LEKOIL

SHAPING THE FUTURE OF OIL EXPLORATION AND PRODUCTION IN AFRICA

Annual Report and Accounts 2017

LEKOIL is an Africa focused oil and gas exploration and production company with interests in Nigeria and Namibia. We are headquartered in Lagos with additional offices in Princeton, USA; London and Windhoek, Namibia. We employ 78 people.

From swampland to production in under two years. 2017 marked another milestone for LEKOIL with the start of commercial production.

CONTENTS

1 Highlights

3 Chairman's and CEO's statement

14 Financial review

16 Board of Directors

18 Directors' report

23 Remuneration report

25 Statement of Directors' responsibilities

26 Independent Auditor's report

30 Consolidated statement of profit or loss and other comprehensive income

31 Consolidated statement of financial position

32 Consolidated statement of changes in equity

33 Consolidated statement of cash flows

34 Notes to the financial statements

73 Company information

Our 2017 Annual Report is available in both printed form and on the Investors section of the LEKOIL plc website at:
www.lekoil.com

Highlights

Operational

Otakikpo

- Continuous commercial production and cash flow generation at Otakikpo;
- Otakikpo production increased to 7,600 barrels of oil per day (bopd) in December, ending the year continuously over 7,000 bopd and having produced approximately 1.56 million barrels (bbls) of oil;
- 1,448,911 gross barrels exported (1,188,732 barrels net to LEKOIL), with crude selling at a premium to Brent;
- 12 month average production from May 2017 to May 2018 was 5,547 bopd;
- The Otakikpo project has now recorded over 1.27 million hours with no lost time injuries;
- 3D seismic acquisition programme to cover the entire Otakikpo area commenced in February 2018 with results expected to be available in Q3 2018 and which will be followed by an updated CPR; and
- Planning for Phase 2 field development underway, targeting 20,000 bopd to be reached in 2020, subject to securing additional funding from industry sources.

OPL 310

- Planning for a two well appraisal drilling programme of Ogo underway, with long lead time items ordered (such as well heads and oil country tubular goods ("OCTG");
- MoU signed with GE Oil & Gas for the full field development of Ogo; and
- Receipt of Ministerial Consent for the transfer of initial 17.14% participating interest on OPL310 farm-in, application made in March 2018 to the Federal High Court in Nigeria for a declaration that is expected to expedite the consent process for the second, 22.86%, tranche.

OPL 325

- Independent Technical Evaluation Report, completed in January 2018, confirms the block prospectivity;
- Geophysical evaluation of approx. 800 sq km of 3D seismic data identified eleven prospects and leads on the block. It is estimated to contain potential gross aggregate Oil-in-Place volumes of over 5,700 mmbbls, as an un-risked, Best Estimate case; and
- Farm out process to be initiated following a prospect /lead risking study.

Namibia

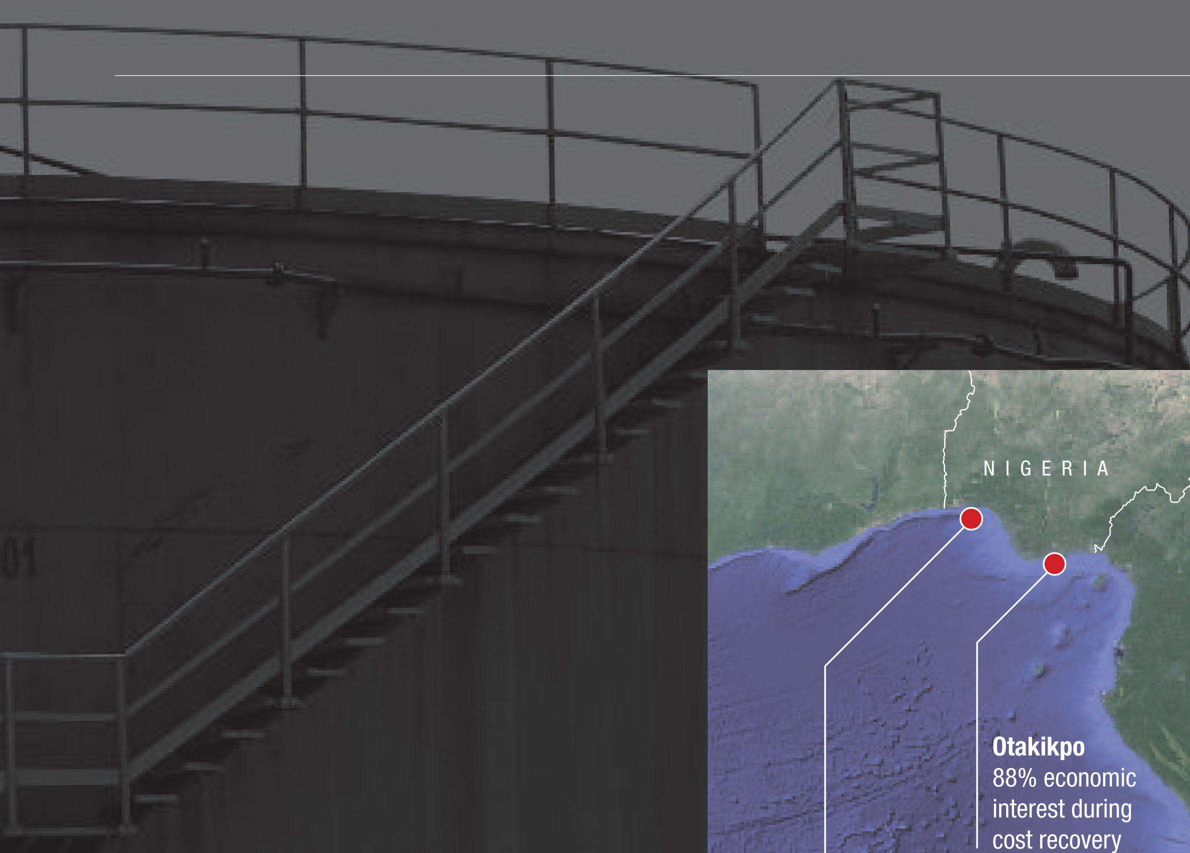
- Relinquished block 2514A; during H2 2017; and
- Updating de-risking for 2514B and data sharing opportunities with others which will aid in improving understanding of the regional basin.

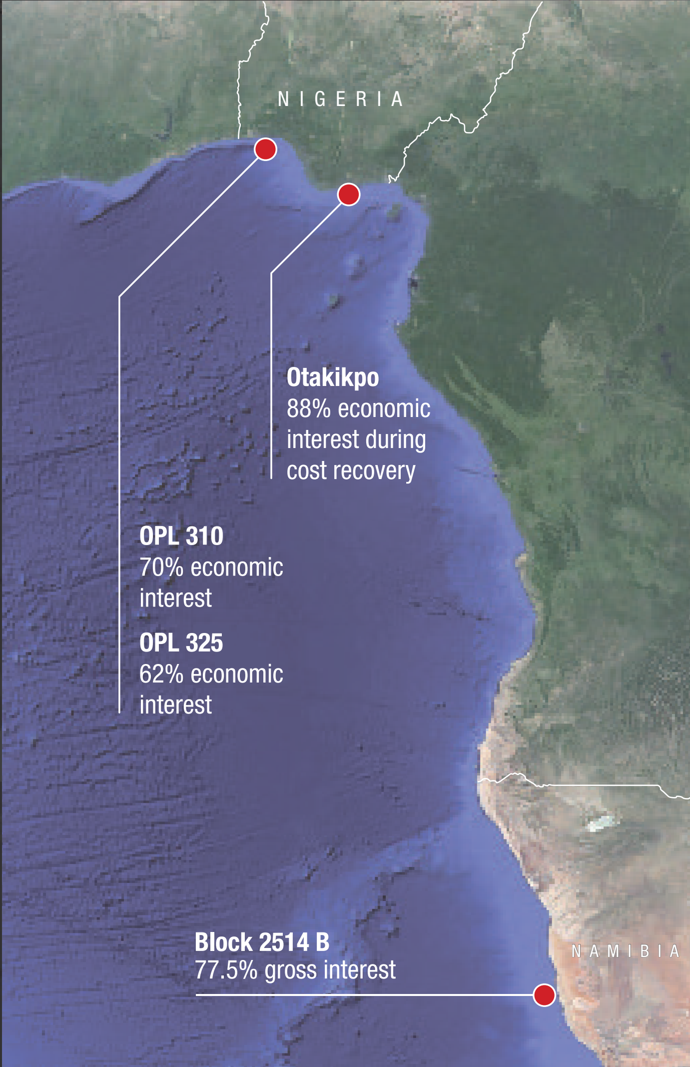
Financial

- Revenues of US$30.8 million (2016: nil)
- Cost of sales of US$15.9 million (2016: nil)
- Profit for the year US$6.5 million (2016: loss of US$15.8 million)
- Profit per share of US$0.01 (2016: loss per share of US$0.03)
- Period end cash of US$6.9 million; cash at end April 2018 of US$5.9 million; (2016 year-end cash of US$3.3 million

Outlook

- Increasing Otakikpo production volumes towards 20,000 bopd targeted to be reached in 2020;
- Secure finance to appraise and test Ogo discovery in OPL 310; and
- Initiate farm out process for OPL 325.





NIGERIA
Otakikpo
88% economic interest during cost recovery
OPL 310
70% economic interest
OPL 325
62% economic interest
Block 2514 B
77.5% gross interest
NAMIBIA

LAGOS
N I G E R I A
Port Harcourt
NIGER DELTA
OTAKIKPO 1/2/3
AILSA CRAIG I FSO
OML 11
N
200km

Chairman's and CEO's statement

To our great satisfaction, 2017 saw LEKOIL's first commercial production, first sale of oil, and first crude oil sales. These are perhaps the most important milestones in the history of the Company, and represent the fruits of efforts that have been ongoing since LEKOIL's inception in 2010.

Otakikpo

Otakikpo ended the year producing over 7,000 bopd continuously, following a steady rise in daily production through the second half of the year. In Q1 2018, perforation activity was undertaken in one of two production strings at well-003 as previously announced, and production performance on the lower member sand of zone E1 showed small increases in water cut. Current production is now stable at 6,000 bopd in line with production and reservoir management best practices. The Otakikpo Joint Venture Partners (with LEKOIL as Financial and Technical Partner to Green Energy International Limited as Operator) have agreed to continue production at current levels pending additional information from well and reservoir management and development activities (3D seismic and well drilling) in Phase Two.

The Joint Venture remains focused on Phase Two of the Otakikpo Field Development Plan which aims to increase steady state production up to approximately 20,000 bopd in 2020. Phase 2 of the development includes acquiring 3D seismic coverage of the entire Otakikpo field and the incremental development of the rest of the field with new wells planned. As an initial step in delivering Phase 2, the Otakikpo Joint Venture signed a contract with Sinopec Changjiang Engineering Services Limited (Sinopec) to acquire 197 sq km of 3D seismic data at Otakikpo, which commenced on 1 February 2018, following the securing of permits. This survey is on schedule to be completed in June, followed by seismic processing and a subsequent release of an updated Competent Person's Report (CPR). The completion of this seismic survey and planned development wells in the Phase Two programme will help to gather more information to optimize development and production. Drilling will commence after interpreting the seismic survey, as we continue to focus on increasing steady state production up to the 20,000 bopd target.

Ten liftings have been completed since production commenced and we have received cash proceeds within 30 days of each lift in line with the Crude Sales Agreement with Shell Trading. We have realised an average premium for the Otakikpo blend of US$1 or more above Brent pricing since inception. At current oil prices, the cash netback is above US$30 per barrel.

OPL 310

We retain our confidence in the world class Ogo discovery contained within the OPL 310 licence area. Having received Ministerial Consent in June 2017 for our initial 17.14% interest resulting from our farm-in 2013, we have been awaiting consent for the 22.86% interest we acquired in December 2015. Despite progressing exploration and appraisal activities on OPL 310, no such consent has been forthcoming nor a satisfactory explanation why we have not received it. As a result, we took the decision to apply to the Federal High Court for a declaration that is expected to expedite the consent process, and preserve the unexpired tenure in the licence. Assuming granting of the consent, LEKOIL will hold a 40% participating interest and a 70% economic interest in the OPL310 block.

The final consent will allow LEKOIL and Optimum Petroleum Development Company, our local partner in OPL310, to proceed with an appraisal drilling programme, subject to finalising funding. Details on the appraisal drilling work programme will be announced in due course, but it is anticipated it will include flow testing.

From well data collected from the Ogo 1 and Ogo 1-ST wells, our third-party consultants estimate P50 gross recoverable resources to be at least 774 mmboe across Ogo. Ongoing work on an updated OPL310 CPR continues, which we expect to be ready after the conclusion of the appraisal programme.

The next phase of the development of the Ogo discovery in OPL310 will be undertaken in partnership with GE Oil & Gas, a subsidiary of General Electric Company (NYSE:GE). Following the successful completion of the appraisal phase and a subsequent FEED study, GE Oil & Gas, through a consortium, and LEKOIL through its potential funding partners, intend to invest funds towards the full field development capital of the project. LEKOIL estimates this cost (on a gross basis) to be approximately US$400 million for full field oil development and US$600 million for subsequent upstream gas field development.

In return GE Oil & Gas is expected to receive a percentage of LEKOIL's future cash flows from Ogo, as well as the opportunity to supply its products and provide technical expertise throughout the life of the project. LEKOIL's 40% participating interest in OPL310 will remain intact, allowing us to leverage GE's equipment and technical expertise throughout the life of the project, without diluting LEKOIL's equity interest in OPL310

OPL 325

The completion of an independent Technical Evaluation Report for OPL325 was announced on 31 January 2018. OPL325 is located offshore in the

"To our great satisfaction, 2017 saw LEKOIL's first commercial production, and first crude oil sales. These are perhaps the most important milestones in the history of the Company, and represent the fruits of efforts that have been ongoing since LEKOIL's inception in 2010."

Samuel Adegboyega, Chairman

Dahomey Basin, straddling the western Niger Delta, 50km south of OPL310. LEKOIL holds 62% equity interest in OPL325, through Ashbert Oil and Gas Limited.

Geophysical evaluation of approximately 800 sq km of 3D seismic data by Lumina Geophysical identified a total of eleven prospects and leads on the block, estimated to contain potential gross aggregate Oil-in-Place volumes of over 5,700 mmbbls, as an un-risked, Best Estimate case.

We are delighted that the report helps confirm our belief in the prospectively of the block and that we have enhanced our optionality on the next phases of exploration.

We intend to farm-down a portion of our working interest in OPL325 following a detailed prospect/lead risking study, which is expected to commence this year.

Namibia

As per the terms of our licence, we have relinquished block 2514A in H2 2017 and are currently in the process of de-risking 2514B, sharing data with others that should help us improve our understanding of this regional basin.

The Nigerian business environment

Nigeria continues to be a promising environment for LEKOIL. We anticipate that the net effect of planned regulatory change will be positive for indigenous companies and are engaged in active advocacy in that regard. We also do not expect that any update will make Nigeria significantly uncompetitive. Stable and competitive fiscal terms, particularly in the oil and gas industry as compared to other regions and lower risk continue to encourage overall investment. Government engagements to address militancy in the Niger Delta and the North East have been largely successful. As an indigenous company, these factors allow LEKOIL to maintain its "edge" in better understanding the Nigerian landscape.

After the Naira weakened to a record low in mid-2016, the currency situation with the Naira stabilised further in the second half of 2017 in conjunction with stronger oil prices. This has led to some easing of inflationary pressures, improving economic growth and in turn steadily increasing investor confidence. These factors should continue to be supportive of the Naira heading into 2018, barring a return to capital controls that were in place from 2015-2016.

Board

We were very pleased to welcome as our new CFO Lisa Mitchell, most recently CFO and Executive Director of Fastjet plc (AIM: FJET), the African focused low cost airline, prior to which she was CFO at Ophir Energy plc (LSE: OPHR).

At Ophir Energy, Lisa was responsible for contributing to the overall business strategy of Ophir; leading the finance function – including all financial, taxation, treasury and funding issues; IR, and providing financial support for all M&A activity.

Bruce Burrows resigned as CFO in order to pursue another opportunity that better fit his family circumstances and we wish him well.

In addition, LEKOIL was also pleased to announce the appointment of Tom Schmitt, a US citizen, as a Non-Executive Director. Tom Schmitt, aged 60, is president of Hunt Refining Company in Alabama. Prior to this, he was senior vice president with Hunt Oil Company for Hunt's development in Kurdistan, Iraq. Tom also has extensive experience in investment management as a former portfolio manager of the Global Research Growth Fund at Alliance Bernstein.

Operational review

Otakikpo marginal field
Producing asset

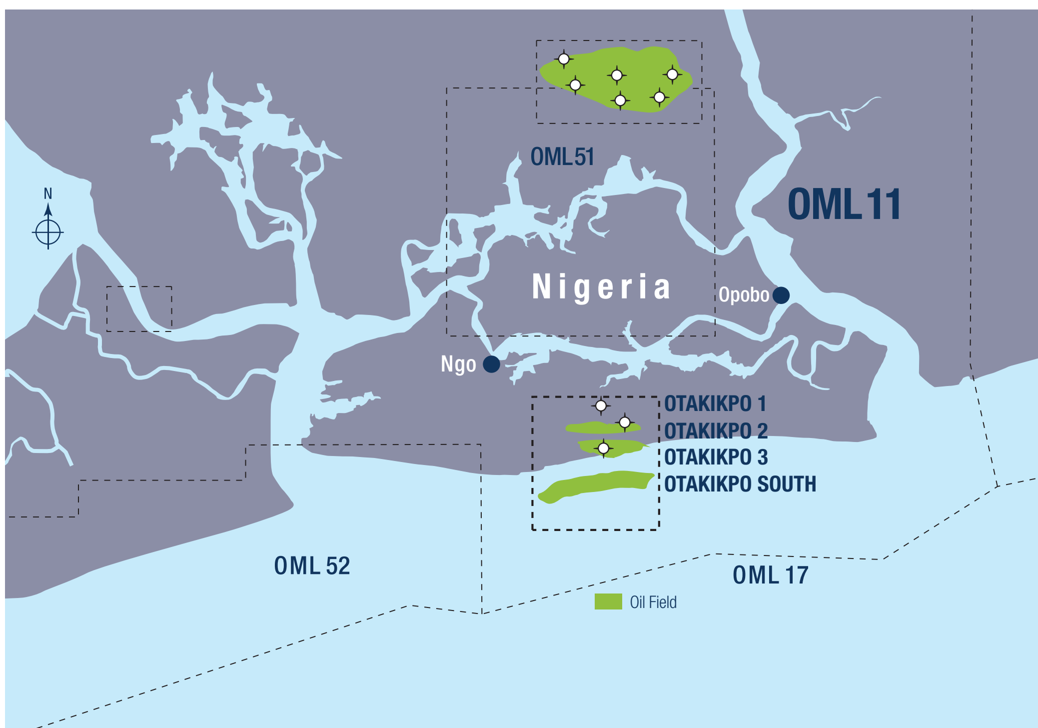
Situated in a swamp in OML 11, Otakikpo commenced production in February 2017.

Background

The original farm-in fee paid to Green Energy was US$7 million (an implied $0.5/bbl acquisition price) with a production bonus of US$4 million (which was paid in December 2017 after production commencement and the receipt of Ministerial Consent). LEKOIL will preferentially recover costs from an entitlement to 88 per cent of production revenue. The license terms also include a commitment to develop a small scale gas utilisation project.

Three wells originally drilled in the field by the previous operator (Shell) in the 1980s encountered hydrocarbons in multiple intervals. 2D and 3D seismic analysis by LEKOIL revealed reserve estimates considerably in excess of those available at the time of acquisition in May 2014.

The Company has budgeted US $4.5 million to date for the completion of a permanent early production facility as part of Phase One. The Field Development Plan ("FDP") comprises two phases which will target incremental production, the commissioning of a new Central Processing Facility and seven additional wells.



Otakikpo Phase 1 & 2 Cases	Reserves/Unrisked Contingent Resources @ $60/bbl (MMbbls)	
	100%	LEKOIL Ltd. Net
LOW (P90) 1P+1C	47.00	16.92
MID (P50) 2P+2C	56.60	20.38
HIGH (P10) 3P+3C	66.20	23.83

As a result of the work put into the tendering process, LEKOIL has driven down the cost of production, resulting in a break-even point of less than US$30 per bbl (life of field basis). By continuing to explore new ways of reducing production costs we increase the long term viability of the field – even in any protracted low oil price environment.

We received our first crude payment in June 2017, officially marking our transition from an exploration company to a true exploration and production company. Production reached approximately 7,600 bopd in December 2017, steadily progressing from initial production levels of 5,000 bopd when the field started commercial production earlier in the year. Otakikpo crude sold at a premium to Brent and as the backdrop for oil prices became increasingly constructive. Approximately 1.6 million barrels of oil have been produced in 2017 and the project has recorded over 1.27 million hours with no lost time injuries. With these commercial production milestones achieved, attention shifted to Phase Two of development for Otakikpo, which started in February 2018 with the commencement of 3D seismic acquisition both on and offshore. Phase Two targets production of 20,000 bopd to be achieved in 2020, subject to securing additional funding from industry sources.

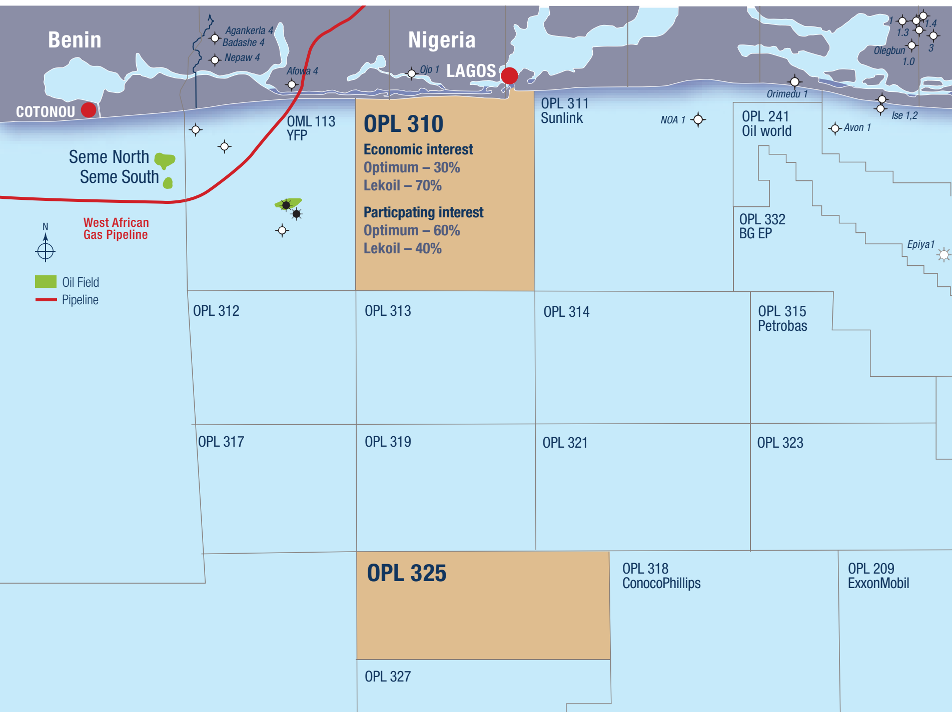
<$30 per bbl

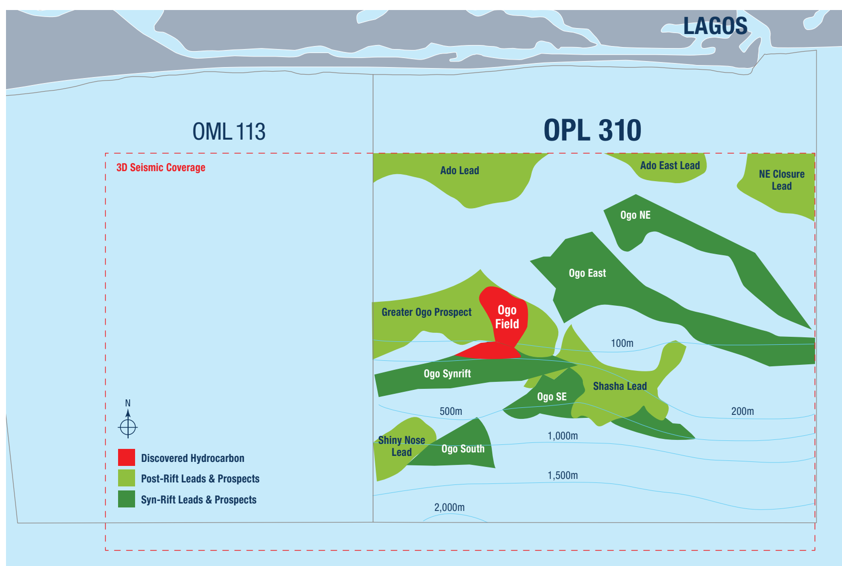
LEKOIL has driven down the cost of production, resulting in a break-even point of less than $30 per bbl (life of field basis)

1.3 million hours

with no lost time injuries

Chairman's and CEO's statement continued





40%*

LEKOIL acquired Afren's participating interest in OPL 310 taking the Company's participating interest to 40%.

1,505 km²

The partners completed a 1,505 square kilometre 3D seismic acquisition programme, which represented approximately 80% of the acreage within OPL 310.

Ogo Discovery and OPL 310 – Appraisal and exploration asset

LEKOIL originally commissioned a regional basin study and identified the Dahomey Basin block OPL 310 as a key target. The OPL 310 licence is located in the Upper Cretaceous fairway that runs along the West African Transform Margin. The block extends from the shallow water continental shelf close by the City of Lagos, Nigeria into deeper water. The main prospects within the licence area are in water depths ranging from 100 to 800 metres and are within close proximity to the West Africa Gas Pipeline.

OPL 310 Status

Status	Appraisal & Exploration
Participating interest	40 per cent*
Economic interest	70 per cent*
LEKOIL status	Technical and Financial Partner
Partner	Optimum Petroleum Development Limited
P50 Gross Risked Prospective Resources	774.0 mmboe

Background

In 2013, we invested our pro-rata share of the total US$160 million spent – including the funding of the first US$50 million from our IPO on London's AIM market - in drilling an appraisal well and sidetrack targeting Eko, Agege and the Syn-rift prospects. The result was a significant discovery in the Ogo prospect. Based on data from the vertical and side track wells, revised estimates for the P50 gross recoverable resources attributable to LEKOIL from the Ogo field were identified as being 232 mmboe (P50) from gross recoverable resources of 774 mmboe. This far exceeded the expected pre-drill P50 gross recoverable resource estimates of 202 mmboe attributable to LEKOIL. Additionally, Syn-rift leads identified within OPL 310 are expected to contain light oil or condensate-rich gas, and further shallow water leads are being explored.

* 22.86% subject to Ministerial Consent

In December 2015 LEKOIL agreed to acquire Afren's 22.86% participating interest (40% economic interest) in OPL 310, increasing LEKOIL's consolidated participating interest from 17.14% to 40%, subject to Ministerial Consent, and will become the technical and financial partner. Optimum Petroleum Development Company, the operator and local partner in OPL 310, retains a 60% participating interest. LEKOIL received the first of two Ministerial Consents for OPL310 in June 2017, for the original farm-in to OPL310 (17.14% participating interest). Although we believed that progress had been made on the second Ministerial Consent for the 22.86% participating interest acquired from Afren, we were disappointed not to have received the consent, or a timetable for its granting, in the first quarter of 2018. We therefore took the decision at the end of March 2018 to apply to the Federal High Court of Nigeria for a declaration that is expected to expedite the consent process, and preserve the unexpired tenure in the licence which is otherwise due to expire in February 2019. Post the acquisition of Afren's interest, our economic interest in the block increases from 30% to 70%.

> "The independent technical report on OPL325 completed earlier this year underlines our belief in the prospectivity of this asset that was part of our original Dohomey Basin study."

OPL 325 – Exploration asset

OPL 325 was also identified as a target in LEKOIL's regional basin study covering the Dahomey Basin. The OPL 325 licence area is located in the offshore Dahomey Basin within the wrench zone that straddles the western Niger Delta and is a promising exploration licence located 50km to the south of OPL 310.

OPL 325 Status

Status	Exploration
Participating interest	62 per cent
Economic interest	62 per cent
LEKOIL status	Operator*
Partner	National Petroleum Development Company Ltd and Local content vehicle
Gross STOIIP unrisked prospective resources	5-6 billion boe

*Via LEKOIL's majority stake in Ashbert Oil & Gas Limited, which holds 70% working interest of OPL325

Background

In October 2015, LEKOIL entered into an agreement with Ashbert Limited to acquire, via LEKOIL Exploration and Production Nigeria Limited (LEPNL), 88.57 per cent of the issued share capital of Ashbert Oil and Gas Limited, which was awarded the OPL 325 licence for an initial consideration of US$16.1 million, with other payments due at developmental milestones totalling US$24.1 million.

We have had access to 3D seismic data over 740km^2 and are encouraged by the results and our interpretation of the analysis. In January 2018, a thorough, final independent technical study by Lumina, prepared for LEKOIL, affirmed their preliminary review of oil in place volumes of 5.7 billion boe as an un-risked, Best Estimate case. We intend to farm-down a portion of our working interest in OPL325 following a subsequent detailed prospect and lead risking study, which we intend to commence this year.

Namibia 2514B – Exploration asset

With a history of oil seeps, LEKOIL is now working to prove and quantify the reserves held within the block.

Namibia 2514A & B Status

Status	Exploration
Participating interest	77.5 per cent
Economic interest	77.5 per cent
LEKOIL status	Operator
Partner	National Petroleum Corporate of Namibia, Local content vehicle

Background

Under the original terms of our licence we had a mandatory relinquishment of 50% of our acreage and we duly relinquished block 2514A in H2 2017. We received a license extension on block 2514B, with minimal capital obligations, effective September 2017 and valid through July 2019. We are currently in the process of de-risking block 2514B, sharing data with others that should help us improve our understanding of this regional basin. We are following a similar footprint to the work we performed on the Dahomey Basin that led to OPL310 and OPL325 opportunities.

LEKOIL in the community

LEKOIL maintains high, ethical standards in its business activities. We are committed to the welfare and development of the communities around our operations.

In our dealings with the local communities surrounding our producing asset, Otakikpo, LEKOIL 's corporate and social responsibility ("CSR") plan continues to focus on three strategic aims:

i) education;
ii) economic empowerment (including women and children development); and
iii) environmental sustainability.

Spellbound Africa is the first English Word-Spelling Contest among children in the English-Speaking African countries. The purpose is to provide competition among children of about the same age and educational level in the spelling of English words. It gathers the most hard working and word-versatile children in the continent and engages them in the spelling of words carefully selected from a word list of 2,000 words.

We have more to do, and we will continue to do it. "If we're leaving our footprints in a community, I think the best footprint is how empowered you leave that community," explains Gloria Iroegbunam, LEKOIL, Head, Legal.

Dr Obiora, medical mission team leader, said of the Medical Outrech Programme in Ikuru,

"I must thank the sponsors of this programme. This community seems to have been lit up. Everyone is bubbling."

LEKOIL is a supporter of ENACTUS, an international not-for-profit organisation with a community of students, academic and business leaders. ENACTUS is committed to using the power of entrepreneurial action to transform lives and shape a better more sustainable world.

We are also promoting diversity and equality with Women in Management, Business and Public Service (WIMBIZ), a Nigeria based non-profit organisation with an overriding vision "to be the catalyst that elevates the status and influence of women and their contribution to nation building."

Chairman's and CEO's statement continued

> "LEKOIL is committed to demonstrating leadership in stewardship of the environment, and in complying with the requirements and regulations in Nigeria, as well as in every other territory in which we operate."

Corporate & Social Responsibility

LEKOIL maintains high, ethical standards in its business activities. We have respect for all our people regardless of age, designation and gender. We work in an environment that fosters effective communication and we deal courteously with all our stakeholders. We respect the customs and rules of the countries in which we operate.

We act responsibly, promoting accountability as individuals and as a company. We operate with ethics and fairness and comply with all required rules and regulations.

We are committed to the welfare and development of the communities around our operations. In our dealings with the local communities surrounding our producing asset, Otakikpo, LEKOIL 's corporate and social responsibility ("CSR") plan continues to focus on three strategic aims:

i) education,

ii) economic empowerment (including women and children development) and,

iii) environmental sustainability.

We are a part of the communities in which we operate. In the coastal town of Ikuru, close to Otakikpo, we recognised the need for community support for our work yet we also understood that creating a supportive environment works both ways. To that end, LEKOIL has been helping improve the quality of life for the residents.

We have organised events, working with local non-profit organizations to bring the community together. We have signed a land lease agreement with the people of Ikuru backed by a Memorandum of Understanding that places on us a responsibility to develop sustainably.

We have also operated a health outreach programme, providing medical services to those with greatest need. From the youngest to the oldest, we provided vaccinations, health checks, eye tests and glasses, and surgery for those in most urgent need. We understand it was gratefully received.

Not only is LEKOIL providing active help to the communities surrounding our first development, it is also a sponsor of three pan-African initiatives aimed at empowering children, helping women in business and spreading an entrepreneurial culture.

LEKOIL supports educational competition with Spellbound Africa, an international spelling competition that challenges children studying in Africa. Spellbound Africa is the first English word-spelling contest among children aged between 10 and 15 in the English -Speaking African countries. It gathers the most hard working and word-versatile children in the continent and engages them.

We are also promoting diversity and equality with Women in Management, Business and Public Service (WIMBIZ), a Nigeria based non-profit organisation with an overriding vision "to be the catalyst that elevates the status and influence of women and their contribution to nation building". WIMBIZ programmes are geared towards elevating the status of women and their contributions to nation building, increasing the success rate of female entrepreneurs and the proportion of women in senior positions in corporate organisations.

Finally, LEKOIL is a supporter of ENACTUS, an international not-for-profit organisation with a community of students, academic and business leaders. ENACTUS is committed to using the power of entrepreneurial action to transform lives and shape a better more sustainable world by providing a platform for teams of outstanding university students to create community development projects that put people's own ingenuity and talents at the centre of improving their livelihoods.

Environment

Nigeria's Environmental Impact Assessment Act (EIAA) requires every company whose activity or project is likely to have a significant effect on the environment to carry out an impact assessment programme prior to the commencement of the project.

LEKOIL is committed to demonstrating leadership in stewardship of the environment, and in complying with the requirements and regulations in Nigeria, as well as in every other territory in which we operate. We believe we have demonstrated this commitment in our operations in the communities surrounding our Otakikpo development.

These outcomes do not happen by accident. They occur because of the technical expertise of our people and partners. They happen because of a strong leadership team. And they happen because we hold true to our values – especially our ability to think differently.

Outlook

Our ambition to grow our business for our shareholders remains undiminished. We seek to do so in two ways: first, by adding value to, and/or monetising existing assets and second, by value accretive acquisitions.

Our priority for 2018 is to continue to grow production volumes at Otakikpo. In order to achieve our target of 20,000 bopd in 2020, we must finalise and then implement Phase 2 of our field development plan. The first step will be to complete the 3D data acquisition and interpretation that began in February 2018 prior to drilling additional production wells and expanding the processing and evacuation facilities to cope with the higher volumes. Upside for our Otakikpo interests could also be delivered from exploration and appraisal drilling on structures identified to the south of the current producing field.

In tandem with the further development of Otakikpo, we will aim in 2018 to progress the appraisal and development of our Ogo discovery in OPL 310. Assuming we receive the second Ministerial Consent for the acquisition of Afren's 22.86% working interest, we plan to finalise funding plans for an appraisal drilling programme. The programme will comprise of two wells, which will include flow testing. This is scheduled to begin in late second half of this year. Our aim is to secure enough information to enable the partners to take a Final Investment Decision in 2019 and then to proceed with development in partnership with GE Oil & Gas.

We will continue to study acquisition opportunities in our areas of geographic interest where we believe we can add material value. Such opportunities may take the form of farm-ins to 'near to' production assets, outright corporate vehicle acquisitions or potential new business streams in the energy or mid-stream space.

2018 will therefore provide a number of key catalysts for value appreciation for shareholders as we continue to lay the foundations for what we believe will become a leading African focused exploration and production business.

"Our ambition to grow our business for our shareholders remains undiminished. We seek to do so in two ways: first, by adding value to, and / or monetising existing assets and second, by value accretive acquisitions."

Samuel Adegboyega
Chairman

Lekan Akinyanmi
Chief Executive Officer

1 June 2018

Timeline: Thinking differently

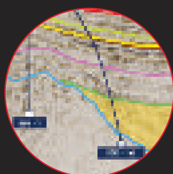
Seven years since the birth of LEKOIL, a steady stream of accomplishments.

February, 2013

OPL310 Farm-Out Agreement signed

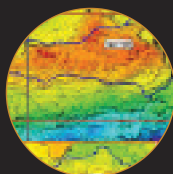
March, 2013

Pre-IPO fundraising is conducted



July, 2013

Equity placing raises approximately US$20 million. The net proceeds used to fund the drilling and testing of the Ogo-ST the OPL310 licence, offshore Nigeria



March, 2014

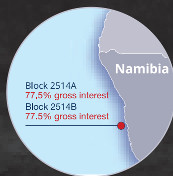
3D seismic programme covering 1500 sq km commences on the OPL310 licence, offshore Nigeria

May, 2014

40% interest in Otakikpo Marginal Field on the OML11 licence, onshore Nigeria, acquired from Green Energy International

December, 2010

LEKOIL is incorporated



June, 2012 Namibia

Blocks 2514A & B acquired

May, 2013

IPO raising US$50 million and admission to trading on AIM

June, 2013

Significant oil discovery from the high impact Ogo-1 well located on the OPL310 licence, offshore Nigeria.

October, 2013

Significant oil discovery from the Ogo-ST well located on the OPL310 licence offshore Nigeria

November, 2013

Equity placing raises approximately US$100 million. Net proceeds are used to fund the completion of drilling and testing of the Ogo-1 well, Ogo-ST well and future development of OPL310.

Significant resource upgrade at the Ogo prospect on the OPL310 licence, offshore Nigeria. Post discovery, net recoverable resources attributable to LEKOIL from the OGO field etimated to be 232 mmboe (P50)

September, 2014

Otakikpo Marginal Field on the OML11licence, onshore Nigeria following a comprehensive review of subsurface data by AGR TRACS. Post Competent Persons Report, net 2C recoverable resources attributable to LEKOIL from Otakikpo estimated to be 20.43mmbbls

September, 2015

First Oil from production tests at Otakikpo ahead of schedule and significantly exceeding expectations

October, 2015

$46 million equity raise and acquisition of 62% economic interest in OPL 325

April, 2016

LEKGAS set up as the gas midstream building strategic, commercial and technical partnerships

October, 2016

$12.4 million equity raise to bring Otakikpo into commerical production

1st Quarter, 2017

Continuous commercial production begins at Otakikpo

2015 | **2016** | **2017** | **2018**

December, 2015

Acquisition of Afren's Interest in OPL 310 giving LEKOIL a 40%participating interest,subject to Ministerial Consent

April, 2016

Otakikpo flow tests successfully completed at Otakikpo-002 and Otakikpo-003

4th Quarter, 2016

Production to storage tanks begin

March 2017

Advance payment facility with Shell in place

1st Quarter, 2015

Rig mobilisation in the Otakikpo Marginal Field, followed by construction and subsequent commissioning of production facilities

1st Quarter, 2018

Focus shifts to Phase II at Otakikpo targetting 20,000 bopd

CPR on OPL325 released showing oil-in-place volumes of 5bn barrels, intention to farm down

3D seismic acquisition begins at Otakikpo

Financial review

LEKOIL had a successful year bringing commercial oil production online in February 2017, securing debt financing US$30 million and Naira 9.5 billion for the development of Otakikpo thereby delivering on the key objective for 2017. The results reflect its first year with production and with gearing, excluding trade payables, at 16% providing the financial requirement to invest in the business. The Group recorded a total comprehensive profit of US$6.5 million for the year ended 31 December 2017 (2016: US$15.8 million). Cash and cash balances at the end of the year were US$6.9 million (2016: US$3.3 million), with year end net debt of $63.8 million (2016: $62.5 million).

Financial overview

In US '000s Dollars	**2017**	2016
Cash and cash equivalents	**6,922**	3,283
Net debt	**63,766**	62,523
Working interest revenue	**30,848**	–
Profit/ (loss) for the year	**6,496**	(15,772)
Profit/ (loss) per share	**0.01**	(0.03)
Cash flow (used in)/generated from operations	**(11,712)**	(8,822)

Production and revenues

Revenues derived from 11 months of commercial production from Otakikpo were US$30.8 million. Total production from the Otakikpo marginal field for the year was 1,560,125 gross barrels. The Group's entitlement crude was 1,223,248 barrels. Of these barrels, the Group lifted 1,188,732 barrels (31 December 2016: nil) and the balance of 34,516 barrels representing the Group's share of overriding royalty crude was lifted on its behalf by its joint venture partner based on an agreed lifting arrangement. The entitlement crude is comprised of equity crude of 583,720 barrels (sales value US$30.8 million) and cost recovery crude of 639,528 barrels (US$ 33.7 million). The cost recovery crude is not included in revenue and is utilized to reduce prepaid development costs borne by the Group on behalf of partner GEIL. The Group's realised oil price was US$52.65 for the year. The Group does not currently have oil price hedging in place apart from amounts required under the current debt facilities however as part of the Company's risk management strategy this approach will be reviewed during 2018.

Cost of sales, depreciation, impairments and administrative expenditure

Underlying cost of sales were US$15.9 million or US$25.5/bbl (2016: Nil). Depletion and amortisation costs on oil and gas assets were US$6.2 million (2016: US$0.2 million) or US$9.9/ bbl.

General and administrative expenses were US$17.0 million compared to US$21.1 million for the same period in 2016. Operating expenses were US$11.3 million as at 31 December 2017 compared to US$0.6 million as at 31 December 2016. The decrease in general & administrative expenses in 2017 was due to the re-allocation of certain overheard costs to operating expenses following the commencement of production. The production bonus (a one off obligation arising from the terms of the licence farm-in agreement with GEIL) was US$4.0 million and was paid in December 2017 (2016: nil). Exploration and evaluation expenses in respect of the block 2514A write off and goodwill impairment expense on Ashbert Oil and Gas Limited Acquisition were US$0.7 million (2016: nil).

Capital investment

The Group's capital expenditure for the year was US$8.4 million (2016: US$26.3 million) and focused on additional Otakikpo storage tanks and exploration and appraisal activities of the Group's interests in OPL 310 and OPL 325.

Taxes

As a Nigerian producing business, the Group became subject to the Petroleum Profit Tax Act of Nigeria (PPTA) and the Company Income Tax Act of Nigeria (CITA). Tax benefit for year was US$21.3 million made up of Petroleum Profit Tax of US$0.2 million, Company Income Tax expense of US$1.6 million (2016: nil), Tertiary Education Tax expense of US$0.1 million, and a Deferred Tax credit of US$23.2 million was recognized in relation to LEKOIL Oil and Gas Limited (the holder of the Otakikpo producing asset).

Profit/(loss) for the year and loss per share

The Group recorded a total comprehensive profit of US$6.5 million for the year to 31 December 2017 (2016: loss of US$15.8 million) and a basic and diluted profit per share of US$1 cent (2016: loss of US$3 cents).

Cash and bank balances

The Group had cash and bank balances of US$6.9 million as at 31 December 2017 (2016: US$3.3 million). Restricted cash of US$3.3 million (2016: US$1.1 million), which represents cash funding of the debt service reserve accounts for two quarters of interest for FBN Capital Notes and one quarter of interest and principal payment of the Shell Western facility, has been reported as part of other assets.

Assets and liabilities

The Group's non-current assets were US$210.4 million as at 31 December 2017 (US$191.8 million at 31 December 2016), reflecting depreciation, depletion and amortization of oil and gas assets during the year, including the initial recognition of deferred tax assets of US$23.2 million (2016: nil). Current assets, which represent the Group's

Loans and borrowings

The Group had the following debt facilities in place at year end:

In US$ '000s	Interest rate p.a.	2017	2016
US$10 million FBNC Dollar Facility	11.25% + LIBOR	**5,828**	9,455
4.5 billion naira FBNM Naira Facility	6% + NIBOR	**7,212**	14,351
US$15 million Shell Facility	10% + LIBOR	**13,275**	–
5 billion naira Sterling Bank Facility	26%	**2,191**	3,584
US$5 million FBNM working Facility	11.25% + LIBOR	**1,003**	–
Total		**29,509**	27,390
Less borrowings, current		**(17,317)**	(10,366)
Borrowings, non-current		**12,192**	17,024

Please refer to note 29 in the financial statements for a further breakdown.

cash resources, other assets and other receivables, decreased from US$72.1 million as at 31 December 2016 to US$66.1 million as at 31 December 2017. The decrease is as a result of a reduction in prepaid development costs which relate to the Otakikpo field cost recovery arrangement under the GEIL farm out agreement. Inventories which consist of the Group's share of crude stock increased from US$0.7 million as at 31 December 2016 to US$1.1 million as at 31 December 2017.

Current liabilities consist of the loan facilities set out above due within twelve months, amounting to US$17.3 million (31 December 2016: US$10.4 million), trade and other payables amounting to US$32.5 million (31 December 2016: US$30.9 million), income tax payable amounting to US$1.9 million (31 December 2016: nil) and deferred income representing interest on prepaid development costs amounting to US$6.7 million (31 December 2016: US$7.4 million).

Dividend

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: Nil).

Accounting policies

The Group's significant accounting policies and details of the significant judgments and critical accounting estimates are disclosed within the notes to the financial statements. The Group has not made any material changes to its accounting policies in the year ended 31 December 2017.

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk and ability to service debt as it falls due. Cash forecasts are regularly produced and sensitivities run for different scenarios including (but not limited to) changes in production rates and commodity pricing, and cost overruns for approved projects.

At 31 December 2017, the Group had liquid resources of approximately US$6.9 million in the form of cash and bank balances available to meet capital, operating and administrative expenditure.

The ability of the Group to continue to operate as a going concern is dependent on a number of factors considered by the Directors as disclosed below:

- The ability of the Group to maintain steady state production and lifting on the Otakikpo marginal field;
- The operational success of the Otakikpo Phase 2 field development and planned growth in production to 20,000 bopd;
- Commodity pricing given there is no oil price hedging currently in place other than that required by lenders for debt service;
- Availability of financing for development of OPL310, which is not currently factored into the cash forecasts; and
- Ability to defer activities to future periods in the event required.

The Directors have determined that over the course of the next 12 months and taking into consideration the factors mentioned above, there is a reasonable expectation there will be a sufficient source of funds for the Group. In making their assessment, the Directors have considered the Group's current cash position and the generation of funds from forecast production over the period, against the need to service the Group's debt portfolio, and tested the scenarios at different commodity prices. The Group further anticipates that additional funding, if appropriate, could be met by the divestment of assets along with access to the debt and capital markets. Based on their assessment, and taking into consideration the material uncertainties that exist, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the 12 month period in 2019.

These annual consolidated financial statements therefore have been prepared on the going concern basis of accounting, which assumes the Group will continue in operation for the foreseeable future and be able to realise its assets and discharge its liabilities and commitments in the normal course of business.

Lisa Mitchell
Chief Financial Officer

1 June 2018

Board of Directors

Samuel Adegboyega, Non-Executive Chairman

Samuel, has over 30 years' experience in the oil and gas industry, and is currently Managing Director of SOWSCO Well Services (Nig.) Ltd., in Port Harcourt, Nigeria. Samuel is a member of the Board of Trustees Ile-Oluji Economic Summit Group, a traditional local community leadership organisation as well as being a founding member of S.T. Adegboyega & Co., a Nigerian law firm.

Samuel is a founding member and current Executive of the Petroleum Technology Association of Nigeria, an association formed to bring together Nigerian oil and gas entrepreneurs. Samuel graduated from the University of Ibadan with a degree in Petroleum Engineering.

Olalekan Akinyanmi, Chief Executive Officer

Olalekan ('Lekan') is the founder and Chief Executive Officer of LEKOIL Limited. Since inception, he has led the company through an IPO and subsequent fundraises of over US$200 million on the London Stock Exchange's AIM market.

Lekan has over 20 years' experience in the oil and gas industry and was the International Energy Sector Head at AllianceBernstein L.P. in New York (Global asset manager with over US$400 billion under management) with direct responsibility for a US$1 billion Energy and Natural Resource Portfolio.

Prior to that he was a member of the #1 institutional investor-ranked team of analysts covering the oilfield services industry as an Associate Director at UBS Investment Research. Lekan has held Engineering and operational roles within Schlumberger in a career that spanned Nigeria, Egypt, Pakistan, Oman and Scotland.

Lekan graduated from the Obafemi Awolowo University in Nigeria with a Bachelor of Science Degree in Electronic and Electrical Engineering and also holds an MBA from Massachusetts Institute of Technology (MIT) Sloan School of Management. He is also a Member of the Society of Petroleum Engineers.

Lisa Mitchell, Chief Financial Officer (appointed 27 September 2017)

Lisa is a Certified Practising Accountant (Australia) who was most recently CFO and Executive Director of Fastjet plc (AIM: FJET), the African focused low cost airline based at Gatwick Airport. Prior to that, she was CFO at Ophir Energy plc (LSE: OPHR) and responsible for contributing to the overall business strategy; leading the finance function and providing financial support for all M&A activity. Lisa's previous career included stints with Pan Pacific Petroleum NL (ASX and NZX listed), GCM Resources plc (AIM: GCM), CSL Limited – in Australia and the US and Mobil Oil Australia. She holds a Bachelor of Economics (major in Accounting) degree from La Trobe University, Melbourne and a Graduate Diploma Applied Corporate Governance.

Gregory Eckersley, Non-Executive Director

Gregory ('Greg'), has 25 years' experience in international financial markets. He is the global head of the Abu Dhabi Investment Authority's internal equities department, where he oversees portfolios, risk management and the due diligence process.

Prior to joining the Abu Dhabi Investment Authority, Greg worked for AllianceBernstein L.P. in New York, where he acted as Senior Portfolio Manager, leading a team responsible for the construction, management and risk control of multiple global and international growth equity portfolios. Prior to this appointment he was with AllianceBernstein in South Africa as Chief Executive of its regional offices, Draycott Partners, Century Asset Management and Cigma International Investment Advisors in London.

Greg graduated from Oxford University in 1987 with a degree in Philosophy, Politics and Economics (PPE), where he also received a Rhodes scholarship. He then undertook a programme in Investment Management and Modern Portfolio Theory at the London Business School.

Aisha Oyebode, Non-Executive Director

Mrs. Aisha Oyebode is the CEO of the Murtala Muhammed Foundation and Group Chief Executive Officer, Asset Management Group (AMG) Limited. Prior to becoming CEO, Aisha was the Executive Director of AMG from October 1991 – June 1993. Aisha is a legal practitioner with an LL.M (Public International Law) from Kings College, University of London and a Masters in Business Administration (MBA) with a distinction in Finance from Imperial College, University of London.

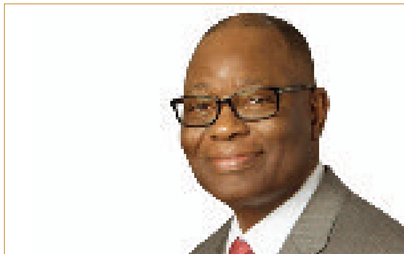
Mrs. Oyebode has several years of practical experience in corporate and litigation matters having worked in the prestigious law firm of Ajumogobia, Okeke, Aluko and Oyebode. She was called to the Nigerian Bar in 1989. She has completed several attachments with global financial institutions which include Caisse Privee Banque, Brussels; Banque Rivaud, Paris; and Banque Privee, Geneva. Aisha also serves as a member of various boards.

John van der Welle, Non-Executive Director

John, has over 25 years' oil industry experience, having qualified as a chartered accountant with Arthur Andersen in 1981. He is a member of the Association of Corporate Treasurers and the Institute of Taxation.

After 11 years at Enterprise Oil where he was Business Development Manager and subsequently Group Treasurer, John has been Finance Director of a number of listed E&P companies, including Premier Oil between 1999 and 2005.

He was Managing Director and Head of Oil and Gas at the Royal Bank of Scotland in 2007-2008 and, since 2010 has worked as a consultant to, and non-executive Director of, a number of listed and private E&P companies including Hurricane Energy Plc.



H. Adesola Oyinlola, Non-Executive Director

Mr. H. Adesola ('Sola') Oyinlola brings a wealth of industry experience to the Board. He was most recently Chairman of Africa at Schlumberger and was also the President of the Schlumberger Foundation, a non-profit corporate foundation. Having worked with Schlumberger for 30 years, Sola has held a number of senior operational positions across the world, including Vice President and Global Treasurer, and Managing Director for Nigeria and West Africa.

Sola is a co-founder of the Petroleum Club of Lagos and serves on a number of boards including Guaranty Trust Bank plc and the Schlumberger Foundation. He has a passion for human capital and host community development, as evidenced by his participation in issues of economic development, inclusion, and mentoring. He holds a BSc in Accounting from the University of Ghana, and an MBA from Stanford University. He is an alumnus of the Oxford Institute for Energy Studies.

Tom Schmitt, Non-Executive Director

Tom is president of Hunt Refining Company in Alabama. Prior to this, he was senior vice president with Hunt Oil Company for Hunt's development in Kurdistan, Iraq. He began his career as a petroleum engineer with the Atlantic Richfield Corporation working in production, drilling, operations/reservoir engineering, enhanced oil recovery research, strategic planning and acquisition evaluation. In 1996, he left the oil industry for a career in finance and joined Alliance-Bernstein, becoming co-manager of the Global Research Growth Fund, a product that grew assets to over $65 billion. Tom earned a BS in chemical engineering from Missouri University of Science and Technology and an MBA from the Harvard Business School.

Directors' report

For the year ended 31 December 2017

The Directors submit their Annual Report on the affairs of the Group together with the financial statements and audit report for the year ended 31 December 2017. The remuneration report on pages 23 to 24 forms part of this Directors' report

The Directors confirm that the Annual Report and financial statements represent the position of the Group as at 31 December 2017.

Principal activity

The principal activity of the Group is the exploration for, and production of, oil and gas.

Domicile

The Parent Company, LEKOIL Limited, is a public limited company and is registered in the Cayman Islands.

Results and dividend

The Group profit for the year ended 2017 was US$6.5 million (2016: loss of US$15.8 million). The Directors have not recommended the payment of a dividend.

Directors and their interests

The Directors who served during the year are listed below. Their beneficial interests in the share capital of the Company at 31 December 2017 and at 31 December 2016, were as follows:

	At 31 December 2017 Number	At 31 December 2016 Number
Sam Adegboyega	**1,160,000**	1,160,000
Olalekan Akinyanmi	**39,332,551***	41,868,293
Lisa Mitchell	**–**	–
Bruce Burrows	**–**	–
Greg Eckersley (and Family)	**3,003,050**	2,903,050
Aisha Oyebode	**256,250**	256,250
John van der Welle	**–**	–
Hezekiah Adesola Oyinlola	**632,431**	632,431
Thomas Schmitt	**–**	–

* Movement relates to disassociation with Princeton Regal Trust.

Substantial shareholders

As at 13 March 2018, the following Shareholders held 3% or more of the nominal value of the Company's shares carrying voting rights:

	Number of ordinary shares	% of share capital
Zion SPC – Access Fund SP	66,927,015	12.47
Capital Group	42,922,391	8.00
Baron Capital Management	39,940,063	7.44
Olalekan Akinyanmi	39,332,551	7.15
Allan Gray Investment Management	33,381,305	6.22
Consilium Investment Management	25,959,360	4.84
LGT Bank, Vaduz	25,248,461	4.71
Jennison Associates	24,136,166	4.50
RWC Partners	21,395,172	3.99
River and Mercantile Asset Management	21,000,000	3.91

Review of business and future developments

A review on the operations of the Group is contained in the Chairman's & CEO statements on pages 3 to 11 and financial review on page 14.

Financial risk management

The Group's risks to financial instruments are outlined on pages 69 to 72.

Directors' indemnity and insurance

The Group provides an indemnity Directors' and Officers' insurance cover to Directors in respect of liabilities incurred as a result of their office. However, neither the indemnity nor the insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

Post-reporting date events

All events that have occurred since the year end which require reporting have been disclosed in the consolidated financial statements.

Health, safety and environment

The Group has an overriding commitment to health, safety and environmental responsibility. The Group works closely with host governments and communities in the country in which it operates, together with its contractors and partners, to ensure internationally recognised standards are implemented and maintained along with compliance to local legislation.

The Group's activities are subject to the relevant environmental protection Acts. The Group closely monitors its activities to ensure to the best of its knowledge there is no potential for the breach of such regulations. There have been no breaches of these Acts recorded against the Group during the reporting period.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 3 (e)of the consolidated financial statements.

Directors' responsibilities

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

Under the AIM Rules, the Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group's consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors will not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. The Directors are also required to prepare the consolidated financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these consolidated 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;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Groups transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with IFRS. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Number of board meetings during the year

Attendance	Board	Remuneration Committee	Audit Committee
Sam Adegboyega	6	–	–
Olalekan Akinyanmi	5	–	–
Greg Eckersley	5	3	3
Aisha Oyebode	6	3	–
John van der Welle	6	3	3
Hezekiah Adesola Oyinlola	5	–	3
Lisa Mitchell**	1	–	–
Thomas Schmitt**	1	–	–
Bruce Burrows*	2	–	3

* Bruce Burrows resigned as a Director of LEKOIL Limited on 27 September 2017; ** Lisa Mitchell and Thomas Schmitt were appointed as Directors of LEKOIL Limited on 27 September 2017. Lisa Mitchell's employment start date was 2 October 2017.

Going concern

The Directors have assessed the ability of the Group to continue as a going concern having prepared detailed cash, funding and liquidity forecast through to 31 December 2019. The Directors have a reasonable expectation that the Group will be able to meet financial obligations through a combination of internal and external funding. Details on the going concern disclosure are shown in Note 2 to the financial statements.

Governance

There is no applicable regime of corporate governance to which Directors of a Cayman Islands company must adhere over and above the general fiduciary duties of care, diligence and skill imposed on such directors under Cayman Islands law. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Company and the interests of its shareholders.

The Directors recognise the value of the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (QCA Code). While under the AIM rules full compliance with the QCA Code is not required, the Directors seek to apply the recommendations of the QCA Code in so far as is appropriate having regard to the size, current stage of development and resources of the Company.

The Company updated its policies in line with the EU Market Abuse Regulation ('MAR') with effect from 3 July 2016.

The Group continues to implement the following internal policies in order to provide guidance on Corporate Governance issues. These policies are reviewed periodically to ensure continued relevance:

- Related Party Transactions Policy
- Disclosure and Insider Trading Policy
- Share Dealing Code
- Whistleblowing Policy
- Anti-Bribery Policy
- Code of Ethics
- Safety, Health, Environment and Security Policy

Related Party Transaction Policy

The Related Party Policy outlines the procedure for identifying related parties and interests and regulates the disclosure and approval requirements for transactions with such parties ("Related Party Transactions") within the Group, its associates and affiliates. The Related Party Policy provides guidelines and procedures on dealing with Related Party transactions and compels all employees and Directors of the Company to fully understand, and adhere to their responsibilities and obligations in respect of such transactions.

Disclosure and Insider Trading Policy

The Company is required to comply with the AIM rules and regulations, MAR and the Financial Conduct Authority's Disclosure Guidance and Transparency Rules relating to the disclosure and control of inside information. The purpose of the Disclosure Policy is to help the Company comply with these rules on an ongoing basis by ensuring both timely and orderly communication of key information concerning the Company to shareholders, the stock market as a whole and to the press.

The Disclosure Policy provides varying authority levels and consultation requirements for information released to the public including shareholders, the press, brokers or others, as well as authority levels to issue communications in relation to the Company's affairs generally, including in particular major announcements such as the preliminary and half-year results and any announcements concerning major business developments.

In addition to disclosure regulations by the Company the Insider Trading Policy places an overriding obligation on the Company and its Directors to manage "inside information" as stated in the policy both internally and externally, in order to prevent market abuse, insider dealing and similar offences by persons in possession of inside information.

Share Dealing Code

The Share Dealing Code applies to all employees, Directors, and persons "associated" with employees and Directors of the Company and sets out the rules governing the dealing in its shares and related securities of by those persons. The Share Dealing Code is intended to serve as a guide to its employees in the various legal requirements relating to dealing in the Company's shares and related securities.

The fundamental principle is that as a matter of law no person should deal in the shares or securities of the Company at any time when they are or may be regarded as privy to insider information.

Whistleblowing Policy

The objective of this policy is to support the Group's values by encouraging all employees to report the occurrence of any misconduct (irrespective of location) by employees, Directors or associates of the Group that affects the business of the Group; without fear of risk to themselves or any inhibition or victimization.

Anti-Bribery Policy

The purpose of this policy is to reinforce the Group's reputation for integrity and responsibility and its business principle of zero tolerance to bribery and corruption by providing a framework to guard and promote the Group's position in this regard.

This Policy applies not only to Directors or employees of the Group but also to agents, intermediaries, consultants, joint venture or other business partners and any other persons, organisations or bodies doing business with the Group.

Code of Ethics

The Group is committed to the highest standards of ethical and professional conduct. The Code of Ethics (the "Code") provides basic guidelines for business practices, professional and personal conduct which each Director and employee is expected to adopt and uphold.

The Code also serves as the Group's creed to ensure transparency, accountability and openness in all its dealings and activities conducted to promote public trust and confidence in the Group amongst its staff and/or Directors.

Safety, Health, Environment and Security (SHES) Policy

The Group is committed to understanding, managing and reducing the environmental impact of its activities and implements internationally recognised environmental management systems to achieve this goal. The SHES Policy assists the Group in enforcing the health, safety and welfare of its employees in the work place as well as ensuring the protection of its business partners and surrounding community at its sites of operations.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditor

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant audit information of which the auditor is unaware.

Deloitte & Touche have expressed their willingness to continue in office and a Resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Gloria Iroegbunam
Company Secretary

1 June 2018

Remuneration report

For the year ended 31 December 2017

Scope of report

The Remuneration Report sets out the Company's remuneration policy and, particularly, its approach for Directors. It also explains how the Company applies the principles of good corporate governance in relation to remuneration.

Composition and role

The Remuneration Committee ("the Committee") comprises of Gregory Eckersley (the Chairman), Aisha Oyebode and John van der Welle. The members are all independent Non-Executive Directors of the Company. The Committee is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the administration of the Company's share option and share award schemes. It is responsible for determining individual remuneration packages including, where appropriate, bonuses, incentives and share options. The Committee is also permitted to appoint independent remuneration consultants – H2Glenfern Remuneration Advisory – to advise the company on remuneration for the Executive Directors.

Remuneration policy

The Committee, in forming its policy on remuneration has given due consideration to the needs of the Company, Shareholders and best practice provisions set out in the UK Corporate Governance Code. The ongoing policy of the Committee is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality employees capable of achieving the Group's objectives and to incentivise them effectively, so as to deliver long-term shareholder value.

It is the aim of the Committee to reward key employees on a basis which is aligned to the performance of the Company. Also, the remuneration is subject to the broader principle that their remuneration should be competitive with that received by professionals of comparable companies.

There are four main elements of the remuneration package:

- Base salary;
- Employee benefits;
- Performance-related cash bonus; and
- Performance share plan

The Company currently has a pension scheme for the Executive Directors, in which the Company will make a monthly pension contribution at a rate of 17.5% of the Executive Director's basic salary. There is no pension scheme for Non-Executive Directors.

Base salary

The policy is to pay a fair and reasonable base salary, taking into account comparable salaries for similar roles in similar companies. The base salary is reviewed annually by the Committee having regard to the performance of the Company, individual performance, market data, levels of increases applicable to other employees of the Company and economic conditions.

Effective 1 January 2017, the salary of the CEO was increased from US$765,000 by 3% to US$787,950. On 27 February 2017, Bruce Burrows joined the company as CFO on a basic salary of £300,000. On 2 October 2017, Lisa Mitchell was appointed to the company and Board of Directors as CFO on a basic salary of £300,000, following the resignation of Bruce Burrows effective 27 September 2017.

Employee benefits

The Company's Directors and Officers are covered under a third party indemnity insurance. It also provides Healthcare and Pension Plan arrangements for all its employees.

Performance-related cash bonus

The Group bonus performance measurement for Executive Directors and staff is based upon Group and personal performance towards achieving operational targets.

The targets for the 2017 annual bonus related to operational progress at the company's licence areas, strengthening the company's financial position, portfolio management, health safety and environment, external engagement, and further developing the company's commercial position.

The Committee determined to pay the CEO and CFO (CFO pro-rated for tenure) a bonus of 55% of salary in the light of progress against these objectives during the year.

For 2018, annual bonus targets cover the following areas: to build on the strong foundation for growth achieved in 2017, profitably and with a collegiate mindset; to successfully execute phase 2 work programme in the Otakikpo marginal field; to further develop the Gas and Power business, effective external engagement; health safety and environment; to further strengthen the Company's financial position and effective portfolio management.

Performance Share Plan

Share awards may be granted to the Company's employees and Directors by the Board, upon recommendation by the Remuneration Committee.

In line with the Long-Term Incentive Plan (LTIP), the CEO and the former CFO, Bruce Burrows were granted 2.5m and 1.5m options respectively with an exercise price of 15.92p on 28 June 2017. The options awards awarded to Bruce Burrows expired following his resignation from the Company during the year. Further awards of 3.11m options were made to 68 of the Company's employees on 23 August 2017 with an exercise price of 15.92p. On 1 October 2017, 1.5m options were awarded to new CFO Lisa Mitchell with an exercise price of 17.16p. Under the Company's Non-Executive Director Share Plan, awards of 500,000 options were also made to the Company's Non-Executive Directors on 28 June 2017.

Details of the options awarded are set out in Note 32 of the Financial Statements.

The Remuneration Committee intends to make further option awards in 2018. The following table summarizes the total gross remuneration of the Directors who served during the year ended 31 December 2017 (audited):

	Basic salary or fees		General benefits	Performance related bonus	Vacation pay	**Total emoluments 2017**	Total emoluments 2016
	Cash US$000	Shares US$000	US$000	US$000	US$000	**US$000**	US$000
Executive							
Lekan Akinyanmi	892	320	–	500	–	**1,712**	1,548
Lisa Mitchell [1]	101	15	–	–	–	**116**	–
Bruce Burrows [2]	224	–	–	–	–	**224**	–
Non-Executive							
Samuel Adegboyega	140	11	–	–	–	**151**	144
Aisha Muhammed-Oyebode	100	11	–	–	–	**111**	105
Greg Eckersley	100	11	–	–	–	**111**	105
John van der Welle	100	11	–	–	–	**111**	106
Hezekiah Adesola Oyinlola	100	11	–	–	–	**111**	105
Thomas Schmitt [3]	25	–	–	–	–	**25**	–
	1,782	390	–	500	–	**2,672**	2,112

1 Appointed by the Board on 27 September 2017 with appointment effective on 2 October 2017
2 Resigned 27 September 2017
3 Appointed 27 September 2017

The interests of the Directors, who were in office at the end of the financial year, in options over the shares of the Parent Company at 31 December 2017 and 31 December 2016 were:

	Outstanding as at 31 Dec 2016 number	Granted in the year number	2017 Exercise price* (£)	Exercised in the year number	Forfeited in the year number	Expired in the year number	**Outstanding as at 31 Dec 2017 number**	Lapse date
Lekan Akinyanmi	11,223,000	2,500,000	0.16	–	–	–	**13,723,000**	28-Jun-27
Lisa Mitchell [1]	–	1,500,000	0.17	–	–	–	**1,500,000**	1-Oct-27
Bruce Burrows [2]	–	1,500,000	–	–	1,500,000	–	**–**	–
Greg Eckersley	1,362,500	100,000	0.15	–	–	–	**1,462,500**	28-Jun-27
Sam Adegboyega	950,000	100,000	0.15	–	–	–	**1,050,000**	28-Jun-27
Aisha Oyebode	387,500	100,000	0.15	–	–	–	**487,500**	28-Jun-27
John van der Welle	387,500	100,000	0.15	–	–	–	**487,500**	28-Jun-27
Hezekiah Adesola Oyinlola	200,000	100,000	0.15	–	–	–	**300,000**	28-Jun-27
Thomas Schmitt [3]	–	–	–	–	–	–	**–**	–

* The Group issued options with three different exercise prices $1, $3.75, and $7.50 in 2012. The share price was estimated based on recent arm's length share issues. On 17 May 2013, the issued options with exercise prices of $1.00 & $3.75 were cancelled and the issued options with exercise price of $7.50 were subdivided by a factor of ten in line with the Company's capital reorganisation which resulted in a share split of 10:1. The exercise price of the outstanding options was also subdivided by a factor of ten resulting in a reduction in exercise price from $7.50 to $0.75 and an increase in total number of option shares from 6,000,000 to 19,000,000. Effective 26 March 2014, the exercise price of the outstanding stock options was changed from US$0.75 to GB£0.49 using a conversion rate of US$1.53 to GB£1.00 and the existing stock option agreements have been amended to reflect the exercise price in GB£. Options granted in 2014 and 2015 were issued at an exercise price of GB£0.40. There were no share options exercised by the Directors during the year.

1 Appointed by the board on 27 September 2017 with appointment effective on 2 October 2017
2 Resigned 27 September 2017
3 Appointed 27 September 2017

Statement of Directors' responsibilities in relation to the consolidated financial statements

For the year ended 31 December 2017

The Directors of LEKOIL Limited ("the Company") and its subsidiaries (together referred to as "the Group") are responsible for the preparation of consolidated financial statements that give a true and fair view of the financial position of the Group as at 31 December 2017, and the results of their operations, cash flows and changes in equity for the year ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group; maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the financial statements of the Group comply with IFRS; maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and as disclosed in Note 2(b), and they believe the Group will remain a going concern in the year ahead.

The consolidated financial statements for the year ended 31 December 2017 were approved by the Directors on 1 June 2018.

Signed on behalf of the Board of Directors by:

Olalekan Akinyanmi
Chief Executive Officer

Lisa Mitchell
Chief Financial Officer

1 June 2018

Independent Auditor's report

To the Shareholders of LEKOIL Limited

Opinion

We have audited the accompanying consolidated financial statements of LEKOIL Limited ("the Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of LEKOIL Limited as at 31 December 2017, and the consolidated financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EUIFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that the Group has a negative operating cash flows of US$11.7 million for the year ended 31 December 2017 and as of that date, the Group's accumulated deficits amounts to US$61.9 million (2016: US$67 million). These events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters below relate to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Revenue recognition	
LEKOIL Oil and Gas Investment Limited, a subsidiary of LEKOIL Limited, entered into a joint operating agreement with Green Energy International Limited (GEIL) on the Otakikpo marginal field in OML 11 with a 40% interest while GEIL retained 60%. Following an agreement to finance GEIL's 60% of the Initial Field Development Costs (IFDC), the company was awarded 48% of GEIL's 60% equity crude (less Government and overriding royalty) to recover such costs plus an average interest of 10% -13% until payout is achieved LEKOIL therefore currently sells its crude entitlement being a combination of equity share of 40% and 48% crude oil recovery from GEIL Free On Board (FOB) to Shell Western Supply and Trading Limited. There is a risk that revenue may be misstated due to improper recognition of revenue amount.	To test the appropriateness of the revenue recognition, we performed the following procedures: • Reviewed the design, the implementation and the operating effectiveness of the controls surrounding revenue recognition. • Performed detailed substantive procedures on revenue recognition taking into consideration the appropriateness of the allocation of sales proceeds between revenue and prepaid development costs. Revenue is recognized on the basis of the Company's equity participation of 40% of the production, while the remaining 48% is taken as recovery to unwind the IFDC cost incurred on behalf of GEIL. We found the Group's revenue recognition basis for the current year appropriate and this has been adequately disclosed in the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Share based payment arrangements	
The Group has three share based payments arrangements – The Share option scheme, Non-Executive Director share plan and Long term incentive plan scheme. The Directors engaged the services of an expert in order to calculate the fair value of these share options. The fair value is determined based on various assumptions such as share price, weighted average life of share option, expected volatility, etc. This is a complex account balance which is subject to a significant amount of estimates and assumptions.	We focused our testing of the fair value of the share based payments on the key assumptions made by the management. Our audit procedures included: • Evaluating the model used by the Management's experts to determine the fair value of the share based payment arrangements and also to ascertain compliance with the requirements of IFRS 2 Share based Payments. • Validating the inputs used to calculate the fair value and recalculating this value. • Evaluating the reasonableness of the estimates and assumptions used by management and management's expert. We found the assumptions used by the management in the calculation of the fair value of the share based payment to be appropriate and the Group's share based payments for the year have been adequately valued and disclosed in the financial statements.
Carrying value of Exploration and Evaluation assets	
Exploration and Evaluation assets represent a significant portion of the Group's total assets. These assets have been recognised in the consolidated statement of financial position in relation to the Group's interest in OPL 310, OPL 325 and Block 2514B. As required by the applicable accounting standards, management conducts an annual impairment assessment to determine the existence of an impairment trigger and assesses the recoverability of the carrying value of the E&E assets. This is performed using discounted cash flow models. As disclosed in note 18, management has made a number of key sensitive judgments in determining the inputs into these models. Accordingly, the impairment test of these assets is considered to be a key audit matter.	We focused our testing of the impairment assessment of Exploration and Evaluation assets on the key assumptions made by management. Our audit procedures included: • Evaluating the appropriateness and the reasonableness of the model and inputs used by management and also to ascertain whether it complies with the requirements of IFRS 6 Exploration for and Evaluation of Mineral Resources and IAS 36 Impairment of Assets. • Challenging the assumptions used by management regarding future development and fiscal matters. • Analysing the future projected cash flows used in the models to determine whether they are reasonable and consistent with the current oil price climate and expected future performance of the field. • Comparing the projected cash flows, including the assumptions relating to production, price and operating margins, against market peers to test the reasonableness of management's projections. We found the assumptions used by management in the determination of the net present value of cash flows on the exploration and evaluation of assets to be appropriate and as such impairment charge is not considered necessary.

Other Information

The Directors are responsible for the other information. The other information comprises the Chairman's and CEO's Statements, Financial Review, Directors' Report and Remuneration Committee's Report, which we obtained prior to the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if 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.

Auditor's Responsibilities for the Review of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Olufemi Abegunde
FCA-FRC/2013/ICAN/000000004507

for: Deloitte & Touche Nigeria
Chartered Accountants
Lagos, Nigeria

1 June 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

	Notes	2017 US$'000	Restated* 2016 US$'000
Revenue	8	**30,848**	–
Cost of sales	9	**(15,913)**	–
Gross profit		**14,935**	–
Operating expenses	10	**(11,329)**	(629)
Production bonus	11	**(4,000)**	–
Exploration and evaluation expenses	12	**(718)**	–
General and administrative expenses	13	**(17,005)**	(21,082)
Operating loss		**(18,117)**	(21,711)
Finance income	14	**11,349**	6,868
Finance costs	14	**(8,073)**	(929)
Net finance income		**3,276**	5,939
Loss before income tax		**(14,841)**	(15,772)
Income tax benefit	15(d)	**21,337**	–
Profit/(loss) for the year		**6,496**	(15,772)
Total comprehensive profit/(loss)		**6,496**	(15,772)
Attributable to:			
Owners of the Company		**5,150**	(14,906)
Non-controlling interests		**1,346**	(866)
		6,496	(15,772)
Total comprehensive profit/(loss) for the year		**6,496**	(15,772)
Profit/(loss) per share:			
Basic earnings/(loss) per share ($)	16(a)	**0.01**	(0.03)
Diluted earnings/(loss) per share ($)	16(b)	**0.01**	(0.03)

*Certain amounts shown here do not correspond to the 2016 financial statements and reflect restatements made, refer to Note 3(r).

The notes on pages 34 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December

	Notes	2017 US$'000	Restated* 2016 US$'000
Non-current assets			
Property, plant and equipment	17	34,593	39,625
Exploration and evaluation assets	18	130,773	128,732
Intangible assets	19	6,269	8,237
Deferred tax assets	15	23,249	–
Other receivables	22	2,487	2,422
Other assets	23	13,000	12,756
		210,371	191,772
Current assets			
Inventories	20	1,090	672
Trade receivables	21	6,044	–
Other receivables	22	3,680	57
Other assets	23	5,901	1,288
Pre-paid development costs	24	42,463	66,825
Cash and bank balances	25	6,922	3,283
		66,100	72,125
Total assets		276,471	263,897
Current liabilities			
Trade and other payables	26	32,475	30,899
Current tax payables	15	1,912	–
Deferred income	28	6,685	7,426
Loans and borrowings	29	17,317	10,366
		58,389	48,691
Non-current liabilities			
Provision for Asset Retirement Obligation	27	107	91
Loans and borrowings	29	12,192	17,024
		12,299	17,115
Total liabilities		70,688	65,806
Net assets		205,783	198,091
Capital and reserves			
Share capital	30(a)	27	27
Share premium	30(b)	264,004	264,004
Accumulated deficit		(61,855)	(67,005)
Other reserves		22	22
Share based payment reserve		7,675	6,479
Equity attributable to owners of the Company		209,873	203,527
Non-controlling interests	31	(4,090)	(5,436)
Total equity		205,783	198,091

*Certain amounts shown here do not correspond to the 2016 financial statements and reflect restatements made, refer to Note 3(r).

These consolidated financial statements were approved by the Board of Directors on 1 June 2018 and signed on its behalf by:

Olalekan Akinyanmi – Chief Executive Officer **Lisa Mitchell** – Chief Financial Officer

The notes on pages 34 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December

	Note	Share capital US$'000	Share premium US$'000	Accumulated deficit US$'000	Other reserves US$'000	Share-based payments reserve US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
			Restated*						
As at 1 January 2016		24	252,208	(52,099)	22	5,174	205,329	(4,570)	200,759
Total comprehensive loss for the year									
Loss for the year		–	–	(14,906)	–	–	(14,906)	(866)	(15,772)
Transactions with owners of the Company									
Issue of ordinary shares		3	11,796	–	–	–	11,799	–	11,799
Share-based payment – personnel expenses	32	–	–	–	–	1,305	1,305	–	1,305
As at 31 December 2016		27	264,004	(67,005)	22	6,479	203,527	(5,436)	198,091
Total comprehensive profit for the year									
Profit for the year		–	–	5,150	–	–	5,150	1,346	6,496
Transactions with owners of the Company									
Share-based payment – personnel expenses	32	–	–	–	–	1,196	1,196	–	1,196
Balance at 31 December 2017		**27**	**264,004**	**(61,855)**	**22**	**7,675**	**209,873**	**(4,090)**	**205,783**

*Certain amounts shown here do not correspond to the 2016 financial statements and reflect restatements made, refer to Note 3(r).

The notes on pages 34 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December

	Notes	2017 US$'000	Restated* 2016 US$'000
Operating activities			
Total comprehensive profit/(loss) for the year		**6,496**	(15,772)
Adjustments to reconcile total comprehensive loss to net cash generated from/(used in) by operating activities:			
– Equity-settled share-based payment		**1,196**	1,305
– Finance income		**–**	(73)
– Property, plant and equipment restatement		**4,423**	–
– Prepaid development costs restatement		**5,477**	–
– Prepaid development costs carried interest		**(6,921)**	(5,058)
– Intangible cost adjustment		**291**	–
– Derecognition of block 2514A		**268**	–
– Finance cost		**6,850**	–
– Revaluation adjustments		**(2,649)**	–
– Deferred tax		**(23,249)**	–
– Depreciation and amortization	17&19	**8,366**	1,196
Cash flow generated from/(used in) operations before working capital adjustments		**548**	(18,402)
Changes in:			
Inventory		**(418)**	(672)
Trade and other payables		**835**	29,270
Other assets		**(4,857)**	(1,851)
Trade and other receivables		**(9,732)**	477
Cash (used in)/generated from operations		**(13,624)**	8,822
Income taxes		**1,912**	–
Net cash (used in)/generated from operating activities		**(11,712)**	8,822
Investing activities			
Acquisition of property, plant and equipment	17	**(6,080)**	(24,924)
Prepaid development costs	24	**(7,894)**	(32,960)
Recoveries from prepaid development costs	24	**33,700**	–
Expenditure on behalf of Partner		**–**	(396)
Interest received		**–**	73
Acquisition of exploration and evaluation assets	18	**(2,309)**	(675)
Acquisition of intangible assets	19	**–**	(672)
Net cash generated from/(used in) investing activities		**17,417**	(59,554)
Financing activities			
Proceeds from issue of share capital	30	**–**	11,799
Proceeds from issue of loan note	29	**18,137**	28,028
Repayment of loan	29	**(13,568)**	(8,000)
Interest and transaction costs related to loan	29	**(6,635)**	(3,828)
Net cash (used in)/generated from financing activities**		**(2,066)**	27,999
Increase/(decrease) in cash and bank balances		**3,639**	(22,733)
Cash and bank balances at 1 January	25	**3,283**	26,016
Cash and bank balances at 31 December	25	**6,922**	3,283

* Certain amounts shown here do not correspond to the 2016 financial statements and reflect restatements made, refer to Note 3(r).

** Changes in liabilities arising from financing activities have been disclosed in note 29(e).

The notes on pages 34 to 72 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Reporting entity

LEKOIL Limited (the "Company" or "LEKOIL") is a company domiciled in the Cayman Islands with registration number WK- 248859. The address of the Company's registered office is Intertrust Group, 190 Elgin Avenue, Georgetown, Grand Cayman, Cayman Islands. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group's principal activity is exploration and production of oil and gas.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The consolidated financial statements were authorised for issue by the Board of Directors on 1 June 2018.

A number of new standards, amendments to standards and interpretations effective for annual periods beginning after 1 January 2017, have not been applied in preparing these consolidated financial statements.

(b) Going concern basis of accounting

These consolidated financial statements have been prepared on the going concern basis of accounting.

The Group closely monitors and manages its liquidity risk and ability to service debt as it falls due. Cash forecasts are regularly produced and sensitivities run for different scenarios over both a detailed 13 week forecast period and a rolling 12 month period.

The ability of the Group to continue to operate as a going concern is dependent on a number of factors considered by the Directors as disclosed below:

- The ability of the Group to maintain steady state production and liftings on the Otakikpo marginal field;
- The operational success of the Otakikpo Phase 2 field development and planned growth in production to 20,000 bopd;
- Commodity pricing given there is no oil price hedging currently in place, other than that required by the lenders for debt service;
- Availability of financing for development of OPL310, which is not currently factored into the preparation of the cashflow; and
- Ability to defer activities to future periods in the event required.

The Directors have determined that over the course of the next 12 months and taking into consideration the factors mentioned above, there is a reasonable expectation that there will be sufficient sources of funds for the Group. In making their assessment, the Directors have considered the Group's current cash position and the generation of funds from forecast production over the period, against the need to service the Group's debt portfolio, and tested the scenarios at different commodity prices. The Company further anticipates that additional funding, if appropriate, could be met by the divestment of assets along with access to the debt and capital markets.

Based on their assessment, and taking into consideration the material uncertainties that exist, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the 12 month period in 2019.

Accordingly the Directors continue to adopt the going concern basis of preparation of the financial statements for the year ended 31 December 2017.

(c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for share based payments which are measured at fair values.

(d) Functional and presentation currency

These consolidated financial statements are presented in US Dollars which is the Company's functional currency. All amounts have been rounded to the nearest thousands of dollars (1,000), unless otherwise indicated.

2. Basis of preparation continued

(e) Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 2(b) – Going concern basis of accounting.
- Note 18(a) – Exploration and evaluation accounting judgment. The Group policy is to capitalise all expenditure incurred during the exploration and appraisal phase until the determination process has been completed or until such point as commercial reserves have been established. Exploration and evaluation assets are expected to be recouped in future through successful development and exploitation of the area of interest.
- Note 18(c) – The Group has a reasonable expectation that OPL 310 license will be either extended for an additional 12 months or converted to OML as appropriate before the expiration date, based on the usual practice within the oil and gas industry in Nigeria and interaction with the appropriate government agencies.
- Note 18(e) – The Group has concluded its consultation on whether Ministerial Consent is required before it can exercise control over Ashbert Oil and Gas Limited. The Group has a reasonable expectation that it does not require Ministerial Consent to exercise control over Ashbert and the interest in mineral rights in OPL 325 held by Ashbert. Consequently, 2016 balances have been restated to reflect Ashbert's transactions.
- Note 23 – On the basis that the Group requires Ministerial Consent to take control of the oil mineral rights interest held by Afren Oil and Gas, the Group has not consolidated Afren Oil and Gas and has accounted for payments made in respect of the Afren Oil and Gas acquisition as other assets.

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the year ended 31 December 2017 is included in the following notes:

- Note 2(b) – Going concern. Key assumptions made and judgment exercised by the Directors in preparing the Group's cash forecast.
- Note 15(c) – Unrecognised deferred tax assets. Availability of future taxable profit against which carry forward losses can be used.
- Notes 17, 18 and19 – Impairment test of property plant and equipment, exploration and evaluation assets and intangible assets: Key assumptions underlying recoverable amounts.
- Note 18(c) – The Directors are have a reasonable expectation that the license for OPL 310 will be converted or renewed as appropriate upon expiration.
- Note 18(d) – Carrying value of exploration and evaluation assets. Basis for the conclusion that the carrying value of E&E assets do not exceed their recoverable amount.
- Note 27 – Provisions. Key assumptions underlying the obligation as at year end.
- Notes 23 and 24 – Carrying value of other assets and prepaid development costs. Basis for the conclusion that the carrying value of other assets and prepaid development costs do not exceed their recoverable amount.
- Note 32 – Share based payment arrangements. Key assumptions made in measuring fair values.
- Note 36 – Financial commitments and contingencies. Key assumptions about the likelihood and magnitude of an outflow of economic resources. Oil and gas reserves. Key assumptions underlying the estimation of oil and gas reserves.

3. Significant accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the value of the contingent consideration are recognised in profit or loss.

If share-based payments awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's award and the extent to which the replacement awards relates to pre-combination service.

(ii) Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if:

i) it has power over the investee i.e. it has existing rights that give it the ability to direct the relevant activities (the activities that significantly affect the investee's returns)

ii) it has exposure, or rights, to variable returns from its involvement with the investee

iii) it has the ability to use its power over the investee to affect the amount of the investor's returns.

The Group is deemed not to control an entity where regulatory approval is a substantive requirement for the passing of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date on which control ceases.

(iv) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint arrangement is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for the liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income (OCI) of equity-accounted investees, until the date on which significant influence or joint control ceases.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. Significant accounting policies continued

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US Dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into US Dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Revenue

(i) Sale of crude

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the crude and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

(ii) Costs of sales

Production expenditure, crude treatment and processing expenditure, crude evacuation and lifting expenditure, depreciation, depletion and amortisation of oil and gas assets and crude handling expenditure are reported as costs of sales.

(iii) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(iv) Overlift and underlift

Overlift/underlift arises when the Group lifts more than/or less than its volume of working interest crude. The Group adopts the entitlements method in which revenue is recognised as its share of working interest crude while a payable (overlift) or receivable (underlift) is reported for the difference between volumes it sold and its working interest.

The initial measurement of the overlift liability and underlift asset is at the market price of the crude at the date of lifting.

3. Significant accounting policies continued

(d) Share capital

(i) Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(e) Financial instruments

The Group classifies non-derivative financial assets into loans and receivables and non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets
The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Short term loans and receivables that do not attract interest rate are measured at their original invoice amount where the effect of discounting is not material.

Financial assets classified as loans and other receivables comprise cash and bank balances, trade and other receivables.

Cash and bank balances
Cash and bank balances comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(ii) Non-derivative financial liabilities
All financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group has the following non-derivative financial liabilities: trade and other payables and loans & borrowings.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Short term payables that do not attract interest are measured at original invoice amount where the effect of discounting is not material.

(iii) Impairment
Non-derivative financial assets
Financial assets not classified at fair value through profit or loss (FVTPL), including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset and can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

3. Significant accounting policies continued

Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) Hedges
As part of the requirements under its debt facilities, the Group is required to hedge a certain amount of production covering its forecasted debt service payments. The hedge volume is a function of the estimated quarterly debt service payment and the designated strike prices.

(f) Property, plant and equipment
(i) Recognition and measurement
Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation
Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

- Motor vehicles – 5 years
- Furniture and fittings – 5 years
- Leasehold improvement – 2 years
- Computer and household equipment – 4 years
- Leasehold property – 25 years
- Property, plant and machinery – 4 years
- Oil and gas assets – Unit of production method based on estimated proved developed reserves

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Exploration and Evaluation (E&E) expenditures
(i) licence acquisition costs: licence acquisition costs are capitalized as intangible E&E assets. These costs are reviewed on a continual basis by management to confirm that activity is planned and that the asset is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Capitalised licence acquisition costs are measured at cost less accumulated amortisation and impairment losses. Costs incurred prior to having obtained the legal rights to explore an area are expensed directly as they are incurred.

3. Significant accounting policies continued

(ii) Exploration expenditure: All exploration and appraisal costs are initially capitalized in well, field or specific exploration cost centres as appropriate pending future exploration work programmes and pending determination. All expenditure incurred during the various exploration and appraisal phase is capitalized until the determination process has been completed or until such point as commercial reserves have been established. Payments to acquire technical services and studies, seismic acquisition, exploratory drilling and testing, abandonment costs, directly attributable administrative expenses are all capitalized as exploration and evaluation assets. Capitalised exploration expenditure is measured at cost less accumulated amortisation and impairment losses.

Treatment of E & E assets at conclusion of exploratory and appraisal activities
Exploration and evaluation assets are carried forward until the existence, or otherwise, of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a cost pool basis as set out below and any impairment loss is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment or intangible assets. If however, commercial reserves have not been found, the capitalised costs are charged to expense after the conclusion of the exploratory and appraisal activities. Exploration and evaluation costs are carried as assets and are not amortised prior to the conclusion of exploratory and appraisal activities.

An E&E asset is assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such circumstances include the point at which a determination is made as to whether or not commercial reserves exist. Where the E&E asset concerned falls within the scope of an established full cost pool, the E&E asset is tested for impairment together with any other E&E assets and all development and production assets associated with that cost pool, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the E&E asset to be tested falls outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E asset concerned will be written off in full.

(h) Development expenditure

Once the technical feasibility and commercial viability of extracting oil and gas resources are demonstrable, expenditure related to the development of oil and gas resources which are not tangible in nature are classified as intangible development expenditure. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses. Amortization of development assets attributable to the participating interest is recognized in profit or loss using the unit-of-production method.

(i) Leases

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(ii) Leased assets

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Significant accounting policies continued

(j) Inventories

Inventories comprise of crude oil stock at period end and consumable materials.

Inventories are valued at the lower of cost and net realisable value. Cost of consumable materials is determined using the weighted average method and includes expenditures incurred in acquiring the stocks, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Inventory values are adjusted for obsolete, slow-moving or defective items where appropriate.

(k) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The Group expends resources or incurs liabilities on the acquisition, development, maintenance or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes on systems, licences, signature bonus, intellectual property, market knowledge and trademarks.

The Group recognises an intangible asset if, and only if;

(a) economic benefits that are attributable to the asset will flow to the entity; and

(b) the costs of the asset can be measured reliably.

The Group assesses the probability of future economic benefits using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. Intangible assets are measured initially at cost.

Amortisation is calculated to write off the cost of the intangible asset less its estimated residual value using the straight-line basis over the estimated useful lives or using the units of production basis from the date that they are available for use. The estimated useful life and methods of amortisation of intangible assets for current and comparative years are as follows:

Type of asset	Basis
Mineral rights acquisition costs (signature bonus)	Unit of production method based on estimated proved developed reserves.
Accounting software	Amortised over a useful life of three years.
Geological and geophysical software	Amortised over a useful life of five years.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment awards granted to employees and others providing similar services is recognised as an employee expense and other general and administrative expense respectively, with a corresponding increase in equity, over the vesting period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

3. Significant accounting policies continued

(iii) Post-employment benefits

Defined contribution plan
A defined contribution plan is a post-employment benefit plan (pension fund) under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee service in the current and prior periods.

In line with the provisions of the Pension Reform Act 2014 (Amended), a subsidiary domiciled in Nigeria has instituted a defined contribution pension scheme for its permanent staff. Staff contributions to the scheme are funded through payroll deductions while the subsidiary's contribution is recognised in profit or loss as employee benefit expense in the periods during which services are rendered by employees. Employees contribute 8% each of their gross salary to the fund on a monthly basis. The subsidiary's contribution is 10% of each employee's gross salary.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

The Group's Asset Retirement Obligation ("ARO") primarily represents the estimated present value of the amount the Group will incur to plug, abandon and remediate its areas of operation at the end of their productive lives, in accordance with applicable legislations. The Group determines the ARO on its oil and gas properties by calculating the present value of estimated cash flows related to the liability when the related facilities are installed or acquired.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are only disclosed and not recognised as liabilities in the statement of financial position. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

(n) Finance income and finance costs

Finance income comprises, where applicable, interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise, where applicable, interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

3. Significant accounting policies continued

(p) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group defines geographical areas as operating segments in accordance with IFRS 8- Operating Segments.

(q) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporal differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary difference when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Restatement of 2016 balances

(i) Following the Group's decision to consolidate Ashbert Oil and Gas Limited in 2017 consolidated financial statements, 2016 balances have been restated to reflect Ashbert Oil and Gas Limited transactions. In addition, other areas of restatement include the reclassification of a Director's loan of US$1.63 million from current asset to non-current and, reclassification of restricted cash of US$1.1 million from cash and bank to other assets.

3. Significant accounting policies continued

Prior year adjustments have been processed in respect of the following:

Exploration and evaluation assets
Prior year adjustment related to correction for signature bonus of Ashbert Oil and Gas Limited.

Other receivables
Prior year adjustment related to correction for reclassification of Directors loan from current assets to non-current assets.

Other assets
Prior year adjustment related to correction for balances receivable from Ashbert Oil and Gas Limited which was eliminated on consolidation of Ashbert Oil and Gas Limited and the reclassification of restricted cash to other assets.

Cash and bank balances
Prior year adjustment related to correction for bank balances for the reclassification of restricted cash balances to other assets.

Trade and other payables
Prior year adjustment related to correction for trade payable balances in Ashbert Oil and Gas Limited which were consolidated into the Group's account.

Accumulated deficit
Prior year adjustment related to correction for accumulated deficit in Ashbert Oil and Gas Limited which was consolidated into the Group's account.

Other reserves
Prior year adjustment related to correction for other reserve balances in Ashbert Oil and Gas Limited which were consolidated into the Group's account.

Deferred income
Prior year adjustment related to correction for deferred income balances attributed to interest charge on loan granted to Ashbert Oil and Gas Limited by LEKOIL Limited.

(ii) Restatement impact on comparatives

	As previously reported in 2016	Adjustment	Restated
Statement of financial position			
Exploration and evaluation assets (note 18)	112,652	16,080	128,732
Other receivables (note 22)	2,479	–	2,479
Other assets (note 23)	32,512	(18,468)	14,044
Cash and bank balances (note 25)	4,384	(1,101)	3,283
Trade and other payables (note 26)	(31,346)	447	(30,899)
Accumulated deficit	66,974	31	67,005
Other reserves	–	(22)	(22)
Deferred income (note 28)	(10,459)	3,033	(7,426)
Statement of comprehensive income			
General and administrative expenses (note 13)	21,075	7	21,082
Loss for the year	15,765	7	15,772

The adjustment to the general and administrative expenses resulted from the increase of the audit fees.

4. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation expert that has responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the General Manager of Commercial.

When measuring the fair value of an asset or a liability, the group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

Note 32 – share-based payment arrangements

Note 37 – financial risk management and financial instruments

5. Adoption of new and revised International Financial Reporting Standards

5.1 Accounting standards and interpretations issued that became effective during the year 2018

In the current year, the Group considered a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory and effective for an accounting period that begins on or after 1 January 2018.

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39, Financial Instruments – Recognition and Measurement. The IASB developed IFRS 9 in three phases, dealing separately with the classification and measurement of financial assets, impairment and hedging. It includes requirements on the classification and measurement of financial assets and liabilities, it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The standard will ensure that more assets will have to be measured at fair value with changes in fair value recognized in profit and loss as they arise, possible provision for future credit losses in the very first reporting period a loan goes on the books – even if it is highly likely that the asset will be fully collectible and a greater disclosure requirement amongst others.

The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9. Effective for annual periods beginning on or after 1 January 2018.

The application of IFRS 9 is expected to have no material impact on the Group's financial statement based on preliminary assessment taking into consideration the operations of the Group.

IFRS 15 – Revenue from contracts with customers

The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. Effective for annual periods beginning on or after 1 January 2018.

Amendment to IFRS 15 – Revenue from contracts with customers.

The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself.

The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

5. Adoption of new and revised International Financial Reporting Standards continued

Effective for annual periods beginning on or after 1 January 2018

IFRS 15 – Revenue from contracts with customers will have no impact on the Group's financial statement as revenue is already recognised in line with this provisions.

5.2 Accounting standards and interpretations issued but not yet effective

The following revisions to accounting standards and pronouncements that are applicable to the Group were issued but are not yet effective. Where IFRSs and IFRIC interpretations listed below permits early adoption, the Group has elected not to apply them in the preparation of these Consolidated financial statements. The Group plans to adopt the standard when it becomes effective.

The full impact of these IFRSs and IFRIC interpretations is currently being assessed by the Group, but none of these pronouncements are expected to result in any material adjustments to the consolidated financial statements.

Pronouncement	Nature of change	Effective date
Financial Instruments (Amendments to IFRS9)	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	Applies to annual periods beginning on or after 1 January 2018.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	The amendments deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.	Effective date of the amendments is yet to be set by the IASB.
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	The amendments clarify the accounting for the effects of vesting and non-vesting conditions in estimating the fair value of a cash-settled share-based payment. They also clarify how to account for modification of a share- based payment that changes the transaction from cash-settled to equity-settled.	Applicable to annual periods beginning on or after 1 January 2018.
Transfers of Investment Property (Amendments to IAS 40)	The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.	Effective for annual periods beginning on or after 1 January 2018.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.	Effective for annual periods beginning on or after 1 January 2018.

5. Adoption of new and revised International Financial Reporting Standards continued

Pronouncement	Nature of change	Effective date
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.	Effective for annual periods beginning on or after 1 January 2019.
IFRS 15 Revenue from Contracts with Customers	The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.	Effective for annual periods beginning on or after 1 January 2018.
IFRS 16 Leases	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.	Effective for annual periods beginning on or after 1 January 2019.

6. Operating segments

The Group has a single class of business which is exploration, development and production of petroleum oil and natural gas. The geographical areas are defined by the Group as operating segments in accordance with IFRS 8- Operating Segments. As at the year end, the Group had operational activities mainly in one geographical segment, Nigeria.

Geographical information

In presenting information on the basis of geographical segments, segment assets are based on the geographical location of the assets.

Non-current assets

	2017 US$'000	Restated 2016 US$'000
Nigeria	208,123	191,267
Namibia	440	465
Cayman*	1,787	–
Others	21	40
	210,371	191,772

Non-current assets presented consists of property, plant & equipment, intangible assets, long term prepayment, other receivables and E&E assets.

Profit and loss

	2017				
In US$'000	Nigeria	Namibia	Cayman Island*	Others	Total
Revenue	30,848	–	–	–	30,848
Loss from operating activities	(10,388)	(381)	(6,290)	(1,058)	(18,117)
Net finance income/(costs)	3,165	52	(1,568)	1,627	3,276
Income tax benefit	21,337	–	–	–	21,337
Total comprehensive profit/(loss) for the year	14,114	(329)	(7,858)	569	6,496

	2016 Restated				
In US$'000	Nigeria	Namibia	Cayman Island*	Others	Total
Revenue	–	–	–	–	–
Loss from operating activities	(11,174)	(144)	(9,793)	(600)	(21,711)
Net finance income	5,708	139	84	8	5,939
Total comprehensive loss for the year	(5,466)	(5)	(9,709)	(592)	(15,772)

* Cayman Island and USA segments have been merged into one segment.

7. Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business

The Group monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities less cash and bank balances.

The Group's net debt to equity ratio at the end of the reporting year was as follows:

	2017 US$'000	Restated 2016 US$'000
Total liabilities	**70,688**	65,806
Less: cash and bank balances	**(6,922)**	(3,283)
Net debt	**63,766**	62,523
Equity	**205,783**	198,091
Net debt to equity ratio	**0.31**	0.32

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

8. Revenue

	2017 US$'000	2016 US$'000
Crude oil sales proceeds (a)	**30,848**	–

(a) Crude oil sales proceeds of US$30.8 million represents the Group's share of crude oil sales from Otakikpo operation during the year, which is recognised as revenue ("Equity Crude"), (31 December 2016: nil). The Group's entitlement crude was 1,223,248 barrels out of which the Group lifted 1,188,732 barrels (31 December 2016: nil). The balance of 34,515 barrels representing the Group's share of overriding royalty crude was lifted on its behalf by its joint venture partner based on an agreed lifting arrangement. The entitlement crude is comprised of equity crude of 583,720 barrels and cost recovery crude of 639,528 barrels, which were applied as recoveries for prepaid development costs.

	2017		2016	
	Barrels	**US$'000**	Barrels	US$'000
Equity crude	**583,720**	**30,848**	–	–
Cost recovery crude	**639,528**	**33,700**	–	–
	1,223,248	**64,548***	–	–

* Represents 88% crude entitlement

9. Costs of sales

	2017 US$'000	2016 US$'000
Depletion and amortization	**6,191**	–
Crude handling, evacuation and production operation costs	**6,071**	–
Royalty expenses	**3,935**	–
Closing stock adjustments	**(418)**	–
Other expenses	**134**	–
	15,913	–

10. Operating expenses

	2017 US$'000	2016 US$'000
Field personnel costs	**2,502**	–
Field facility management costs	**1,009**	–
Field travel costs	**849**	–
Depletion and amortization	**–**	162
Community and security expenses	**2,151**	112
Field civil works, waste management, safety and environment	**1,237**	–
Cabotage and port dues	**634**	–
Field office costs	**552**	–
Other operating costs	**2,395**	355
	11,329	629

11. Production bonus

Under the farm-in agreement with Green Energy International Limited (GEIL), LEKOIL Oil and Gas Investments Limited is liable to pay a US$4 million production bonus upon commencement of commercial production above 2,000 bopd. US$4 million has been recognised as production bonus during the period (2016: nil) in line with the farm-in agreement. This production bonus was paid during 2017 (2016: nil).

12. Exploration and evaluation expenses

Exploration and evaluation expenses of US$0.7 million (2016: nil) comprise of E& E expenditure on block 2514A written off following relinquishment of the block, and the goodwill impairment loss on acquisition Ashbert Oil and Gas Limited.

	2017 US$'000	2016 US$'000
Block 2514A E&E expenditure write-off	**268**	–
Goodwill impairment loss on acquisition Ashbert Oil and Gas Limited	**450**	–
	718	–

13. General and administrative expenses

	2017 US$'000	2016 US$'000
Personnel expenses (a)	**7,808**	8,584
Depreciation and amortization (Notes 17 and 19)	**2,175**	1,034
Audit fees	**347**	746

(a) Personnel expenses

	2017 US$'000	2016 US$'000
Wages and salaries	**6,529**	7,074
Defined contribution pension expense	**82**	205
Equity settled share-based payment	**1,197**	1,305
	7,808	8,584

13. General and administrative expenses continued

(b) Operating leases

The Group leases office and residential facilities under cancellable operating leases. Lease payments are made upfront covering the lease period with no additional obligations.

(c) Key management personnel compensation

In addition to their salaries, the Group also provides non-cash benefits to key management personnel, in form of share base payments.

(i) Key management personnel compensation comprised the following:

	2017 US$'000	2016 US$'000
Short-term benefits	2,282	1,965
Share-based payment	390	147
	2,672	2,112

(ii) Key management personnel compensation comprised the following:

	2017 US$'000	2016 US$'000
Salaries	1,217	931
Fees	565	540
Bonus	500	494
	2,282	1,965

Details of Directors' remuneration (including the fair value of share based payments) earned by each Director of the Company during the period have been disclosed in the remuneration report.

14. Finance income and costs

	2017 US$'000	2016 US$'000
Finance income		
Joint venture partner carry interest income (a)	5,294	–
Other interest income (b)	418	73
Foreign exchange gains (c)	5,637	6,795
	11,349	6,868
Finance costs		
Finance expenses (d)	8,073	929

(a) Joint venture partner carry interest income

Joint venture partner carry interest income represents interest on prepaid development costs. Following the commencement of production and sale of crude, the Group commenced recoveries from the prepaid development costs. Consequently, the group reclassifies the interest portion of the prepaid development costs to finance income proportionately over the period over which the cost recovery occurs by reference to cost recoveries in each period as a percentage of the total capital and operating costs incurred to date in the development of the field.

(b) Other interest income

Other interest income represents interest earned on short term deposits and call accounts transactions with the Group's bankers.

(c) Foreign exchange gains

Foreign exchange gains presents realised currency exchange difference gains resulting from the conversion of US$ amounts to Nigerian Naira amounts, to meet obligations settled in Nigerian Naira. The significant devaluation of Nigerian Naira to the US$ during the year and the exchange rate disparity between the official exchange rate and the parallel market exchange rate accounted for the significant foreign exchange gain.

(d) Finance expenses

Finance costs consist largely of interest costs on third party loans during the year. The interest costs are no longer capitalised following the completion of development works for which the loans were procured.

15. Taxes

(a) Petroleum profit tax

The Group with its principal assets and operations in Nigeria is subject to the Petroleum Profit Tax Act of Nigeria (PPTA). The Group's Petroleum Profit Tax charge for the period is summarised below:

	2017 US$'000	2016 US$'000
Balance at 1 January	–	–
Charge for the year	181	–
Tertiary education tax	37	–
Payment for the year	–	–
Balance at year end	218	–

(b) Company income tax

Interest on recovered carried cost and technical fees earned on Otakikpo operations of the group is subject to Company Income Tax Act of Nigeria (CITA). The Group's Company Income Tax charge for the year is summarised below:

	2017 US$'000	2016 US$'000
Balance at 1 January	–	–
Charge for the year	1,588	–
Tertiary education tax	106	–
Payment for the year	–	–
Balance at year end	1,694	–

(c) Deferred tax assets

The Group has an estimated deferred tax asset of US$72.7 million (31 December 2016: US$57.0 million), out of which the Group has recognized deferred tax assets of US$23.2 million in the current year; derived from the activities of its subsidiary LEKOIL Oil and Gas Investments Limited. The Directors have assessed the future profitability of its operation in Otakikpo marginal field and have a reasonable expectation that the Group will make sufficient taxable profit from LEKOIL Oil and Gas Investments Limited in the near future to utilise the deferred tax assets. The balance of US$49.45 million of unrecognised deferred tax assets relates to unutilised capital allowances and tax losses from its other subsidiaries in which the Directors are not certain when there will be available taxable profit from the subsidiaries to utilize the deferred tax assets.

	2017 US$'000	2016 US$'000
Recognised deferred tax assets	23,249	–
Unrecognised deferred tax assets	49,451	–
	72,700	–

(d) Total income tax benefit/(expense) recognised in the year

	2017 US$'000	2016 US$'000
Petroleum profit tax	(181)	–
Company income tax	(1,588)	–
Tertiary education tax	(143)	–
Recognised deferred tax	23,249	–
	21,337	–

15. Taxes continued

(e) Current tax liabilities

	2017 US$'000	2016 US$'000
Balance at 1 January	–	–
Charge for the year		
– Petroleum profit tax	181	–
– Company income tax	1,588	–
– Tertiary education tax	143	–
Payment during the year	–	–
Balance at 31 December	1,912	–

16. Profit/(loss) per share

(a) The calculation of basic earnings/(loss) per share has been based on the following loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

(i) Earnings/(loss) attributable to ordinary shareholders (basic)

	2017 US$'000	Restated 2016 US$'000
Earnings/(loss) for the year attributable to owners of the Group	5,150	(14,906)

(ii) Weighted-average number of ordinary shares (basic)

	2017 Number	Restated 2016 Number
Issued ordinary shares	536,529,983	488,199,893
Effect of shares issued in October 2016	–	10,299,836
Weighted-average number of ordinary shares at 31 December	536,529,983	498,499,729

(b) The calculation of diluted earnings/(loss) per share has been based on the following earnings/(loss) attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Basic and diluted loss per share are equal as all options are anti- dilutive.

(i) Earnings/(loss) attributable to ordinary shareholders (basic)

	2017 US$'000	Restated 2016 US$'000
Earnings/(loss) for the year attributable to owners of the Company	5,150	(14,906)

(ii) Weighted-average number of ordinary shares (diluted)

	2017 Number	Restated 2016 Number
Issued ordinary shares	536,529,983	498,499,729
Effect of shares options	–	–
Weighted-average number of ordinary shares at 31 December	536,529,983	498,499,729

(c) Basic earnings per share is calculated by dividing the profit/(loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2017	Restated 2016
Profit/(loss) for the year attributable to ordinary shareholders (US$'000)	6,496	(15,772)
Weighted average number of ordinary shares ('000)	536,530	498,500
Basic earnings/(loss) per ordinary share (US$)	0.01	(0.03)

17. Property, plant and equipment

(a) The movement on this account was as follows:

	Oil and Gas Assets US$'000	Motor Vehicles US$'000	Furniture & Fittings US$'000	Computers, Communication & Household Equipment US$'000	Plant, Machinery, Storage Tank & Others US$'000	Leasehold Improvements US$'000	Total US$'000
Cost:							
Balance at 1 January 2016	11,064	296	353	589	–	1,160	13,462
Additions	27,376	–	56	159	126	63	27,780
Balance at 31 December 2016	38,440	296	409	748	126	1,223	41,242
Balance at 1 January 2017	38,440	296	409	748	126	1,223	41,242
Additions (17.1)	6,034	–	8	16	22	–	6,080
Adjustments (17.2)	(4,415)	–	–	–	–	(24)	(4,439)
Balance at 31 December 2017	**40,059**	**296**	**417**	**764**	**148**	**1,199**	**42,883**
Accumulated depreciation and impairment losses:							
Balance at 1 January 2016	–	109	98	150	–	501	858
Charge for the year	136	52	72	182	10	307	759
Balance at 31 December 2016	136	161	170	332	10	808	1,617
Balance at 1 January 2017	136	161	170	332	10	808	1,617
Charge for the year	6,207	42	79	187	38	136	6,689
Adjustments (17.2)	(16)	–	–	–	–	–	(16)
Balance at 31 December 2017	**6,327**	**203**	**249**	**519**	**48**	**944**	**8,290**
Carrying amounts:							
At 31 December 2017	**33, 732**	**93**	**168**	**245**	**100**	**255**	**34,593**
At 31 December 2016	38,304	135	239	416	116	415	39,625

(17.1) The additions of US$6.1 million during the year is in respect of capital expenditure on production facilities in the Otakikpo marginal field.

(17.2) Adjustments of oil and gas asset represents correction for transactions charged to the joint venture, that have been determined to be sole costs to each respective partner. Adjustments of leasehold improvement represents changes in variation contract for office space.

18. Exploration and Evaluation (E&E) assets

E & E assets represents the Group's oil mineral rights acquisition and exploration costs.

(a) The movement on the E&E assets account was as follows:

	2017 US$'000	*Restated 2016 US$'000
Balance at 1 January	**128,732**	128,057
Additions during the year (b)	**2,309**	675
Derecognition of block 2514A (f)	**(268)**	–
Balance at 31 December	**130,773**	128,732

* Restatement of 2016 E&E assets to reflect the signature bonus payment for OPL 325 following the consolidation of Ashbert Oil and Gas Limited.

18. Exploration and Evaluation (E&E) assets continued

(b) The additions during the year consists of US$1.3 million Ministerial Consent fee payment for the Group's 17.14% participating interest in OPL 310 and other exploration and evaluation expenditure in OPL 310 of US$0.7 million, OPL 325 of US$0.1 million and Namibia of US$0.2 million. Total expenditure incurred on OPL 310 from inception of farm-in agreement to 31 December 2017 amounts to US$114.2 million.

(c) The OPL 310 lease term expires in February 2019. The Company has commenced the renewal process of OPL310 license. Based on the usual practice within the oil and gas industry in Nigeria and interaction with the appropriate government agencies, the Directors are confident that the license will be either extended for an additional 12 months or converted to OML as appropriate before the expiration date. In June 2017 the Group received the consent of the Honorable Minister of Petroleum for the complete transfer of the original 17.14% participating interest acquired in OPL 310 in February 2013 by Mayfair Assets and Trust Limited, a subsidiary of the Group.

(d) OPL 310 was tested for impairment by the Directors and it was concluded no impairment charge was necessary. This was based upon management's assessment of the assets value in use, its expectation on renewals and the planned expenditure for 2018 to enable appraisal drilling. The Group estimates value in use by using a discounted cashflow with pre-tax discount rates of between 8%-20%.

(e) The Directors believe that the Group has control over Ashbert Oil and Gas Limited in line with IFRS 10. Consequently, Ashbert Oil and Gas Limited has been consolidated and the exploration and evaluation assets restated to reflect the signature bonus payment of US$16.1 million made in September 2015.

(f) LEKOIL Exploration and Production (Pty) Limited relinquished block 2514A and renewed block 2514B until July 2019. The exploration and evaluation assets on block 2514A were written off.

19. Intangible assets

The movement on the intangible assets account was as follows:

	Mineral Rights Acquisition Costs** US$'000	Geological and Geophysical Software US$'000	Accounting Software US$'000	Total US$'000
Costs				
Balance at 1 January 2016	7,000	1,406	104	8,510
Additions during the year	–	672	–	672
Balance at 31 December 2016	7,000	2,078	104	9,182
Balance at 1 January 2017	7,000	2,078	104	9,182
Additions during the year	–	–	–	–
Adjustment	–	(291)*	–	(291)
Balance at 31 December 2017	**7,000**	**1,787**	**104**	**8,891**
Accumulated amortization				
Balance at 1 January 2016	–	470	38	508
Charge for the year	26	409	2	437
Balance at 31 December 2016	26	879	40	945
Balance at 1 January 2017	26	879	40	945
Charge for the year	1,292	358	27	1,677
Balance at 31 December 2017	**1,318**	**1,237**	**67**	**2,622**
Carrying amounts				
At 31 December 2017	**5,682**	**550**	**37**	**6,269**
At 31 December 2016	6,974	1,199	64	8,237

* Adjustment to software maintenance cost wrongly capitalised in prior year.

** Mineral rights acquisition costs represents the signature bonus for the Otakikpo marginal field amounting to US$7.0 million.

20. Inventories

Inventories consist of the Group's share of crude stock of US$1.1 million as at 31 December 2017 (31 December 2016: US$0.7 million).

21. Trade receivables

Trade receivables comprise:

	2017 US$'000	2016 US$'000
Sales proceeds receivable (a)	**6,044**	–

(a) Trade receivables consist of the Otakikpo crude proceeds balance due from the crude offtaker from the last lifting for the year.

22. Other receivables

Other receivables comprise:

	2017 US$'000	2016 US$'000
Non-current		
Director's loan (b)	**1,691**	1,626
Due from Afren Investment Oil & Gas (Nigeria) Limited (c)	**796**	796
	2,487	2,422
Current		
Cash call receivable from joint venture partner – GEIL (a)	**3,606**	–
Employee loans and advances	**10**	21
Other receivables	**64**	36
	3,680	57

(a) The cash call due receivable from joint venture partner (GEIL), represents GEIL's share of cash calls paid by the Group on their behalf.

(b) The Director's loan represents the balance due on an unsecured loan of US$1,500,000 granted to a Director on 9 December 2014. The loan had a three year term and bore interest at a rate of four per cent per annum. In September 2017, the loan was extended for another 3 years to 9 December 2020 under the same terms and conditions (note 33 (a) (i)).

(c) The amount due from Afren Investment Oil & Gas (Nigeria) Limited (Afren) represents Afren's share of Optimum's overheads paid by the Group on Afren's behalf.

23. Other assets

Other assets comprise:

	2017 US$'000	*Restated 2016 US$'000
Non-current		
Deposit for investments in Afren Investments Oil & Gas (Nigeria) Limited (a)	**13,000**	12,000
Prepaid rent	**–**	213
Prepaid insurance	**–**	209
Others	**–**	334
	13,000	12,756
Current		
Non-Government Royalty (b)	**1,779**	–
Restricted cash (c)	**3,294**	1,102
Prepaid rent	**361**	186
Prepaid insurance	**53**	–
Others	**414**	–
	5,901	1,288

* Restatement of other assets to reflect the accounting and consolidation of Ashbert Oil and Gas Limited

(a) On 30, November 2015, LEKOIL 310 Limited, a wholly owned subsidiary of LEKOIL Limited executed a sale and purchase agreement with the Administrators of Afren Nigeria Holdings Limited and Afren Plc relating to the entire issued share capital of Afren Investment Oil & Gas (Nigeria) Limited and certain intra-company debts.

In accordance with the agreement, LEKOIL 310 Limited shall acquire the entire share capital of Afren Investment Oil & Gas (Nigeria) Limited and will be assigned the intra-company debts of Afren Nigeria Holdings Limited and Afren Plc, with Afren Investment Oil & Gas (Nigeria) Limited for considerations of US$1, US$6.4 million and US$6.6 million respectively.

Consequently on 18 November 2015, LEKOIL 310 Limited made the Initial Payments of US$5.9 million and US$6.1 million for Afren Investment Oil & Gas (Nigeria) Limited intra-company debts with Afren Plc and Afren Nigeria Holdings Limited respectively. The Group further paid the balance US$1 million in December 2017. The cumulative payment of US$13 million has been reported as deposit for shares pending the receipt of the consent of the Minister of Petroleum.

(b) Non-government royalty represents the Group's share of royalty crude payable to the Head Farmor (being Nigerian National Petroleum Corporation, The Shell Petroleum Development Company of Nigeria, Total E&P Nigeria Limited and Nigerian AGIP Oil Company Limited) which was lifted by Green Energy International Limited. GEIL is expected to pay the joint venture royalty obligation to the Head Farmor and provide evidence of the payment. The Group has recognised an asset and a corresponding liability for its share of the royalty obligation.

(c) Restricted cash represents cash funding of the debt service reserve accounts for two quarters of interest for the FBN Capital Notes and one quarter of interest and principal payment of the Shell Western facility.

24. Prepaid development costs

Prepaid development costs comprise:

	2017 US$'000	2016 US$'000
Balance at 1 January	**66,825**	28,807
Adjustment (b)	**(5,477)**	–
Addition during the year	**7,894**	32,960
Recoveries during the year	**(33,700)**	–
Interest for the year	**6,921**	5,058
Balance at 31 December (a)	**42,463**	66,825

(a) Prepaid development costs represents Green Energy International Limited's share of costs (60% of joint operations' costs) in the Otakikpo marginal field. Under the terms of the farm-in agreement, LEKOIL Oil and Gas Investment Limited undertakes to fund GEIL's participating interest share of all costs relating to the joint operation on the Otakikpo marginal field, until the completion of the Initial Work Programme. The Group will recover costs at a rate of LIBOR plus a margin of 10% through crude oil lifting as the field commences production. However, for expenditure above US$70 million, the recovery rate increases to LIBOR plus a margin of 13%. The interest on carried costs has been included as part of the prepaid development costs.

With production beginning in February 2017, the Group commenced recovery of prepaid development costs in April 2017 and has recovered a total sum of US$33.7 million as at year end.

(b) Adjustment to prepaid development costs represent the reversal of unrealised accrued joint venture costs in prior years that were allocated to GEIL. The Otakikpo joint venture partners have determined that these costs should be treated as sole transactions of the partners.

25. Cash and bank balances

	2017 US$'000	2016 US$'000
Bank balances	**6,922**	3,283

26. Trade and other payables

	2017 US$'000	2016 US$'000
Accounts payable	**16,833**	18,076
Accrued expenses	**7,409**	10,303
Other statutory deductions	**6,114**	2,373
Non-Government Royalties Payable (See Note 23 (b))	**2,044**	–
Payroll liabilities	**–**	5
Other payables	**75**	142
	32,475	30,899

27. Provisions for asset retirement obligation

The movement in the provision for asset retirement obligation account was as follows:

	2017 US$'000	2016 US$'000
Balance at 1 January	**91**	177
Unwinding of discount	**16**	20
Effect of changes to decommissioning estimates	**–**	(105)
Balance at 31 December	**107**	91

The Group has recognised a provision for Asset Retirement Obligation ("ARO") which represents the estimated present value of the amount the Group will incur to plug, abandon and remediate Otakikpo operation at the end of its productive life, in accordance with applicable legislation. These costs are expected to be incurred in approximately 2040 dependent on government legislation and the future production profiles of the project. The provision has been estimated at a US inflation rate of 2% and discounted to present value at 17%. The provision recognised represents 40% of the net present value of the estimated total future cost as the Company's partner, GEIL is obligated to bear 60% of the cost.

A corresponding amount equivalent to the provision is recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements, reflecting management's best estimates.

The unwinding of the discount on the decommissioning is included as a finance cost.

Changes in the estimated timing of decommissioning, or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment.

During the year, there was no revision in the Group's decommissioning costs estimate. Management believe the estimates continue to form a reasonable basis for the expected future costs of decommissioning, which are expected to be incurred in approximately 2040.

28. Deferred income

The movement in deferred income was as follows:

	2017 US$'000	2016 US$'000
Balance at 1 January	**7,426**	2,369
Additions during the year	**4,553**	5,057
Charge to finance income (a)	**(5,294)**	–
Balance at 31 December	**6,685**	7,426

(a) In 2017 and following the commencement of production and recovery of prepaid development costs, the Group reclassifies the interest portion of the prepaid development costs to finance income (see note 24 (a)) proportionately over the period over which the cost recovery occurs by reference to cost recoveries in each period as a percentage of the total capital and operating costs incurred to date in the development of the field.

29. Loans and borrowings

(a) FBN Capital Limited Notes Issuance Agreements - two-tranche facility
The Company entered into notes issuance agreements dated 16 June, 2016 with FBN Capital Limited ("FBNC") providing for a loan of US$10 million with a 3-year tenor ("FBNC dollar facility") and a loan of 2 billion Naira (approximately US$10 million at the time of issuance) with a three-year tenor ("FBNC naira facility", together the "FBNC facilities"). The FBNC facilities are fully drawn and are secured by the LOGL assets as well as a LEKOIL Limited guarantee.

(i) FBNC dollar facility
The full US$10 million was drawn on the facility in June 2016 to fund the repayment of an existing bridge facility issued by FBNC in May 2015 and to fund the Otakikpo field development. As of May 2016, the bridge facility remaining balance was US$5 million with repayment due in May 2016. In May 2016, the maturity date of the bridge facility was extended from May 2016 to August 2016. The US$5 million balance was subsequently repaid in June 2016 with proceeds from the FBNC dollar facility.

Interest is charged on the FBNC dollar facility at 3-month LIBOR plus 11.25% per annum and interest payments are due at the end of each quarterly period. The loan is repayable in 10 (ten) quarterly instalments starting from March 2017 in accordance with a repayment schedule.

The loan has a final maturity date of June 30, 2019 and is secured by the Company's interest in the Otakikpo fields and facilities as well as a parent company guarantee.

(ii) FBNC naira facility
The full 2 billion naira was drawn on the facility in June 2016 to fund the Otakikpo field development. Interest is charged on the FBNC naira facility at the greater of 3-month NIBOR plus 6% or 20% per annum, and interest payments are due at the end of each quarterly period. The loan is repayable in 10 (ten) quarterly instalments starting from March 2017 in accordance with a repayment schedule.

The loan has a final maturity date of 30 June 2019 and is secured by the Company's interest in the Otakikpo field and facilities as well as a parent company guarantee.

In September 2016, the Company upsized the FBNC naira facility by 2.5 billion naira. The fully drawn amount was used to fund Otakikpo expenditures.

In September 2017, FBNC moved the loan to its affiliate, FBN Merchant Bank (FBNM) for administrative purposes.

(b) US$5 million FBN Merchant Bank Working Capital Facility
The Company put in place a one-year US$5 million revolving credit facility in December 2017. The primary purpose of the revolver was to manage the working capital funding requirements of the Company. The facility has a 60-day repayment cycle for any drawn down amount and interest rate is charged at 90-day LIBOR plus 11.25% per annum. As at 31 December, 2017 the Company had drawn US$1 million, which was fully repaid with interest in 28 February 2018.

(c) 5-billion naira Sterling Bank Corporate Loan Facility
On 23 June 2016, the Company signed an agreement with Sterling Bank Plc ("Sterling") to secure a three-year Corporate Loan Facility for 5 billion naira ("Sterling facility). The purpose of the facility was to fund the Otakikpo field development.

In September 2016, the Company drew down 1 billion naira on the facility. Interest charged on the Sterling facility was initially at the greater of 3-month NIBOR plus 10% per annum and interest payments are due at the end of each quarterly period from June 2017. The interest rate was subsequently amended to 26% per annum in February 2017. The loan is repayable in 10 (ten) quarterly instalments starting from June 2017 in accordance with a repayment schedule.

The loan has a final maturity date of 30 September 2019 and is secured by the Company's interest in the Otakikpo field and facilities as well as a parent company guarantee.

As at 31 December 2017, the Company has 4 billion naira available under the Sterling facility.

In March 2017, the Company entered into an agreement with Cardinal Stone Partners Limited ("CSP") for a 350 million naira loan facility with a 90-day tenor ("CSP facility"). The CSP facility was secured by a guarantee under the Sterling facility. The purpose of the CSP facility was to manage working capital. The facility has been fully repaid.

29. Loans and borrowings continued

(d) US$15 Million Shell Western Supply and Trading Limited Advance Payment Facility
On 30 March 2017, the Company signed an agreement with Shell Western Supply and Trading Limited ("Shell"), a member of the Royal Dutch Shell group of companies (LSE: RDSA, RDSB) to secure a three-year advance payment facility for US$15 million (the "Shell facility").

The full US$15 million was drawn on the facility in March 2017 to fund the residual pre-production development costs in the Otakikpo field.

Interest is charged on the Shell facility at 3-month LIBOR plus 10% per annum and interest payments are due at the end of each quarterly period. The loan is repayable in 10 (ten) quarterly instalments starting from December 2017 in accordance with a repayment schedule.

The loan has a final maturity date of 31 March 2020 and is secured by the Company's interest in the Otakikpo field and facilities as well as a parent company guarantee.

As part of the requirements under the Shell facility, the Company is required to enter into a series of monthly oil price related put options. At balance date, the oil price was well above the exercise price resulting in the hedges having no value.

The following is the outstanding balance of interest bearing loans and borrowings as at the year end:

	Interest rate p.a.	2017 US$'000	2016 US$'000
US$10 million FBNC Dollar Facility	11.25% + LIBOR	5,828	9,455
4.5 billion naira FBNM Naira Facility	6% + NIBOR	7,212	14,351
US$15 million Shell Facility	10% + LIBOR	13,275	–
5 billion naira Sterling Bank Facility	26%	2,191	3,584
US$5 million FBNM working Facility	11.25% + LIBOR	1,003	–
Total		29,509	27,390
Analysis of borrowing			
Current		17,317	10,366
Non-current		12,192	17,024
		29,509	27,390

The movement in the loan account was as follows:

	2017 US$'000	2016 US$'000
Balance at 1 January	27,390	8,247
Draw-down during the year	18,137	28,028
Effective interest during the year	6,834	2,943
Principal repayment during the year	(13,568)	(8,000)
Interest and fees paid during the year	(6,635)	(3,828)
Revaluation adjustments	(2,649)	–
Balance at 31 December	29,509	27,390

29. Loans and borrowings continued

(e) Changes in liabilities arising from financing activities:

		Cash changes			Non-cash changes			
	1 January 2017 US$'000	Draw-down during the year US$'000	Principal repayment US$'000	Interest and fees paid US$'000	Effective interest US$'000	Revaluation adjustments US$'000	Other changes (ii) US$'000	**31 December 2017 US$'000**
Bank loans (note 29(d))	27,390	18,137	(13,568)	(6,635)	6,834	(2,649)	–	**29,509**
Total liabilities from financing activities	27,390	18,137	(13,568)	(6,635)	6,834	(2,649)	–	**29,509**

30. Capital and reserves

(a) Share capital

	Ordinary shares	
	2017 US$'000	2016 US$'000
Authorised	**50**	50
Issued, called up and fully paid	**27**	27
Total issued and called up share capital	**27**	27

	2017 US$'000	2016 US$'000
In issue at 1 January	**27**	24
Issued for cash	**–**	3
In issue at 31 December – fully paid	**27**	27

	2017 No. of shares	2016 No. of shares
Authorised - par value US$0.00005 (2015: US$0.00005)	**1,000,000,000**	1,000,000,000

(b) Share premium

Share premium represents the excess of amount received over the nominal value of the total issued share capital as at the reporting date.

The movement in share premium during the year was as follows:

	2017 US$'000	2016 US$'000
Balance at 1 January	**264,004**	252,208
Additional issue of shares during the year	**–**	11,796
Balance at 31 December	**264,004**	264,004

The increase of $11.8 million in 2016 relates to the placement of new ordinary shares issued in October 2016. The Company raised capital by issuing 48,330,200 new ordinary shares at a placing price of $0.37 (21 pence) per share raising gross proceeds of $12.4 million and net proceeds of $11.8 million.

31. Non-controlling interest

	% of ownership	**2017 US$'000**	2016 US$'000
LEKOIL Nigeria Limited	10	**3,885**	5,297
LEKOIL Exploration and Production (Pty) Limited	20	**205**	139
		4,090	5,436

This shows the net asset of the minority interest analysed to the relevant company.

32. Share-based payment arrangements

At 31 December 2017, the Group had the following share-based payment arrangements:

Long-term incentive plan scheme (equity-settled)
The long-term incentive plan scheme ("LTIP") was approved on 19 November 2014 and amended on 21 December 2015. The Board approved the grant of 2,500,000 stock options to the CEO, Lekan Akinyanmi on 28 June 2017. The Board further approved the grant of 7,109,750 stock options to employees of the Group and 1,500,000 stock options to the CFO, Lisa Mitchell on 23 August 2017 and 1 October 2017 respectively.

The options vest three years from the grant date subject to meeting certain performance criteria. If they vest, they will remain exercisable for seven years after the vesting date. The granted share options are subject to market-based vesting conditions.

The options will vest subject to the Company's annual compound Total Shareholder Return ("TSR") over the three year performance period starting on the grant date, with:

- no options vest if annual compound TSR is less than 10%;
- 30% of options vest if annual compound TSR is 10%;
- 100% options vest if annual compound TSR is 20% or more; and
- between 30% and 100%, the percentage of options that will vest is determined on a straight-line basis for annual compound TSR between 10% and 20%.

The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price US$	**Number of options**	Weighted average exercise price US$	Number of options
Outstanding at 1 January	**0.62**	**20,501,000**	0.62	10,978,000
Granted during the year	**0.27**	**8,609,750**	0.27	9,800,000
Forfeited during the year	**0.27**	**(1,584,000)**	0.27	(277,000)
Outstanding at 31 December	**0.53**	**27,526,750**	0.46	20,501,000

The options outstanding at 31 December 2017 had exercise prices in the range of US$0.27 to US$0.62 and a weighted average contractual life of 4.22 years.

32. Share-based payment arrangements continued

Inputs for measurement of grant date fair values
The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following inputs:

Fair value of share options and assumptions

	2017	2016	2015
Weighted average fair value at grant date for options issued during the year	**US$0.12**	US$0.62	US$0.67
Share price at grant date – Stock options issued on 28 June 2017	**US$0.21**	–	–
Share price at grant date – Stock options issued on 23 August 2017	**US$0.22**	–	–
Share price at grant date – Stock options issued on 1 October 2017	**US$0.23**	–	–
Share price at grant date – Stock options issued on 4 October 2016	**–**	US$0.27	–
Share price at grant date – Stock options issued on 26 June 2015	**–**	–	US$0.46
Share price at grant date – Stock options issued on 23 December 2015	**–**	–	US$0.31
Exercise price – Stock options issued on 28 June 2017	**US$0.20**	–	–
Exercise price – Stock options issued on 23 August 2017	**US$0.21**	–	–
Exercise price – Stock options issued on 1 October 2017	**US$0.23**	–	–
Exercise price – Stock options issued on 4 October 2016	**–**	US$0.27	–
Exercise price – Stock options issued on 26 June 2015	**–**	–	US$0.62
Exercise price – Stock options issued on 23 December 2015	**–**	–	US$0.59
Option life (Expected life in Years) of options issued during the year	**6 year**	6 year	3.5 year
Weighted average expected volatility – Stock options issued during the year	**57%**	61%	62.5%
Weighted average Risk-free Interest rate for options issued during the year	**0.68%**	0.34%	1.5%
Expected dividends	**na**	na	na

Volatility was estimated with reference to empirical data for proxy companies with listed equity.

Share option scheme (equity-settled)
The Group established a share option scheme available to Directors, key management personnel, employees and consultants providing employment-type services, which provides the opportunity to purchase shares in the Group. In accordance with the scheme, holders of vested options are entitled to purchase shares at prices of the shares established at the date of grant, during a period expiring on the tenth anniversary of the effective date i.e. grant date. The grant dates for awards were 3 December 2010, 1 June 2011, 1 November 2011, 4 June 2012, 19 February 2013, 7 April 2013, 17 May 2013 and 26 March 2014 based upon a shared understanding of the terms of the awards at that time. This share option scheme has been replaced by the LTIP scheme described above. As such, no new options were granted in 2017 under this scheme.

The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price US$	**Number of options**	Weighted average exercise price US$	Number of options
Outstanding at 1 January	**0.58**	**17,462,986**	0.58	17,462,986
Granted during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.58**	**17,462,986**	0.58	17,462,986
Exercisable at 31 December	**0.75**	**17,462,986**	0.75	17,352,986

The options outstanding at 31 December 2017 have a weighted average contractual life of 4.05 years (2016: 5.05 years).

32. Share-based payment arrangements continued

Inputs for measurement of grant date fair values

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model for plain vanilla European call options with the following inputs:

	2017	2016	2015
Fair value of share options and assumptions			
Weighted average fair value at grant date	**$0.54**	$0.54	$0.54
Share price at grant date	**$0.91**	$0.91	$0.91
Exercise price	**$0.75**	$0.75	$0.75
Option life (Expected weighted average life in Years)	**7.0**	7.0	5.0
Expected volatility	**60%**	60%	60%
Risk-free Interest rate	**1.70%**	1.70%	1.70%
Expected dividends	**na**	na	na

Non-Executive Director Share Plan (equity-settled)

The Board established the Non-Executive Director share plan on 21 December 2015.

These stock options are not subject to any performance criteria and vest three years from the grant date, subject to successful completion of a three year service period starting on the grant date. The options can be exercised over a seven year period beginning on the expiry of the service period.

During the year the Board approved the award of 500,000 stock options in June 2017.

The number and weighted average exercise prices of share options are as follows:

	2017		2016	
	Weighted average exercise price US$	**Number of options**	Weighted average exercise price US$	Number of options
Outstanding at 1 January	**0.43**	**1,000,000**	0.59	500,000
Granted during the year	**0.27**	**500,000**	0.27	500,000
Outstanding at 31 December	**0.35**	**1,500,000**	0.43	1,000,000

The options outstanding at 31 December 2017 had a weighted average exercise price of $0.35 to and a weighted average contractual life of 7.5 years.

Inputs for measurement of grant date fair values

The fair value of each stock option granted was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following inputs:

	2017	2016	2015
Weighted average fair value at grant date	**US$0.12**	US$0.59	US$0.13
Share price at grant date	**US$0.22**	US$0.27	US$0.31
Exercise price	**US$0.21**	US$0.27	US$0.59
Option life (Expected life in Years)	**6.0**	6.0	6.0
Expected volatility – Stock options issued	**57%**	61%	65%
Risk-free Interest rate	**0.68%**	0.3%	1.5%
Expected dividends	**na**	na	na

32. Share-based payment arrangements continued

Employee benefit expenses

	2017 US$'000	2016 US$'000
Non-Executive Director Share Plan (equity-settled)	**57**	22
Long-term incentive plan scheme (equity-settled)	**1,081**	838
Share option scheme (equity-settled)	**59**	445
Total expense recognised as employee costs	**1,197**	1,305

33. Related party transactions

The Group had transactions during the period with the following related parties:

(a) Transactions with key management personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. These are the Directors of the Group.

(i) Loans to key management personnel
An unsecured loan of US$1,500,000 was granted to a Director on 9 December 2014. The loan had a three year term and bears interest at a rate of four per cent per annum. Repayment was due at the end of the term. In September 2017, the loan was extended for another 3 years up to 9 December 2020 under the same terms and conditions. At 31 December 2017, the balance outstanding was US$1,691,364 (2016: US$1,626,312) and is included in 'Other receivables'. Interest income from the loan during the year amounted to US$65,000 (2016: US$62,000)

(ii) Key management personnel transactions
The value of the outstanding balance at year end due to key management personnel and entities over which they have significant influence was US$1.72 million (2016: US$1.87 million). In 2015, LEKOIL Oil & Gas Investments Limited entered into a contract with SOWSCO Wells Services Nigeria Limited, a company controlled by a Director, for the provision of well completion services.

(iii) Key management personnel compensation
Details of key management personnel compensation during the year have been disclosed in the remuneration report on page 24 of the Annual Report and Accounts.

(iv) Key management personnel and director transactions
Directors of the Company control 8.27% (2016: 8.73%) of the voting shares of the Company.

(b) LEKOIL Limited, Cayman Islands has a Management & Technical Services Agreement with LEKOIL Management Corporation (LMC) under the terms of which LMC was appointed to provide management, corporate support and technical services. The remuneration to LMC includes reimbursement for charges and operating costs incurred by LMC.

34. Group entities

(a) Significant subsidiaries:

	Country of incorporation	Ownership interest	
		2017	2016
LEKOIL Nigeria Limited (See (a)(i))	Nigeria	**40%**	40%
LEKOIL Exploration and Production (Pty) Limited	Namibia	**80%**	80%
LEKOIL Management Corporation	USA	**100%**	100%
LEKOIL Singapore PTE Limited	Singapore	**100%**	100%
LEKOIL Limited SARL	Benin	**100%**	100%
LEKOIL 310 Limited	Cayman Islands	**100%**	100%
LEKOIL Management Services	Cayman Islands	**100%**	100%

(i) Although the Company holds less than a 50% ownership interests in LEKOIL Nigeria Limited, it has control over the entity through common Directors and it is entitled to 90% of the economic benefits related to its operations and net assets based on the terms of agreements under which the entity was established. Consequently, the Company consolidates LEKOIL Nigeria Limited.

LEKOIL Nigeria Limited has seven wholly owned subsidiaries, namely: Mayfair Assets and Trust Limited, LEKOIL Oil & Gas Investments Limited, LEKOIL Exploration and Production Nigeria Limited, LEKOIL Energy Nigeria Limited, Princeton Assets and Trust Limited, Lekgas Nigeria Limited, and Lekpower Limited. The results of these subsidiaries have been included in the consolidated financial results of LEKOIL Nigeria Limited.

(b) Non-controlling interests (NCI)

The following table summarises the information relating to each of the Group's subsidiaries, before any intra-group eliminations:

31 December 2017

In US$'000	LEKOIL Nigeria Limited Group	LEKOIL Exploration and Production (Pty) Limited	Intra-group eliminations	**Total**
NCI percentage	10%	20%		
Non-current assets	184,874	440		
Current assets	87,970	75		
Non-current liabilities	(324,808)	(1,267)		
Current liabilities	(40,758)	(77)		
Net assets	(92,722)	(829)		
Carrying amount of NCI	(9,272)	(166)	5,348	**(4,090)**
Revenue	30,848	–		
Loss	(10,388)	(381)		
Net finance income/(cost)	(24,200)	52		
Income tax benefit	21,338	–		
Total comprehensive income	(13,250)	(329)		
Profit/(loss) allocated to NCI	(1,325)	(66)	2,737	**1,346**
OCI allocated to NCI	–	–		
Cash flows from operating activities	(9,555)	(156)		
Cash flows from investment activities	15,037	(108)		
Cash flows from financing activities	(2,066)	273		
Net decrease in cash and bank balances	3,416	9		

34. Group entities continued

31 December 2016

In US$'000	LEKOIL Nigeria Limited Group	LEKOIL Exploration and Production (Pty) Limited	Intra-group eliminations	Total
NCI percentage	10%	20%		
Non-current assets	158,483	465		
Current assets	72,596	17		
Non-current liabilities	(267,543)	–		
Current liabilities	(30,243)	(1,180)		
Net assets	(66,707)	(698)		
Carrying amount of NCI	(6,671)	(140)	1,375	(5,437)
Revenue	–	–		
Loss	(14,366)	(144)		
Net finance income/(cost)	(14,491)	139		
Total comprehensive income	(28,857)	(5)		
Loss allocated to NCI	(2,886)	(1)	2,021	(867)
OCI allocated to NCI	–	–		
Cash flows from operating activities	16,618	(92)		
Cash flows from investment activities	(59,536)	–		
Cash flows from financing activities	43,610	60		
Net decrease in cash and bank balances	692	(32)		

35. Events after the reporting date

In January 2018, the Group announced the completion of a Technical Evaluation Report for OPL 325. Lumina Geophysical, an oil and gas industry specialist, carried out a geophysical evaluation of approximately 800sqkm of 3D seismic data. Following the seismic review, the Group has identified and reported a total of eleven prospects and leads on the block, estimated to contain potential gross aggregate Oil-in-Place volumes of over 5,700 mmbbls (un-risked, Best Estimate case).

In February 2018, the Group announced it has commenced the shooting of 3D seismic survey at the Otakikpo marginal field, onshore and offshore. Sinopec Chanjiang Engineering Services was contracted to carry out the survey. The survey is expected to be completed around June 2018.

In March 2018, the Group announced that it has taken the decision to apply to the Federal High Court for a declaration that is expected to expedite the consent process for the additional 22.8 percent participating interest in OPL 310, and preserve the unexpired tenure in the licence.

There have been no events between the reporting date and the date of authorising these financial statements that have not been adjusted for or disclosed in these financial statements.

36. Financial Commitments and Contingencies

(a) LEKOIL Exploration and Production (Pty) Limited has relinquished Namibian block 2514A and has renewed block 2514B until July 2019. The Group is bound to a work programme for the block 2514B licence which includes; acquisition of 2D seismic data over an area covering at least 1000 sq. km, acquisition of new CSEM (Control Source Electromagnetic/Hydroscan) data over an area covering at least 200 km or acquisition of new 3D over an area of at least 200 sq.km, data integration and interpretation, lead identification and portfolio inventorisation, lead de-risking and portfolio analysis and ranking, and a minimum exploration expenditure of US$2 million.

(b) On 5 December 2014, the Green Energy International Limited/LEKOIL Oil and Gas Investments Limited joint venture signed a Memorandum of Understanding (MoU) with its host community, Ikuru with respect to the Otakikpo marginal field area. The key items of the MoU include the following:

- The joint venture will allocate 3% of its revenue from the Liquefied Petroleum Gas (LPG) produced from the field to the Ikuru Community in each financial year;
- The joint venture will allocate the sum of US$0.53 million (NGN 90 million) annually for sustainable community development activities.

(c) In May 2015, the Company provided a corporate guarantee in favour of FBN Capital for the full sum of the loan notes issued by LEKOIL Oil and Gas Investment Limited, a sub-subsidiary of the Company.

(d) In March 2017, the Company provided a corporate guarantee in favour of Shell Western Supply and Trading Limited for the full sum of the Advance Payment Facility with LEKOIL Oil and Gas Investment Limited, a sub-subsidiary of the Company.

(e) Litigation and claims
There are no litigations or claims involving the Group as at 31 December 2017 (2016: Nil).

37. Financial risk management and financial instruments

Overview
The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from joint venture partners, employees and related parties.

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**2017 US$'000**	2016 US$'000
Cash and bank balances	25	**6,922**	3,283
Trade receivables	21	**6,044**	–
Other receivables	22	**6,167**	2,479

37. Financial risk management and financial instruments continued

In respect of the Group's trade sales, the Group manages credit risk through dealing with, whenever possible, international energy companies or those with a track record of creditworthiness. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard. The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Other receivables represent employee receivables and a loan to a Director which management has assessed as unimpaired.

The Group made significant recoveries on prepaid development costs during the year from crude and with production expected to be undisrupted, management has assessed the prepaid development as unimpaired.

Cash and bank balances
The cash and bank balances of US$6.9 million (2016: US$3.3 million) are held with reputable financial institutions.

(b) 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 approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity risk is impacted by the recoverability of the prepaid development costs balance in note 24.

The following are the contractual maturities of financial liabilities, and excluding the impact of netting agreement:

	Notes	Carrying amount	Contractual cash flows	6 months or less
Non-derivative financial liabilities				
31 December 2017				
Loans and Borrowings	29	29,509	35,354	11,786
Trade and other payables*	26	26,361	26,361	26,361
		55,870	**61,715**	**38,147**
31 December 2016				
Loans and Borrowings	29	27,390	35,311	7,592
Trade and other payables*	26	28,526	28,526	28,526
		55,916	63,837	36,118

* The carrying amount of trade and other payables is stated net of statutory deductions.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group manages market risks by monitoring market developments and discussing issues regularly, and mitigating actions taken where necessary.

Currency risk
The Group is exposed to currency risk on bank balances, employee receivables and trade and other payables denominated in Nigerian Naira.

37. Financial risk management and financial instruments continued

The summary of quantitative data about the Group's exposure to currency risks are as follows:

	Carrying amounts	
	2017 US$'000	2016 US$'000
Trade and other receivables	**38**	228
Cash and bank balances	**276**	327
Trade and other payables	**(2,507)**	(1,632)
Net exposure	**(2,193)**	(1,077)

Sensitivity analysis

A 20 percent strengthening of the US Dollar against the following currencies at 31 December would have increased (decreased) equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2017 In US$'000		Foreign exchange rate risk			
		20%		(-20%)	
	Carrying amount	**Profit or loss**	**Other movements in Equity**	**Profit or loss**	**Other movements in Equity**
Financial assets:					
Naira					
Cash and bank balances	**276**	**55**	**–**	**(55)**	**–**
Trade and other receivables	**38**	**8**	**–**	**(8)**	**–**
Impact on financial assets	**–**	**63**	**–**	**(63)**	**–**
Financial liabilities:					
Naira					
Accounts payable	**(2,507)**	**(501)**	**–**	**501**	**–**
Impact on financial liabilities	**–**	**(501)**	**–**	**501**	**–**
Total increase/(decrease)	**–**	**(438)**	**–**	**438**	**–**

31 December 2016 In US$'000		Foreign exchange rate risk			
		20%		(-20%)	
	Carrying amount	Profit or loss	Other movements in Equity	Profit or loss	Other movements in Equity
Financial assets:					
Naira					
Cash and bank balances	327	65	–	(65)	–
Trade and other receivables	228	46	–	(46)	–
Impact on financial assets	111	–	(111)	–	
Financial liabilities:					
Naira					
Accounts payable	(1,632)	(326)	–	326	–
Impact on financial liabilities	–	(326)	–	326	–
Total increase/(decrease)	–	(215)	–	215	–

The amounts shown represent the impact of foreign currency risk on the groups consolidated profit or loss. The foreign exchange rate movements have been calculated on a symmetric basis. This method assumes that an increase or decrease in foreign exchange movement would result in the same amount and further assumes the currency is used as a stable denominator.

37. Financial risk management and financial instruments continued

(d) Fair values

Fair values vs carrying amounts

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2017 In US$'000	Note	Carrying amount Loans and receivables	 Other financial liabilities	 Total
Loans and receivables				
Trade receivables	21	6,044	–	6,044
Other receivables	22	6,167	–	6,167
Cash and bank balances	25	6,922	–	6,922
		19,133	–	19,133
Financial liabilities measured at amortised costs				
Loan	29	–	29,509	29,509
Trade and other payables*	26	–	26,361	26,361
		–	55,870	55,870

31 December 2016 In US$'000	Note	Carrying amounts Loans and receivables	 Other financial liabilities	 Total
Loans and receivables				
Other receivables	22	2,479	–	2,479
Cash and bank balances	25	3,283	–	3,283
		5,762	–	5,762
Financial liabilities measured at amortised costs				
Loan	29	–	27,390	27,390
Trade and other payables	26	–	28,526	28,526
		–	55,916	55,916

* The carrying amount of trade and other payables is stated net of statutory deductions.

Company information

Financial calendar

Annual General Meeting

The Annual General Meeting of the Company will be held at 1.00 p.m. on 13 July 2018 at Churchgate Tower 1, 9th Floor, PC 30, Churchgate Street, Victoria Island, Lagos, Nigeria.

Announcements

- Half-year results for 2018 are expected in September 2018.

Dates are correct at the time of printing, but are subject to change.

Directors

Samuel Adegboyega *Non-Executive Chairman*

Olalekan Akinyanmi *Chief Executive Officer*

Lisa Mitchell *Chief Financial Officer*

H. Adesola Oyinlola *Non-Executive Director*

Gregory Eckersley *Non-Executive Director*

Aisha Oyebode *Non-Executive Director*

John van der Welle *Non-Executive Director*

Tom Schmitt *Non-Executive Director*

Registered office

Intertrust Corporate Services
(Cayman) Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9005
Cayman Islands

Principal place of business and address of the Directors

9th Floor
Churchgate Tower 1
PC30 Churchgate Street
Victoria Island, Lagos, Nigeria

www.lekoil.com

Advisers

Financial and Nominated Adviser

Strand Hanson Limited
26 Mount Row
Mayfair
London W1K 3SQ
United Kingdom

Joint Brokers

Numis Securities Ltd
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT
United Kingdom

Mirabaud Securities Limited
33, Grosvenor Place
London SW1X 7HY
United Kingdom

BMO Capital Markets
95 Queen Victoria Street
London EC4V 4HG
United Kingdom

Solicitors to the Company as to English law

Norton Rose Fulbright LLP
3 More London Riverside
London SE1 2AQ
United Kingdom

Solicitors to the Company as to Nigerian law

Banwo & Ighodalo
98 Awolowo Road
South West Ikoyi
Lagos
Nigeria

Solicitors to the Company as to Namibian law

Ellis Shilengudwa Inc
24 Orban Street
PO Box 3300
Windhoek
Namibia

Solicitors to the Company as to Cayman law

Walkers
190 Elgin Avenue
George Town
Grand Cayman KY1-9001
Cayman Islands

Solicitors to the Company as to US law

Fulbright & Jaworski LLP
(Norton Rose Fulbright)
666 Fifth Avenue
New York, NY 10103-3198

Auditors
Deloitte & Touche Nigeria
Civic Towers
Plot GA 1
Ozumba Mbadiwe Ave
Victoria Island
Lagos
Nigeria

Financial PR
Tavistock Communications
1 Cornhill
London EC3V 3ND
United Kingdom

Registrars
Computershare Investor Services (Cayman Islands) Ltd.
The R&H Trust Co Ltd
Winward 1
Regatta Office Park
West Bay road
Grand Cayman KY-1103
Cayman Islands

Depositary
Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol BS99 6ZZ
United Kingdom

OUR OFFICES

Nigeria
9th Floor
Churchgate Tower 1
PC30 Churchgate Street
Victoria Island, Lagos

USA
136 Main Street
Suite 301
Princeton, NJ 08540

UK
Suite 308
111 Buckingham Palace Road
London
SW1W 0SR

Namibia
111 John Meinert Street
First Floor
Windhoek West
Windhoek