**23 December 2019**

## Nu-Oil and Gas plc

## ("Nu-Oil" or "the Company")

# Audited Results for the year ended 30 June 2019

Nu-Oil today announces its results for the year ended 30 June 2019.

### Annual General Meeting

The Company also announces that its Annual General Meeting of shareholders ("AGM") will be held at Millbank Tower, London, SW1PX 4QP on Friday 24 January 2020 at 11:30 a.m.

### Financial Statements

Included with this announcement is a summary of the Company's Annual Accounts for the year ended 30 June 2019 as extracted from the Annual Report, being:

- Strategic Report
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Financial Position
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cashflows
- Notes to the Financial Statements

The full Annual Report and Financial Statements for the year ended 30 June 2019 and the notice of AGM are available to download from the Company's website at www.nu-oilandgas.com. Those shareholders who have elected to receive paper copies of all communications will receive a copy of both documents in addition to the AGM Letters and proxy forms, which have been sent to all shareholders today. Shareholders can change their chosen method of communication in Shareview at the following address: https://portfolio.shareview.co.uk/7/Portfolio/Default/en/Anonymous/Pages/Login.aspx.

## Enquiries

| | |
|---|---|
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| Jon Bellis | |

### Disclaimer

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR").

# Strategic Report

## Financial Review

The Consolidated Financial Statements and notes should be read in conjunction with this review which has been included to assist in the understanding of the Group's financial position at 30 June 2019.

### Loss before tax

Loss before tax for the year was £2,799,000 (2018: £1,878,000 loss), comprising administrative expenses of £2,011,000 (2018: £1,671,000) and finance costs of £788,000 (2018: £206,000). Administrative expenses reflected several one-off / exceptional items charged to the income statement, including, the impairment of the Group's intangible exploration and development assets and settlement and termination payments.

The loss included depreciation, amortisation and impairments of £1,000,000 in the period (2018: £341,000) relating to tangible and intangible assets.

### Statement of Financial Position

The consolidated statement of financial position for the Group is shown below. Net liabilities at 30 June 2019 were £3,419,000 (2018: net liabilities of £1,053,000). The increase in net liabilities reflected a combination of several items including: the reassessed carrying amount of the loan from Shard Capital Management Limited ('the Shard Loan') following post year-end refinancing and restructuring of the debt with C4 Energy Ltd; provision adjustments made in relation to the recoverability of certain trade and other receivables in light of their perceived recoverability and the impairment of the Group's intangible assets, also in light of their expected future economic value.

In addition, fundraising activities undertaken in the period raised £380,000 in gross proceeds through the issue of new ordinary shares.

The majority of the Group's liabilities at the year-end related to the third-party loans and related party liabilities. On 2 October, the Company announced that it had agreed to settle related party liabilities by transferring ownership of its 50% interest in MFDevCo. In addition, following the sale of the Shard Loan to C4 Energy Ltd, it was refinanced and restructured.

At 30 June 2019, the Group had cash balances of £58,000 compared to £861,000 at 30 June 2018. The Group had trade and other payables of £1,440,000 at 30 June 2019 (2018: £1,555,000).

### Cash flows

Net cash outflow for the year was £803,000 compared with a net inflow of £207,000 in 2018. The change in net cash flow year on year being mainly due to the reduced level of funds raised in the market.

### Cash Shell Status

On 4 November 2019, with the approval of the resolutions at the Company's General Meeting and the sale of the Company's 50% interest in MFDevCo to RMRI, the Company was designated an AIM Rule 15 cash shell. This requires the Company to make an acquisition (or acquisitions) which would constitute a reverse takeover under AIM Rule 14 within six months of 4 November 2019, failing which the Company will be suspended from trading on AIM. The Company does not intend to re-admit to trading on AIM as an investing company under AIM Rule 8.

### Going Concern

The Directors judge it appropriate to adopt the going concern basis in preparing the Consolidated and Company Financial Statements given the new Board's proven track record of raising funds, most recently with reference to the placing of £500,000 in November 2019. As such, the Directors have a reasonable expectation that the Company can or will obtain sufficient resources to continue operating for the foreseeable future.

In forming this judgement the Directors reviewed the Group's funding, budget and business plan for the twelve months from signing the financial statements. The Directors have relied upon the critical assumption that the Group will be able to achieve the key milestones of the business plan, notably with regard to securing an acquisition or acquisitions which will constitute a reverse takeover, which they believe will result in the availability of adequate additional funding.

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

**Other operational events during the financial year**

Other operational and financial events during the year included:

The impairment of the Group's intangible assets. As at the year end, the Directors concluded that its shareholding in its Canadian assets was of negligible value. In addition, further investment into the assets was deemed uneconomic and as a result, the future economic benefit of the asset was deemed negligible. As a result, the shareholding in Enegi Oil Inc. in Newfoundland has been impaired in full.

In December 2018, the Company announced its decision not to extend the license option granted to G2 Energy Corp. in respect of the exploration license EL1070 in Canada.

As announced on 21 October 2019 the Company returned the equity interest it held in Enegi Oil Inc. back to Enegi Oil Inc. under the terms of RSNL1990 CHAPTER C-36 CORPORATIONS ACT (Newfoundland), which allows an investor to donate its holdings in a company back to the company in question at no charge to the company. Nu-Oil's interest was limited to its equity investment and, as a result, no longer has any interest in the Canadian portfolio. Accordingly, the investment value at year-end has been impaired in full in the financial statements. However, as at 30 Jun 2019, the Company was a shareholder of Enegi Oil Inc. and consequently, the Group's consolidated statement of financial position reflect the asset retirement provision which EOI had made. Following the return of equity, EOI will no longer be consolidated in the Group accounts.

In January 2019, both Alan Minty and Nigel Burton, the Company's Executive Chairman and Chief Executive Officer respectively, resigned. Alan Minty was replaced by Graham Scotton and Nigel Burton was replaced by both Damian Minty and Alison Pegram as Joint Managing Directors.

At the Annual General Meeting held on 25th January 2019, shareholders approved the resolution granting authority to the Directors to issue shares, on a pre-emptive basis, for cash up to 75% of the issued share capital of the Company. In conjunction with the passing of the resolution, the Directors committed to limit the use of that share authority to a cap of 25% of the issued share capital as at 25th January 2019, and to accompany any issue of new shares under that authority cap with an open offer for eligible shareholders to participate on similar terms.

In March 2019, the Company announced a placing of new ordinary shares raising gross proceeds of £250,000 at a placing price of 0.3p. The open offer raised a further £130,000 on similar pricing terms. On 12 July 2019 a General meeting was held at which the shareholders approved resolutions including one removing the open offer commitment.

**Principal Risks and Uncertainties**

Risk recognition and management are viewed as integral to the Group's objectives of creating and maintaining shareholder value. In spite of its designation as a cash shell, this remains true and in particular within the area of oil and gas exploration and development.

The Board, as a whole, is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit and the Risk

Committees. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

*Cash Shell Status*

The Directors consider the following of particular relevance given the Company's designation as a cash shell:

*Ability to maintain AIM listing*: As detailed in the Chairman's Statement and subsequent to the year-end, the Company has until 4 May 2020 by when it needs to complete an acquisition which will constitute a reverse takeover, failing which the Company will be suspended from trading on AIM. If the Company is unable to find a suitable reverse takeover target within six months of such suspension, it will be cancelled from AIM and be re-registered as a private company. There will therefore be no external market for shareholders to trade their shares in the Company.

*Ability of the Company to continue as a going concern*: As detailed in note 1, the ability of the Company to continue as a going concern is dependent on its ability to raise adequate finance in support of its acquisition objectives and working capital requirements over the upcoming period. However, in the event that the Company fails to raise sufficient funding to meet its objectives, it may not be able to continue as a going concern.

*Financial Risk Management:*

In addition, the following risks can arise in the normal course of business, and therefore considered relevant for the Company:

*Currency risk*: The Group may be exposed to changes in the exchange rate between the British pound (i.e. its reporting currency) and foreign currencies. Such movements could impact the financial performance of the Company. During the year, the Group's held interests in Canadian Dollars via its subsidiary, Enegi Oil Inc. At each period end, assets and liabilities that are held in a currency other than the Group's reporting currency are translated into sterling. The resultant foreign currency gain or loss arising is reflected in the consolidated statement of comprehensive income (SOCI) in the period in which it arises.

*Liquidity risk*: The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due and to not undertake commitments which it is unable to meet, under both normal and stressed conditions. The Company has access to funding via capital markets (debt and equity) and these are considered sufficient to meet the anticipated funding requirements. Cash flow forecasts of the Company's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs over the next twelve months.

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

**Key Performance Indicators (KPI)**

Given the Company's designated status as a 'cash shell', the Board does not consider key performance indicators are appropriate to the performance of the business. The Board does, however, continue to closely monitor administrative expenses and cash balances. The critical non-financial KPI, at this stage, is the ability to complete an acquisition or acquisitions which would constitute a reverse takeover (RTO). In addition, the Directors expect further KPIs will become relevant and reported following an RTO acquisition.

On behalf of the Board

Jay Bhattacherjee, Non-Executive Chairman, 23 December 2019

## Consolidated and Parent Company Financial Statements

### *Consolidated Income Statement*

*For the year ended 30 June 2019*

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Revenue | | - | - |
| Cost of sales | | - | - |
| Gross profit / (loss) | | - | - |
| Administrative expenses | | (2,011) | (1,672) |
| **Loss from operating activities** | | **(2,011)** | **(1,672)** |
| Finance expense | 5 | (788) | (206) |
| Loss before tax | | (2,799) | (1,878) |
| Tax | 6 | - | - |
| **Loss for the period** | | **(2,799)** | **(1,878)** |
| | | | |
| *Loss per share (pence per share)* | | | |
| *Basic* | 7 | *(0.2p)* | *(0.1p)* |
| *Diluted* | 7 | *(0.2p)* | *(0.1p)* |

### *Consolidated Statement of Comprehensive Income*

*For the year ended 30 June 2019*

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Loss for the period | | (2,799) | (1,878) |
| *Other comprehensive income / (expense)* | | | |
| Other comprehensive income to be reclassified to Profit and Loss in subsequent periods | | | |
| Currency translation differences | | 6 | (1) |
| **Total comprehensive loss for the period attributable to owners of the parent** | | **(2,793)** | **(1,879)** |

***Consolidated Statement of Financial Position,*** *as at 30 June 2019*

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 8 | 195 |
| Intangible assets | 8 | - | 813 |
| Other long-term assets | 10 | 500 | 477 |
| | | 508 | 1,485 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 1,165 | 993 |
| Cash and cash equivalents | | 58 | 861 |
| | | 1,223 | 1,854 |
| Total assets | | 1,731 | 3,339 |
| | | | |
| **Current liabilities** | | | |
| Loans | 14 | (2,562) | (1,826) |
| Trade and other payables | 15 | (1,440) | (1,555) |
| Due to related parties | 12 | (657) | (541) |
| | | (4,659) | (3,922) |
| **Non-current liabilities** | | | |
| Provisions | 9 | (491) | (470) |
| Total liabilities | | (5,150) | (4,392) |
| **Net liabilities** | | **(3,419)** | **(1,053)** |
| | | | |
| **Equity** | | | |
| Ordinary share capital | | 3,207 | 3,072 |
| Share premium account | | 31,359 | 31,062 |
| Reverse acquisition reserve | | 9,364 | 9,364 |
| Warrant reserves | | 404 | 409 |
| Other reserves | | (2,487) | (2,487) |
| Accumulated losses | | (45,266) | (42,473) |
| **Total equity** | | **(3,419)** | **(1,053)** |

The financial statements together with the notes to the financial statements were approved by the Board

Jay Bhattacherjee, Non-Executive Chairman, 23 December 2019

***Company Statement of Financial Position,*** *as at 30 June 2019*

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 5 | 187 |
| Intangible assets | 8 | - | 491 |
| Other long-term assets | 10 | - | 326 |
| | | 5 | 1,004 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 1,165 | 958 |
| Cash and cash equivalents | | 58 | 861 |
| | | 1,223 | 1,819 |
| Total assets | | 1,228 | 2,823 |
| | | | |
| **Current liabilities** | | | |
| Loans | 14 | (2,562) | (1,826) |
| Trade and other payables | 15 | (1,193) | (1,359) |
| Due to related parties | 12 | (464) | (358) |
| | | (4,219) | (3,543) |
| **Non-current liabilities** | | | |
| Provisions | | - | - |
| Total liabilities | | (4,219) | (3,543) |
| **Net liabilities** | | **(2,991)** | **(720)** |
| | | | |
| **Equity** | | | |
| Ordinary share capital | | 3,207 | 3,072 |
| Share premium account | | 31,359 | 31,062 |
| Merger relief reserve | | 7,548 | 7,548 |
| Warrant reserve | | 404 | 409 |
| Other reserves | | (2,487) | (2,487) |
| Accumulated losses | | (43,022) | (40,324) |
| **Total equity** | | **(2,991)** | **(720)** |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the Parent Company income statement or statement of comprehensive income. The loss for the Parent Company for the year to 30 June 2019 was £2,698,000 (2018: £1,954,000).

The financial statements together with the notes to the financial statements were approved by the Board

Jay Bhattacherjee, Non-Executive Chairman, 23 December 2019

***Consolidated Statement of Changes in Equity,*** *for the year ended 30 June 2019*

| £'000 | Ordinary Share Capital | Share Premium Account | Reverse Acquisition Reserve | Warrant and Other Reserves | Accum Losses | Total Equity |
|---|---|---|---|---|---|---|
| **Balance, 01-Jul-2017** | 2,757 | 28,671 | 9,364 | (2,078) | (40,594) | (1,880) |
| Loss for the period | - | - | - | - | (1,878) | (1,878) |
| Currency translation differences | - | - | - | - | (1) | (1) |
| **Comprehensive loss** | - | - | - | - | (1,879) | (1,879) |
| Equity fundraise | 315 | 2,391 | - | - | - | 2,706 |
| **Balance, 30-Jun-2018** | 3,072 | 31,062 | 9,364 | (2,078) | (42,473) | (1,053) |
| Loss for the period | - | - | - | - | (2,799) | (2,799) |
| Currency translation differences | - | - | - | - | 6 | 6 |
| **Comprehensive loss** | - | - | - | - | (2,793) | (2,793) |
| Equity fundraise | 135 | 297 | - | (5) | - | 427 |
| **Balance, 30-Jun-2019** | 3,207 | 31,359 | 9,364 | (2,083) | (45,266) | (3,419) |

***Company Statement of Changes in Equity,*** *for the year ended 30 June 2019*

| £'000 | Ordinary Share Capital | Share Premium Account | Merger Relief Reserve | Warrant and Other Reserves | Accum Losses | Total Equity |
|---|---|---|---|---|---|---|
| **Balance, 01-Jul-2017** | 2,757 | 28,671 | 7,548 | (2,078) | (38,370) | (1,472) |
| Loss for the period | - | - | - | - | (1,954) | (1,954) |
| Currency translation differences | - | - | - | - | - | - |
| **Comprehensive loss** | - | - | - | - | (1,954) | (1,954) |
| Equity fundraise | 315 | 2,391 | - | - | - | 2,706 |
| **Balance, 30-Jun-2018** | 3,072 | 31,062 | 7,548 | (2,078) | (40,324) | (720) |
| Loss for the period | - | - | - | - | (2,698) | (2,698) |
| Currency translation differences | - | - | - | - | - | - |
| **Comprehensive loss** | - | - | - | - | (2,698) | (2,698) |
| Equity fundraise | 135 | 297 | - | (5) | - | 427 |
| **Balance, 30-Jun-2019** | 3,207 | 31,359 | 7,548 | (2,083) | (43,022) | (2,991) |

Warrant and other reserves comprise:

- Warrant reserve of £404,000, reflecting the total cost of warrants issued pre-IPO and post-IPO; and
- Other reserves of £2,487,000 consisting of: (i) Shares issued to the Employee Benefit Trust as a part of the Performance Share Plan, refer Note 17; and (ii) Shares that the Company has purchased which were used as security against the loan outstanding to Shard Capital Management Limited.

***Consolidated Cash Flow***

*For the year ended 30 June 2019*

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash used in operating activities | 17 | (1,130) | (2,156) |
| Net cash used in operating activities | | (1,130) | (2,156) |
| | | | |
| **Cash flow from financing activities** | | | |
| Share capital issued for cash | | 380 | 2,706 |
| Loan repayments | 14 | (53) | (343) |
| Net cash from financing activities | | 327 | 2,363 |
| | | | |
| **Net (decrease)/increase in cash in the period** | | **(803)** | **207** |
| | | | |
| Cash and cash equivalents at the start of the period | | 861 | 654 |
| **Cash and cash equivalents at the end of the period** | | **58** | **861** |

***Company Cash Flow***

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Cash used in operating activities | 17 | (1,130) | (2,156) |
| Net cash used in operating activities | | (1,130) | (2,156) |
| | | | |
| **Cash flow from financing activities** | | | |
| Share capital issued for cash | | 380 | 2,706 |
| Loan repayments | 14 | (53) | (343) |
| Net cash from financing activities | | 327 | 2,363 |
| | | | |
| **Net (decrease)/increase in cash in the period** | | **(803)** | **207** |
| | | | |
| Cash and cash equivalents at the start of the period | | 861 | 654 |
| **Cash and cash equivalents at the end of the period** | | **58** | **861** |

# Notes to the Financial Statements

***Corporate Information***

Nu-Oil and Gas plc (the 'Company' and together with its subsidiaries, the 'Group') is a company incorporated in England on 13 September 2007 and has registered address of Audley House, 13 Palace Street, London, SW1E 5HX. The Group is domiciled in the UK for tax purposes and its shares are quoted on the Alternative Investments Market ('AIM') of the London Stock Exchange.

The principal activity of the Company and Group is the identification, development and operation of hydrocarbon opportunities.

## 1. Basis of Preparation

The consolidated financial statements of the Group and the financial statements of the parent Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS-IC interpretations. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.

***Changes in accounting principles and adoption of new and revised standards***

In the year ended 30 June 2019, the Directors have reviewed all the new and revised Standards. The only relevant new standard that is effective for this year's financial statements is IFRS 9 'Financial Instruments' but this has not had a material impact on the financial statements.

There are no standards in issue but not yet effective which could have a material impact on the financial statements.

**Going concern**

The Directors judge it appropriate to adopt the going concern basis in preparing the Consolidated and Company Financial Statements given the new Board's proven track record of raising funds, most recently with reference to the placing of £500,000 in November 2019. As such, the Directors have a reasonable expectation that the Company can or will obtain sufficient resources to continue operating for the foreseeable future.

In forming this judgement, the Directors reviewed the Group's funding, budget and business plan for the twelve months from signing the financial statements. The Directors have relied upon the critical assumption that the Group will be able to achieve the key milestones of the business plan, notably with regard to securing an acquisition or acquisitions which will constitute a reverse takeover, which they believe will result in the availability of adequate additional funding.

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

**Basis of consolidation**

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

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

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

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

*Investments in Associates*

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

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

The Group has a 50% interest in the Marginal Field Development (MFDevCo) Ltd. The Directors deem that the Group has significant influence but not control over this entity. In accordance with IAS 28 this investment is accounted for using the equity method of accounting. At the year end the investment balance is held at £nil after deduction of the Group's share of post-acquisition losses recognised. Following the year end and the reorganisation approved by shareholders in November 2019, MFDevCo has been disposed.

## 2. Significant Accounting Policies

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

### Segment Reporting

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

### Tangible and intangible oil and gas assets

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

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

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

*Oil and gas properties*

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

*Intangible capitalised exploration costs*

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

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

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

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

*Licences*

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

*Intangible capitalised development costs*

Expenditure incurred on the development of solutions, processes and systems that can be utilised within the marginal field initiative is capitalised within tangible fixed assets as development costs.

Intangible capitalised development costs are assessed for impairment annually.

*Impairment of tangible and intangible oil and gas assets*

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

Fixtures and fittings, equipment

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

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

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

**Other long-term assets**

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

**Financial instruments**

*Financial assets*

All of the Group's financial assets are held within a business model whose objective is to collect contractual cash flows which are solely payments of principals and interest and therefore classified as subsequently measured at amortised cost. The Group's and Company's financial assets include cash and cash equivalents and trade and other receivables.

The Group assesses on a forward-looking basis the expected credit losses, defined as the difference between the contractual cash flows and the cash flows that are expected to be received.

*Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest of the assets of the Group after deducting all of its liabilities.

*Trade and other payables*

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

*Equity instruments*

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

**Asset retirement provisions**

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

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

**Employee Benefit Trust**

The assets and liabilities of the Employee Benefit Trust are brought onto the Statement of Financial Position of the Company. Shares held by the trust are consolidated as a deduction from equity. This policy applies to both the Company and the Group.

**Performance Share Plan costs**

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

**Foreign currency translation**

The Company's functional currency is sterling. Enegi Oil Inc.'s and Enegi Finance Limited's (both subsidiaries at the reporting date) functional currency is Canadian dollars. The Group's presentation currency is sterling.

In preparing the financial statements of the individual companies, transactions in foreign currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date.

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

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

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

**Income taxes**

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

**Share capital**

Issued share capital is recorded in the Statement of Financial Position at nominal value with any premium at the date of issue being credited to the share premium account.

**Share-based transactions**

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

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

**Warrants**

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

**Investment in subsidiary undertakings**

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

**Critical accounting judgements and estimates in applying the Group's accounting policies**

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

***Estimates:***

*Asset retirement obligation provision:* A provision is recorded where a present obligation (legal or constructive) arises as a result of a past event, it is probable that settlement of the obligation will be required and that a reliable estimate of the amount thereof can be made. There is uncertainty around the cost of decommissioning as cost estimates can vary in response to many factors, including from changes to market rates for goods and services, to the relevant legal requirements, the emergence of new technology or experience at other assets. The expected timing, work scope, amount of expenditure and risk weighting may also change. The recording of provisions is an area which requires the exercise of management's judgement. The Group's balance sheet includes provisions in relation to Enegi Oil Inc.'s future obligation to comply with provincial laws of abandonment. This provision is based on a series of assumptions and estimates which are set out in Note 9.

*Finance Costs:* Finance costs include costs associated with the Company's management of cash, cash equivalents and debt. To the extent interest expense on borrowings are included within finance costs, the interest expense is calculated using the effective interest rate method. Historically, the financing costs associates with the Shard loan used the simple interest method of calculation. In 2019, the basis for estimating the finance expense was refined to use compound interest on the outstanding loan and interest. This basis reflects the loan value confirmed in October 2019. The effect of estimating the interest expense on this basis when compared with a simple effective interest method was additional expense of £608,000.

***Judgements:***

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

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

*Going Concern:* The financial information has been prepared assuming the Group will continue as a going concern. The basis to which the Directors have formed this critical accounting judgement is further outlined in note 1 of the Group's accounts.

## 3. Segmental Information

IFRS 8 Operating Segments requires that the segments should be reported on the same basis as the internal reporting information that is provided to the chief operating decision-maker. The Group adopts this policy and the chief operating decision-maker has been identified as the Board of Directors of the Company. The Directors consider there to be two operating and reportable segments, being that of the development of the non-Canadian based Oil and Gas opportunities and the operations in western Newfoundland. Internal reports reviewed by the Board provide information to allow the chief operating decision-maker to allocate resources and make decisions about the operations.

Over the past year, given the state of the Group's operations, the chief operating decision maker relies primarily on an understanding of the cash requirements of the business to make decisions about how resources are to be allocated across the business. The recent decision to not commit further investment into Enegi Oil Inc. together with an assessment as to the potential future economic benefit from the portfolio held by Enegi Oil Inc has given rise to the full impairment of intangible assets held in Enegi Oil Inc.

The operations in western Newfoundland are conducted by Nu-Oil and Gas plc's wholly owned subsidiary Enegi Oil Inc. Its reported loss for the period is £824,000 (2018: £134,000), excluding intercompany items after charging depreciation amortisation and impairments to intangible assets which totalled £332,000 (2018: £115,000). No interest revenue or expense was generated or incurred. Given the trading losses, no income tax expense has been incurred.

Excluding intercompany balances, the net assets of Enegi Oil Inc. at 30 June 2019 are as follows

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Non-current assets** | | | |
| Tangible assets | | 3 | 4 |
| Intangible assets | | - | 326 |
| Other long-term assets | | 500 | 477 |
| | | 503 | 807 |
| **Current assets** | | | |
| Trade and other receivables | | - | 34 |
| Cash and cash equivalents | | - | - |

| | | |
|---|---|---|
| Total assets | 503 | 841 |
| | | |
| **Current liabilities** | | |
| Trade and other payables | (247) | (196) |
| Due to related parties | (343) | (183) |
| | (590) | (379) |
| **Non-current liabilities** | | |
| Provisions | (491) | (470) |
| Total liabilities | (1,081) | (849) |
| | | |
| **Net liabilities** | **(578)** | **(8)** |

Subsequent to the reporting date, the Company returned the equity interest held in Enegi Oil Inc. as described in the post balance sheet events note 21.

## 4. Operating Loss

Operating loss is after charging:

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Depreciation, amortisation and impairment | | 1,000 | 341 |
| Directors' fees | | 345 | 330 |
| Debt provisions and recharge to MFDevCo | | (151) | 360 |

Directors fees in the 2018 comparative figures are net of £58,000 in recharges to MFDevCo.

Auditors' remuneration

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

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Audit fees | | 30 | 35 |
| Other services | | - | - |
| Tax compliance | | 10 | 3 |
| | | 40 | 38 |

The tax compliance fees are payable in respect of the previous auditor.

## 5. Finance costs

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Interest expense | | 788 | 206 |

The 2019, includes the difference between the carrying value of the loan as at 30-Jun-2018 and the carrying value of the loan at 30-Jun-2019. The carrying value of the loan at 30-Jun-19 is based on the loan value of £2,500,000 agreed with C4 Energy Ltd in October 2019.

## 6. Taxation

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| Statutory income tax rate | | 19% | 19% |
| £'000 | | | |
| Loss for the period | | (2,799) | (1,878) |
| Expected income tax recovery | | (532) | (357) |
| Effect of overseas tax rates | | (55) | (21) |
| Permanent difference | | 55 | 21 |
| Transferred to losses | | 532 | 357 |
| Total tax | | - | - |

The deferred income tax asset not recognised at 30 June 2019 is comprised of the following:

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Non-capital loss carried forward | | 8,866 | 8,377 |
| Canadian Pool Assets | | 1,830 | 1,746 |
| Total tax | | 10,696 | 10,123 |

As at 30 June 2019, the Group had Canadian Development Expense pool carry forward of £3.2 million, Canadian Exploration Expense pool carry forward of £0.3 million and non-capital loss carry forward balances of approximately £20.4 million (£1.9 million will expire in 2026, £2.3 million will expire in 2027, £1.2 million will expire in 2028, £2.9 million will expire in 2029, £0.8 million will expire in 2030, £1.4 million will expire in 2031, £1.1 million will expire in 2032, £1.7 million will expire in 2033, £1.0 million will expire in 2034, £4.8 million will expire in 2035, £0.3 million will expire in 2036, £0.8 million will expire in 2037 and £0.21 million will expire in 2038) that are available to reduce future years' taxable income.

Subsequent to the reporting date, the Company returned the equity interest held in Enegi Oil Inc as described in the post balance sheet events note 21.

## 7. Loss per Share (Expressed in Pence)

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| Loss attributable to shareholders (£'000) | | (2,799) | (1,878) |
| Weighted average number of shares in issue | | 1,393,255,721 | 1,257,654,599 |
| Fully diluted weighted average number of shares in issue | | 1,393,255,721 | 1,257,654,599 |
| Basic loss per share (expressed in pence per share) | | (0.2p) | (0.1p) |
| Diluted loss per share (expressed in pence per share) | | (0.2p) | (0.1p) |

There is no difference between the basic loss per Ordinary Share and the diluted loss per Ordinary Share for the years ended 30 June 2019 and 2018 as all potential Ordinary Shares outstanding are anti-dilutive. There were 53,000,000 (2018:80,000,000) share options issued which are anti-dilutive as at 30 June 2019.

## 8. Tangible and Intangible Assets

### Tangible assets

| £'000 | Fixtures, fittings and equipment | O&G properties | Tangible capitalised dev costs | ARO | Group Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| 1 July 17 | 429 | 3,953 | 14,498 | 810 | 19,690 |
| Net additions / disposals | - | - | - | - | - |
| Currency exchange movement | - | (130) | (491) | - | (621) |
| 30 June 18 | 429 | 3,823 | 14,007 | 810 | 19,069 |
| Net additions / disposals | - | - | - | - | - |
| Currency exchange movement | - | 106 | 388 | 22 | 516 |
| 30 June 19 | 429 | 3,929 | 14,395 | 832 | 19,585 |
| | | | | | |
| **Charge / impairment** | | | | | |
| 1 July 17 | (196) | (3,953) | (14,498) | (801) | (19,448) |
| Charge and impairments | (46) | - | - | (1) | (47) |
| Currency exchange movement | - | 130 | 491 | - | 621 |
| 30 June 18 | (242) | (3,823) | (14,007) | (802) | (18,874) |
| Charge and impairments | (182) | - | - | (5) | (187) |
| Currency exchange movement | - | (106) | (388) | (22) | (516) |
| 30 June 19 | (424) | (3,929) | (14,395) | (829) | (19,577) |
| | | | | | |
| **Carrying value** | | | | | |
| 30 June 18 | 187 | - | - | 8 | 195 |
| 30 June 19 | 5 | - | - | 3 | 8 |

At the reporting date, the Company had tangible assets with a carrying value of £5,000 (30 June 2018 £187,000). These are shown as fixtures, fittings and equipment in the above table.

**Intangible assets - Group**

| £'000 | Intangible capitalised dev costs | Capitalised exploration costs | Licenses | Group Total |
|---|---|---|---|---|
| **Cost** | | | | |
| 1 July 17 | 899 | 1,986 | 486 | 3,371 |
| Net additions / disposals | - | - | - | - |
| Currency exchange movement | - | (67) | (16) | (83) |
| 30 June 18 | 899 | 1,919 | 470 | 3,288 |
| Net additions / disposals | - | - | - | - |
| Currency exchange movement | - | 53 | 13 | 66 |
| 30 June 19 | 899 | 1,972 | 483 | 3,354 |
| | | | | |
| **Charge / impairment** | | | | |
| 1 July 17 | (229) | (1,533) | (486) | (2,248) |
| Charge and impairments | (179) | (115) | | (294) |
| Currency exchange movement | | 51 | 16 | 67 |
| 30 June 18 | (408) | (1,597) | (470) | (2,475) |
| Charge and impairments | (491) | (322) | - | (813) |
| Currency exchange movement | - | (53) | (13) | (66) |
| 30 June 19 | (899) | (1,972) | (483) | (3,354) |
| | | | | |
| **Carrying value** | | | | |
| 30 June 18 | 491 | 322 | - | 813 |
| 30 June 19 | - | - | - | - |

At the reporting date, the Company had intangible assets with a carrying value of £nil (30 June 2018 491,000). These are shown as fixtures, fittings and equipment in the above table.

During the year, the Directors conducted a review of the carrying value of the Group's tangible and intangible fixed assets and have concluded there is nil recoverable economic value from its intangible assets. The Group's intangible assets consisted of assets held via its subsidiary in western Newfoundland and other capitalised development assets associated with, *inter-alia*, advanced buoy technology. None of these are expected to generate future economic benefit for the Group and therefore have been fully impaired.

## 9. Provisions

Under the terms of the lease and licence, the Company's subsidiary Enegi Oil Inc has an obligation to comply with the provincial laws of abandonment. This involves closing in any wells and removing the well-head equipment, removing any buildings, engineering structures, materials and waste from the site and then replanting the land to restore it to its original condition. It is not expected that the liability contemplated by the provision would be payable before 2023 as PL2002-01(A) was extended until 11 August 2022.

This future obligation for Enegi Oil Inc is recognised in the consolidated statement of financial position as a provision. The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligations associated with the retirement of the oil and gas assets:

| £’000 | Note | 2019 | 2018 |
|---|---|---|---|
| Balance at start of year | | 470 | 489 |
| Currency translation differences | | 25 | (15) |
| Unwinding of discount rate | | (4) | (4) |
| Balance at end of year | | 491 | 470 |

At 30 June 2019, the estimated future cash flows required to settle this obligation totalled £491,000. Assuming an inflation rate of 2.0%, the undiscounted future cost of this obligation was £514,000. The liability for the expected cash flow requirement has been discounted using the Company’s risk-free rate of 1.5%. This obligation will be settled based on the operating lives of the underlying assets, which currently are estimated to be from one to fifteen years with the majority of costs expected to occur between 2022 and 2023. Any final amounts to be settled will be funded from general corporate resources when they fall due.

Subsequent to the reporting date, the Company returned the equity interest held in Enegi Oil Inc. as described in the post balance sheet events note 21.

## 10. Other Long-Term Assets and Investments

### Long-term assets

| £’000 | Note | 2019 | 2018 |
|---|---|---|---|
| License deposits | | 500 | 477 |
| Balance at end of year | | 500 | 477 |

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

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

### Company investments

| £’000 | Note | 2019 | 2018 |
|---|---|---|---|
| Investment in Group companies at start of year | | 326 | 478 |
| Impairment | | (326) | (152) |
| Investment in Group companies at end of year | | - | 326 |

During the year, the Directors conducted a review of the carrying value of the Company’s other long-term assets, which consists of investments in Group companies and in MFDevCo as described in note 21. The balance represents the carrying value of the investment in Enegi Oil Inc. Impairment in the period reflects the application of the Group’s accounting policy with respect to the amortisation of Enegi Oil Inc.’s capitalised exploration costs.

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

### 11. Trade and Other Receivables

**Trade and other receivables**

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Sales taxes receivables | | - | 178 |
| Prepayments and other receivables | | 1,165 | 815 |
| | | 1,165 | 993 |

The trade and other receivables showing in the Company's statement of financial position relate to sales taxes receivable of £nil (2018: £168,000) and prepayments and other receivables of £1,165,000 (2018: £790,000).

The Group's other receivables relate to services provided to MFDevCo as part of its marginal field strategy. The Group expects these balances to settle by way of offset against amounts owed to RMRI as a part of the reorganisation announced in October. As a part of that reorganisation, the Group has no obligations to contribute to any excess losses or creditors that reside within MFDevCo. As a result, the impairment provision in 2018 was reversed in the current year period.

### 12. Related Party Transactions

**Group**

The Group incurred the following charges in the year with companies or related persons either by way of Directors or common shareholders.

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| RMRI Group | | 367 | 208 |
| | | 367 | 208 |

The transactions above include Directors' Fees and Termination Costs of £251,000 incurred in 2019 (2018:150,000). Transactions occurred in the normal course of operations and, where applicable, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The balances owed to related parties outlined below are unsecured, not guaranteed, and are to be settled under as a part of the restructuring changes announced October 2019.

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| RMRI Group (UK) | | 464 | 358 |
| RMRI Canada Inc. | | 193 | 183 |
| | | 657 | 541 |

In addition to the above, £556,000 (2018: £556,000) is recorded in the Company's accruals as Applications for Payment but not yet invoiced. Applications for Payment are utilised where there is uncertainty with respect to the timing of payment so as to not generate a VAT liability for the service provider until payment is made.

**Company**

In 2019 the Company was owed an additional £151,000 by its principal trading subsidiary, Enegi Oil Inc. As a result of the trading performance of Enegi Oil Inc. the Company has provided in full against this receivable and as such the amount carried at both 30 June 2019 and 30 June 2018 was £nil.

Amounts owed by the Company to the companies listed above totalled £469,000 (2018: £358,000). During the year the Company incurred charges of £93,000, excluding Directors' fees from the RMRI Group companies.

## 13. Ordinary Share Capital and Share Premium Account

In October 2015, the Company undertook a reorganisation of its share capital. Under the Companies Act 2006 a company is unable to issue shares at a subscription price which is lower than the nominal value. Therefore, in order to raise additional funding a reorganisation of the Company's share capital was performed.

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

| | Note | Number of shares 000's | Ordinary Share capital £'000 |
|---|---|---|---|
| Issued ordinary shares of 0.1p each | | 1,498,727 | 1,499 |
| Issued deferred shares of 0.9p each | | 189,792 | 1,708 |

The weighted average number of ordinary shares in issue during the year was 1,393,255,721 (2018: 1,257,654,599).

The movement in share capital and share premium in the current is as follows:

| | Note | Ord. Shares 000's | Deferred Shares 000's | Ord. Share Capital £'000 | Share Premium £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Balance, 1 July 2018 | | 1,364,027 | 189,792 | 3,072 | 31,062 | 34,134 |
| Share issue and warrant exercise | | 134,700 | - | 135 | 297 | 432 |
| Effect of warrants | | - | - | - | - | - |
| Balance, 30 June 2019 | | 1,498,727 | 189,792 | 3,207 | 31,359 | 34,566 |

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

At 30 June 2019, the warrants relating to the Company's ordinary share capital had been issued:

| | Note | Ord.Shares | Exercise Price GBP £ | Expiry |
|---|---|---|---|---|
| Warrants: Company's Nomad | | 9,416,885 | 0.0063 | 6 Nov. 2021 |
| Warrants: Company's Broker | | 13,043,478 | 0.0115 | 28 Mar. 2021 |
| Warrants: Company's Broker | | 8,333,333 | 0.0003 | 3 Apr. 2024 |
| Warrants: Company's former Broker | | 10,000,000 | 0.0110 | 26 Jul. 2022 |

## 14. Net debt

| | Notes | YA Global | Shard Loan | Total |
|---|---|---|---|---|
| Balance 1 July 2017 | | (281) | (1,780) | (2,061) |
| Cash flows – repayments | | 108 | 858 | 966 |
| Movements in accrued interest | | (10) | (721) | (731) |
| Balance 30 June 2018 | | (183) | (1,643) | (1,826) |
| Cash flows – repayments | | 15 | 38 | 53 |
| Movements in accrued interest | | (13) | (776) | (789) |
| Balance 30 June 2019 | | (181) | (2,381) | (2,562) |

On 25 November 2013, the Company obtained initially a loan of £1,000,000 from Shard Capital Management Limited ('Shard'). Under the terms of the loan, which had a duration of 12 months, the Company was due to pay interest totalling £200,000. In December 2014, the Company obtained a further loan from Shard of £200,000. Under the terms agreed, the Company was due to then pay a further £120,000 interest on the original loan of £1,000,000 from November 2013 and £20,000 on the additional loan of £200,000 for a total interest expense in 2015 of £140,000. Under the terms of the Shard loans which have expired, Shard had been granted security over PL2002-01(A) and the Company had a right to convert the debt to equity.

The Company continued to accrue interest on the Shard loans on a simple interest basis and, at 30 June 2018, the carrying amount of the loan was £1.643 million. In the current year, the interest accrued has been estimated for the period based on the amount agreed after the end of the year. This resulted in interest expense for the year of £776,000.

Following the year end, the Shard Loan was sold to C4 Energy Ltd and refinanced. Refer Post balance sheet events notes 21 for further details.

## 15. Trade and Other Payables

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Trade payables | | 512 | 481 |
| Accruals | | 752 | 974 |
| Taxation and social security | | 115 | 98 |
| Other payables | | 61 | 2 |
| | | 1,440 | 1,555 |

The trade and other payables shown in the Company's statement of financial position relate to trade payables and accruals of £1,132,000 (2018: £1,355,000), other payables £61,000 (2018: £4,000).

## 16. Contingent Liability

Subsequent to the reporting date, Enegi Oil Inc. ('EOI') received notice that PVF Energy Services Inc. ('PVF') submitted a Statement of Claim to the Supreme Court of Newfoundland and Labrador General Division ('the Claim') on 26 June 2019 against EOI. The Claim was for costs incurred by PVF in carrying out the work programme under the terms of the Production Sharing Agreement, an agreement to which PVF and EOI were party. The Production Sharing Agreement states that PVF will carry out the work programme 'at its sole cost, risk and perils' and that costs properly incurred in carrying out the programme are reimbursable out of production from a well and not by Enegi Oil Inc. Furthermore, the PSA sets out the process for the resolution of a dispute or claim arising out of the agreement; that process was not followed by PVF in submitting the Claim. The amount of the Claim was CAD $1,122,000. At the time the Claim was received, the incumbent Board reviewed the situation and concluded that the Claim had no merit and was against the terms of the agreement with PVF as set out in the RNS of 10 July 2019.

Following changes to the Board since the Claim was made and taking into account the recent return of the EOI shares by Nu-Oil and Gas plc, the current Board believes that the possibility of any outflow in settlement of the Claim by the Company is remote. Accordingly, the current Board has concluded that no provision is required in the financial statements at 30 June 2019.

### 17. Cash Used in Operations

**Consolidated**

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Loss before income tax | | (2,799) | (1,878) |
| Increase/(decrease) in related party payable | | 117 | (503) |
| Increase/(decrease) in trade and other payables | | (64) | (57) |
| Depreciation, amortisation and impairment | | 1,000 | 341 |
| Decrease/(increase) in receivables | | (172) | (71) |
| Other non-cash movements | | - | 12 |
| Financing activities increase / (decrease) | | 788 | - |
| **Cash flows used in operating activities** | | (1,130) | (2,156) |

**Company**

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Loss before income tax | | (2,698) | (1,954) |
| Decrease in related party payable | | 105 | (497) |
| Increase/(decrease) in trade and other payables | | (114) | (31) |
| Depreciation, amortisation and impairment | | 996 | (51) |
| Decrease in receivables | | (207) | 377 |
| Financing activities increase / (decrease) | | 788 | - |
| **Cash flows used in operating activities** | | (1,130) | (2,156) |

### 18. Performance Share Plan

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

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

On 20 March 2008, the Company placed 860,000 shares into the EBT. The market price of the shares was £1.81 each and the market value of the shares was £1,556,600. At 30 June 2019, the EBT jointly owned 860,000 shares in the Company with a nominal value of £8,600, representing 0.6% of the allotted share capital of the Company. None of the shares held were under option or conditionally gifted.

Under the Performance Share Plan, the options outstanding to Directors, as approved by the Company's Remuneration Committee at the reporting date, is as follows:

| | Notes | Vested Options | Expired Options | Total | Exercise Price (£) |
|---|---|---|---|---|---|
| Alan Minty | | 20,000,000 | 20,000,000 | - | 0.0060 |
| Graham Scotton | | 1,000,000 | - | 1,000,000 | 0.0067 |
| Damian Minty | | 20,000,000 | - | 20,000,000 | 0.0060 |
| Tejvinder Minhas | | 20,000,000 | - | 20,000,000 | 0.0060 |
| Frank Jackson | | 8,000,000 | - | 8,000,000 | 0.0060 |
| Mike Bowman | | 4,000,000 | - | 4,000,000 | 0.0060 |

The remaining weighted average contractual life of the 53,000,000 options outstanding at 30 June 2019 was 2.7 years. The volume weighted average share price for 2019 was £0.0225.

**19. Employees and Directors**

| £'000 | Note | 2019 | 2018 |
|---|---|---|---|
| Employees | | 222 | 98 |
| Directors | | 345 | 330 |
| Social Security Costs and Taxes | | 45 | 46 |
| | | 612 | 474 |
| *Average monthly number of people employed* | | *5* | *5* |

Excluding settlement and termination costs, the largest Director emoluments for the year were £120,000 (2018: £160,000). The table above has reclassified £120,000 of costs relating to Damian Minty from employee costs into Directors costs in the 2018 comparative figures. In addition, the 2018 comparative figures are net of £58,000 in recharges to MFDevCo.

**20. Financial Instruments**

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

**21. Subsidiary Companies and Investments**

**Principal Group investments**

The full list of Group investments as at 30 June 2019 are disclosed below. Other than the effect of foreign exchange, transactions between subsidiaries and between the parent Company and its subsidiaries are eliminated on consolidation.

| Name | Nature of business | Country of Incorp | Type of shares | Subsid / Investm't | Group Holding |
|---|---|---|---|---|---|
| Enegi Finance Ltd | Intra-Group finance provider | UK | Ordinary | Subsidiary | 100% |
| Gestion Resources Ltd | Working interest holder | UK | Ordinary | Subsidiary | 100% via Enegi Oil Inc. |
| Enegi Oil Inc | Principal operating subsidiary | Canada | Ordinary | Subsidiary | 100% |
| MFDevCo | Marginal field development solutions | UK | Ordinary | Investment | 50% |

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

The registered office of each company is as follows:

| | Address |
|---|---|
| Enegi Finance Ltd | 5th Floor, Castlefield House, Liverpool Road, Manchester, M3 4SB |
| Gestion Resources Ltd | 5th Floor, Castlefield House, Liverpool Road, Manchester, M3 4SB |
| Enegi Oil Inc | 36, Quidi Vidi Road, St. Johns, Newfoundland |
| MFDevCo | 5th Floor, Castlefield House, Liverpool Road, Manchester, M3 4SB |

Subsequent to the year end the equity held in Enegi Oil Inc has been returned to Enegi Oil Inc for nil consideration.

**22. Post balance sheet events**

A number of events have occurred since the reporting date as follows:

On 2 October the Company announced a series of changes to the Board of Directors, a debt restructuring, a placing and the sale of the joint venture, summarised as follows:

*Board restructuring*

Following the passing of the resolutions at the general meeting on 4 November 2019, Jay Bhattacherjee was appointed as Non-Executive Chairman and Andrew Dennan was appointed as Non-Executive Director. Graham Scotton, previously Executive Chairman, transitioned to Non-Executive Chairman and Frank Jackson has remained as a Non-Executive Director. Damian Minty, Joint Managing Director and Chief Financial Officer, and Alison Pegram, Joint Managing Director, agreed to resign their roles standing down from the Board, with immediate effect and Non-Executive Directors, Professor Michael Bowman and Mr Tejvinder Minhas, also resigned with immediate effect. On 13 November Mr Graham Scotton resigned from his position as Non-Executive Director with immediate effect.

*Debt restructuring*

The Company was informed by Shard Capital Management Limited ('Shard') that it has sold the loan which was owed to it by Nu-Oil to C4 Energy Ltd ('C4'), a UK incorporated private company. Non-Executive Chairman Jay Bhattacherjee and Non-Executive Director Andy Dennan are shareholders of C4. Following the sale of the debt, the Company granted C4 loan notes to the value of £2,500,000 in £10,000 denominations. The Loan Notes are unsecured, interest free and have a five-year term, with repayment due at the end of term. In addition, the loan notes have conversion rights, at a price of 0.05 pence per ordinary share, although they contain a restriction preventing conversion of such amount that would result in C4 holding more than 29.9% of the Company's issued share capital from time to time.

*Sale of interest in Marginal Field Development Company*

The Company also agreed to sell its 50% interest in Marginal Field Development Company (MFDevCo) Ltd to RMRI Limited (the related party, which holds the remaining 50% interest in MFDevCo) in consideration for the release of all outstanding related party debts. Amounts owing to the RMRI Group are shown in amounts due to related parties of £657,000 and within accruals of £556,000 which forms part of the trade and other payables balance within the consolidated statement of financial position.

*Placing*

Following the passing of the resolutions at the General Meeting Company on 04 November 2019, the Company raised, via a placing, gross proceeds of £0.5million, the net proceeds of which would be used for working capital purposes.

*Return of interest in Enegi Oil Inc.*

In addition, on 21 October 2019, the Company announced it has returned the equity it held in Enegi Oil Inc. ('Enegi') to Enegi with immediate effect. The impact of this is that the assets and liabilities of Enegi Oil Inc. will no longer be controlled the Nu-Oil and Gas Plc Group; the most significant of which are the licence deposits held in long-term assets, and the provisions.