SHAPING THE FUTURE OF OIL EXPLORATION AND PRODUCTION IN AFRICA

Half Year Report 2016

Lekoil is an Africa focused oil and gas exploration and production company with interests in Nigeria and Namibia.

The Company was founded in 2010 by a group of leading professionals with extensive experience in the international upstream oil and gas industry as well as in global fund management and investment banking.

Contents

Our Half Year Report 2016 is available in both printed form and on the Investors section of the LEKOIL plc website at:
www.lekoil.com

Highlights

Otakikpo

- Continuous commercial production from Otakikpo expected in Q4
- Flow tests successfully completed at Otakikpo-002 and Otakikpo-003
- Tested flow rates of C5 6,404 bopd, C6 5,484 bopd and E1 5,703 bopd
- Phase 1 of the Otakikpo Field Development Plan ("FDP") is targeting a production rate of 10,000 bopd by end 2016
- 25,000 bbls crude storage tank on site

OPL 310

- Finalising interpretation and commencing preparations for appraisal programmes
- Exploring vendor partnerships for appraisal and development programme

Financial

- Net loss of $8.1 million reported for the period (2015: net loss of $6.5 million).
- Cash balances of $7.6 million at period end ($26.0 million at 31 December 2015), reflecting the expenditure on the Otakikpo development
- Total debt facilities on Otakikpo of $24.8 million in a two-tranche facility with FBN (now fully drawn) and a 5 billion Naira facility (approximately $16.4 million) with Sterling Bank plc which is drawn down as to 1 billion Naira

Outlook

- Exclusive short term focus is on ramping up production at Otakikpo to grow cash flow for expansion of Otakikpo and appraise the Ogo discovery

10,000

barrels of oil per day expected by end 2016 from Otakikpo

In the current low oil price environment, we have prioritised the allocation of our capital to our production and development assets to generate short-term cash flow and compelling economic returns, focusing on extracting value from the 'stability' zone of our portfolio. This means limited expenditure on exploration assets but maintained optionality for the future. Our principal focus for the next twelve months is on delivering our phase 1 production target for Otakikpo, which we expect to hit by year end, and subsequently use that cash flow and strategic partnerships to grow production and develop the other assets in the portfolio.

Introduction

At the time of writing, we are on the cusp of commencing commercial production from the Otakikpo Marginal Field. The transition of LEKOIL to a producing company will mark a vital milestone on our journey to become a self-funding oil and gas exploration and production business. Our ambition is still to become the world's leading exploration and production company focused on Africa. In realising this vision, we will seek to maximise value for our stakeholders in a sustainable manner, by operating with integrity and leveraging local resources – to the benefit of the countries and communities in which we operate as well as our shareholders and employees.

Strategy

LEKOIL's target portfolio is to be diversified across lower risk production assets and appraisal projects and higher risk exploration assets, in both known and frontier exploration basins. With the transition to producer status, this goal is now being achieved. Our competitive advantage in Nigeria as an indigenous business is the platform from which we will pursue our broader strategy in Africa.

Otakikpo

The Project

Lekoil Nigeria has a 40 per cent. participating and an 88 per cent. economic interest in the Otakikpo Marginal Field, situated in oil mining lease (OML) 11 in the south eastern coastal swamp of the Niger Delta. As consideration for the assignment of the interest, we paid a signature bonus of $7 million in May 2014. We received ministerial consent in June 2015 to the transfer and are due to pay a production bonus of $4 million, once production of 2,000bopd is achieved for 30 consecutive days, which will be funded from existing cash resources. The Field Development Plan ("FDP") comprises two phases. In the first phase, the target is for production of approximately 10,000 bopd by year end 2016 via an Early Production Facility and export via shuttle tanker. The second phase will see a new Central Processing Facility to bring production up to some 20,000 bopd.

Reserves, resources and economics

Reserves and Contingent Resources attributable to Lekoil Nigeria are 3.03 mmbbls of 1P (Proved Reserves), 5.40 mmbbls of 2P (Proved and Probable Reserves) (Phase 1) and 14.98 mmbbls of unrisked 2C (Contingent) Resources. Economic evaluations were also carried out – by AGR TRACS – in respect of Lekoil Nigeria's estimated net 2P reserves and 2C contingent resources. These indicated that the development of Otakikpo is a robust project with an NPV (10%) of $77.2 million under a $40 oil price scenario on Marginal Field Terms, with considerable upside at higher oil prices.

Progress

In April we announced that the Otakikpo-002 well flowed oil from two upper zones during two production tests. Both the C5 and C6 zones flowed at peak rates of 6,404 bopd and 5,684 bopd, respectively at a 36/64 choke for over 24 hours. Production testing was curtailed due to storage capacity limits on the well-testing equipment but confirmed the potential of the field.

The C5 and C6 zone tests followed our announcement in September last year that the lower E1 zone flowed oil at various choke sizes for over 24 hours at a peak rate of 5,703 bopd at a 36/64 inch choke. However, during completion operations this well encountered cementing issues resulting in the temporary suspension of the E1 zone to allow remedial work to take place. To keep Phase 1 of the FDP on track and under budget, the Company prioritised production from the second and third planned production zones, in the C5 and C6 reservoirs.

First oil from Otakikpo flowed to surface on 5 September 2015. As a result of poor weather conditions delaying the necessary pipeline welding, we now expect the start of commercial production during October and with Otakikpo-003 complete, LEKOIL now has four production strings ready for production. Onshore facilities are complete while welding and installation work is being completed on the offshore pipeline. We are targeting production of 10,000 bopd by year-end 2016 and will then proceed to phase two of the Otakikpo FDP, bringing aggregate production to a target of 20,000 bopd, subject to requisite approvals. We are in the process of negotiating an offtake agreement for the oil produced from Otakikpo.

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 $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 a low oil price environment.

In addition to the development currently underway, four exploration prospects within the onshore part of the Otakikpo acreage have revealed Stock Tank Oil Initially in Place (STOIIP) ranges that are estimated to contain potential gross

aggregate volumes of 162.8 mmbbls, with further potential in the southern (shallow water) portion of the field. We continue to analyse and evaluate these areas.

Community Relations

We do not operate in isolation. LEKOIL is part of the communities in which it operates. Nowhere is that better exemplified than in the Otakikpo host communities of Ikuru, Asuk Ama, Asuk Oyet, Ugama Ekede and Ayama Ekede. We recognise the need for community support for our work and that's why we have been helping to improve the quality of life for the residents of Ikuru.

We have worked with local churches to bring the community together. We have signed a land lease agreement, backed by a memorandum of understanding that places on us a responsibility to develop sustainably. In addition, we have operated a health outreach programme, providing medical services to those with greatest need. These agreements have provided an important step forward in maximising the benefits from Otakikpo for all stakeholders over the life of the field.

OPL 310

The Project

Our appraisal (and exploration) project on OPL 310 (Lekoil Nigeria: 40 per cent. participating and 70 per cent. economic interest) is centred on the world class Ogo discovery. In 2013, using monies raised in our IPO on AIM, LEKOIL invested $50m in drilling an appraisal well and sidetrack targeting Eko, Agege and the Syn-rift prospects. The result was a very significant discovery.

Reserves

Based on data from the vertical and side track wells, revised estimates for the P50 gross recoverable resources attributable to Lekoil Nigeria from the Ogo field were identified as being 232 mmboe (P50) from gross recoverable resources of 774 mmboe. This far exceeds the expected pre-drill estimate of 202 mmboe.

Progress

We are awaiting Ministerial consent from the Department of Petroleum Resources, which we expect to receive shortly. Based on the completed interpretation of the 3D seismic acquired last year, the Company is studying options for the next phase of appraisal and exploration on the block and discussing with partners Optimum the commercial arrangements for these.

Exploration assets

OPL325

LEKOIL holds a 62 per cent indirect equity interest in this exciting block, on trend to the Ogo discovery in OPL 310.

We have commenced steps to execute a production sharing contract with the NNPC and look forward to the next phase of development.

Namibia

Lekoil Namibia, a majority-owned subsidiary of Lekoil, has been granted a one-year extension on its exploration licence for Blocks 2514 A&B in the Luderitz Basin, offshore Namibia by the Ministry of Mines and Energy. There is no incremental capital expenditure beyond the original $2.75 million commitment as a result of this extension and, subject to funding, the Company intends to finish the geological and geophysical work scoped out. Lekoil Namibia has a 77.5 per cent. participating interest and is operator in both blocks.

Financial

During the period under review and in September, LEKOIL completed the arrangement of the debt facilities to enable the completion of the Otakikpo development. The Company now has total debt facilities on Otakikpo of $24.8 million in a two-tranche facility with FBN (now fully drawn) and a 5 billion Naira facility with Sterling Bank plc (approximately $16.4 million) of which 1 billion Naira has been drawn at the time of writing. We have the flexibility to pay a portion of our development costs in Naira, and expect to draw down on the Naira facilities as needed. Both facilities from FBN and Sterling feature no pre-payment penalty clauses.

In the six months ended 30 June 2016, the Group recorded an operating loss of $10.5 million and ended the period with cash and cash equivalents of $7.6 million.

Outlook

In the current low oil price environment, we have prioritised the allocation of our capital to our production and development assets to generate short-term cash flow and compelling economic returns, focusing on extracting value from the 'stability' zone of our portfolio. This means limited expenditure on exploration assets but maintained optionality for the future. Our principal focus for the for the next twelve months is on delivering our phase 1 production target for Otakikpo, which we expect to achieve by year end 2016, and continuing to execute our plans for phase 2, which aims to see production reach 20,000 bopd.

Once again, on behalf of the Board we would like to thank our people, our communities and our shareholders for their continued support.

Samuel Adegboyega
Non-Executive Chairman

Lekan Akinyanmi
Chief Executive Officer

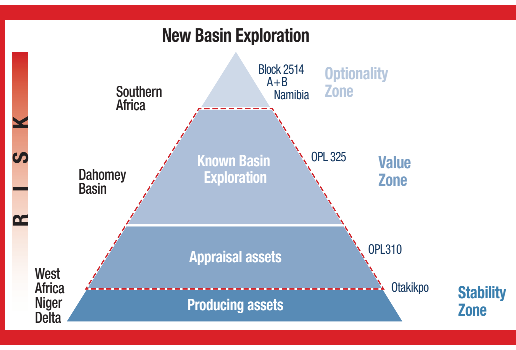
28 September 2016

20,000

barrels of oil per day target for phase 2 of Otakikpo

232 mmboe

(P50) gross recoverable resources attributable to LEKOIL Nigeria from the Ogo field



Financial review

Overview

In the six months ended 30 June 2016, the Group recorded an operating loss of $10.5 million and ended the period with cash and cash equivalents of $7.6 million.

In April 2016, the Otakikpo-002 well was completed and flowed oil from two upper zones during two production tests concluded on 10 April 2016. The C5 zone flowed at a peak rate of 6,404 bopd at a 36/64 choke and the C6 zone successfully flowed oil at a peak rate of 5,640 bopd at a 36/64 inch choke. Production testing at the well was curtailed due to storage capacity limits on well-testing equipment.

Subsequent to period end, Otakikpo-003 well was completed and the rig was demobilized. Onshore facilities are complete while welding and installation work is progressing on the offshore pipelines. The Company is targeting production of 10,000 bopd by year-end and will proceed to phase two of the Otakikpo field development plan which will bring production to a target of 20,000 bopd, subject to requisite approvals by the Department of Petroleum Resources (DPR) and Joint Venture Partners. The Company expects to announce the commencement of commercial production at Otakikpo during October.

In June 2016, Lekoil Oil and Gas Investments Limited (a wholly owned subsidiary of Lekoil Limited), refinanced an existing debt facility and completed a new debt facility in a two-tranche facility arrangement for $10 million and 2 billion Naira (approximately $10 million), both with FBN Capital Limited.

The 2 billion Naira ($10 million) facility has a maturity of three years and is repayable quarterly after a six-month moratorium with a margin of 11.25% over LIBOR. The Notes Issuance Agreement ("NIA") bridge facility issued in May 2015, of which $5 million was due in May 2016, was extended to August 2016 and subsequently refinanced into the new $10 million facility for the Otakikpo field development secured over the assets of Lekoil Oil and Gas Limited with the extinguishment of the $5 million loan balance. The ultimate parent Company (Lekoil Limited) issued an unconditional guarantee in favour of FBN Capital for the payment of all principal and interest due on the loan, in the event of default by Lekoil Oil and Gas Investments Limited.

The 2 billion Naira ($10 million) new facility has a maturity of three years, is repayable quarterly with ten quarterly instalments after a six-month moratorium. The notes have an interest rate referencing the higher of the 30-day average of 90 day NIBOR + 6% or 20%.

Subsequent to period end, the Group drew down 1 billion Naira from the 5 billion Naira facility approved by Sterling Bank (as initially announced on 30 June 2016) and increased the 2 billion Naira facility with FBN Capital to 4.5 billion Naira (approximately $14.8 million). The additional 2.5 billion Naira under the FBN Capital Limited facility has been fully drawn and was used to complete infrastructure at Otakikpo prior to the commencement of commercial production.

As at the date of this report, Lekoil has total debt facilities on the Otakikpo field of $24.8 million two tranche facility with FBN Capital Limited, which is fully drawn and a 5 billion Naira facility with Sterling Bank plc, of which 1 billion Naira (approximately $3.3 million) has been drawn down.

Interim results

The Group recorded a total comprehensive loss of $8.1 million for the six months ended 30 June 2016 compared to a loss of $6.6 million recorded for same period in 2015.

General and administrative expenses

General and administrative expenses and operating loss were $10.5 million compared to $7.5 million for the same period in 2015. The increase in administrative expenses is due to an increase in staff numbers and other associated costs as operations scale up towards commercial production.

Income tax
No income tax was payable for the six months ended 30 June 2016.

Capital expenditure
The Group's capital expenditure including intangible assets during the six months ended 30 June 2016 amounted to $11.4 million compared to $4.7 million incurred for the corresponding period in 2015. Capital expenditure during the period was primarily associated with development expenditure on the Otakikpo marginal field.

Cash and cash equivalents
The Group had cash and short-term investments of $7.6 million as at 30 June 2016 compared to $26.0 million at 31 December 2015. Included in the cash and cash equivalents is cash funding of the debt service reserve accounts for two quarters of interest for FBN Capital.

Loans and borrowings
The Group had a two-tranche loan facility with FBN Capital. The balances on the loan facilities as at 30 June 2016 are NGN2.01 billion (equivalent of $7.20 million) and $10.04 million (31 December 2015: $8.2 million). As at the date of this report, LEKOIL has total debt facilities on the Otakikpo field of $24.8 million in a two tranche facility with FBN Capital Limited, which is fully drawn and a 5 billion Naira facility with Sterling Bank plc, of which 1 billion Naira (approximately $3.3 million) has been drawn down.

Summary statement of financial position
The Group's non-current assets increased from $185.9 million as at 31 December 2015 to $218.7 million at 30 June 2016, reflecting expenditures on the Otakikpo marginal field. Current assets which represent the Group's cash resources, other assets and other receivables, decreased from $35.9 million as at 31 December 2015 to $11.4 million as at 30 June 2016, mainly reflecting a decrease in cash and cash equivalents which was expended on Otakikpo field development.

Current liabilities consists of the portion of loan from FBN Capital due within twelve months amounting to $3.6 million (31 December 2015: $8.2 million), trade and other payables which increased from $9.5 million as at 31 December 2015 to $11.6 million as at 30 June 2016, and deferred income which increased from $2.4 million as at 31 December 2015 to $3.9 million as at 30 June 2016.

Non-current liabilities consists mainly of the long term portion of loan from FBN Capital and deferred income amounting to $15.6 million and $1.8 million respectively.

Dividend
The Directors do not recommend the payment of a dividend for the period ended 30 June 2016.

Accounting policies
The Group's significant accounting policies and details of the significant judgments and critical accounting estimates are consistent with those used in the 2015 annual financial statements.

Liquidity risk management and going concern
The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including changes in timing of production and cost overruns of development and exploration activity. At 30 June 2016, the Group had liquid resources of approximately $7.6 million in the form of cash and cash equivalents, which are available to meet ongoing capital, operating, financing and administrative expenditure. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group expects to have sufficient financial resources for the 12 months from the date of approval of these condensed consolidated financial statements.

These interim condensed consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the Company 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. As discussed in note 2 (b) to these condensed consolidated financial statements, the ability of the Group to continue as a going concern is dependent on the operational success of the Otakikpo field development, the timing and amount of anticipated cash flows over the next twelve months from production from this field and continued availability of existing debt finance.

Richards Ige
Financial Controller

28 September 2016

Independent Auditor's report on review of condensed interim financial information

To the Members of Lekoil Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Lekoil Limited ("the Company") as at 30 June 2016, and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The Directors are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting as adopted by the European Union (EU). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Emphasis of matter

Without qualifying our report, we draw attention to Note 2(b) in the condensed consolidated financial statements which indicates that the Company incurred a net loss of $8.1 million during the period ended 30 June 2016. This condition, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

Olufemi Abegunde
FCA-FRC/2013/ICAN/000000004507
for: Akintola Williams Deloitte
Chartered Accountants
Lagos, Nigeria

28 September 2016

Condensed consolidated statement of financial position

In US Dollars	Notes	(Unaudited) 30 June 16	(Audited) 31 December 15 Restated*
ASSETS			
Property, plant and equipment	6	**23,451,293**	12,602,414
Exploration and evaluation assets	7	**112,269,060**	111,976,751
Intangible assets	8	**8,195,244**	8,002,389
Other receivables	9	**1,596,564**	1,620,589
Other assets	10	**73,206,228**	51,651,264
Total non-current assets		**218,718,389**	185,853,407
Inventories		**–**	–
Other receivables	9	**1,233,203**	939,224
Other asset	10	**2,501,711**	8,918,755
Cash and cash equivalents	11	**7,623,153**	26,016,194
Total current assets		**11,358,067**	35,874,173
Total assets		**230,076,456**	221,727,580
EQUITY			
Share capital	12(a)	**24,412**	24,412
Share premium	12(b)	**252,207,651**	252,207,651
Accumulated deficit		**(35,300,829)**	(29,916,203)
Share based payment reserve		**6,002,627**	5,173,698
Equity attributable to owners of the Company		**222,933,861**	227,489,558
Non-controlling interests	13	**(29,491,656)**	(26,728,751)
Total equity		**193,442,205**	200,760,807
LIABILITIES			
Provision for asset retirement obligation	15	**176,621**	176,621
Deferred income	16	**1,843,867**	697,897
Loans and borrowings	17	**15,591,831**	–
Non-current liabilities		**17,612,319**	874,518
Trade and other payables	14	**11,565,513**	9,476,968
Deferred income	16	**3,883,489**	2,368,541
Loans and borrowings	17	**3,572,930**	8,246,746
Current liabilities		**19,021,932**	20,092,255
Total liabilities		**36,634,251**	20,966,773
Total equity and liabilities		**230,076,456**	221,727,580

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 4(b).

These financial statements were approved by the Board of Directors on 28 September 2016 and signed on behalf of the board by:

Lekan Akinyanmi
Chief Executive Officer

Richards Ige
Financial Controller

The notes on pages 11 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2016

In US Dollars	Notes	(Unaudited) 6 months 30 June 16	(Unaudited) 6 months 30 June 15
Revenue	18	–	–
Cost of sales		–	–
Gross profit		–	–
General and administrative expenses	19	(10,524,583)	(7,535,711)
Loss from operating activities		(10,524,583)	(7,535,711)
Finance income	20	2,628,060	919,467
Finance costs	20	(251,008)	(27,849)
Net finance income		2,377,052	891,618
Loss before income tax		(8,147,531)	(6,644,093)
Income tax expense	23(a)	–	–
Loss for the period		(8,147,531)	(6,644,093)
Other comprehensive income		–	–
Total comprehensive loss for the period		(8,147,531)	(6,644,093)
Loss attributable to:			
Owners of the Company		(5,384,626)	(4,907,379)
Non-controlling interests		(2,762,905)	(1,736,714)
		(8,147,531)	(6,644,093)
Total comprehensive loss attributable to:			
Owners of the Company		(5,384,626)	(4,907,379)
Non-controlling interests		(2,762,905)	(1,736,714)
		(8,147,531)	(6,644,093)
Loss per share:			
Basic loss per share ($)	22(a)	(0.01)	(0.01)
Diluted loss per share ($)	22(b)	(0.01)	(0.01)

The notes on pages 11 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2016

In US Dollars	Share capital	Share premium	Accumulated deficit	Share-based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2016 (audited)	24,412	252,207,651	(29,916,203)	5,173,698	227,489,558	(26,728,751)	200,760,807
Total comprehensive income for the period							
Loss for the period	–	–	(5,384,626)	–	(5,384,626)	(2,762,905)	(8,147,531)
Total comprehensive income for the period	–	–	(5,384,626)	–	(5,384,626)	(2,762,905)	(8,147,531)
Transactions with owners of the Company							
Share-based payment – personnel expenses	–	–	–	828,929	828,929	–	828,929
Total transactions with owners of the Company	–	–	–	828,929	828,929	–	828,929
Balance at 30 June 2016 (unaudited)	**24,412**	**252,207,651**	**(35,300,829)**	**6,002,627**	**222,933,861**	**(29,491,656)**	**193,442,205**

For the six months ended 30 June 2015

In US Dollars	Share capital	Share premium	Accumulated deficit	Share-based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2015 (audited)	18,152	207,947,439	(18,815,402)	3,726,918	192,877,107	(19,111,045)	173,766,062
Total comprehensive income for the period							
Loss for the period	–	–	(4,907,379)	–	(4,907,379)	(1,736,714)	(6,644,093)
Total comprehensive income for the period	–	–	(4,907,379)	–	(4,907,379)	(1,736,714)	(6,644,093)
Transactions with owners of the Company							
Share-based payment – personnel expenses	–	–	–	622,981	622,981	–	622,981
Total transactions with owners of the Company	–	–	–	622,981	622,981	–	622,981
Balance at 30 June 2015 (unaudited)	18,152	207,947,439	(23,722,781)	4,349,899	188,592,709	(20,847,759)	167,744,950

The notes on pages 11 to 24 are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June

In US Dollars	Notes	(Unaudited) 6 months 30 June 16	(Unaudited) 6 months 30 June 15 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		(8,147,531)	(6,644,093)
Adjustments for:			
– Equity-settled share-based payment		828,929	622,981
– Finance income		(1,145,971)	(1,096)
– Depreciation and amortisation	6,8	519,043	355,513
		(7,945,530)	(5,666,695)
Changes in:			
– Inventory		–	(3,875,682)
– Deferred income		2,660,918	768,476
– Trade and other payables		2,088,545	4,312,997
– Other assets		243,014	(716,250)
– Other receivables		(269,954)	(277,633)
Net cash used in operating activities		(3,223,007)	(5,454,787)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	(10,743,366)	(3,260,802)
Finance income		–	1,096
Prepaid development cost		(14,234,963)	(7,452,347)
Acquisition of exploration and evaluation assets	7	(292,309)	(1,433,955)
Acquisition of intangible assets	8	(381,462)	(46,931)
Net cash used in investing activities		(25,652,100)	(12,192,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
Draw down of loan facilities	17	20,106,114	10,000,000
Repayment of loan		(8,000,000)	–
Interest and transaction costs related to loan		(1,624,048)	(200,000)
Net cash generated from financing activities		10,482,066	9,800,000
Net decrease in cash and cash equivalents		(18,393,041)	(7,847,726)
Cash and cash equivalents at 1 January		26,016,194	49,225,726
Cash and cash equivalents at end of period		7,623,153	41,378,000

* Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made, refer to Note 4(b).

The notes on pages 11 to 24 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

Lekoil Limited (the "Company" or "Lekoil") is a company domiciled in the Cayman Islands. The address of the Company's registered office is Intertrust Group, 190 Elgin Avenue, Georgetown, Grand Cayman, Cayman Islands. These condensed consolidated financial statements (interim financial statements) as at and for the six months ended 30 June 2016 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 interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 September 2016.

(b) Going concern basis of accounting

These interim financial statements have been prepared on the going concern basis of accounting, which assumes that 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.

The Group incurred a total comprehensive loss of $8.2 million for the period ended 30 June 2016 (30 June 2015: loss $6.6 million), and has had negative cash flows from operations in previous years.

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 availability of sufficient funds to ensure the satisfactory execution of the development and production activities on Otakikpo field as approved by the Department of Petroleum Resources (DPR) of the Ministry of Petroleum Resources in Nigeria.
- The ability of the Group to complete the export pipeline project and related facilities to enable evacuation and lifting of crude.
- The terms of the final agreement between Lekoil Limited and Optimum and the initial agreements between Optimum and Afren Oil and Gas resulting/ continuing to result in a positive outcome for the Group.
- The receipt of the approval of the Minister of Petroleum Resources of the Federal Republic of Nigeria of the Farm-in by Mayfair Assets and Trusts Limited (Mayfair) into OPL 310.
- The receipt of the approval of the Minister of Petroleum Resources of the Federal Republic of Nigeria of the shares sales and purchase agreement between Afren Nigeria Holdings Limited, Afren Plc and Lekoil 310 Limited, relating to the entire issued share capital of Afren Oil and Gas Limited and certain intra-company debt.
- The availability of sufficient funds to ensure the satisfactory execution of the 2016 financial year work programme on OPL 310 presented to the Department of Petroleum Resources or the ability to successfully defer the activities to future periods.
- The ability of the parties to OPL 310 to meet both the special terms and conditions in the annexure referenced in the OPL No. 310 licence and any minimum obligations imposed on OPL 310.
- The ability of the parties to Blocks 2514A&B – EPL 059 in Namibia to meet the approved work programme over the next twelve months contained in the licence extension.

2. Basis of preparation continued

The Directors, having evaluated these factors, believe the use of the going concern assumption is appropriate for the preparation of the interim financial statements as at 30 June 2016, for the following reasons:

- The Company has raised sufficient funds through debt finance to commence commercial production.
- The Company expects commercial production to begin at Otakikpo during October. The Company is targeting production of 10,000 bopd. Otakikpo-002 and Otakikpo-003 have been completed with four production strings ready for production. Onshore facilities are complete while welding and installation work is progressing on the offshore pipeline. The Directors do not expect any further delays towards commercial production.
- In November 2015, Lekoil acquired Afren Investment Oil & Gas (Nigeria) Limited to secure its existing investment and furthermore increase the participating interest on OPL 310 to 40% which is subject to Ministerial consent. Subsequently, Lekoil began negotiating with the Operator and a non-binding term sheet was signed setting out possible terms upon which the two companies would be prepared to transact in relation to OPL 310. The benefits that will accrue to Lekoil together with the obligations in the draft agreement are contingent on the execution of the final definitive agreement. The Directors are optimistic of a positive outcome for the Group in the final definitive agreement.
- The Company sought Ministerial approval in January 2014 following the farm-in of Mayfair to OPL 310 for a participatory interest of 17.14% which is still outstanding as at the date of approval of these financial statements. As this application is still valid and not declined, a reapplication has not been required. Lekoil continues to monitor the progress of the application and the Directors are confident that this will be granted.
- A further Ministerial consent was sought in January 2016 with respect to the additional acquisition of 22.86% interest on OPL 310 after the acquisition of Afren Investment Oil & Gas (Nigeria) Limited in November 2015. The Company continues to monitor the progress of this application and the Directors are positive that this will be obtained.
- As part of the progress on OPL 310, the Company alongside the operator presented the 2016 work programme to the Department of Petroleum resources in November 2015 detailing the plans and cost to drill an exploratory well in 2016. The Directors have assessed that execution of such activities may not be carried out in 2016 as a result of the ongoing discussion with Optimum and have therefore not considered the work programme in the cash flow assessment carried out as at 30 June 2016.
- The OPL 310 licence granted in November 1992 referred to it being issued subject special terms and conditions contained within an annexure to the licence. From all the documents received in relation to this licence, there was no annexure detailing any special terms and conditions or minimum obligations. Having acquired a 40% participating interest on the asset, the Company sought to clarify the terms and conditions referenced in the licence by formally writing to the Department of Petroleum Resources and the Operator the field – Optimum. The Company obtained a formal response on 15 June 2016 from the Operator representing that the OPL 310 licence had no annexure detailing terms and conditions.
- As part of the conditions in approving the extension on our Namibia licence, the Ministry of Mines and Energy of Namibia, approved a working as programme as proposed by the Company to be executed, subject to funding, during the 12 months extension period, which extends to July 2017.

Having considered and taking into account the material uncertainties that may occur with respect to the above matters, the Directors believe that the Group will achieve adequate resources to continue operations into the foreseeable future and the Group will be able to realise their assets and discharge their liabilities in the normal course of business. The Directors therefore adopt and approve the going concern basis in the preparation of the condensed consolidated financial statements.

3. Use of estimates and judgments

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that were applied in preparing the consolidated financial statements as at and for the year ended 31 December 2015, were considered to be applicable for these interim financial statements. The assumptions are as follows:

a) Note 2(b) – Going Concern. Key assumptions made and judgment exercised by the Directors in preparing the Group's cash forecast.

b) Note 7(b) – 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.

c) Note 10 – Carrying value of other assets. Basis for the conclusion that the carrying value of other assets do not exceed their recoverable amount.

d) Note 15 – Provisions. Key assumptions underlying the obligation as at period end.

e) Note 21 – Share Based Payment Arrangements. Key assumptions made in measuring fair values.

g) Note 25 – Financial Commitments and Contingencies. Key assumptions about the likelihood and magnitude of an outflow of economic resources.

4. Significant accounting policies

(a) The accounting policies and methods of computation applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2015.

(b) Re-classification of prior period Otakikpo development costs

In the prior period, prepaid development cost related to Green Energy International Limited's share of costs in the Otakikpo marginal field was incorrectly classified as current assets within the Statement of Financial Position, based on estimated recoverability by the Directors. As disclosed in Note 10 (a), these costs relate to the farm-in agreement and should be classified as non-current assets consistent with other development costs of the field. As at the reporting date, the field had not commenced production. As a result, total non-current assets have increased by $21 million and current assets have decreased by $21 million in the consolidated statement of financial position for the comparative period. This item had no impact on reported losses.

Further, this cost was treated as an operating activity within the Statement of Cash Flows for the comparative period. Costs incurred by Lekoil Limited on behalf of Green Energy International Limited on the Otakikpo marginal field represents an investing activity. The Directors have now concluded the cash used in operating activities have decreased by $7.5 million and cash used in investing activities have increased by $7.5 million in the comparative period.

5. 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 period 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

In US Dollars	**(Unaudited) 30 June 16**	(Audited) 31 December 15
Nigeria	**216,663,890**	183,763,580
Namibia	**407,445**	407,445
USA	**50,490**	117,727
Cayman Islands	**1,596,564**	1,564,655
	218,718,389	185,853,407

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

Profit and loss

30 June 2016 (Unaudited)

In US Dollars	Nigeria	Namibia	USA	Cayman Island	Others	Total
Revenue	–	–	–	–	–	–
Loss from operating activities	(6,924,921)	(57,400)	(2,237,658)	(912,813)	(391,790)	(10,524,582)
Net finance income/(costs)	2,339,997	(2,352)	231	34,868	4,308	2,377,052
Total comprehensive loss for the period	**(4,584,924)**	**(59,752)**	**(2,237,427)**	**(877,945)**	**(387,482)**	**(8,147,531)**

30 June 2015 (Unaudited)

In US Dollars	Nigeria	Namibia	USA	Cayman Island	Others	Total
Revenue	–	–	–	–	–	–
Loss from operating activities	(3,653,393)	(132,447)	–	(2,312,095)	(1,437,776)	(7,535,711)
Net finance income/(costs)	805,219	96,507	1,096	(12,902)	1,698	891,618
Total comprehensive loss for the period	(2,848,174)	(35,940)	1,096	(2,324,997)	(1,436,078)	(6,644,093)

No revenue has been reported for each segment as the Group is yet to commence production activities. See note 17.

6. Property, plant and equipment

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

In US Dollars	Oil and Gas Assets*	Motor Vehicles	Furniture & Fittings	Computers & Household Equipment	Leasehold Improvement	Total
Cost:						
Balance at 1 January 2015	311,510	174,214	215,967	222,433	759,303	1,683,427
Additions	10,752,704	121,310	136,657	366,801	400,416	11,777,888
Balance at 31 December 2015	11,064,214	295,524	352,624	589,234	1,159,719	13,461,315
Balance at 1 January 2016	11,064,214	295,524	352,624	589,234	1,159,719	13,461,315
Additions	11,082,106*	–	9,193	61,540	26,476	11,179,315**
Balance at 30 June 2016	**22,146,320**	**295,524**	**361,817**	**650,774**	**1,186,195**	**24,640,630**
Accumulated depreciation and impairment losses:						
Balance at 1 January 2015	–	66,385	36,375	51,327	155,436	309,523
Additions	–	42,928	61,965	98,673	345,812	549,378
Balance at 31 December 2015	–	109,313	98,340	150,000	501,248	858,901
Balance at 1 January 2016	–	109,313	98,340	150,000	501,248	858,901
Additions	–	29,553	35,412	75,967	189,504	330,436
Balance at 30 June 2016	**–**	**138,866**	**133,752**	**225,967**	**690,752**	**1,189,337**
Carrying amounts:						
At 30 June 2016 (Unaudited)	**22,146,320**	**156,658**	**228,065**	**424,807**	**495,443**	**23,451,293**
At 31 December 2015 (Audited)	11,064,214	186,211	254,284	439,234	658,471	12,602,414

* The addition of $11.1 million during the period is mainly in respect of the production drilling and facilities, infrastructure pipelines, site remediation and rehabilitation and land reclamation activities on the Otakikpo marginal field.

On the basis of the results of the production tests conducted during the period under review and the reserve potential of the Otakikpo marginal field, the Directors are satisfied that despite the decline in crude oil price and status of E1 zone, the Net Present Value (NPV) of the development and production of hydrocarbon from the Otakikpo marginal field remains positive. Accordingly, in line with the Group's accounting policy, the costs incurred on the development of the Otakikpo field have been capitalised.

** Included in additions to property, plant and equipment of $11.2 million are borrowing costs amounting to $0.4 million representing capitalised interest and transaction costs with respect to the aggregate $20.1 million loan from FBN Capital. This amount has been adjusted for in the statement of cash flows.

7. 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:

In US Dollars	**(Unaudited) 30 June 16**	(Audited) 31 December 15
Balance at 1 January	**111,976,751**	111,136,232
Additions during the period (see (b) below)	**292,309**	1,943,019
Impairment loss	**–**	(1,102,500)
Balance at end of period	**112,269,060**	111,976,751

(b) The additions during the six month period ended 30 June 2016 mainly consists of the Group's share of expenditure on OPL 310 amounting to $0.3 million. Total expenditure incurred on OPL 310 from inception of farm-in agreement to 30 June 2016 and expected to be recovered in oil amounts to $112.3 million.

(c) The unexpired lease term on OPL 310 is 2.5 years. The Directors are confident that the licence will be converted or renewed as appropriate upon expiration.

(d) Exploratory, geological and geophysical activities continued on OPL 310 during the period. On the basis of the expert's evaluation of the resource capability of OPL 310, which is believed to be significantly higher than the results of the Competent Persons Report of 2013, the Directors are of the opinion that the investment in OPL 310 is not impaired despite the decline in oil price.

8. Intangible assets

The movement on the intangible assets account was as follows:

In US Dollars	Mineral rights acquisition costs	Geological and geophysical software	Accounting software	Total
Costs				
Balance at 1 January 2015	7,000,000	1,406,308	57,125	8,463,433
Additions during the year	–	–	46,931	46,931
Balance at 31 December 2015	7,000,000	1,406,308	104,056	8,510,364
Balance at 1 January 2016	7,000,000	1,406,308	104,056	8,510,364
Additions during the period	–	381,462	–	381,462
Balance at 30 June 2016	**7,000,000**	**1,787,770**	**104,056**	**8,891,826**
Accumulated amortisation				
Balance at 1 January 2015	–	188,547	8,783	197,330
Additions during the year	–	281,261	29,384	310,645
Balance at 31 December 2015	–	469,808	38,167	507,975
Balance at 1 January 2016	–	469,808	38,167	507,975
Charge for the period	–	172,419	16,188	188,607
Balance at 30 June 2016	**–**	**642,227**	**54,355**	**696,582**
Carrying amounts				
At 30 June 2016 (Unaudited)	**7,000,000**	**1,145,543**	**49,701**	**8,195,244**
At 31 December 2015 (Audited)	7,000,000	936,500	65,889	8,002,389

9. Other receivables

Other receivables comprise:

In US Dollars	**(Unaudited) 30 June 16**	(Audited) 31 December 15
Director's loan	**1,596,564**	1,564,655
Employee loans and advances	**133,089**	55,934
Due from Afren Investment Oil & Gas (Nigeria) Limited (See Note 9 (a))	**764,205**	399,980
Other receivables	**335,909**	539,244
	2,829,767	2,559,813
Non-current	**1,596,564**	1,620,589
Current	**1,233,203**	939,224
	2,829,767	2,559,813

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

10. Other assets

Other assets comprises:

In US Dollars	(Unaudited) 30 June 16	(Audited) 31 December 15
Prepaid development costs (Note 10 (a))	**43,042,360**	28,807,397
Deposit for investments in Ashbert Oil & Gas Limited	**240,000**	240,000
Deposit for investments in Afren Investments Oil & Gas (Nigeria) Limited	**12,000,000**	12,000,000
Prepaid insurance	**14,345**	248,797
Prepaid rent	**900,593**	834,205
Advance for captive generating plant	**1,502,448**	1,502,448
Due from Ashbert Oil and Gas Limited (Note 10 (b))	**17,923,868**	16,777,897
Others	**84,325**	159,275
	75,707,939	60,570,019
Non-current	**73,206,228**	57,825,294
Current	**2,501,711**	2,744,725
	75,707,939	60,570,019

(a) Prepaid development costs represents Green Energy International Limited 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 participating interest share of all costs relating to 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 when the field commences production. However, for expenditure above $70 million, the recovery rate increases to LIBOR plus a margin of 13%. The interest on carried cost has been included as part of the prepaid development costs.

(b) As announced on 27 October 2015, the Group entered into a loan agreement with Ashbert Oil and Gas Limited. In accordance with the loan agreement, the Group will lend an aggregate sum of $40,200,000 for the payment of the signature bonus on OPL 325 in three tranches of $16,080,000, $12,060,000 and $12,060,000 (Note 12(b)). The Group has since paid the first tranche of $16,080,000.

The total commitment plus interest, fees, commissions and accessories due in respect thereof shall be repaid in the equivalent of barrels of crude oil from the Borrower's share of crude oil produced from the licence, subject to any existing agreements between the Borrower and the Lender regarding the allocation of crude oil entitlements; converted at the crude oil barrel price prevailing on the open market. The loan bears interest at a rate referencing 90-day LIBOR plus 12.5% per annum. The principal and accrued interest as at 30 June 2016 is $17.9 million (2015: $16.7 million).

11. Cash and cash equivalents

In US Dollars	(Unaudited) 30 June 16	(Audited) 31 December 15
Cash at hand	**6,703**	–
Bank balances	**6,305,009**	26,016,194
Restricted cash (a)	**1,311,441**	–
Cash and cash equivalents	**7,623,153**	26,016,194

(a) Restricted cash represents cash funding of the debt service reserve accounts for two quarters of FBN Capital Notes repayment as stated in note 17.

12. Capital and reserves

(a) Share capital

In US Dollars	30 June 16	31 December 15
Authorised	**50,000**	50,000
Issued, called up and fully paid	**24,412**	24,412
Total issued and called up share capital	**24,412**	24,412

	2016	2015
In issue at 1 January	**24,412**	18,152
Issued for cash	**–**	6,260
Exercise of share options	**–**	–
In issue and fully paid, end of period	**24,412**	24,412
Authorised number of shares – par value $0.00005 (2015: $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 analysis of this account is as follows:

In US Dollars	(Unaudited) 2016	(Audited) 2015
Balance at 1 January	**252,207,651**	207,947,439
Additional issue of shares during the period	**–**	44,260,212
Balance at end of period	**252,207,651**	252,207,651

13. Non-controlling interest

In US Dollars	(Unaudited) 30 June 16	(Audited) 31 December 15
Lekoil Nigeria Limited	**29,341,123**	26,590,168
Lekoil Exploration and Production (Pty) Limited (Namibia)	**150,533**	138,583
	29,491,656	26,728,751

14. Trade and other payables

In US Dollars	(Unaudited) 30 June 16	(Audited) 31 December 15
Accrued expenses	**2,147,763**	3,080,574
Accounts payable	**7,843,465**	5,029,594
Payroll liabilities	**160,073**	135,073
Other statutory deductions	**1,414,212**	1,201,150
Other payables	**–**	30,577
	11,565,513	9,476,968

15. Provision for asset retirement obligation

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 the productive lives, in accordance with applicable legislations.

(a) The movement in provision for asset retirement obligation account was as follows:

In US Dollars	**(Unaudited) 2016**	(Audited) 2015
Balance at 1 January	**176,621**	–
Additions during the period	**–**	176,621
Balance at end of period	**176,621**	176,621

16. Deferred income

Deferred income comprises:

In US Dollars	**(Unaudited) 2016**	(Audited) 2015
Interest on prepaid development costs (Note 10(a))	**3,883,489**	2,368,541
Interest on loan due from Ashbert Oil and Gas Limited (Note 10(b))	**1,843,867**	697,897
	5,727,356	3,066,438
Non-current	**1,843,867**	697,897
Current	**3,883,489**	2,368,541
	5,727,356	3,066,438

17. Loans and borrowings

Lekoil Oil and Gas Investments Limited (a wholly owned subsidiary of Lekoil Nigeria Limited), refinanced its existing $10 million Notes Issuance Agreement ("NIA") with FBN Capital Limited ("FBN") and secured a new NGN2 billion (approximately $10 million at the Central Bank of Nigeria exchange rate of 199NGN:1USD at time of execution) facility from FBN for Otakikpo Field development.

The $10 million facility has a maturity of three years and is repayable quarterly after a six-month moratorium with a margin of 11.25% over LIBOR. The existing NIA bridge facility, of which $5 million was due May 2016, was extended and subsequently refinanced into the new USD facility.

The new NGN2 billion ($10 million) facility has a maturity of three years, is repayable quarterly with ten quarterly instalments after a six-month moratorium. The notes have an interest rate referencing the higher of the 30-day average of 90 day NIBOR + 6% or 20%.

The principal plus accrued interest as at 30 June 2016 is $19,164,761 (31 December 2015 is $8,246,746).

17. Loans and borrowings continued

(a) The movement in the loan account was as follows:

In US Dollars	**(Unaudited) 2016**	(Audited) 2015
Balance at 1 January	**8,246,746**	–
Draw-down during the period	**20,106,114**	10,000,000
Effective interest during the period	**435,949**	1,086,283
Interest repayment during the period	**(1,624,048)**	(839,537)
Principal repayment during the period	**(8,000,000)**	(2,000,000)
Balance at end of period	**19,164,761**	8,246,746
Non-current	**15,591,831**	–
Current	**3,572,930**	8,246,746
	19,164,761	8,246,746

18. Revenue

No revenue is reported in these consolidated financial statements as the Group is yet to commence production of oil and gas (2015: Nil).

19. General and administrative expenses

In US Dollars	**(Unaudited) 30 June 16**	(Unaudited) 30 June 15
Directors' fees	**135,000**	220,000
Rent expenses	**832,641**	411,141
Personnel expenses	**5,069,709**	3,121,005
Depreciation and amortisation	**519,043**	355,513
Travel costs	**790,915**	526,899
Community and security expenses	**1,380,689**	67,820
Other expenses	**1,796,586**	2,833,333
	10,524,583	7,535,711

20. Finance income and costs

In US Dollars	(Unaudited) 30 June 16	(Unaudited) 30 June 15
Finance income		
Interest income (a)	**35,186**	–
Net foreign exchange gains (b)	**2,592,874**	919,467
	2,628,060	919,467
Finance costs (c)	**251,008**	27,849

(a) Interest income
Interest income represents interests on an unsecured loan of $1,500,000 granted to a Director on 9 December 2014. The loan has a three year term and bears interest at a rate of four per cent per annum. Repayment is due at the end of the term.

(b) Net foreign exchange gain
Foreign exchange gains represent currency exchange difference gains resulting from the conversion of US dollar amounts to Nigerian Naira amounts; to meet obligations settled in Nigerian Naira. The significant devaluation of Nigeria Naira to the US dollars during the period and large exchange rates disparity between the official exchange rate and the parallel market exchange rate accounted for the significant foreign exchange gain.

(c) Finance costs
Finance costs represent fees on debt financing.

21. Share-based payment arrangements

At 30 June 2016, the Group had the following share-based payment arrangements:

Share option scheme (equity-settled)
The Group established a share option scheme that entitles employees, key management personnel and consultants providing employment-type services to purchase shares in the Group. In accordance with the scheme, holders of vested options are entitled to purchase shares at established prices of the shares 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, 3 June 2012, 19 February 2013, 5 April 2013, 17 May 2013, 26 March 2014, 1 July 2015 and 23 December 2015 based upon a mutual understanding of the terms of the awards at that time. There were no new issuances of stock options in the six-month period to 30 June 2016.

Long-term incentive plan scheme (equity-settled)
Awards were made under the Group's Long Term Incentive Plan (LTIP) which was approved on 19 November 2014 and amended on 21 December 2015. The Board approved the grant of 7,895,000 stock options to employees of the Group on 26 June 2015 and 3,143,000 stock options to the CEO, Olalekan Akinyanmi on 23 December 2015.

Non-Executive Director Share Plan (equity-settled)
On 21 December 2015 the Board adopted the Group's Non-Executive Director Share Plan designed to provide incentives to Non-Executive Directors. The Committee made an award of 500,000 stock options to the Non-Executive Directors under this plan on 23 December 2015.

The NED stock options are not subject to any performance criteria and vest three years from the grant date, subject to successful completion of the 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.

22. Loss per share

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

(i) Loss attributable to ordinary shareholders (basic)

In US Dollars	**(Unaudited) 30 June 16**	(Unaudited) 30 June 15
Loss for the period attributable to owners of the Group	**(5,384,626)**	(4,907,379)

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

	(Unaudited) 30 June 16	(Unaudited) 30 June 15
Issued ordinary shares at 1 January	**488,199,983**	349,297,329
Effect of shares issue	**–**	–
Weighted-average number of ordinary shares at end of period	**488,199,983**	349,297,329

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

(i) Loss attributable to ordinary shareholders (basic)

In US Dollars	**(Unaudited) 30 June 16**	(Unaudited) 30 June 15
Loss for the period attributable to owners of the Company	**(5,384,626)**	(4,907,379)

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

	(Unaudited) 30 June 16	(Unaudited) 30 June 15
Weighted average number of ordinary shares (basic)	**488,199,983**	349,297,329
Effect of share options	**–**	–
Weighted average number of ordinary shares (diluted) at period end	**488,199,983**	349,297,329

23. Taxes

(a) Income tax
The Group with its principal assets and operations in Nigeria is subject to the Petroleum Profit Tax Act of Nigeria (PPTA). However, the Group is yet to commence production and therefore earned no revenue during the year. As a result, no Petroleum Profit Tax (PPT) was charged during the year.

(b) Unrecognised deferred tax assets
Deferred tax assets will arise from unrelieved losses as well as the tax base of assets. These have not been recognised due to uncertainty over the availability of future taxable profit to offset the losses.

24. Related party transactions

(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.

Loans to key management personnel

An unsecured loan of $1,500,000 was granted to a Director on 9 December 2014. The loan has a three year term and bears interest at a rate of four per cent per annum. Repayment is due at the end of the term. At 30 June 2016, the balance outstanding was $1,596,563 (2014: $1,564,655) and is included in 'trade and other receivables'.

Key management personnel transactions

The value of transactions during the period and the outstanding balance at 30 June 2016 due to key management personnel and entities over which they have significant influence were $1.78 million and $0.67 million respectively. During the period ended 30 June 2016, 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.

Key management personnel compensation

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

Key management personnel compensation comprised the following:

In US Dollars	**(Unaudited) 30 June 16**	(Unaudited) 30 June 15
Short-term benefits	**685,969**	2,013,125
Share-based payments	**55,133**	5,664
	741,102	2,018,789

Details of Directors' remuneration (including fair value of share based payments) earned by each Director of the Company during the period are as follows:

	(Unaudited) 30 June 16		(Unaudited) 30 June 15	
In US Dollars	**Short-term benefits**	**Share-based payments**	Short-term benefits	Share-based payments
Lekan Akinyanmi	**415,969**	**42,507**	440,625	–
David Robinson	**–**	**–**	1,352,500	–
Samuel Adegboyega	**70,000**	**2,223**	70,000	–
Aisha Muhammed-Oyebode	**50,000**	**2,601**	50,000	2,549
Greg Eckersley	**50,000**	**2,223**	50,000	–
John van der Welle	**50,000**	**3,356**	50,000	3,115
Hezekiah Adesola Oyinlola	**50,000**	**2,223**	–	–
	685,969	**55,133**	2,013,125	5,664

Key management personnel and Director transactions

Directors of the Company control 9.57% of the voting shares of the Company as at 30 June 2016 (31 December 2015: 9.57%).

(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.

25. Events after the reporting date

Subsequent to period end, Otakikpo-003 well was completed and the rig was demobilised. Onshore facilities are complete while welding and installation work is progressing on the offshore pipelines. Furthermore, the Group drew down NGN1 billion from the NGN5 billion facility approved by Sterling bank and increased the NGN2 billion facility with FBN Capital to NGN4.5 billion. The additional NGN2.5 billion has been fully drawn and has been used to complete infrastructure at Otakikpo prior to the commencement of commercial production.

The Group also obtained an extension of its petroleum exploration licence on Namibian Blocks 2514A&B – EPL 059 which expired on 27 July 2016 for an additional 12 months.

Other than the matters disclosed above, there are no other events between the reporting date and the date of authorising these financial statements that have not been adjusted for or disclosed in these condensed consolidated financial statements.

26. Financial commitments and contingencies

(a) On 17 October 2011, Lekoil Nigeria Limited signed the prepayment agreement relating to a proposed acquisition by Lekoil Nigeria Limited of an interest in another Nigerian field, OPL241 from Oilworld Limited ("Oilworld"). It was proposed that Lekoil Nigeria Limited acquire a 10% participating interest in OPL241 subject to negotiation of a commercial transaction and suitable documentation being agreed (the "OPL241 Acquisition") and certain payments being made by Lekoil Nigeria Limited to Oilworld.

Lekoil Nigeria Limited paid a deposit of $1,000,000 on the understanding that this would be held by Oilworld as a deposit and applied by Oilworld towards any subsequent acquisition by Lekoil Nigeria Limited of a 1% participating interest in OPL241. Ministerial consent would be needed for the transfer of the interests although the OPL241 acquisition has not been completed and Oilworld is still holding the sum of $1,000,000 as a deposit on the above basis. The Prepayment Agreement also states that, if the OPL241 acquisition does not complete, Lekoil Nigeria Limited would have a right of first refusal over the 10% participating interest in OPL 241 held by Oilworld (including the 1% interest to which the $1,000,000 deposit above refers). Oilworld commenced sole risk 3D seismic acquisition in 2013.

(b) Lekoil Limited, Namibia is bound to an agreement for the acquisition of a 77.5% participating interest in the Production Sharing Agreement (PSA) and operatorship in respect of Namibia Blocks 2514A and 2514B with Hallie Investments (Namibia) for the sum of $2.75 million, out of which an initial deposit of $69,660 was made. The amount of $69,660 paid is included in exploration and evaluation assets.

The initial licence expired in July 2016 and was renewed for one year till July 2017.

(c) Lekoil Oil and Gas Investment Limited is bound to the terms under a farm-in agreement with respect to Otakikpo marginal field. For a 40% economic and participating interest, the Company will fund all costs relating to the joint operation until the completion of the initial work programme.

(d) On 5 December 2014, the 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 Ikuru Community in each financial year;
- The joint venture will allocate the sum of $0.53 (NGN 148.32 million Naira) annually for sustainable community development activities.

(e) In May 2015, the Company provided a corporate guarantee in favour of FBN Capital for loan notes issued by Lekoil Oil and Gas Investment Limited, a sub-subsidiary of the Company for the sum of $10 million and NGN 2 billion Naira.

(f) Litigation and claims
There are no litigations or claims involving the Group as at 30 June 2016 (31 December 2015 is Nil).

27. Distribution

The half yearly report for the six month period ended 30 June 2016 will be shortly available on the Company's website (www.lekoil.com) or directly from the Company at its registered address.

Company information

Financial calendar

Announcements

- Full year results for 2016 are expected in April 2017.
- Half-year results for 2017 are expected in September 2017.

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

Directors

Samuel Adegboyega *Non-Executive Chairman*
Olalekan Akinyanmi *Chief Executive Officer*
David Robinson* *Chief Financial Officer*
Gregory Eckersley *Non-Executive Director*
H. Adesola Oyinlola *Non-Executive Director*
Aisha Oyebode *Non-Executive Director*
John Van Der Welle *Non-Executive Director*

*Resigned on 26 June 2015

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
MIRABAUD Securities LLP
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

Akintola Williams Deloitte
Civic Centre Towers
Ozumba Mbadiwe Avenue
Victoria Island
Lagos
Nigeria

Competent person

Netherland, Sewell & Associates Inc
4500 Thanksgiving Tower
1601 Elm Street
Suite 4500
Dallas
Texas 75201

Financial PR

Tavistock Communications
131 Finsbury Pavement
London EC2A 1NT
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

Designed and produced by **fourth**quarter

OUR OFFICES

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

USA
136 Main Street
Suite 301
Princeton, NJ 08540

UK
Berkeley Square House
Suite 276
Berkeley Square
London W1J 6BD