debt	(5,444)	(4,266)

	Cash £'000	Borrowings due within one year £'000	Total £'000
Balance at 1 January 2016	3	(3,211)	(3,208)
Cash flows	1	(773)	(772)
Interest accrued	-	(286)	(286)
	1	(1,059)	(1,058)
Balance at 31 December 2016	**4**	**(4,270)**	**(4,266)**
Cash flows	7	(822)	(815)
Interest accrued	-	(363)	(363)
	7	(1,185)	(1,178)
Balance at 31 December 2017	**11**	**(5,455)**	**(5,444)**

22. Subsequent events

In February 2018, the Company entered into a Letter of Intent ("LOI") with Genoil Inc ("GNOLF") to jointly explore strategic oil and gas opportunities in sub-Saharan Africa. GNOLF is a Canadian publicly listed technology, exploration and development company, with operations in China and Russia, and whose proprietary technologies include an innovative clean technology that is able to convert heavy crude oil into light crude oil. GNOLF is partnered with Anton Oilfield Services Group, headquartered in Beijing and who is a leading private Chinese oil field services company.

Cap Energy Plc
Company Balance Sheet
As at 31 December 2017

Registered number: 05351398

	Note	31 Dec 2017 £'000	31 Dec 2016 £'000
ASSETS			
FIXED ASSETS			
Tangible assets		3	5
Investment in subsidiaries	4	8,712	8,193
		8,715	8,198
CURRENT ASSETS			
Debtors	5	134	91
Cash and bank balances		9	3
		143	94
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(6,592)	(5,289)
Net current liabilities		(6,449)	(5,195)
NET ASSETS		**2,266**	**3,003**
CAPITAL AND RESERVES			
Share capital	6	1,538	1,535
Share premium account		4,147	4,078
EBT reserve		38	38
Accumulated losses		(3,457)	(2,648)
		2,266	**3,003**

The loss for the financial year dealt with in the financial statements of the parent company was £809,000 (2016: £1,746,000).

The notes on pages 39 to 43 form an integral part of these financial statements.

The financial statements on pages 37 to 43 were authorised for issue by the board of directors on 6 August 2018 and were signed on its behalf.

Lina Haidar
Chief Executive Officer

Cap Energy Plc
Company Statement of Changes in Equity
For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	EBT reserve £'000	Accumulated losses £'000	Total equity £'000
Balance at 1 January 2016	1,504	2,927	38	(902)	3,567
Loss for the year	-	-	-	(1,746)	(1,746)
Transactions with owners:					
Issue of ordinary shares	31	1,151	-	-	1,182
	31	**1,151**	**-**	**(1,746)**	**(564)**
Balance at 31 December 2016	**1,535**	**4,078**	**38**	**(2,648)**	**3,003**
Loss for the year	-	-	-	(809)	(809)
Transactions with owners:					
Issue of share capital	3	69	-	-	72
	3	69	-	(809)	(737)
Balance at 31 December 2017	**1,538**	**4,147**	**38**	**(3,457)**	**2,266**

The notes on pages 39 to 43 form an integral part of these financial statements.

Notes to the Company financial statements for the year ended 31 December 2017

1. General information

The Company is domiciled in England and incorporated and registered in England and Wales. The Company's Ordinary Shares are trading on J P Jenkins Limited's matched bargain platform. The address of its registered office is 2nd Floor, 20 Berkeley Square, London, W1J 6EQ. The registered number of the Company is 05351398.

2. Summary of significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with applicable law and accounting standards in the United Kingdom and under the historical cost accounting rules (Generally Accepted Accounting Practice in the United Kingdom).

The directors have assessed the Company's ability to continue in operational existence for the foreseeable future in accordance with the FRC Guidance on the going concern basis of accounting and reporting on solvency and liquidity risks (April 2016). It is considered appropriate to continue to prepare the financial statements on a going concern basis notwithstanding that the Company has not yet earned any revenue. The Company is reliant on the continuing support from its shareholders and Directors and has funding plans in place for further capital to meet the Company's planned activities. This is more fully described in Note 2 (b) to the Consolidated Financial Statements.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included a Profit and Loss account in these separate financial statements. The loss attributable to members of the Company for the year ended 31 December 2017 is £809,000 (year ended 31 December 2016: loss of £1,746,000). Auditor's remuneration is disclosed in Note 6 to the Consolidated Financial Statements.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows
- the requirements of Section 11 Financial Instruments

(b) Fixed asset investments

Fixed asset investments are carried at cost less any provision for impairment.

(c) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

(d) Income taxes

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

(e) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

(f) Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the date of issue. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19 to the Consolidated Financial Statements.

The fair value determined at the date of issue of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to other reserves.

The proceeds of the issue of share warrants are credited directly to equity.

3. Segment reporting

The principal activity of the Company is that of a parent holding company which manages the Group's strategic direction and underlying subsidiaries. The Directors consider this to constitute one reportable segment.

4. Fixed asset investments

Investments and long-term loans in subsidiary undertakings	Investments £'000	Long term loans £'000	31 Dec 2017 Total £'000	31 Dec 2016 Total £'000
Cost				
Brought forward	1,162	7,031	8,193	7,537
Additions	-	519	519	656
Carried forward	1,162	7,550	8,712	8,193

Details of the Company's subsidiaries as at 31 December 2017 are set out in Note 11 to the Consolidated Financial Statements. Long term loans represent amounts owed by Sphere Petroleum Corporation and Sencap Limited, are unsecured and are interest free. The Directors do not intend to recall the loan for the foreseeable future.

5. Debtors

	31 Dec 2017 £'000	31 Dec 2016 £'000
Other debtors	41	16
Prepayments and accrued income	93	75
	134	91

6. Share capital

Details of the Company's allotted, called-up and fully paid share capital are set out in Note 14 to the consolidated financial statements.

The ordinary shares of the Company carry one vote per share and an equal right to receive any dividend declared.

7. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

The EBT reserve arises from the inclusion of £132 in respect of 25,654 ordinary shares in the Company held by the EBT ("Own Shares"). These shares were disposed of in December 2014 and the gain of £38,148 recognised in the EBT reserve. The EBT reserve is non-distributable.

8. Creditors: amounts falling due within one year

	31 Dec 2017 £'000	31 Dec 2016 £'000
Trade creditors	157	364
Shareholder loans	6	7
Amounts due to directors	5,449	4,264
Accruals and deferred income	980	654
	6,592	5,289

The amounts owing to shareholders are unsecured, interest-free and repayable on demand. The amounts owing are to be settled in cash.

The amounts owing to Directors are unsecured, bear interest at 8% per annum and are repayable on demand. The amounts owing are to be settled in cash.

During the year ended 31 December 2017, interest charged on Directors' loans amounted to £363,000 (2016: £286,000).

9. Related party transactions

The only key management personnel of the Company are the directors. Details of their remuneration and other related party transactions are contained in the Note 17 to the Consolidated Financial Statements.

In addition, the Company advanced amounts to its subsidiaries during the year, summarised as follows:

	31 Dec 2017 £'000	31 Dec 2016 £'000
Opening amount due from subsidiary	7,031	6,375
Amounts advanced in the year	519	656
Closing amount due from subsidiaries	7,550	7,031

10. Share based payments

Details of the Company's Employee Benefits Trust are contained in Note 19 to the Consolidated Financial Statements.

Notes to the Company financial statements for the year ended 31 December 2017

11. Commitments

The amounts of minimum lease payments under non-cancellable operating leases are as follows:

	At 31 Dec 2017 Land and buildings £'000	At 31 Dec 2016 Land and buildings £'000
Operating leases which expire:		
Within one year	54	54
Years two to five	150	204
After more than five years	-	-
Aggregate amounts payable	204	258

12. Subsequent events

In February 2018, the Company entered into a Letter of Intent ("LOI") with Genoil Inc ("GNOLF") to jointly explore strategic oil and gas opportunities in sub-Saharan Africa. GNOLF is a Canadian publicly listed technology, exploration and development company, with operations in China and Russia, and whose proprietary technologies include an innovative clean technology that is able to convert heavy crude oil into light crude oil. GNOLF is partnered with Anton Oilfield Services Group, headquartered in Beijing and who is a leading private Chinese oil field services company.

Company information

Directors
Lina Haidar, Chief Executive Officer
Pierantonio Tassini, Chief Operating Officer
Alexander Haly, Non-Executive Director
Guy Hustinx, Non-Executive Director

Company secretary
Martin Groak

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