



Annual Report **2018-2019**

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Officers and Advisors

Directors

George Lucan (Managing Director) – appointed 29 January 2019
Patrick Clanwilliam (Non-Executive Chairman) - appointed 6 March 2019
Cameron Buchanan (Non-Executive Director)
Carlos Fernandes (Finance Director) - appointed 6 March 2019
Andrew Hollis (Technical Director) - appointed 6 March 2019

Secretary

Carlos Fernandes

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Chairman's statement

Dear Fellow Shareholders,

It is my pleasure to present you with the Annual Report of Angus Energy plc (the "Company" or "Angus Energy") with its subsidiary undertakings (the "Group") for the year ended 30 September 2019.

When I took the Chairmanship in March 2019 the Company held a portfolio of exploration and production assets focusing on the Weald basin, namely Balcombe, Brockham and Lidsey. Our commitment to these three assets remains solid, notwithstanding the disappointing results from the Kimmeridge BR X4Z well in June, we continue our efforts to develop and/ or extract value from them and, in the case of Balcombe, bring them to the point of production.

In an effort to diversify our portfolio and create a more optimal balance between exploration assets and producing ones, our management team have successfully acquired a 51% interest in a dormant gas asset onshore in Lincolnshire on the edge of the southern North Sea Gas Basin, named Saltfleetby.

This was formerly the UK's largest onshore gas field and was shut in solely due to the closure of the nearby Theddlethorpe Gas Terminal. The technical team are busily engaged in reconnecting this stranded asset to the UK national gas transmission grid and replicating the gas processing work, once performed at the Theddlethorpe site, with advanced equipment on our own site.

The technical, planning and regulatory hurdles are being steadily overcome, and we remain confident that they can be; we believe we should be able to replace even some of the more optimistic revenue expectations which shareholders had for the Brockham BR X4Z well with gas revenues from this field over the next decade.

Financial and Statutory Information

Revenue from oil and gas production during the year was up to £0.2m (2018: £0.066m) on production of a gross 5,346 barrels (2018: 1,678 barrels). This was the result of steady production at the Lidsey Oil Field during the year.

The Group recorded a loss of £5.043m (2018: £2.790m). This increase is due to the impairment of the Group's carrying value of its interests in the Brockham and Lidsey Oil Fields and increased corporate and operational activity.

Outlook

I would add that we have reviewed a great number of new opportunities for shareholders this year and we will continue to explore transactions which can leverage our cost discipline and technical skills base which has been honed in one of the most regulated jurisdictions for oil and gas exploration and development in the World.

Chairman's Statement

In addition to the expected reconnection of Saltfleetby, the year to September 2020 promises the inception of a three year extended well test on the Kimmeridge at Balcombe, subject to outstanding permissions being received, which along with Saltfleetby, should bring the Group material cashflow for the first time and mark a turnaround in the Group's fortunes.

Patrick Clanwilliam

Chairman

04 March 2020

Operating Review

The year to September 2019 was unquestionably a difficult year for the Angus Energy Group, which saw first boardroom upheaval, a one year delay to confirmatory works at Balcombe, followed by the discovery that the Kimmeridge well at Brockham would not commercially flow oil as part of conventional operations.

As a consequence, in part of this poor operating result, the Group's financial resources were strained resulting in a succession of equity placings. Finally, as a backdrop to this, the regulatory environment has become steadily more challenging and all the while the question of sustainability bedevils the UK's onshore oil and gas industry.

Each of these points is dealt with below under the headings Operating Review; Financial Review; Strategy and Sustainability; Governance, Compliance and Shareholder Relations before closing with a brief statement of risks and description of events since reporting as at 30 September 2019 and our Outlook for the period ahead.

The Group has emerged at the end of the year under review with a new properly constituted Board, revised compliance and governance procedures and a fresh commitment to transparency, community engagement and shareholder communications. The Group has also improved its financial position by addressing the issue of cash reserving for abandonment liabilities.

Most importantly, in the acquisition of a 51% interest in the Saltfleetby Gas Field, the Group is ready to transition from a predominantly exploration led company to one which focuses on safe operations, measured production and quantifiable cashflow.

I repeat however my statement last year that our first concern as a Group must be for the safety of our staff, contractors, the public at large and the environment on which we rely on. It is with pleasure that I report that all operations were performed without any safety incidents or environmental damage. We will continue to work in close co-operation with all of our regulators, ensuring a spotless record of compliance – the Oil and Gas Authority (“OGA”), the Environment Agency (“EA”) the Health and Safety Executive (“HSE”) and our local councils.

Business Review

The principal activity of the Group during the year continued to be on-shore, conventional production and development of hydrocarbons in the UK.

Review of activities

Saltfleetby

On 19 June 2019, the Group signed a conditional Farmin Agreement with Wingas Storage (UK) Limited (now Saltfleetby Energy Limited) to acquire a 51% interest in the Saltfleetby gas field (“Field”) and its share in the associated blocks of PEDL005 in Lincolnshire. Saltfleetby gas field

was formerly the UK's largest onshore gas field. The acquisition was unusual in that the Group was paid an initial contribution of £2.5 million to satisfy all abandonment costs at the Field or to assume 100% of the costs to be incurred during the reconnection of the Field to the National Gas Grid.

The Field was shut in in 2017 following the closure of the nearby Theddlethorpe Refinery which effectively stranded the asset. The production profile of the Field is almost perfectly linear against cumulative production and gives a high level of confidence about resumed production following successful reconnection. At present, using only last known production rates, the Field should be able to produce a gross amount of 5 million standard cubic feet a day which is roughly equivalent to 50,750 therms a day which at 40 pence/therm (estimated average price over the last 10 years) is worth just over £7 million per annum.

On 29 July 2019, the Group announced that it had submitted to the National Grid a 'Connection Application' for direct entry to the National Transmission System ("NTS") from the Company's Saltfleetby Gas Field. A detailed feasibility study followed which identified the most suitable tie-in location to the existing NTS connection point at the Theddlethorpe terminal. Furthermore, this study included detailing equipment requirements for gas processing and assessing pipeline routes into the NTS.

On 19 August 2019, the Group disclosed that it had prepared an internal abandonment report which has been reviewed by an Independent Well Examiner. The report supports the Group's third-party quote for decommissioning of all 8 wells on the Field of £1.75 million was appropriate. This amount, taken together with a site remediation estimate of £0.75 million, brings the total potential abandonment liability to the £2.5 million estimated at the time of acquisition.

Balcombe

The year began with the completion of a 7 day well test on the Balcombe 2-Z well. As reported at the time (see announcement of 2 October 2018), the test utilised Nitrogen and coiled tubing to clean and prime the well which when removed allowed a brief natural flow at 853 bopd equivalent, not including 22.5% water.

A second flow period was undertaken with the well flowing naturally at 1,587 bopd equivalent, not including 6.6% water. The Balcombe-2z well produces from a single Micrite Layer, just one of the Kimmeridge Micrite Layers. During the initial flow period, the well slugged at up to 3,000 barrels of oil per day which had to be reduced as it exceeded separator operating capacity. Duration of the test runs were limited. However, significant amounts of water continued to be produced dominating production.

The presence of this water was unexpected and was initially thought to arise from fractured communication with other water bearing reservoirs. Subsequent post-test analysis of the recovered water demonstrated levels of salinity significantly higher than any regional trend, and corresponding with the salinity of brine used as drilling fluid from the section indicating a strong probability that brine lost to the formation during drilling rather than formation water was being produced from the site's Micrite Layers. Subsequent detailed analysis of

drilling records showed evidence of significant brine losses including volumes not recovered during the testing.

Given the mandated length of the short testing sequence, the Company was not able to remove what it now believes is a limited amount of unrecovered brine from the drilling of the well. It had been hoped that the Company might be able to remove the brine drilling fluid losses, under an extension to the existing planning permission but it transpired that this was not possible and a new application needed to be sought.

As a consequence, the Group has submitted a further planning application split into two stages. Stage 1 will be to remove the lost drilling fluids. Should the results of stage one indicate that we have been successful in recovering the lost drilling brine then, Stage 2 will commence with the installation of long-term environmental protection measures and a full 3 year well test with production periods interspersed with shut in periods in order to garner a comprehensive understanding of the extent and pressure dynamics of the reservoir.

The Planning Application was submitted on 3 October 2019 very shortly after the end of the period under review. We continue to expect this planning application to be heard before the 24 March Planning Committee Meeting.

Lidsey

Production at Lidsey continued at a variable self-restricted flow rate of approximately 5,056 bopd over the period (gross, being 3,401 bopd net to Angus), limited by the relatively high cost of disposing of associated water following the limitation of water reinjection imposed by regulatory authorities. Any solution to this would likely require application to the Environment Agency for permissions similar to those sought at Brockham.

Additionally, the Group began an ongoing detailed study into the potential exploration lead. The disappointing horizontal well revealed that current structural mapping is incorrect. Possible improvements to the analysis of the seismic are hoped may give a more reliable structural interpretations and indicate areas of the field not currently drained. Further work is required to work up the target and determine risk and viability however indications are it could be drilled from the existing pad and potentially a sidetrack of one of the existing wells greatly reducing costs as well as any environmental impact.

In light of this, on 26 February 2019 the Group agreed to purchase Doriemus' 20% interest in the Lidsey Licence, PL241 (the "Licence") including its 30% direct participating working interest in the Lidsey-X2 production well, for £467,377 of consideration payable in 8,324,024 shares based on a 20 day volume weighted average price (VWAP) at close of business on Friday 22 February 2019 of 5.6148 pence. This transaction was completed on 18 April 2019 as a consequence of which the Company now has an 80% interest in the Licence.

The Group also successfully applied to West Sussex County Council for a variation on its permission for the site which allows the Group to operate pumping equipment for 24 hours a day, seven days a week at the Lidsey site. There is no variation to the existing limits on any

other operations at the site. Based on the above and as further explained in note 11, the board have recognized an impairment of £0.6 million against its carrying value.

Brockham

The Group began works on its long-term flow testing programme at Brockham in December 2018 with the perforation of the BR-X4Z well to provide communication between the reservoir and the well bore. Logging was carried out confirming the perforated intervals.

In January 2019 work resumed following the Christmas break during which process it became apparent that a part of the perforated interval was producing water. This in turn inhibited significant oil flow. Small quantities of oil of 40 plus API were returned to surface and sampled in the returns and were confirmed through analysis as Kimmeridge oil. Attention therefore turned to isolating the water producing zone.

This involved the return of a workover rig to the site which could not be arranged before April. The well was successfully re-perforated from 988 - 1044m MD, in order to establish the best possible communication with the fracture system present in the Kimmeridge Clay Formation. Following the re-perforation, the tubing-deployed hydraulically-set bridge plug was installed successfully and in early May the Company set about examining the data recovered in this phase of operations. At the end of May the Company engaged in one further treatment to improve communication between reservoir and well.

In late June, having operated the jet pump to recover all treatment fluids, and analysed all possible paths forward, the Company announced to the market that oil, whilst present was not in sufficient quantities to produce and that the primary phase was water.

Explanation for this outcome lies in a developing understanding of the geology of the Kimmeridge in the Weald Basin. The best explanation is that Brockham, at the northern margin of the Weald Basin is just on the edge of the mature zone in which the Kimmeridge has generated sufficient oil to flow, as it undoubtedly does at Horse Hill. As this contour is reached so the maturity of the Kimmeridge declines rapidly and water becomes the primary phase in the reservoir.

The Group immediately followed up the result with consideration of other options for the site and the Licence, which extends further south from Brockham and closer to Horse Hill. The site itself has two other wells both of which connect to the Portland reservoir which is historically where the bulk of oil production has taken place at Brockham. One of these wells is a producer, shut in during the works on the Kimmeridge, and the other is a water injector suspended due to environmental permitting.

The Group is applying for permission to the Environment Agency to resume water injection to manage the Portland reservoir and increase recoveries from the producing well. A Field Development Plan has also been submitted to this effect to the Oil & Gas Authority. The Group believes that, subject to permits being granted, the site would be commercially profitable without any further significant capital expenditure. Recompletion of the BR X4Z well as a Portland producer is also under consideration.

Also, under consideration is a disposal of the Group's interest in the site and the Licence to a third party and discussions have been held with two such parties although these remain inconclusive. A final option, decommissioning of all three wells and restoration of the site has been fully costed and provided for with a designated reserve. Based on the above and as further explained in note 11, the board have recognized an impairment of £0.3 million against its carrying value.

A24 Prospect, formerly Holmwood Prospect

On 20 August 2019 the Company announced that the Oil & Gas Authority had granted a two-year extension to the initial term of the PEDL143 Licence in which the Group has a 12.5% interest. The initial term will now end on 30 September 2022.

The PEDL143 Licence is operated and majority owned by UK Oil & Gas plc which has expressed its intention to evaluate multiple potential new drilling sites outside the nearby Area of Outstanding Natural Beauty and prepare a drilling programme within the initial term of the Licence subject to all regulatory approvals and planning consents.

According to the Operator the Licence "contains the significant "A24" Portland and Kimmeridge oil prospect, a direct geological look-alike to [its] Horse Hill oil field, situated on-trend some 8km to the east. Several smaller prospects of similar size to the nearby Brockham Portland oil field have also been identified."

Strategy and Sustainability

Generally speaking, the Directors' objective is to create long term value for shareholders by building the Group into a profitable onshore oil and gas production company with a reputation for technical excellence but with great cost discipline. The Director's will continue to focus on the UK onshore but do not rule out acquisitions overseas in jurisdictions where the rule of law is strong. We have closely reviewed over ten such acquisitions and have bid on three this year and bought one.

From the point of view of sustainability, the Director's preference is for the acquisition of gas assets as with carbon capture or thermal cracking methane to hydrogen, methane has the greater potential to offer a largely carbon-free energy source for traction, power generation and heating.

In that regard, and now that we are in the methane business, I look forward to familiarising the Company with developments in thermal cracking in the hydrogen energy chain as well as exploring alternative carbon-free end of life use for our sites. In short, I'd like Angus Energy to make a small contribution to the general effort to improve the world and not make it worse.

Global Environment and Stewardship

As a Group we do have duties of stewardship to the wider environment of which we are acutely aware. Our ethical position is that, whilst we might wish to, we cannot presently prevent wholly pathological use of our product in favour of more essential uses. If some of our oil ends up in a private jet plane so equally some ends up producing a heart pump or heating a care home. Here we need the assistance of government who could, by taxation, encourage the benign uses of our product and discourage the less socially acceptable ones.

Additionally, we don't believe that it is desirable to self-limit domestic oil production without an equivalent limitation on domestic consumption. For so long as the UK generates great demand, inter alia, for jet fuel for casual aviation travel, without the slightest discouragement from government, we believe that there is still an environmental and ethical benefit in producing that fuel locally. The first from avoiding the carbon cost of transporting the fuel to the UK and the second from the much improved production standards in terms of health and safety and local environmental impact from production here in the UK as opposed to overseas.

Local Environment

As a responsible OGA approved and Environment Agency ("EA") permitted UK operator, Angus Energy is committed to utilising industry best practices and achieving the highest standards of environmental management and safety. Our operations:

- Continuously assess and monitor environmental impact
- Promote internally and across our industry best practices for environmental management and safety
- Constant attention to maintaining our exemplary track record of safe oil and gas production

There were no reportable health and safety incident during the year.

Community

Angus Energy seeks and maintains positive relationships with its local communities. I am pleased to say we had opportunity this year to engage closely with the local community at Balcombe. We have helped organise two Community Liaison Group meetings and opened a direct emailing system for enquiries, distributed literature addressing resident's concerns and posted the same on our website. Further Community Liaison Group meetings are expected in the near future should our planning application be successful including site visits in which residents will be able to examine the equipment we use in operation.

In general, we are guided by the following principles:

- Open and honest dialogue
- Engagement with stakeholders at all stages of development
- Proactively address local concerns
- Actively minimise impact on our neighbours

Strategic Report

- Adherence to a strict health and safety code of conduct

On 4 June 2018, the Group established the Bruce Watt Memorial Scholarship, a yearly scholarship fund of £10,000 per year to support students from Bognor Regis and the surrounding community to undertake further academic studies beyond secondary school. Currently there have been 4 recipients of the Scholarship award.

Financial Review

The Group began the period with the following interests: 65% of Brockham (PL235), 60% of Lidsey (PL241), 25% of Balcombe field and 12.5% of A24 Prospect (PEDL 143).

The Group had a cash balance of £0.846m as at 30 September 2018.

On 5 November 2018 the Group placed 22,222,222 shares at 9 pence each for £2 million (net £1.85 million) to support works at Brockham.

On 9 January 2019, the Group entered into an agreement with YA II PN Ltd and Riverfort Global Opportunities PCC Limited for a 2-year £3 million convertible loan facility of which £1.5 million was drawn down.

On 15 February 2019 the placed 55,000,000 new Ordinary Shares in the Company with existing, new and institutional shareholders at a price of 4 pence per share to raise gross proceeds of £2,200,000 (the "Placing"). The Placing monies were used by the Group to pay down £1,500,000 of the loan facility raised in January 2019 with the balance reserved for the work programmes at Balcombe and Brockham.

On 30 April 2019, the Group issued a further 70,824,700 new ordinary shares in the Company which was placed with existing and new and institutional shareholders at a price of 4.24 pence per share raising gross proceeds of £3,010,050 to be used for working capital, progressing work on its existing assets and progressing due diligence of a potential acquisition target.

This was followed on 29 May 2019 by a small Open Offer to existing shareholders at the same price which resulted in the Group raising gross proceeds of £31,240 and a total of 735,076 new ordinary shares of the Company being issued.

At the end of the financial year the Group had no loans outstanding.

As noted in the Operating Review above there were two major acquisitions during the year:

On 18 April 2019 the Group completed the acquisition of Doriemus Plc's 20% interest in Lidsey License, PL241as a result the Group now has an interest in the License, including Lidsey-X2 production well, of 80%.

On 19 June 2019 acquired 51% interest in Saltfleetby Gas Field in Lincolnshire. Saltfleetby Energy is expected to retain 49% in the field. The terms of the agreement provided that Saltfleetby Energy pay Angus Energy and initial contribution of £2.5 million which funds will

then be applied by Angus Energy either to assume 100% of the costs to be incurred during the reconnection of the Field to the nation Grid or to satisfy all abandonment costs at the Field.

On 2 December 2019 OGA has given its consent to assignment of a 51% share in Saltfleetby Energy Limited interest in Saltfleetby Field blocks PEDL005. As at the date of this report the Directors' remain confident of being able to reconnect the Field within that budget and that the ultimate abandonment liabilities do not exceed the Company's estimate of £2.5 million.

As at 30 September 2019, the Group retained a 65% in Brockham field, 80% interest in Lidsey field, 25% in the Balcombe field where the Group is the operator of all 3 fields and 51% share in Saltfleetby Energy Limited. The Group also retained a 12.5% interest in the A24 field. The Group had cash balance of £3.419m at the end of reporting year.

The Group generated £0.200m revenue from oil and gas production during the year (2018: £0.066m). This was the result of the sale of 5,346 bbls of oil.

The Group recorded a loss of £5.043m (2018 a loss of £2.790m). For the year under review, the administrative expenses increased to £3.976m (2018: £2.230m). This increase is due to the impairment of the Group's carrying value of its interests in the Brockham and Lidsey Oil Fields and increased corporate and operational activity.

The Group's overall financial objectives are to increase revenue, return to profitability and enhance the asset base supporting the business. In order to monitor its progress towards achieving these objectives, the Group has set a number of key performance indicators, which deal predominately with revenue, profitability, margin and cash flow as above.

Governance, Compliance and Shareholder Relations

We now have a properly constituted Board, with Managing, Finance and Technical Directors supervised by two experience non-executive Directors. The Board which meets regularly alongside with Aim Rules Committee meeting, Remuneration Committee and Audit Committee meetings.

In general, the management structure is very flat. In total we have 11 employees, including management. The Company relies heavily on third party experienced contractors.

It is my expectation to add one compliance officer to deal with all of our regulators and planning authorities which are presently Surrey, Lincolnshire and West Sussex County Council, the Oil & Gas Authority, the Environment Agency and the Health & Safety Executive. Additionally, as a publicly listed company, we are answerable to the AIM Market Division and to the Financial Conduct Authority.

Compliance is an area which has grown more complicated and expensive in recent years and we expect it to get more so. Regulators are being more pro-active and pre-emptive and we have to anticipate their needs and expectations better than we have in the past. We should

aim to maintain better dialogue with all regulators and planners and engage in more frequent use of pre-approval procedures where they are available.

Lastly, most shareholders will agree that communications have improved. It's regrettable that we have had this year some disappointing news to communicate. Nonetheless I don't want this impetus to wane and am pleased with the take up of our Investor Questions Board on our website.

Principal risks and uncertainties

Currency risks

The Group sells its produced crude oil; oil is priced in US dollars whilst the bulk of its costs are in GBP and therefore the Group's financial position and performance will be affected by fluctuations in the US dollar, sterling exchange rate along with fluctuations in the oil price. Accordingly, the value of such transactions may be adversely affected by changes in currency exchange rates, which may have a material adverse effect on the business, financial condition, results of operations and prospects of the Group.

Market risk

The demand for, and price of, oil and gas are highly dependent on a variety of factors beyond the Group's control. The continued marketing of the Group's oil will be dependent on market fluctuations and the availability of processing and refining facilities and transportation infrastructure, including access to roads, train lines and any other relevant options at economic tariff rates over which the Group may have limited or no control. Transport links (including roads and pipelines) may be inadequately maintained and subject to capacity constraints and economic tariff rates may be increased with little or no notice and without taking into account producer concerns. Producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market, the value of refined products and the supply/demand balance. The marketability and prices of oil that may be discovered or acquired by the Group will be affected by numerous factors beyond its control.

Permitting risk

The Group exposed to the planning, environmental, licensing and other permitting risks associated with its operations particularly with exploration drilling operations.

The Group has to date been successful in obtaining the required permits to operate. Therefore, the Group considers that such risks are mitigated through compliance with regulations, proactive engagement with regulators, communities and the expertise and experience of the management team.

Reserve and resource estimates

No assurance can be given that hydrocarbon reserves and resources reported by the Group in the future are present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon reserve and resource estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a

reclassification of reserves as resources. Unless stated otherwise, the hydrocarbon reserve and resources data contained in the financial statements are taken from the Competent Person's Report, at the time of AIM admission on 14 November 2016.

There are uncertainties inherent in estimating the quantity of reserves and resources and in projecting future rates of production, including factors beyond the Group's control. Estimating the amount of hydrocarbon reserves and resources is an interpretive process and, in addition, results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates.

The hydrocarbon resources data extracted from the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of reserve quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Therefore, actual production, revenues, cash flows, royalties and development and operating expenditures may vary from these estimates. Such variances may be material. Reserves estimates are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Group (which it may not necessarily have produced).

The estimates may prove to be incorrect and potential investors should not place reliance on the forward-looking statements (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's reserves and resources or production levels. Hydrocarbon reserves and resources estimates are expressions of judgment based on knowledge, experience and industry practice. They are therefore imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Estimates that were reasonable when made may change significantly when new information from additional analysis and drilling becomes available.

This may result in alterations to development and production plans which may, in turn, adversely affect operations. If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

Events after the reporting period

The Group had a cash balance of £3.419m as at 30 September 2019 subsequent to the significant cash movements described during the reporting period.

On 3 October 2019 the Company submitted its Planning Application to West Sussex County Council for an extended well test at its Balcombe site. An objection raised by the Environment Agency required the company to produce an additional Hydrogeological Risk Assessment Report and this was submitted to the County Council on 20 December 2019.

On 25 October 2019, in order to meet the additional cash requirement identified by the Company's decommissioning review the Company entered into a £1.5 million Convertible Loan Note facility led by Riverfort Global Opportunities PCC Limited. £1 million of this facility was drawn down immediately and the net proceeds of £897,500 were applied as to £650,000 directly to the designated abandonment reserves for Brockham and Lidsey.

The Loan Note carries no interest and allows for conversion of amounts drawn down at the option of the holder at the lower of a 7.5% discount to the average of the 3 lowest daily Volume Weighted Prices ("VWAP") (over the previous 10 days) into shares in Angus Energy or, up to a maximum of 50% of any tranche, at a price equivalent to 130% of the 5 day VWAP prior to drawdown of any tranche. Absent conversion, amounts must be repaid after 12 months. As at the time of going to press, £200,000 of this Loan Note had been converted leaving a balance of £800,000 outstanding.

On 2 December 2019 the OGA approved the transfer of the Licence PEDL005 and Operatorship for the Saltfleetby Gas Field on that Licence.

On 8 January 2020 the Company announced that Jonathan Tidswell, a former director, had repaid in full his outstanding Director's Loan of £200,000.

Outlook

Whilst we are constantly looking for new opportunities where our cost discipline, technical expertise and lean management structure can prevail, our primary focus this year is to get Balcombe and Saltfleetby into production. The milestones for reconnecting Saltfleetby have been communicated to shareholders – the endeavour is complex and demanding but well within our capabilities. Balcombe, too, looks to have great potential as a producing asset, planning considerations being overcome. The prize for both is production and cash generation for shareholders.

Approved by the Board of Directors and signed on behalf of the Board.

George Lucan
Managing Director
04 March 2020

Details of all our assets and operations can be found at www.angusenergy.co.uk

Corporate Governance Statement

The Directors recognise that good corporate governance is a key foundation for the long term success of the Group. The Company is listed on the AIM market of the London Stock Exchange and is subject to the continuing requirements of the AIM Rules. The Board has therefore adopted the principles set out in the Corporate Governance Code for small and mid-sized companies published by the Quoted Companies Alliance (“QCA Code”). The principles are listed below with an explanation of how the Company applies each principle, and the reasons for any aspect of non-compliance.

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

Angus Energy Plc provides shareholders with a full discussion of corporate strategy within our Annual Report. A dedicated section explains how we will establish long term shareholder value, as set out on page 10.

The Company is focused around 3 key strategic goals:

- increase production and recovery from its existing asset portfolio;
- grow the asset portfolio through select onshore development and appraisal projects;
- actively manage costs and risks through operational and management control of the entire process of exploring, appraising and developing its assets.

The Management team actively evaluates projects that simultaneously de-risk the current portfolio and create long term shareholder value. Projects are evaluated based on many characteristics to mitigate risk to our current activities they include but are not limited to alignment with the Company’s core competencies, geography, time horizon and value creation. Further, a core component of the Company’s activities include an active dialogue with our legal and legislative advisors to ensure the Company remains up to date on current legislation, policy and compliance issues.

The key challenges to the business and how they may be mitigated are detailed in the Strategic Report on pages 6 to 16.

2. Seek to understand and meet shareholder needs and expectations

Angus Energy encourages two-way communication with institutional and private investors. The Group’s major shareholders maintain an active dialogue to and ensure that their views are communicated fully to the Board. Where voting decisions are not in line with the company’s expectations the Board will engage with those shareholders to understand and address any issues. The Company Secretary is the main point of contact for such matters.

The Company seeks out appropriate platforms to communicate to a broad audience its current activities, strategic goals and broad view of the sector and other related issues. This includes but is not limited to media interviews, website videos in -person investor presentations and written content.

Corporate Governance Statement

Communication to all stakeholders is the direct responsibility of the Senior Management team. Managers work directly with professionals to ensure all inquiries (through established channels for this specific purpose such as email or phone) are addressed in a timely matter. And that the Company communicates with clarity on its proprietary internet platforms. Senior management routinely provides interviews to local media, and business reporters in support of the company's activities. The Board routinely reviews the Company communication policy and programmes to ensure the quality communication with all stakeholders.

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

In all endeavours, the Company gives due consideration to the impact on its neighbours. The Company seeks out methodologies, processes and expertise in order to address the concerns of the non-investment community. As such, it actively identifies the bespoke needs of local communities and their respective planners.

For example, the company provides for local hotlines and establishes community liaison groups to address local questions and concerns.

Angus Energy seeks to maintain positive relationships within the communities we operate. As such, Angus Energy is dedicated to ensuring:

- Open and honest dialogue;
- Engagement with stakeholders at all stages of development;
- Proactively address local concerns;
- Actively minimise impact on our neighbours; and
- Adherence to a strict health and safety code of conduct

As a responsible OGA approved and EA permitted UK operator, Angus Energy is committed to utilising industry best practices and achieving the highest standards of environmental management and safety.

Our operations:

- Continuously assess and monitor environmental impact;
- Promote internally and across our industry best practices for environmental management and safety; and
- Constant attention to maintaining our exemplary track record of safe oil and gas production.

The Company has also established a scholarship programme for community residents seeking secondary or further education.

For more information please refer to the page 11 of the Annual Report as well as the Community section within the Company's corporate website.

4. Embed effective risk management, considering both opportunities and threats, throughout the organization

Risk Management in the Strategic Report details risks to the business, how these are mitigated and the change in the identified risk over the last reporting period.

The Board considers risk to the business at every Board meeting (at least 8 meetings are held each year) and the risk register is updated at each meeting. The Company formally reviews and documents the principal risks to the business at least annually.

Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.

5. Maintain the Board as a well- functioning, balanced team led by the chair

Oversight of Angus Energy is performed by the Company's Board of Directors. Patrick Clanwilliam, the acting Non-Executive Chairman, is responsible for the running of the Board and George Lucan, the Managing Director, has executive responsibility for running the Group's business and implementing Group strategy. All Directors receive regular and timely information regarding the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. In addition, minutes of the meetings of the Directors of the main UK subsidiary are circulated to the Group Board of Directors. All Directors have direct access to the advice and services of the Company Secretary and are able to take independent professional advice in the furtherance of the duties, if necessary, at the company's expense.

The Board comprises of three Executive Directors and two Non-Executive Directors with a mix of significant industry and business experience within public companies. The Board considers that all Non- executive Directors bring an independent judgement to bear. All Directors must commit the required time and attention to thoroughly fulfil their duties.

The Board has a formal schedule of matters reserved to it and is supported by the Audit, Remuneration, Nomination and AIM Rules compliance committee. The Schedule of Matters Reserved and Committee Terms of Reference are available on the Company's website and can be accessed on the Corporate Governance page of the website.

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

The nomination committee will determine the composition of the Board of the Group and appointment of senior employees. It will develop succession plans as necessary and report to the Directors. Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

Corporate Governance Statement

The Company Secretary supports the Chairman in addressing the training and development needs of Directors.

As a small company, all members of the Board share responsibility for all Board functions. As such the Board will from time to time engage outside consultants to provide an independent assessment.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness. All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Details of the Board performance effectiveness process will be included in the Directors' Remuneration Report on page 26.

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

The Group is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibilities (CSR) and sustainability, guide the Group's relationships with clients, employees and the communities and environment in which we operate. The Group's approach to sustainability addresses both our environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners.

Company policy strictly adheres to local laws and customs while complying with international laws and regulations. These policies have been integral in the way group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

The ethical values of Angus Energy including environmental, social and community and relationships, are set out on pages 10 and 11 of the Annual Report.

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

The Company has adopted a model code for directors' dealings and persons discharging managerial responsibilities appropriate for an AIM company, considering the requirements of the Market Abuse Regulations ("MAR"), and take reasonable steps to ensure compliance is also applicable to the Group's employees (AIM Rule 21 in relation to directors' dealings).

The Corporate Governance Statement details the company's governance structures, the role and responsibilities of each director. Details and members of the Audit Committee,

Corporate Governance Statement

Remuneration Committee, Nomination Committee and AIM Rules compliance committee can be found on pages 21.

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

The Company encourages two- way communication with both its institutional and private investors and responds quickly to all queries received. The Managing Director talks regularly with the Group's major shareholders and ensures that their views are communicated fully to the Board.

The Board recognises the AGM as an important opportunity to meet private shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

To the extent that voting decisions are not in line with expectations, the Board will engage with shareholders to understand and address any issues.

In addition to the investor relations activities carried out by the Company as set out above, and other relevant disclosures included on this Investor Relations section of the Company's website, reports on the activities of each of the Committees during the year will be set out in the Annual Report on page 21.

The Board and its committees

At the beginning of the reporting year, the Board of the Group consisted of one Executive Directors and three non-Executive Directors. At the date of approval these financial statements, this changed to three Executive Directors and two non-Executive Directors.

The Board met on 10 occasions during the year to 30 September 2019. The table below sets out the Board meetings held by the Company for the financial year ended 30 September 2019 and attendance of each Director:

Executive Directors

George Lucan	[09/10]
Carlos Fernandes	[10/10]*
Andrew Hollis	[09/10]
Paul Vonk	[02/10]

Non-Executive Directors

Patrick Clanwilliam	[08/10]
Cameron Buchanan	[10/10]

*Prior to Carlos Fernandes' appointment to the Board, he was the Head of Finance of the Group and attended every board meeting in the year.

Corporate Governance Statement

The Group has established an audit committee, a remuneration committee, a nomination committee and an AIM Rules compliance committee with formally delegated duties and responsibilities.

Audit committee

The audit committee comprised of Carlos Fernandes, George Lucan and Patrick Clanwilliam, with Carlos Fernandes as chairman. On 9 January 2019, Rob Shepherd stepped down from the group and Paul Vonk was replaced with George Lucan on 29 January 2019. On 6 March 2019, Cameron Buchanan was replaced by Patrick Clanwilliam and Carlos Fernandes was appointed as chairman. The composition of these committees may change over time as the composition of the Board changes.

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting.

The Auditor Committee Report is presented on page 21 to 22.

Remuneration committee

The remuneration committee comprised of Patrick Clanwilliam and Cameron Buchanan, with Patrick Clanwilliam as chairman. On 9 January 2019, Rob Shepherd stepped down from the Group and Cameron Buchanan took over as chairman. On 6 March 2019, Chris De Goey stepped down and Patrick Clanwilliam was appointed as chairman. The composition of these committees may change over time as the composition of the Board changes.

The remuneration committee will determine the scale and structure of the executive directors' and senior employees' remuneration and the terms of their respective service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors of the Group will be set by the Chairman and executive members of the Board.

The Directors' Remuneration Report is presented on page 26 to 28.

Nomination committee

The nomination committee comprised of Patrick Clanwilliam, Andrew Hollis and Cameron Buchanan with Patrick Clanwilliam as chairman. On 9 January 2019 Rob Shepherd was replaced with Chris De Goey and George Lucan added on 29 January 2019. On 6 March 2019 Chris De Goey was replaced with Andrew Hollis and George Lucan was replaced with Patrick Clanwilliam. The composition of these committees may change over time as the composition of the Board changes.

The nomination committee will determine the composition of the Board of the Group and appointment of senior employees. It will develop succession plans as necessary and report to the Directors.

Corporate Governance Statement

Where new Board appointments are considered the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Board carries out an evaluation of its performance annually, taking into account the Financial Reporting Council's Guidance on Board Effectiveness.

AIM Rules compliance committee

The AIM Rules compliance committee comprised of George Lucan, Cameron Buchanan and Patrick Clanwilliam with George Lucan as chairman. On 9 January 2019, Rob Shepherd stepped down from the group and Cameron Buchanan took over as Chairman. Paul Vonk was replaced with George Lucan as chairman on 29 January 2019. On 6 March 2019 Patrick Clanwilliam was appointed.

The AIM Rules compliance committee will ensure that procedures, resources and controls are in place to ensure that AIM Rules compliance by the Group is operating effectively at all times and that the executive directors are communicating effectively with the Group's nominated adviser regarding the Group's ongoing compliance with the AIM Rules and in relation to all announcements and notifications and potential transactions.

The Board will keep the Group's compliance with the new Market Abuse Regulation (MAR) regime under review and will adopt such policies and practices as the Board consider necessary to ensure such compliance from time to time. This includes compliance with requirements regarding directors' dealings.

The AIM Rules compliance committee met three times during the period under review to discuss Jonathan Tidswell-Pretorius and general compliance issues.

Other matters

In 2017, a loan of £200,000 was advanced to former director, Jonathan Tidswell-Pretorius, in connection with settling certain tax obligations arising from historical company matters, approved by the non-executive directors in accordance with the Company's corporate governance guidelines. The loan was repayable on demand and unsecured, and restrictions were placed on equity or share option dealing by the director during the tenure of the loan. The loan was subsequently repaid on 7 January 2020.

The Board believes that the Group has a strong governance culture and this has been reinforced by the adoption of the QCA Code and recognition of the key principles of corporate governance set out in the QCA Code, which the Board continually considers in a manner appropriate for a company of its size.

Patrick Clanwilliam

Chairman

04 March 2020

Audit Committee Report

The Audit Committee helps the Board discharge its responsibilities regarding financial reporting, external and internal audits and controls as well as reviewing the Group's annual and half-year financial statements, other financial information and internal Group reporting. This includes:

- considering whether the Company has followed appropriate accounting standards and, where necessary, made appropriate estimates and judgments taking into account the views of the external auditors;
- reviewing the clarity of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
- where the audit committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the Board of directors;
- reviewing material information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
- reviewing the adequacy and effectiveness of the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the Board itself, review the Company's internal control and risk management systems and, except where dealt with by the Board or risk management committee, review and approve the statements included in the annual report in relation to internal control and the management of risk.

The Audit Committee assists by reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the Group's internal controls and risk management systems. The ultimate responsibility for reviewing and approving the Annual Report and financial statements and the half-yearly reports remains with the Board.

During the year, no non-audit services were provided to the group for the year under review. The audit committee considered the nature, scope of engagement and remuneration paid were such that the independence and objectivity of the auditors were not impaired. Fees paid for audit services are disclosed in Note 6.

During the financial year, the Audit Committee met twice with the auditor, Crowe U.K. LLP, to review audit planning and findings with regard to the Annual Report and review comments of the interim financial statements.

Significant reporting issues considered during the year included the following:

1. Impairments of oil assets

The Committee has reviewed the carrying values of the Groups oil assets, comprised of the oil production assets, exploration and evaluation (E&E) assets. Based on the work performed during the audit, and through discussions with management, the committee considers that the carrying value of E&E assets are not impaired. The committee have considerate prudent to impair the oil production assets by £0.9 million based on the estimated oil reserves and forecast level of future production.

Audit Committee Report

2. Going concern

The Committee also considered the Going Concern basis on which the accounts have been prepared and can refer shareholders to the Group's accounting policy set out in Note 3.3 and Note 4 (c). The directors are satisfied that the going concern basis is appropriate for the preparation of the financial statements.

Carlos Fernandes
Chairman – Audit Committee

Directors' Remuneration Report

This report sets out the remuneration policy operated by the Company in respect of the Executive and Non-Executive Directors. The remuneration policy is the responsibility of the Remuneration Committee, a sub-committee of the Board. No Director is involved in discussions relating to their own remuneration.

Remuneration policy

The objective of the proposed remuneration policy is to attract, retain and motivate high calibre executives to deliver outstanding shareholder returns and at the same time maintain an appropriate compensation balance with the other employees of the Group.

Directors' remuneration

The normal remuneration arrangements for Executive Directors consists of base salary, performance bonuses and other benefits as determined by the Board. Each of the Executive Directors has a service agreement that can be terminated at any time by either party giving to the other twelve months' written notice. Compensation for loss of office is restricted to base salary and benefits only.

The remuneration packages for the Executive Directors are detailed below:

- **Base Salary:**
Annual review of the base salaries of the Executive Directors are concluded after taking into account the Executive Directors' role, responsibilities and contribution to the Group performance.
- **Performance Bonus:**
Bonus arrangements are discretionary and are payable depending on the performance of the Executive Directors in meeting their key performance indicators and in the wider context with the performance of the Group.
- **Benefits:**
Benefits include payments for provident funds that are mandatory and statutory pension payments as required by laws of the resident countries of the Executive Directors, health insurance and other benefits.
- **Longer term incentives:**
In order to further incentivise the Directors and employees, and align their interests with shareholders, the Company has granted share options in the current and previous years, as set out on page 28. The share options will vest at various future dates as described in the note 16 to the financial statements. There are no conditions attached to vesting other than service conditions.

Non-Executive Directors are remunerated solely in the form of Director Fees determined by the Board and are not entitled to pensions, annual bonuses or employee benefits.

Directors' Remuneration Report

Performance evaluation

All Directors undergo a performance evaluation before being proposed for re-election to ensure that their performance is and continues to be effective, that where appropriate they maintain their independence and that they are demonstrating continued commitment to the role.

Appraisals are carried out each year with all Executive Directors. All continuing Directors stand for re-election every 3 years. Succession planning at the current time is limited due to the current size of the Board.

The tables below set out the respective Directors' remuneration and fees:

2019	Salary	Termination payment	Share based payment	Total
	£'000		£'000	£'000
George Lucan	82	-	10	92
Andrew Hollis	60	-	10	70
Carlos Fernandes	60	-	10	70
Cameron Buchanan	26	-	10	36
Patrick Clanwilliam	68	-	10	78
Paul Vonk	30	300	-	330
Chris De Goey	8	-	-	8
Robert Shepherd	6	-	-	6
	<u>340</u>	<u>300</u>	<u>50</u>	<u>690</u>
	<u><u>340</u></u>	<u><u>300</u></u>	<u><u>50</u></u>	<u><u>690</u></u>
2018	Salary	Share based payment	Total	
	£'000	£'000	£'000	
Jonathan Tidswell – Pretorius	90	-	90	
Paul Vonk	120	-	120	
Cameron Buchanan	20	-	20	
Robert Shepherd	20	-	20	
Chris De Goey	20	-	20	
	<u>270</u>	<u>-</u>	<u>270</u>	
	<u><u>270</u></u>	<u><u>-</u></u>	<u><u>270</u></u>	

The Remuneration Committee met twice during the year to review the scale and structure of the executive directors' and senior employees' remuneration.

Directors' Remuneration Report

The Remuneration Committee proposed the grant of 23.9 million share options under the Company's existing Employee Incentive Schemes (the "Options") to Directors and other staff. A further 10.65 million share options were issued during the period. The share options to be granted were approved by the Board as part of the Company's annual share option grants.

The share options are as follows:

George Lucan	3,100,000
Carlos Fernandes	5,100,000
Cameron Buchanan	3,750,000
Andrew Hollis	4,100,000
Patrick Clanwilliam	3,100,000
Other employees	<u>15,400,000</u>
	<u>34,550,000</u>

Patrick Clanwilliam

Chairman – Remuneration Committee

Board of Directors

George Lucan

Managing Director

Experienced finance professional with over thirty years' behind him in debt and equity markets. After graduating from Cambridge University, he began his career at Dresdner Kleinwort Benson where he spent 10 years, mainly within the Structured Finance team, and continued in alternative fund management, most recently with Rudolf Wolff Limited. He brings, in addition, private equity experience in the fields of energy and alternative energy.

Andrew Hollis

Technical Director

Andrew has over 40 years' experience in all technical aspects of oil and gas, exploration and production. After 25 years in petroleum and reservoir engineering for British Gas he became an independent consultant specialising in Russia, the FSU and Eastern Europe and also provided specialist reserves determination skills to Gaffney Cline and Associates.

Carlos Fernandes

Finance Director

Carlos has been part of the Angus team since 2013 and has seen the company's transition from private to public. Prior to his appointment as Finance Director he was the Chief Financial Officer of the group. He has over 11 years commercial experience working in the Mining and Oil & Gas industry.

Cameron Buchanan

Non-Executive Director

Cameron Buchanan is a former Scottish politician, who served as a Scottish Conservative Party Member of the Scottish Parliament for the Lothian region from 2013 to 2016. After a career in the Scottish textile industry he also served as vice-chairman of the Scottish Conservatives. Buchanan was educated at St Edward's School & Sorbonne University. Cameron is also Honorary Consul for the Philippines in Scotland and serves on the Boards of many other UK companies.

Patrick Clanwilliam

Non-Executive Chairman

Paddy's previous responsibilities include the Chair of Eurasia Drilling Company Limited (EDCL.LI) the largest drilling and work-over company in Eurasia. He is also a former non-executive director of SOMA Oil & Gas, a private exploration play in deepwater offshore Somalia and OJSC Polyus Gold (OPYGY) the largest Russian gold mining company by market share.

Directors' Report

The Directors present their report together with the audited consolidated financial statements of Angus Energy plc for the year ended 30 September 2019.

Results and Dividends

The Group recorded a loss after tax of £5.043m for the year (2018: £2.790m). The Directors do not recommend the payment of a dividend.

Directors

The Directors who were in office during the year and up to the date of signing the financial statements, unless stated, were:

Executive Director

George Lucan – appointed on 29 January 2019

Carlos Fernandes – appointed on 6 March 2019

Andrew Hollis – appointed on 6 March 2019

Paul Vonk- resigned on 29 January 2019

Non-Executive Director

Patrick Clanwilliam – appointed on 6 March 2019

Cameron Buchanan

Robert Shepherd resigned on 29 January 2019

Chris De Goey resigned on 6 March 2019

The Directors of the Company at the date of this report, and their biographical summaries, are given on page 29.

The Directors' remuneration is detailed in the Directors' Remuneration Report on page 28. All Directors benefit from the provision of Directors' and Officers' indemnity insurance policies. Premiums payable to third parties were £7,840 (2018 – 8,033).

Research and development

As disclosed in Note 11 and 12, the Group incurred expenditure in development of oil field. There is no other research and development activity during the year under review.

Share Capital

At the date of this report ordinary shares are issued and fully paid. Detail of movement in share capital during the year is given in note 15 to the financial statements.

Directors' Report

Substantial Shareholders

As of the date of this report the Group had been notified of the following interests of 3% or more in the Group's ordinary share capital:

	Percentage of shareholding
Knowe Properties Limited	7.96%
Rupert Labrum	6.99%
JDA Consulting Ltd	5.25%
Jonathan Tidswell-Pretorius*	4.75%*

* The former Executive Director Jonathan Tidswell-Pretorius holds 3% or more in the Group's share capital.

Share options

During the year, the Company has granted the following share options with a weighted average exercise price of £0.0385.

	Number of options	Percentage of total options available
George Lucan	3,100,000	9.0%
Carlos Fernandes	5,100,000	14.7%
Other staff (excluding consultants and non-executive directors)	12,850,000	37.0%
Andrew Hollis	4,100,000	12.0%
Cameron Buchanan	3,750,000	11.0%
Patrick Clanwilliam	3,100,000	9.0%
Consultants and other service providers	2,550,000	7.3%
	<u>34,550,000</u>	

Financial Instruments

The financial risk management objectives and policies of the Group in relation to the use of financial instruments and the exposure of the Group and its subsidiary undertakings to its main risks, credit risk and liquidity risk, are set out in note 22 to the financial statements.

Employees

The Group had 11 employees as at 30 September 2019 (2018: 11). Employees are encouraged to directly participate in the business through an Enterprise Management Incentive Scheme, which set out in note 16 to the financial statements.

Directors' Report

Going Concern

As disclosed in Note 3.3 to the financial statements, it refers to the assumptions made by the Directors when concluding that it remains appropriate to prepare the financial statements on the going concern basis.

Events after the reporting period

Events after the reporting period have been disclosed in Note 26.

Disclosure of Information to the Auditor

In the case of each person who was a Director at the time this report was approved:

- so far as the Director was aware there was no relevant audit information of which the Company's auditor was unaware; and
- the Director has taken all steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor was aware of that information.

Auditor

A resolution to reappoint the auditor, Crowe U.K. LLP, will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

George Lucan

Managing Director

Statement of Director's Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and have elected under the company law to prepare the Company statements in accordance with UK accounting standards.

The financial statements are required by law and applicable accounting standards to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the Strategic Report and Directors' report which comply with the requirements of the Companies Act 2006;
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Angus Energy PLC website www.angusenergy.co.uk.

Legislation in the United Kingdom governing the preparation and dissemination of financial statement may differ from legislation in other jurisdictions.

Independent Auditor's Report To The Members of Angus Energy Plc

Opinion

We have audited the financial statements of Angus Energy plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2019, which comprise:

- the Group statement of comprehensive income for the year ended 30 September 2019;
- the Group and parent company statements of financial position as at 30 September 2019;
- the Group statement of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's Report To The Members of Angus Energy Plc

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £330,000 (2018: £200,000), based on 2% of Group total assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £13,750 (2018: £6,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our Group audit scope included a full audit of all three reporting entities which account for 100% of the Group's net assets and loss before tax.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

<i>Key audit matter</i>	<i>How the scope of our audit addressed the key audit matter</i>
Carrying value of oil & gas production assets	<p>At 30 September 2019, the carrying value of oil & gas production assets was £6.416million.</p> <p>We focused on this area due to the significance of the carrying value of the assets. The risk of impairment was considered likely to be highly sensitive to assumptions and estimates about future oil and gas prices and discount rate. Other assumption include exchange rates, future production levels, reserves and operating costs.</p>

We evaluated management's assessment of indicators of impairment and recoverability assessment for the Group's oil & gas production assets. We have:

- tested price and discount rate assumptions by comparing forecast oil price assumptions to the latest market evidence available and reviewed the reasonableness of the discount rate applied;
- tested the accuracy of the forecast cash flows and the assumptions used within the cash flow projection model.
- We assessed the quality of management's previous budgets and forecasts by comparing them to actual performance.

We have considered the adequacy of the disclosure to the financial statements in respect of the impairment recognised and the work performed by management including the key judgement and sensitivity analysis presented in note 4 and note 11 respectively. The recoverable value of the Brockham and Lidsey production assets are based on the net present value of estimated future net cash flow after the application of an appropriate discount rate. If the production rate or reserve quantity are less than anticipated, appropriate adjustments would be necessary to further impair the carrying value of these assets.

Carrying value of exploration and evaluation (E&E) assets

At 30 September 2019, the carrying value of exploration and evaluation assets was £5.878million.

We obtained and reviewed the contracts of agreement for the farm-in interest acquired in Saltfeetby. We also reviewed management's assessment of the future decommissioning costs and assessed the appropriateness of the assumptions concerning the timing and discounting of the estimated cost of decommissioning.

We reviewed management's assessment of indicators of impairment for the ongoing exploration assets under IFRS 6 including the review of the validity of the licence and the progress of the technical work to date. In addition, we evaluated management's Net Present Value (NPV) models for the Balcombe assets. We challenged the key estimates and assumptions used by management.

Independent Auditor's Report To The Members of Angus Energy Plc

We reviewed the disclosure made concerning this matter to ensure that it is consistent with our understanding.

Going concern

We reviewed management's financial projections for the Group for a period of more than 12 months from the date of approval of the financial statements. We challenged management on the assumptions underlying those projections and sensitised them to reduce anticipated net cash inflows from future trading activities.

We assessed the completeness and accuracy of the matters described in the going concern disclosure within the significant accounting policies and the critical judgements, as set out in Note 3.3 and 4 respectively.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report To The Members of Angus Energy Plc

Use of our report

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

John Glasby

Senior Statutory Auditor

For and on behalf of

Crowe U.K. LLP

Statutory Auditor

St Bride's House

10 Salisbury Square

London EC4Y 8EH

Date: 04 March 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £'000	2018 £'000
Revenue	5	200	66
Cost of sales		(295)	(167)
		<hr/>	<hr/>
Gross loss		(95)	(101)
Administrative expenses		(3,976)	(2,230)
Impairment charge	11	(900)	-
Share option charge	16	(79)	(75)
		<hr/>	<hr/>
Operating loss	6	(5,050)	(2,406)
Finance income	7	7	6
Finance cost	7	-	(390)
		<hr/>	<hr/>
Loss before taxation		(5,043)	(2,790)
Taxation	9	-	-
		<hr/>	<hr/>
Loss for the year		(5,043)	(2,790)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss for the year		(5,043)	(2,790)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the parent company		(5,043)	(2,790)
		<hr/>	<hr/>
Total comprehensive loss attributable to:			
Owners of the parent company		(5,043)	(2,790)
		<hr/>	<hr/>
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (EPS) attributable to owners of the parent:	18		
Basic and diluted EPS (in pence)		(1.08)	(0.94)

The notes on page 44 to 64 form part of these of financial statements

All amounts are derived from continuing operations.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019**

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	14	20
Exploration and evaluation assets	12	5,878	5,218
Oil & gas production assets	11	6,416	5,225
Total non-current assets		12,308	10,463
Current assets			
Trade and other receivables	14	794	791
Cash and cash equivalents		3,419	846
Total current assets		4,213	1,637
TOTAL ASSETS		16,521	12,100
EQUITY			
Equity attributable to owners of the parent:			
Share capital	15	1,082	763
Share premium	15	21,117	14,142
Merger reserve	17	(200)	(200)
Accumulated loss		(9,561)	(4,597)
TOTAL EQUITY		12,438	10,108
Current liabilities			
Trade and other payables	19	1,031	1,440
Total current liabilities		1,031	1,440
Non-current Liabilities			
Provisions	20	3,052	552
Total non-current liabilities		3,052	552
TOTAL LIABILITIES		4,083	1,992
TOTAL EQUITY AND LIABILITIES		16,521	12,100

The notes on page 44 to 64 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 04 March 2020 and were signed on its behalf by:

George Lucan - Director

Company number: 09616076

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 SEPTEMBER 2019**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Accumulated loss £'000	Total equity £'000
Balance at 30 September 2017	481	5,753	(200)	(1,882)	4,152
Loss for the year	-	-	-	(2,790)	(2,790)
Total comprehensive income for the year	-	-	-	(2,790)	(2,790)
Transaction with owners					
Issue of shares	282	8,659	-	-	8,941
Less: issuance costs	-	(270)	-	-	(270)
Grant of share options	-	-	-	75	75
Balance at 30 September 2018	763	14,142	(200)	(4,597)	10,108
Loss for the year	-	-	-	(5,043)	(5,043)
Total comprehensive loss for the year	-	-	-	(5,043)	(5,043)
Transaction with owners					
Issue of shares	319	7,450	-	-	7,769
Less: issuance costs	-	(475)	-	-	(475)
Grant of share options	-	-	-	79	79
Balance at 30 September 2019	1,082	21,117	(200)	(9,561)	12,438

The notes on page 44 to 64 form part of these of financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 30 SEPTEMBER 2019

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flow from operating activities		
Loss for the period before taxation	(5,043)	(2,790)
Adjustment for:		
Share option charge	79	75
Equity settled in lieu professional fees	60	226
Interest receivables	(7)	(6)
Interest payable	-	390
Impairment charge	900	-
Depreciation of owned assets	36	26
Cash used in operating activities before changes in working capital	(3,975)	(2,079)
Change in trade and other receivables	3	(44)
Change in other payables and accruals	(408)	1,115
Cash used in operating activities before tax	(4,380)	(1,008)
Income tax paid	-	-
Net cash flow used in operations	(4,380)	(1,008)
Cash flow from investing activities		
Proceeds from acquisition exploration and evaluation assets	2,500	-
Acquisition of property, plant and equipment	10 -	(16)
Acquisition of exploration and evaluation assets	12 (660)	(5,011)
Acquisition of oil production assets	11 (1,684)	(2,399)
Net cash flow from investing activities	156	(7,426)
Cash flow from financing activities		
Proceeds from issuance of convertible loan notes	-	3,000
Proceeds from issuance of shares	6,797	5,056
Net cash flow from financing activities	6,797	8,056
Net increase/(decrease) in cash & cash equivalents	2,573	(378)
Cash and equivalent at beginning of period	846	1,224
Cash and equivalent at end of period	3,419	846

Details of the non-cash transaction are disclosed in note 16.

The notes on page 44 to 64 form part of these of financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Angus Energy Plc (the “Company”) is incorporated and domiciled in the United Kingdom. The address of the registered office is Building 3 Chiswick Park, 566 Chiswick High Road, London, W4 5YA.

The principal activity of the Company is that of investment holding. The principal activity of the Group is that of oil and gas extraction for distribution to third parties. The principal activities of the various operating subsidiaries are disclosed in note 13.

2. Presentation of financial statements

The financial statements have been presented in Pounds Sterling (£) as this is the currency of the primary economic environment that the group operates in. The amount are rounded to the nearest thousand (£'000), unless otherwise stated.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

3.1 Basis of preparation

These financial statements have been prepared in accordance with International financial Reporting standards (IFRSs) as adopted by the European Union and the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for certain assets which are stated at their fair value.

3.2 New standards, amendments to and interpretations to published standards not yet effect

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU. The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except as mentioned below:

(a) IFRS 9, Financial instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. It simplifies the existing categories of financial instruments, introduces an expected credit loss model and redefines the criteria required for hedge effectiveness. With the adoption of IFRS 9, the Group has applied the exemption from the requirement to restate comparative information about classification and measurement, including impairment. The impact of adopting IFRS 9 on the Group’s statement of financial position and accumulated loss was deemed to be immaterial and as such no adjustments have been recorded on transition.

(b) IFRS 15, Revenue from contracts with customer

During the reporting period, the Group also adopted IFRS 15 Revenue from contracts with customer. The revenue is recognised based on the delivery of performance obligations and an assessment of when control is transferred to the customer. In determining the amount of revenue and profits to record, and associated statement of financial position items (such as trade receivables, accrued income and deferred income), management is required to review performance obligations within individual contracts. The impacts of the introduction of IFRS 15 have been stated below in note 3.15.

(c) IFRS 16, Leases

The Group will adopt IFRS 16 from the date of initial application of 1 January 2019. IFRS 16 requires the recognition of most operating lease commitments on the Group’s statement of financial position as assets and the recognition of a corresponding liability. It is anticipated that the minimum lease payments of £622,000 (see note 25), will be capitalised as the additional right of use assets, with an initial corresponding lease liability. The recognition of depreciation charge and implied interest charges replacing lease payments within consolidated income statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.3 Going concern

The consolidated financial statements have been prepared on a going concern basis. The Group made a loss for the year of £5.04 million (2018: loss of £2.79 million) and recorded a net cash outflow from operating activities of £4.38 million (2018: £1.01 million).

The Group meets its day to day working capital requirements through existing cash reserves. At 30 September 2019, the Group had £3.42 million of available cash. Subsequent to the year end, the Group entered into a £1.5 million loan facility of which £1 million gross proceeds was drawn down.

The Directors have assessed the Group's working capital forecasts for a minimum of 12 months from the date of the approval of this financial statements. In undertaking this assessment, the Directors have reviewed the underlying business risks, and the potential implications these risks would have on the Group's liquidity and its business model over the assessment period. This assessment included a detailed cash flow analysis prepared by the management, and they also considered a number of reasonably plausible downside scenarios. Based on the current management's plan, management considered that the working capital from the expected revenue generation are sufficient for the expenditure to date as well as the planned forecast expenditure for the forthcoming twelve months from the date of the approval of this financial statements. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

These financial statements do not include any adjustment that may result from any significant changes in the assumption used.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (the "Group") made up to the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements present the results of the Company and its subsidiaries and joint arrangements as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full. The financial information of subsidiaries is included in the Group's financial statements from the date that control commences until the date that control ceases.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition of Angus Energy Holding Limited by the Company, by way of share exchange, for the year ended 30 September 2016 was that of a re-organisation of entities which were under common control. As such, that combination also falls outside the scope of IFRS 3 'Business Combinations' (Revised 2008). The Directors have, therefore, decided that it is appropriate to reflect the combination using the merger basis of accounting in order to give a true and fair view. No fair value adjustments were made as a result of that combination.

3.5 Property, plant and equipment

All fixed assets are initially recorded at cost. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures and fittings	-	25% straight line
Plant and machinery	-	20% straight line
Motor vehicles	-	20% straight line

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.6 Oil and natural gas exploration and evaluation (E&E) expenditure

Oil and natural gas exploration and evaluation expenditure is accounted for using the successful efforts method of accounting.

(a) Licence and property acquisition costs

Licence and property leasehold acquisition costs are capitalised within intangible fixed assets and amortised on a straight-line basis over the estimated period of exploration. Upon determination of economically recoverable reserves amortisation ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting determination within intangible fixed assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

(b) Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until drilling of the well is complete and the results have been evaluated. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found, and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proven and probable reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

(c) Development expenditure

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

(d) Maintenance expenditure

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/prospect 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 of the relevant E&E assets is then reclassified as development and production assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Loan and receivables

Loans and receivables 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.

Trade receivables are recognised initially at the transaction price and subsequently measured at amortised cost, less any impairment losses.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

3.8 Impairment of assets

(a) Financial assets

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a historical provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administration costs in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised, unless further information becomes available contrary to the increased credit risk. For those that are determined to be permanently credit impaired, lifetime expected credit losses are recognised.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For assets that have indefinite lives, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of 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 groups of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

3.9 Oil and gas production assets

Expenditures related to the construction, installation or completion of infrastructure facilities, such as platforms and pipelines, and the drilling of development wells, including delineation wells, is capitalised within oil and gas production assets. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the well asset retirement obligation, for qualifying assets, and borrowing costs.

Oil and gas production assets are depreciated using a unit of production method. The cost of producing wells is amortised over total proved and undeveloped oil and gas reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

In accounting for a farm-out arrangement outside the exploration and evaluation phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee
- Recognises the consideration received or receivable from the farmee, which represents the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets
- Tests the retained interests for impairment if the terms of the arrangement indicate that the retained interest may be impaired

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially at its fair value by the Group. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a financial asset and is accounted for at amortised cost.

3.10 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3.11 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3.12 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Group and its subsidiaries operate by the end of the financial period.

Deferred income taxes are calculated using the balance sheet method. Deferred tax is generally provided on the temporary difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Statement of Comprehensive Income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

3.13 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit or loss.

3.14 Decommissioning

Provision for decommissioning is recognised in full on the installation of oil and gas production facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected in an adjustment to the provision and fixed asset.

3.15 Revenue

As described in note 3.2(b), the Group's revenue is driven by sale of crude oil, the goods are sold on their own in separate identified contracts with customers. Delivery point of the sale is the point at which Crude oil passes from the delivery tanker to the customers specified storage terminal, which represents the point at which the Group fulfils its single performance obligation to its customer under contracts for the sale of crude oil. Revenue from the production of oil in which the Group has an interest with other producers is recognised proportionately based on the Group's working interest and the terms of the relevant production sharing contracts.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

3.16 Share-based payments

The Group has applied IFRS 2 Share-based Payment for all grants of equity instruments.

The Group issues equity-settled share-based payments to its employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The inputs to the model include: the share price at the date of grant, exercise price expected volatility, risk free rate of interest.

4 Critical accounting estimates and sources of estimation uncertainty

In applying the accounting policies, the directors may at times require to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the directors consider are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are reviewed as stated below.

Key accounting judgements

(a) Impairment of non-current asset

The Group's non-current assets represent its most significant assets, comprising oil production assets, exploration and evaluation (E&E) assets on its onshore site.

Management is required to assess exploration and evaluation (E&E) assets for indicators of impairment and has considered the economic value of individual E&E assets. The carrying amount of the E&E asset are subject to a separate review for indicators of impairment, by reference to the impairment indicators set out in IFRS 6, which is inherently judgmental.

Processing operations are large, scarce assets requiring significant technical and financial resources to operate. Their value may be sensitive to a range of characteristics unique to each asset and key sources of estimation uncertainty include proved reserve estimates, future cash flow expected to arise from the cash-generating unit and a suitable discount rate.

In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to the Group's independent competent person's report, estimates of future oil prices, operating costs, capital expenditure necessary to extract those reserves and the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value.

As detailed in note 11 and 12, the carrying amount of the Group's oil production assets and E&E assets at 30 September 2019 were approximately £6.416million (2018: £5.225million) and £5.878million (2018: £5.218million) respectively. Management have impaired the oil production assets by £0.9 million based on oil reserves and future production forecasts.

The methods, key assumptions, sensitivity and possible outcomes in relation to the calculation of the estimates are detailed in note 11.

4 Critical accounting estimates and sources of estimation uncertainty (continued)

(b) Going concern

While there can be no certainty the local authority will grant the planning permission to the fields as described in the Strategic Report and note 11. After making the enquiries, the Directors have a reasonable expectation that the positive outcomes of these decision will be achieved. For this reason, the Group and the Company continue to adopt the going concern basis in preparing the financial statements.

As disclosed in note 3.3, the directors consider the Group and the Company to be a going concern while the Group will continues to operate under the management's plan and the Group expects to be able to continue to meet all finance obligations as they fall due for at least next twelve months from the date of approval these financial statements.

Key accounting estimates

(c) Decommissioning costs

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties. The Group assesses its decommissioning provision at each reporting date. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing, extent and amount of expenditure may also change — for example, in response to changes in reserves or changes in laws and regulations or their interpretation. Therefore, significant estimates and assumptions are made in determining the provision for decommissioning. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

External valuers may be used to assist with the assessment of future decommissioning costs. The involvement of external valuers is determined on a case by case basis, taking into account factors such as the expected gross cost or timing of abandonment, and is approved by the directors. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

As detailed in note 20, the provision at reporting date represents management's best estimate of the present value of the future decommissioning costs required.

5. Revenue and segment information

Currently, the Group's principal revenue is derived from the sale of oil. All revenue arose from continuing operations within the United Kingdom. Therefore, management considers no detail of operating and geographical segments information is to be reported. Nonetheless, the Group's revenue can be classified into the following streams:

	2019	2018
	£'000	£'000
Sale of oil	200	66

All the non-current assets of the Group are located in the United Kingdom. All revenue arising from sale of oil is derived from a single customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Operating loss

Operating loss is stated after charging/(crediting):

	2019 £'000	2018 £'000
Depreciation of owned assets	36	26
Net loss on foreign currency translation	3	1
Operating lease payments	180	135
Employee benefit expense	1,309	699
Auditor's remuneration		
Fees payable to company's auditor in respect to the audit of the Parent Company and consolidated financial statements	40	40
Non audit fees payable to company's auditor relating to the tax advisory services	-	5
	40	45

7. Finance income and finance cost

	2019 £'000	2018 £'000
<u>Finance income</u>		
Interest received on directors' loan	7	6
	7	6
<u>Finance costs</u>		
Interest payable on convertible loan notes	-	390
	-	390

8. Employee benefit expense

	2019 £'000	2018 £'000
Wages and salaries	1,193	641
Social security costs	116	58
	1,309	699

The directors received salary from the group totaling £690,000 (2018: £270,000) the increase was principally due to the increase in executive directors to 3 (2018: 2) and the termination of Paul Vonk's contract, at a cost of £300,000.

Key managements are considered to be the directors. Details of each director's emoluments are in the directors' remuneration report.

	2019 Number	2018 Number
The average number of employees during the year was:		
Director	5	5
Management	6	6
	11	11

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Taxation on ordinary activities

No liability to corporation tax arose for the years ended 30 September 2019 and 2018, as a result of underlying losses brought forward.

Reconciliation of effective tax rate

	2019 £'000	2018 £'000
Loss before tax	(5,043)	(2,790)
Tax at the UK Corporation tax rate of 19% (2018: 19%)	(958)	(530)
Expenses not deductible for tax purposes	248	42
Unrecognised deferred tax	710	488
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The Group has incurred indefinitely available tax losses of £18,533,000 (2018: £14,796,000) to carry forward against future taxable income of the subsidiaries in which the losses arose and they cannot be used to offset taxable profits elsewhere in the Group. In addition, there is approximately £147,000 (2018: £68,000) of deductible temporary difference in respect of the share-based payment.

No deferred tax asset was recognised in respect to these accumulated tax losses and the decommissioning provisions as there is insufficient evidence that the amount will be recovered in future years.

10. Property, plant and equipment

	Plant and machinery £'000	Motor vehicles £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 October 2017	5	35	8	48
Additions	16	-	-	16
At 30 September 2018	21	35	8	64
Additions	-	-	-	-
At 30 September 2019	21	35	8	64
Depreciation and impairment				
At 1 October 2017	5	22	8	35
Charge for the year	3	6	-	9
At 30 September 2018	8	28	8	44
Charge for the year	3	3	-	6
At 30 September 2019	11	31	8	50
Net book value				
At 30 September 2018	13	7	-	20
At 30 September 2019	10	4	-	14

Depreciation of property, plant and equipment is included in administrative expenses in the consolidated statement of comprehensive income

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Oil and gas production assets

	Total £'000
Cost or valuation	
At 1 October 2017	2,853
Additions	2,399
	<hr/>
At 30 September 2018	5,252
Additions	2,121
	<hr/>
At 30 September 2019	7,373
	<hr/>
Depreciation and impairment	
At 1 October 2017	10
Charge for the year	17
	<hr/>
At 30 September 2018	27
Depreciation charge for the year	30
Impairment charge for the year	900
	<hr/>
At 30 September 2019	957
	<hr/>
Net book value	
At 30 September 2018	5,225
	<hr/>
At 30 September 2019	6,416
	<hr/>

Depreciation of oil production assets is included in cost of sales in the consolidated statement of comprehensive income. During the year, the Group incurred further development costs of approx. £1.65 million (2018: £2.39 million) at both operating fields.

In April 2019, the Group acquired an additional 20% interest in the Lidsey field for a consideration of £467,377 by issuing 8,324,024 new shares at 5.6148p each.

As at 30 September 2019, the Group retained an 80% interest in Lidsey field and 65% in Brockham field and is still the operator of both fields.

In assessing whether an impairment is required, the carrying value of the asset or cash generating unit ("CGU") is compared with its recoverable amount. The recoverable amount is determined from value in use calculations based on cash flow projections from revenue and expenditure forecasts covering a 5 year period. Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future crude oil prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain. The key assumptions used are as follow:

	2019	2018
Discount rate	10%	10%
Crude oil price (per barrels)	\$63	\$60

The growth rate is assumed to be zero and the level of production is constant on the basis the production plant is assumed to be at the most efficient capacity over the period of extraction.

Commercial reserves are proven and probable ("2P") oil and gas reserves, calculated on an entitlement basis. Estimates of commercial reserves underpin the calculation of depletion and amortisation on a Unit of Production ("UOP") basis. Estimates of commercial reserves include estimates of the amount of oil and gas in place, assumptions about reservoir performance over the life of the field and assumptions about commercial factors which, in turn, will be affected by the future oil and gas price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Oil and gas production assets (continued)

Annual estimates of oil and gas reserves are generated internally by the Group with external input from operator profiles and/or a Competent Person. These are reported annually to the Board. The self-certified estimated future production profiles are used in the life of the fields which in turn are used as a basis in the value-in-use calculation.

The discount rate is based on the specific circumstances of the Group and its operating segments and is derived from its Weighted Average Cost of Capital ("WACC"), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. In considering the discount rates applying to the CGUs, the directors have considered the relative sizes, risks and the inter-dependencies of its CGUs. No reasonably possible change in a key assumption would produce a significant movement in the carrying value of the CGUs and therefore no sensitivity analysis is presented.

Following on from the recent well test results at Brockham, the Group has a better understanding of the production reservoir under the alternative recovery methods. Subject to receipt of Environment Agency permission, the board have reviewed the Brockham Oil Field oil reserves and projected future production at the field and recognised an impairment charge of £0.3 million against its carrying value.

An impairment of £0.6 million has been recognised for the Lidsey assets, which has been based on the recent purchase consideration of the additional 20% interest, as well as reflecting the estimation uncertainty of future exploration and production in this area. Subsequent to any future drilling or production at Lidsey, there is a risk that the carrying value may need to be reduced further if the production rate or reserves quantity are not in the line with the current estimates of management.

Furthermore, a sensitivity analysis has been carried out for Brockham and Lidsey oil fields and the results of the analysis can be summarised as follow:

- If the estimated crude oil price had been 10 percentage point lower than the basis assumption, total recoverable amount would be 1% lower.
- If the estimated discount rate used for the Group's discount cash flow had been one percentage point higher than the starting assumption of 10%, total recoverable amount would be 3% lower.

12. Exploration and evaluation assets

	Total £'000
Cost or valuation	
At 1 October 2017	155
Additions	5,011
Decommissioning cost	52
	<hr/>
At 1 October 2018	5,218
Additions	660
	<hr/>
At 30 September 2019	<u>5,878</u>

On 16 February 2018 the Group entered into a new partnership with Cuadrilla Balcombe Limited and Lucas Bolney Limited. The Group joined the partnership through the acquisition of a 25% interest in licence PEDL244, which includes the entire Balcombe Field discovery, for a total consideration of £4 million. On behalf of the partnership, Angus Energy assumed Operatorship of the Balcombe licence.

On 19 June 2019 the Group acquired 51% of the Saltfleetby Gas field for £nil consideration. However, the Group received a cash contribution of £2.5m from the vendor in relation to the site restoration costs and the abandonment costs if commercial rates are not available.

In performing impairment review, the Group assessed the economic value of individual exploration and evaluation (E&E) assets and had considered no indication for impairment to these E&E assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Subsidiaries

The details of the subsidiary are as follows:

Name of subsidiary/ place of incorporation	Principal activity	Effective equity interest held by the Group	
		2019	2018
Angus Energy Holdings UK Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.1 Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.2 Limited	Investment holding company	100%	100%
Angus Energy Weald Basin No.3 Limited*	Oil extraction for distribution to third parties	100%	100%
Angus Energy North America Limited	Dormant company	80%	80%

*indirect wholly owned by Angus Energy Weald Basin No.2 Limited (AEWB2).

The registered office address of the respective entity as follow:

Registered address	Name of subsidiary
Building 3 Chiswick Park, 566 Chiswick High Road, London, W4 5YA.	Angus Energy Weald Basin No.2 Limited Angus Energy North America Limited
Westpoint 4 Redheughs Rigg, South Gyle Edinburgh, Scotland, EH12 9DQ	Angus Energy Holdings UK Limited Angus Energy Weald Basin No.1 Limited Angus Energy Weald Basin No.3 Limited

14. Trade and other receivables

	2019 £'000	2018 £'000
Amounts due from farmees	296	171
Amount owed by a related party	216	209
VAT recoverable	90	70
Accrued income	57	34
Other receivables	135	307
	<u>794</u>	<u>791</u>

The carrying amount of trade and other receivables approximates to their fair value.

Included within other receivables is the amount recoverable from the UK tax authority (under Section 455 Corporation Tax Act 2010) of £nil (2018: £100,973).

	2019 £'000	2018 £'000
Trade and other receivables	1,196	791
Less: Impairment allowance	(402)	-
	<u>794</u>	<u>791</u>

The Group is in discussions to recover the full amount due from farmees. The Group has made an allowance for impairment to reflect the potential uncertainty over the recovery of these amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Share capital

Allotted, called up and fully paid:

	Number of shares	Ordinary share capital £'000	Share premium £'000
Ordinary share of £0.002 each			
As at 30 September 2017	240,458,467	481	5,753
Issue of shares 1 December 2017	23,846,155	47	3,053
Issue of shares 15 February 2018	33,333,333	67	1,933
Issue of shares 25 April 2018	2,250,000	4	122
Issue of shares 25 April 2018	6,925,000	13	312
Issue of shares 4 July 2018	9,302,326	19	381
Issue of shares 13 July 2018	9,302,326	19	381
Issue of shares 2 August 2018	56,304,348	113	2,477
Less: Issuance costs	-	-	(270)
At 30 September 2018	381,721,985	763	14,142
Issue of shares 22 November 2018	22,222,222	44	1,956
Issue of shares 15 February 2019	55,000,000	110	2,090
Issue of shares 18 April 2019	8,324,024	17	450
Issue of shares 30 April 2019	70,824,700	142	2,868
Issue of shares 25 May 2019	735,076	2	30
Issue of shares 17 July 2019	2,000,000	4	56
Less: Issuance of costs	-	-	(475)
At 30 September 2019	540,828,007	1,082	21,117

On 22 November 2018 the company issued 22,222,222 placing shares at 9p each, raising gross proceed of £1.85 million as working capital, and business development opportunities.

On 15 February 2019, the company issued 55,000,000 placing shares at 4p each, raising gross proceed of £2.2 million to pay down £1.5 million loan facilities and general working capital.

On 18 April 2019, the company issued 8,324,024 shares at a price 5.6148p each for acquisition of 20% interest in Lidsey license PL241, amounting to approximately £467,000.

On 30 April 2019 the company issued 70,824,700 shares at 4.25p per share, raising gross proceed of £3,010,050. The funds raised to be applied after provision for general working capital and ongoing works at the Company's Brockham asset.

On 25 May 2019 the company issued a further 735,076 at 4.25p per share through an open offer, raising gross proceeds of £31,240. The funds raised to be applied after provision for general working capital and ongoing works at the Company's Brockham asset.

On 17 July 2019, the Company issued 2,000,000 shares at price 3p subject to one year lock up period to Patrick Clanwilliam for first year remuneration as non-executive Chairman, amounting to £60,000.

As at 30 September 2019 the total issued ordinary shares of the Company were 540,828,007 (2018: 381,721,985)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Share-based payments

In 2016, the Group implemented an Enterprise Management Incentive Scheme followed by a NED and Consultant Share Option Scheme (The Scheme).

At 30 September 2019, the following share options and warrants were outstanding in respect of the Ordinary shares:

Exercise price	Outstanding as at 01 Oct 2018	Granted during the year	No. of options surrendered or cancelled during the year	Exercised during the year	Outstanding and exercisable as at 30 September 2019	Final expiry dates
£0.06	17,818,304	-	-	-	17,818,304	13 Nov 2026
£0.09	1,050,000	-	-	-	1,050,000	13 Nov 2026
£0.10	5,000,000	-	-	-	5,000,000	23 Apr 2020
£0.068	-	2,469,914	-	-	2,469,914	15 Feb 2022
£0.08	-	10,650,000	-	-	10,650,000	24 Aug 2028
£0.02	-	23,900,000	-	-	23,900,000	15 Jul 2029
Warrant	5,000,000	2,469,914	-	-	7,469,914	
Share options	18,868,304	34,550,000	-	-	53,418,304	

The weighted average exercise price of share options and warrants was £0.0519 at 30 September 2019 (2018: £0.0697). The weighted average remaining contractual life of options outstanding at the end of the year was 8 years. The weighted average fair value of share option was £0.0013 each on the grant date. The vesting criteria of the share options are subject to share price growth reach to the target level. All the vesting conditions were met during the year and the options were fully vested.

These fair values were calculated using the Black Scholes warrant pricing model. The inputs into the model were as follows:

	Share options Jul 19	Share options Aug 18	Warrants
Stock price	1.2p	1.13p	1.3p
Exercise price	2p	8p	6.8p
Interest rate	0.5%	0.5%	0.5%
Volatility	30%	30%	30%
Time to maturity	10 years	10 years	3 years

The Group recognised a share-based payment charge of approximately £79,000 (2018: £75,000) .

No options on warrants were exercised in both reporting year 2018 and 2019. There remains 53,418,304 options and 7,469,914 warrants are outstanding and exercisable as at 30 September 2019.

17. Reserves

	2019 £'000	2018 £'000
Merger reserve	(200)	(200)
Merger reserve		

The merger reserve arose on the acquisition of Angus Energy Holdings Limited by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period

Diluted EPS amounts are calculated by dividing the profit or loss for the year attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The earnings per share information based upon the 540,828,007 ordinary shares are as follows:

	2019	2018
	£'000	£'000
Net loss attributable to equity holders of the parent company	<u>(5,043)</u>	<u>(2,790)</u>
Weighted average number of basic ordinary shares	<u>466,441,729</u>	<u>297,403,456</u>
Basic EPS (in pence)	<u>(1.08)</u>	<u>(0.94)</u>

The diluted loss per share was not applicable as there were no dilutive potential ordinary shares outstanding at the end of the reporting period.

19. Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	678	874
Other taxation	135	126
VAT payable	185	-
Accruals	30	398
Other payables	3	42
	<u>1,031</u>	<u>1,440</u>

The carrying amount of trade and other payables approximates to their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Provisions for other liabilities and charges

	2019 £'000	2018 £'000
Abandonment costs		
Balance b/fwd	552	500
Addition	2,500	52
Balance b/cwd	<u>3,052</u>	<u>552</u>

The Group makes full provision for the future costs of decommissioning oil production facilities and pipelines on the installation of those facilities. The amount provision is expected to be incurred up to 2029 when the producing oil and gas properties are expected to cease operations.

These provisions have been created based on the Group's internal estimates and expectation of the decommissioning costs likely to incur in the future. For the period under review, the directors have assessed that the discount rate and inflation rate to be applied to the current cost of decommissioning to be similar. On this basis, the current cost is considered to be similar to the discounted net present value.

As described in note 12, the additional provision was relating to the acquisition of Saltfleetby gas field during the year.

21. Convertible loan

On 25 April 2018, the Company issued an interest free unsecured convertible loan note for a nominal value of £3.39million with maturity period of 2 years.

As described in note 15, the loan note was subsequently converted into 74,909,000 shares of the Company and the loan notes cancelled.

On 9 January 2019, the Company issued an interest free unsecured convertible loan note for a nominal value of £3 million, with maturity period of 2 years, of which £1.5 million was immediately drawn down.

As described in note 15, the loan note was subsequently repaid on 15 February 2019 and the loan notes cancelled.

The equity element of the convertible loan note was not recognised as the amount was not considered material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Financial instruments

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payable. The Group's accounting policies and method adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial assets, financial liability and equity instrument are set out in Note 3. The Group do not use financial instruments for speculative purposes.

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

	2019	2018
	£'000	£'000
Financial assets measured at amortised cost		
<i>Loans and receivables</i>		
Trade and other receivables	611	791
Cash and cash equivalents	3,419	846
Total financial assets	<u>4,030</u>	<u>1,637</u>
Financial liabilities measured at amortised cost		
Trade and other payables	1,031	1,440
Total financial liabilities	<u>1,031</u>	<u>1,440</u>

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of issued capital and external loans.

Credit risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. As described in note 14, the Group recognised an impairment provision of £402,000 against the amount due from farmees that are past due in the year.

Fair values

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Interest rate risk

The Group and company's policy is to fund its operations through the use of retained earnings and equity.

The Group exposure to changes in interest rates relates primarily to cash at bank and amount owed by a related party. Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Financial instruments (continued)

Foreign currency exchange risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency and the Group's net investments in foreign subsidiaries).

The Group does not hedge its foreign currencies. Transactions with customers are mainly denominated in US Dollars. The Group has bank accounts in US Dollars to mitigate against the exchange risks. At 30 September 2019, the GBP cash balance held denominated in USD was £36,000 (2018; £5,000).

Liquidity risks

The principal risk to the Group is liquidity, which arises from the Group's management of working capital. It is a risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This aspect is kept under review by the directors and in this respect management carries out rolling 12 month cash flow projections on a monthly basis as well as information regarding cash balances. It is the Group's policy as regards liquidity to ensure sufficient cash resources are maintained to meet short-term liabilities.

The maturity profile of the Group's financial liabilities at the reporting dates based on contractual undiscounted payments are summarised below:

	2019 £'000	2018 £'000
Trade and other payable		
Within one month	1,031	1,440
	<u>1,031</u>	<u>1,440</u>

Commodity price risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices of oil products it produces. The table below summarises the impact on profit before tax for changes in commodity prices

Commodity price sensitivity

The analysis is based on the assumption that the crude oil price moves 10% resulting in a change of US\$-6.61/bbl in 2019 (2018: US\$7.13/bbl), with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the average spot prices at each reporting periods.

Increase/decrease in crude oil prices	Increase / (decrease) in profit before tax for the year ended 30 September	
	2019 £'000	2018 £'000
Average spot price increased by 10%	20	7
Average spot price decreased by 10%	<u>(20)</u>	<u>(7)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Related party transactions

Transaction with related party

The advance loan made to the former director Mr Jonathan Tidswell-Pretorius was unsecured with repayment on demand. During the year under review, the Group charged approximately 3% interest annually on the advance loan to the director of £7,000 (2018: £6,000). This can be analysed at below table:

	2019	2018
	£'000	£'000
Opening balance	209	203
- Amount advanced	-	-
- Accrued interest on loan	7	6
Closing balance	<u>216</u>	<u>209</u>

On 6 January 2020, Mr Jonathan Tidswell repaid the outstanding amount in full.

24. Net debts reconciliation

The below table sets out an analysis of net debt and the movement in net debt for the years presented

	2019	2018
	£'000	£'000
Cash and cash equivalent	3,419	846
Convertible loan note (note 21)	-	-
Net debt	<u>3,419</u>	<u>846</u>

	Cash and cash	Convertible	Total
	equivalents	loan note	
	£'000	£'000	£'000
Net debt as at 1 October 2017	1,224	-	1,224
Cash flow	(5,672)	-	(5,672)
Issue of new equity (net proceeds)	5,068	-	5,068
Issue of convertible loan note	-	3,000	3,000
Other non-cash movement	226	390	616
Conversion of debt to equity	-	(3,390)	(3,390)
Net debt as at 1 October 2018	<u>846</u>	<u>-</u>	<u>846</u>
Cash flow	(4,641)	-	(4,641)
Issue of new equity (net proceeds)	7,214	-	7,214
Issue of convertible loan note	-	1,500	1,500
Repayment of convertible loan note	-	(1,500)	(1,500)
Net debt	<u>3,419</u>	<u>-</u>	<u>3,419</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Commitments

At 30 September 2019, the Group had contractual capital commitments in the amount of £nil (2018 - £500,000) in respect to the Group's oil field development activities.

The Group's future minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 September	
	2019	2018
	£'000	£'000
Leases which expire:		
Not later than one year	205	148
Later than one year and not later than five years	255	411
More than five years	48	263
Total	<u>508</u>	<u>822</u>

26. Subsequent events

On 25 October 2019 the Company has entered £1.5 million Convertible Loan note facility led by Riverfort Global Opportunities PCC. The Loan Note carries no interest and allows for conversion of amounts drawn down at the option of the holder at the lower of a 7.5% discount to the average of the 3 lowest daily Volume Weighted Prices ("VWAP") (over the previous 10 days) into shares in Angus Energy or, up to a maximum of 50% of any tranche, at a price equivalent to 130% of the 5 day VWAP prior to drawdown of any tranche. Absent conversion, amounts must be repaid after 12 months. Up to 20% of the outstanding principal may be converted into shares in Angus Energy before 31 December 2019.

On 6 December 2019 Riverfort Global opportunities PCC Limited and YA | | PN Ltd converted £100,000 of the Loan into shares. The Company allotted 13,766,520 shares and the Loan's outstanding balance has reduced to £0.9 million. Following admission of the Relevant Shares, the Company's enlarged issued share capital will comprise 554,594,528 ordinary shares with voting rights.

On 6 January 2020 the loan of £200,000 made to former director Jonathan Tidswell has been repaid in full.

On 18 February 2020 Riverfort Global opportunities PCC Limited and YA | | PN Ltd converted £100,000 of the Loan into shares. The Company allotted 17,319,016 shares and the Loan's outstanding balance has reduced to £0.8 million. Following admission of the Relevant Shares, the Company's enlarged issued share capital will comprise 571,913,544 ordinary shares with voting rights.

COMPANY STATEMENT OF FINANCIAL POSITION

	Note	2019 £'000	2018 £'000
ASSETS			
Non-current assets			
Investment	5	12,440	13,018
Total non-current assets		<u>12,440</u>	<u>13,018</u>
Current assets			
Trade and other receivables	6	360	413
Cash and cash equivalents		239	674
Total current assets		<u>599</u>	<u>1,087</u>
TOTAL ASSETS		<u>13,039</u>	<u>14,105</u>
EQUITY			
Equity attributable to owners of the parent:			
Share capital	8	1,082	763
Share premium	8	21,117	14,142
Merger relief reserve	8	1,500	1,500
Accumulated loss		(10,876)	(2,541)
TOTAL EQUITY		<u>12,823</u>	<u>13,864</u>
Current liabilities			
Trade and other payables	7	216	241
Total current liabilities		<u>216</u>	<u>241</u>
TOTAL LIABILITIES		<u>216</u>	<u>241</u>
TOTAL EQUITY AND LIABILITIES		<u>13,039</u>	<u>14,105</u>

The loss for the Company for the year ended 30 September 2019 was £8,414,000 (2018: £1,850,000)

The note on page 67 to 69 form part of these of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on and were signed on its behalf by:

George Lucan - Director

Company number: 09616076

COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Accumulated loss £'000	Total equity £'000
Balance at 1 October 2017	481	5,735	1,500	(766)	6,968
Loss for the year	-	-	-	(1,850)	(1,850)
Total comprehensive income for the year	-	-	-	(1,850)	(1,850)
Transaction with owners					
Issue of shares	282	8,659	-	-	8,941
Less: issuance costs	-	(270)	-	-	(270)
Granted of share options	-	-	-	75	75
Balance at 30 September 2018	763	14,142	1,500	(2,541)	13,864
Loss for the year	-	-	-	(8,414)	(8,414)
Total comprehensive income for the year	-	-	-	(8,414)	(8,414)
Transaction with owners					
Issue of shares	319	7,450	-	-	7,769
Less: issuance costs	-	(475)	-	-	(475)
Granted of share options	-	-	-	79	79
Balance at 30 September 2019	1,082	21,117	1,500	(10,876)	12,823

Share capital comprises the ordinary issued share capital of the company.

Share premium comprises of the excess above the nominal value of the new ordinary shares issued during the period.

The merger relief reserve represents the difference between the cost of the investment in Angus Energy Holding UK Limited (initially measured at fair value) and the nominal value of the shares transferred as consideration.

Retained earnings represent the aggregate retained earnings of the company.

The note on page 67 to 69 form part of these of financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. General information

The company was incorporated in England and Wales on 1 June 2015 as a private limited company. Its registered office is located at Building 3, Chiswick Park, 566 Chiswick High Street, London, W4, 5YA.

The financial information of the company is presented in British Pounds Sterling (“£”) and rounded into thousand (£’000).

2. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The principal accounting policies are described below. They have all been applied consistently throughout the period.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Investment

Investments in subsidiaries are stated at cost less provision for impairment. Where merger relief is applicable, the cost of the investment is recorded at the fair value on the date of the transaction. The difference between the fair value of the investment and the nominal value of the shares (plus the fair value of any other consideration given) is shown as a merger relief reserve and no share premium is recognized

Cash and cash equivalents

Cash in the statement of financial position is cash held on call with banks.

Financial assets

The directors classify the company’s financial assets held at amortised cost less provisions for impairment. The directors determine the classification of its financial assets at initial recognition.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2. Accounting policies (continued)

Taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was approximately £8,414,000 (2018: £1,850,000).

4. Staff costs

There are four employees and five directors employed by the company. The directors are regarded as the key management and their remunerations are disclosed in note 8 to the consolidated financial statements.

5. Investment

	Cost of investment £'000	Loan to group undertakings £'000	Total £'000
At 1 October 2017	2,028	3,678	5,706
Movement of the intercompany loan for the year	-	7,312	7,312
At 30 September 2018	2,028	10,990	13,018
Movements of the intercompany loan for the year	-	5,722	5,722
Allowance for Impairment	(1,800)	(4,500)	(6,300)
At 30 September 2019	228	12,212	12,440

The details of the subsidiary are set out in the note 13 to the consolidated financial statements.

The Company is required to assess the carrying values of each of its investments in subsidiaries and loans to group undertakings for impairment. To a large extent the oil & gas production assets and exploration and evaluation assets have been funded by loans from the Company is represented by the value of the operating segment cash generating units. Recoverability of these loans is therefore dependent upon the operating segments producing sufficient cash surplus such that the segment achieves a positive net asset position.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	24	48
Directors accounts	216	209
Vat recoverable	54	12
Other receivables	66	144
	<u>360</u>	<u>413</u>

7. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	60	86
Amounts due to group undertakings	100	100
Other taxation	24	15
Other payables	32	40
	<u>216</u>	<u>241</u>

8. Share capital

The movement of share capital are set out in the note 15 to the consolidated financial statements.

As at 30 September 2019 the total issued ordinary shares of the Company were 540,828,007 (2018 - 381,721,985).

9. Subsequent events

On 25 October 2019 the Company has entered £1.5 million Convertible Loan note facility led by Riverfort Global Opportunities PCC. The Loan Note carries no interest and allows for conversion of amounts drawn down at the option of the holder at the lower of a 7.5% discount to the average of the 3 lowest daily Volume Weighted Prices ("VWAP") (over the previous 10 days) into shares in Angus Energy or, up to a maximum of 50% of any tranche, at a price equivalent to 130% of the 5 day VWAP prior to drawdown of any tranche. Absent conversion, amounts must be repaid after 12 months. Up to 20% of the outstanding principal may be converted into shares in Angus Energy before 31 December 2019.

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