LEKOIL

SHAPING THE FUTURE OF OIL EXPLORATION AND PRODUCTION IN AFRICA

Half Year Report 2017

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

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

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Highlights

Operational

- Continuous commercial production and cash flow generation at Otakikpo;
- Otakikpo production now increased from 6,000 bopd at period end to 7,000 bopd;
- Some 1 million barrels of oil produced from Otakikpo to date;
- The Otakikpo project has now recorded over one million hours with no lost time injuries;
- Planning for appraisal drilling of Ogo underway, with a prospective spud date in 1Q 2018, subject to agreement with potential financing partners;
- MoU signed with GE Oil & Gas for the development of a work programme for the Ogo field; and
- Receipt of Ministerial Consent for the transfer of initial 17.14% participating interest on OPL310 farm-in.

Financial

- Operating loss of US$13.72 million; and
- Period end cash of US$6.4m, an increase of US$2m.

Outlook

- Otakikpo production to progress towards steady-state Phase 1 target of 10,000 bopd around 2017 year-end; and
- Plans progressing to finance and appraise Ogo discovery in OPL 310.

Chairman's and CEO's statement

The first half of 2017 was another period of considerable development for LEKOIL. A number of important milestones were reached that position the Company well for further growth. Most importantly, first commercial production was achieved from Otakikpo, confirming LEKOIL's producer status. We achieved an initial rate of 5,000 bopd from Otakikpo and can now report that as the Phase 1 development plan continues to ramp up, production is currently approx. 7,000 bopd.

Strategy

LEKOIL aims to build a diversified, self-funded African exploration and production business.

There are two key components to this strategy: first, ramping up to our Phase 1 production target of 10,000 bopd at Otakikpo, our producing asset, situated in oil mining lease (OML) 11 in the south eastern coastal swamp of the Niger Delta; and second, executing the planned appraisal program at OPL 310, which will be instrumental in unlocking the value potential of this world class discovery.

The Company's significant and strategic portfolio of assets is positioned to benefit LEKOIL and all of its stakeholders.

Otakikpo

Our producing asset, the Otakikpo Marginal Field, has undergone substantial levels of development during the period.

In February of this year, we announced that we had started continuous production and were in the process of ramping up to 10,000 bopd. Initial production rates were of 5,000 bopd.

As part of the development of Otakikpo, we built an eight kilometre (six kilometres being offshore) pipeline leading from the storage tanks to the tanker offloading manifold, which we also completed in February of this year. The completion of this pipeline marked an important milestone for the Company and, our team delivered all of this in under two years with, most importantly, approximately 915,000 hours at the period end without any lost time injuries.

Once becoming a fully producing company, we announced in May 2017 our First Cargo Lifted from FSO Ailsa Craig. Selling our first oil marked another major milestone for the company, our first revenue. The monies received from commercial production will contribute to the funding of the Phase 2 expansion.

In June of this year, we received both our first crude revenue payment from Otakikpo and achieved our second export from Otakikpo, of approximately 250,000 barrels of gross production. This highlights what a transformational period this has been for both Otakikpo and LEKOIL.

During September 2017, we have succeeded in ramping up production to 7,000 bopd. The Company continues to focus on increasing production in accordance with the Phase 1 target of 10,000 bopd, which is estimated for around year-end 2017. To date we have produced a total of approximately one million barrels.

OPL 310

In OPL 310 we and our operating partner, Optimum Petroleum, have a world class asset. We continue to plan the options for the appraisal of the Ogo discovery.

In April, we announced the signing of a Memorandum of Understanding ("MOU") with General Electric ("GE") for the development of the Ogo discovery. The MOU is a cornerstone for the development of OPL310 and we aim to leverage GE Oil & Gas's equipment and technical expertise in order to execute the development post any successful appraisal.

In June, LEKOIL received Ministerial Consent for the first portion of the Company's interest OPL310. The Honorable Minister of Petroleum Resources of Nigeria granted consent to complete the transfer of the original 17.14% participating

"We have a high quality producing asset in Otakikpo where we are ramping up production and a very exciting discovery to appraise and develop in OPL 310. We believe that we have the technical and commercial teams to be able to achieve both these objectives to generate significant value for our shareholders, partners and communities." **Lekan Akinyanmi, CEO** interest that LEKOIL acquired in OPL 310 in February 2011.

LEKOIL's acquisition of Afren PLC's then remaining 22.86% participating interest in OPL 310 (through LEKOIL 310 Limited, a wholly owned subsidiary of LEKOIL) remains conditional upon receiving Ministerial Consent, which we expect to receive in due course.

We continue our discussions with other potential partners for the financing of the OPL310 appraisal programme as we look to deliver the potential of this world class field.

Exploration assets

OPL325

LEKOIL holds a 62% indirect equity interest in this exciting block, on trend to the Ogo discovery in OPL 310. We continue to make steps towards creating a production sharing contract with the NNPC and look towards the next phase of development for OPL 325.

Namibia

We continue to work on identifying and quantifying the resources within our Namibian block and to date we have completed the acquisition of the block we currently hold and have made the requisite government payments.

Financial

As part of the continued development at Otakikpo, we were pleased to announce that LEKOIL Oil and Gas Investments Limited ("LOGL"), had secured an advance payment facility with Shell Western Supply and Trading Limited to provide LOGL with a facility of US$15 million. This facility is a strong endorsement of our commercial production and secured further funding which is non-dilutive to our shareholders.

In the six months ended 30 June 2017, the Group recorded an operating loss of US$13.72 million and ended the period with cash and cash equivalents of US$6.4 million (being an increase of US$2 million during the period).

Outlook

Otakikpo is now producing at approximately 7,000 bopd, and we continue the process of ramping up towards the Phase 1 target of 10,000 bopd.

We continue to look forward to receiving ministerial consent for the remaining 22.86% interest in OPL 310, acquired in December 2015, as, alongside our partners, we seek to develop this world class asset.

On behalf of the Board, we would like to again thank all of our stakeholders for their continued hard work and support as we build an exciting future for the Company.

Samuel Adegboyega
Non-Executive Chairman

Lekan Akinyanmi
Chief Executive Officer

27 September 2017

Financial review

For the six months ended 30 June 2017, the Group recorded an operating loss of US$13.72 million and ended the period with cash and cash equivalents of US$6.39 million, an increase of US$2 million in the six months period.

Overview
Following commencement of commercial oil production in February 2017, the Group has continued to build its reputation as a competent operator, by sustaining consistent production from the Otakikpo marginal field. The Group has also demonstrated its capability of managing a portfolio of assets, including exploration, appraisal and production assets. This capability has been achieved through focus, professionalism and rigorous execution of work programmes across its licences.

The underlying running costs of the Group are broadly in line with the same period last year, and are being successfully optimized. As the Company grows, we have established structures to cost efficiently manage and expand the Group's interests.

Interim results
The Group recorded a total comprehensive loss of US$14.02 million for the six months ended 30 June 2017 compared to a loss of US$8.1 million for the same period in 2016.

Revenue
With commercial production from Otakikpo commencing in February 2017, the Group has recorded its first revenue, totalling US$6.946 million from the sale of a total of 369,732 gross (304,121 net) barrels of crude oil. Total production for the period was 727,723 gross barrels and the balance of barrels not sold in the period were held and recorded as inventory.

Cost of sales, operating expenses and administrative expenses
Cost of sales was US$6.08 million compared to nil for the same period in 2016, a function of production commencement in 2017 and sales of crude oil during the period. Operating expenses, production bonus (a one off obligation arising from the terms of the licence farm-In agreement) and general & administrative expenses were US$1.56 million, US$4 million and US$9.02 million respectively compared to nil (operating expenses and production bonus) and US$10.5 million (administrative expenses) for the same period in 2016. The increases in operating expenses and production bonus were due to commencement of production at Otakikpo field with its associated costs; while administrative expenses decreased largely due to: some costs, most notably community related costs at Otakikpo, being recorded as operating costs post production commencement; the devaluation of the Naira to the dollar during the period and cost optimisation initiatives.

Given the period under review is the first to report production and sales of oil from Otakikpo, operationally and commercially the project has been and will continue through 2017 in a ramp-up phase. Per barrel operating cost analysis for the period will therefore not be meaningful. This is because of the combined effect of: production commencing at 5,000 bopd for reservoir management purposes and ramping-up progressively to the first phase target production rate of 10,000 bopd; the significant majority of field related operating costs being essentially fixed in nature and therefore sensitive to per barrel analysis; and one-off project commencement related costs (including at the operating cost level the US$4.0 million in production related bonus payable to our partner in Otakikpo, Green Energy, in accordance with our farm-in agreement).

Income tax
Income tax payable for the six months ended 30 June 2017 amounted to US$0.42 million (30 June 2016: nil).

Capital expenditure
The Group's capital expenditure including intangible assets during the six months ended 30 June 2017 amounted to US$0.23 million compared to US$11.4 million for the corresponding period in 2016. This significant reduction is a function of the vast majority of the Otakikpo Phase 1 work programme having been executed in 2016. The majority of the 2017 expenditure relates to construction of additional storage tanks for crude oil production at the Otakikpo field and geological and geophysical expenditure on OPL 310.

Cash and cash equivalents
The Group had cash and cash equivalents of US$6.39 million as at 30 June 2017, an increase of US$2.01 million on the US$4.38 million at 31 December 2016. Included in the cash and cash equivalents is cash funding of the debt service reserve accounts of FBN Capital Notes repayment.

Loans and borrowings
In addition to the loan facilities with FBN Capital and Sterling Bank drawn in 2016, in March 2017, the Group drew down a US$15 million Advance Payment Facility from Shell Western and a 350 million Naira Short Term Loan from Cardinal Stone Partners. The US$15 million Facility from Shell Western has a maturity of three years and is repayable quarterly following a six-month moratorium with a market margin over LIBOR.

The Cardinal Stone Partners Facility was secured via a tripartite agreement with Sterling Bank, wherein Cardinal Stone Partners advanced 350 million Naira backed by a guarantee under the 5 billion Naira facility from Sterling bank. 50 million Naira out of the principal was repaid on the facility during the period.

Principal repayments of US$2 million and 450 million Naira were made on the FBN Capital facilities during the period.

The balance on the loan facilities as at 30 June 2017 is the equivalent of US$39.79 million (31 December 2016: US$27.39 million).

Summary statement of financial position

The Group's non-current assets decreased slightly from US$227.15 million as at 31 December 2016 to US$204.41 million as at 30 June 2017, largely due to depreciation, depletion and amortisation of property, plant and equipment, in spite of expenditure on Otakikpo and OPL 310 during the period. Current assets, which represent the Group's cash resources, other assets and other receivables, increased from US$40.23 million as at 31 December 2016 to US$69.76 million as at 30 June 2017, mainly reflecting the increase in cash and cash equivalents from crude oil sales, additional prepaid development costs incurred on behalf of Green Energy International Limited ("GEIL") and a cash call receivable from GEIL during the period.

Current liabilities consists of the portion of the loan facilities due within twelve months, amounting to US$17.91 million (31 December 2016: US$10.37 million), trade and other payables amounting to US$35.34 million (31 December 2016: US$31.35 million), and deferred income amounting to US$10.04 million (31 December 2016: US$7.43 million).

Non-current liabilities consists mainly of the long term portion of the loan facilities amounting to US$21.88 million (31 December 2016: US$17.02 million), and deferred income amounting to US$4.39 million (31 December 2016: US$3.03 million).

Dividend

The Directors do not recommend the payment of a dividend for the period ended 30 June 2017.

Accounting policies

The Group's significant accounting policies and details of the significant judgments and critical accounting estimates are consistent with those used in the 2016 annual financial statements

Liquidity risk management and going concern

The Group closely monitors and manages its liquidity risk. Cash forecasts are regularly produced and sensitivities run for different scenarios including changes in timing of production and cost overruns of development and exploration activity. At 30 June 2017, the Group had liquid resources of approximately US$6.39 million, in the form of cash and cash equivalents. US$5.29 million out of the cash and cash equivalent balance are available to meet capital, operating and administrative expenditure, while US$1.10 million is restricted cash funding of the debt service reserve account. The Group's forecasts, taking into account reasonably possible changes as described above, show that the Group expects to have sufficient financial resources for the 12 months from the date of approval of these condensed consolidated financial statements.

These interim condensed consolidated financial statements have been prepared on the going concern basis of accounting, which assumes the Group will continue in operation for the foreseeable future and be able to realise its assets and discharge its liabilities and commitments in the normal course of business. As discussed in note 2 (b) to these condensed consolidated financial statements, the ability of the Group to continue as a going concern is dependent on the continuous commercial production, sales and receipts of crude proceeds from Otakikpo field and continued availability of existing debt finance.

Bruce Burrows
Chief Financial Officer

27 September 2017

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

To the Members of LEKOIL Limited

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of LEKOIL Limited ("the Company") and its subsidiaries (together referred to as 'the Group') as at 30 June 2017, and the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). The Directors are responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting as adopted by the European Union (EU). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2017 is not prepared in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Emphasis of matter

We draw attention to Note 2(b) in the condensed consolidated financial statements which indicates that the Group incurred a loss of US$14 million during the period ended 30 June 2017 and of that date, the Group's accumulated deficits amounts to US$79.9 million. As stated in note 2(b), these events or conditions, along with other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

27 September 2017

Condensed consolidated statement of financial position

In US Dollars	Notes	(Unaudited) As at 30 June 2017	(Audited) As at 31 Dec 2016
ASSETS			
Property, plant and equipment	6	37,503,042	39,625,376
Exploration and evaluation assets	7	112,777,276	112,651,963
Intangible assets	8	7,364,309	8,237,415
Other receivables	11	795,851	795,851
Other assets	12	33,186,234	32,325,773
Pre-paid development costs	13	12,785,925	33,517,533
Total non-current assets		204,412,637	227,153,911
Inventories	9	1,005,422	671,666
Trade receivables	10	1,135,760	–
Other receivables	11	3,943,489	1,682,839
Other assets	12	1,439,535	186,454
Pre-paid development costs	13	55,844,400	33,307,187
Cash and cash equivalents	14	6,391,819	4,384,738
Total current assets		69,760,425	40,232,884
Total assets		274,173,062	267,386,795
EQUITY			
Share capital	15(a)	26,828	26,828
Share premium	15(b)	264,004,066	264,004,066
Accumulated deficit		(79,888,419)	(66,973,567)
Share based payment reserve		6,914,103	6,478,650
Equity attributable to owners of the Company		191,056,578	203,535,977
Non-controlling interests	16	(6,540,428)	(5,436,258)
Total equity		184,516,150	198,099,719
LIABILITIES			
Provision for asset retirement obligation	18	98,951	91,199
Deferred income	19	4,392,088	3,032,803
Loans and borrowings	20	21,883,330	17,024,335
Non-current liabilities		26,374,369	20,148,337
Trade and other payables	17	35,336,539	31,346,552
Deferred income	19	10,039,706	7,426,486
Loans and borrowings	20	17,906,298	10,365,701
Current liabilities		63,282,543	49,138,739
Total liabilities		89,656,912	69,287,076
Total equity and liabilities		274,173,062	267,386,795

These financial statements were approved by the Board of Directors on 27 September 2017 and signed on its behalf by:

Olalekan Akinyanmi
Chief Executive Officer

Bruce Burrows
Chief Financial Officer

The notes are an integral part of these consolidated interim financial statements.

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June

In US Dollars	Notes	(Unaudited) 6 months to 30 June 2017	(Unaudited) 6 months to 30 June 2016
Revenue	21	**6,946,444**	–
Cost of sales	22	**(6,082,577)**	–
Gross profit		**863,867**	–
Operating expenses	23	**(1,559,612)**	–
Production bonus	24	**(4,000,000)**	–
General and administrative expenses	25	**(9,022,996)**	(10,524,583)
Loss from operating activities		**(13,718,741)**	(10,524,583)
Finance income	26	**3,725,302**	2,628,060
Finance costs	26	**(3,600,815)**	(251,008)
Net finance income		**124,487**	2,377,052
Loss before income tax		**(13,594,254)**	(8,147,531)
Income tax expense	29	**(424,768)**	–
Loss for the period		**(14,019,022)**	(8,147,531)
Other comprehensive income		**–**	–
Total comprehensive loss for the period		**(14,019,022)**	(8,147,531)
Total comprehensive loss attributable to:			
Owners of the Company		**(12,914,852)**	(5,384,626)
Non-controlling interests		**(1,104,170)**	(2,762,905)
		(14,019,022)	(8,147,531)
Loss per share:			
Basic loss per share (US$)	28(a)	**(0.02)**	(0.01)
Diluted loss per share (US$)	28(b)	**(0.02)**	(0.01)

The notes are an integral part of these consolidated interim financial statements.

Condensed consolidated statement of changes in equity

For the six months ended 30 June 2017

In US Dollars	Share capital	Share premium	Accumulated deficit	Share-based payments reserve	Total	Non-controlling interests	Total equity
Balance at 1 January 2017 (audited)	26,828	264,004,066	(66,973,567)	6,478,650	203,535,977	(5,436,258)	198,099,719
Total comprehensive income for the period							
Loss for the period	–	–	(12,914,852)	–	(12,914,852)	(1,104,170)	(14,019,022)
Total comprehensive income for the period	–	–	(12,914,852)	–	(12,914,852)	(1,104,170)	(14,019,022)
Transactions with owners of the Company							
Share-based payment – personnel expenses	–	–	–	435,453	435,453	–	435,453
Total transactions with owners of the Company	–	–	–	435,453	435,453	–	435,453
Balance at 30 June 2017 (unaudited)	**26,828**	**264,004,066**	**(79,888,419)**	**6,914,103**	**191,056,578**	**(6,540,428)**	**184,516,150**

For the six months ended 30 June 2016

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

The notes are an integral part of these consolidated interim financial statements.

Condensed consolidated statement of cash flows

For the six months ended 30 June

In US Dollars	Notes	(Unaudited) 6 months to 30 June 2017	(Unaudited) 6 months to 30 June 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		**(14,019,022)**	(8,147,531)
Adjustments for:			
– Equity-settled share-based payment		**435,453**	828,929
– Foreign exchange rate changes in loans and borrowing		**(487,438)**	–
– Finance income		**(3,884,796)**	(1,145,971)
– Property, plant and equipment adjustment		**23,528**	–
– Intangible cost adjustment		**290,623**	–
– Finance cost		**3,600,815**	–
– Depreciation and amortisation	6,8	**2,788,883**	519,043
		(11,251,954)	(7,945,530)
Changes in:			
– Inventory		**(333,756)**	–
– Deferred income		**3,972,505**	2,660,918
– Trade and other payables		**3,989,987**	2,088,545
– Trade receivables		**(1,135,760)**	–
– Other assets		**(2,113,542)**	243,014
– Other receivables		**(2,260,650)**	(269,954)
Net cash used in operating activities		**(9,133,170)**	(3,223,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6	**(107,594)**	(10,743,366)
Prepaid development costs	13	**(5,444,076)**	(14,234,963)
Recoveries from prepaid development costs		**7,523,267**	–
Acquisition of exploration and evaluation assets	7	**(125,313)**	(292,309)
Acquisition of intangible assets	8	**–**	(381,462)
Net cash generated from/(used in) investing activities		**1,846,284**	(25,652,100)
CASH FLOWS FROM FINANCING ACTIVITIES			
Draw down of loan facilities	20	**16,137,176**	20,106,114
Repayment of loan	20	**(3,594,542)**	(8,000,000)
Interest and transaction costs related to loan	20	**(3,248,667)**	(1,624,048)
Net cash generated from financing activities		**9,293,967**	10,482,066
Net increase/(decrease) in cash and cash equivalents		**2,007,081**	(18,393,041)
Cash and cash equivalents at 1 January		**4,384,738**	26,016,194
Cash and cash equivalents at end of period		**6,391,819**	7,623,153

The notes are an integral part of these consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Reporting entity

LEKOIL Limited (the "Company" or "LEKOIL") is a company domiciled in the Cayman Islands. The address of the Company's registered office is Intertrust Group, 190 Elgin Avenue, Georgetown, Grand Cayman, Cayman Islands. These condensed consolidated financial statements (interim financial statements) as at and for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group's principal activity is exploration and production of oil and gas.

2. Basis of preparation

(a) Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

These interim financial statements were authorised for issue by the Company's Board of Directors on 27 September 2017.

(b) Going concern basis of accounting

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

The Group incurred a total comprehensive loss of US$14.02 million for the period ended 30 June 2017 (30 June 2016: loss US$8.2 million), and has had negative cash flows from operations in previous years.

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

- The ability of the group to maintain steady state production and lifting from its activities on the Otakikpo marginal field in order to generate sufficient cash inflows to fund the cash outflows of the Group;
- The availability of sufficient funds to meet its obligations relating to production activities on Otakikpo marginal field as well as execution of the work program on OPL 310 and 325;
- The ability of the Group to successfully raise additional funding if required for the operational activities and other cash outflows of the Group; and
- Satisfactory execution of the work program on OPL 310 and 325 or successful negotiation of the work programmes to later years if the cash inflow from Otakikpo field production and additional third party funding will not be sufficient to fund further exploration and development activities of OPL 310 and 325 in the short term.

The Directors, having evaluated these factors, believe the use of the going concern assumption is appropriate for the preparation of the interim financial statements as at 30 June 2017, for the following reasons:

- The Group raised sufficient funds through debt finance, completed the development activities on Otakikpo field, brought Otakikpo field to commercial production and is receiving proceeds from crude sales at good intervals.
- The current average production from Otakikpo field is approximately 7,000 bopd and the Group is targeting production of 10,000 bopd by year end 2017.
- In June 2017, the Group received Ministerial consent to the complete transfer of the original 17.14% participating interest that the Group acquired in OPL 310 in February 2013. The Group continues to pursue the Ministerial consent of its additional 22.86% interest on OPL 310 consequent upon its acquisition of Afren Investment Oil & Gas (Nigeria) Limited. The Group has begun negotiation of a new joint venture agreement on OPL 310 with the Operator. The Directors are optimistic of a positive outcome for the Group in the final agreement.
- Apart of the conditions in approving the extension on Namibia licence, the Ministry of Mines and Energy of Namibia, approved a working as program to be executed till 27 July 2019. The Company will raising the required funds and execute the approved work program within the period of the extension.

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

3. Use of estimates and judgments

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty that were applied in preparing the consolidated financial statements as at and for the year ended 31 December 2016, were considered to be applicable for these interim financial statements. The assumptions are as follows:

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

b) Note 7(b) – Carrying value of Exploration and Evaluation assets. Basis for the conclusion that the carrying value of E&E assets do not exceed their recoverable amount.

c) Note 12 – Carrying value of other assets. Basis for the conclusion that the carrying value of other assets do not exceed their recoverable amount.

d) Note 13 – Carrying value of prepaid development costs. Basis for the conclusion that the carrying value of prepaid development costs do not exceed their recoverable amount.

e) Note 18 – Provisions. Key assumptions underlying the obligation as at period end.

f) Note 27 – Share Based Payment Arrangements. Key assumptions made in measuring fair values.

g) Note 32 – Financial Commitments and Contingencies. Key assumptions about the likelihood and magnitude of an outflow of economic resources.

4. Significant accounting policies

(a) Revenue Recognition
Revenue arises from the sale of crude oil. Revenue comprises the realized value of crude oil lifted by the buyer(offtaker). Revenue is recognized when crude products are lifted by a third party (buyer) Free on Board ('FOB') at the Group's lifting terminal. At the point of lifting, all risks and rewards are transferred to the buyer.

(b) Over lift and under lift
Lifting or offtake arrangements for oil produced in certain of the Group's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. The resulting imbalance between cumulative entitlement and cumulative production less stock is underlift or overlift. Underlift and overlift are valued at market value and included within receivables and payables respectively. Movements during an accounting period are adjusted through cost of sales such that gross profit is recognised on an entitlements basis.

(c) All other accounting policies and methods of computation applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2016.

5. Operating segments

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

Geographical information

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

Non-current assets

In US Dollars	**30 June 2017**	31 Dec 2016
Nigeria	**203,843,508**	226,648,524
Namibia	**538,940**	465,108
USA	**30,189**	40,279
	204,412,637	227,153,911

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

Profit and loss

	(Unaudited) 30 June 2017					
In US Dollars	**Nigeria**	**Namibia**	**USA**	**Cayman Islands**	**Others**	**Total**
Revenue	**6,946,444**	**–**	**–**	**–**	**–**	**6,946,444**
Loss from operating activities	**(10,521,163)**	**(85,166)**	**(1,738,221)**	**(987,670)**	**(386,521)**	**(13,718,741)**
Net finance income/(costs)	**84,325**	**(4,884)**	**14**	**46,643**	**(1,611)**	**124,487**
Tax expense	**(424,768)**	**–**	**–**	**–**	**–**	**(424,768)**
Total comprehensive loss for the period	**(10,861,606)**	**(90,050)**	**(1,738,207)**	**(941,027)**	**(388,132)**	**(14,019,022)**

	(Unaudited) 30 June 2016					
In US Dollars	Nigeria	Namibia	USA	Cayman Islands	Others	Total
Revenue	–	–	–	–	–	–
Loss from operating activities	(6,924,921)	(57,400)	(2,237,658)	(912,813)	(391,790)	(10,524,582)
Net finance income/(costs)	2,339,997	(2,352)	231	34,867	4,308	2,377,051
Total comprehensive loss for the period	(4,584,924)	(59,752)	(2,237,427)	(877,946)	(387,482)	(8,147,531)

Notes to the condensed consolidated interim financial statements

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6. Property, plant and equipment

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

In US Dollars	Oil and Gas Assets	Motor Vehicles	Furniture & Fittings	Computers, Communication & Household Equipment	Leasehold Improvements	Plant, Machinery, Storage Tank & Others	Total
Cost							
Balance at 1 January 2017	38,440,262	295,524	409,653	748,655	1,222,914	125,963	41,242,971
Additions	84,835	–	7,346	15,413	–	–	107,594**
Adjustments	–	–	–	–	(23,528)*	–	(23,528)
Balance at 30 June 2017	**38,525,097**	**295,524**	**416,999**	**764,068**	**1,199,386**	**125,963**	**41,327,037**
Accumulated depreciation and impairment losses							
Balance at 1 January 2017	136,036	161,306	170,571	331,502	807,787	10,393	1,617,595
Additions	1,912,941	21,017	39,220	91,920	130,544	10,758	2,206,400
Balance at 30 June 2017	**2,048,977**	**182,323**	**209,791**	**423,422**	**938,331**	**21,151**	**3,823,995**
Carrying amounts							
At 30 June 2017 (Unaudited)	**36,476,120**	**113,201**	**207,208**	**340,646**	**261,055**	**104,812**	**37,503,042**
At 31 December 2016 (Audited)	38,304,226	134,218	239,082	417,153	415,127	115,570	39,625,376

* Adjustment in leasehold improvement variation contract for office space.

** The addition of US$0.11 million during the period is mainly in respect of the additional production facilities at Otakikpo marginal field.

7. Exploration and Evaluation (E&E) assets

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

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

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Balance at 1 January	**112,651,963**	111,976,751
Additions during the year (see (b) below)	**125,313**	675,212
Balance at end of period	**112,777,276**	112,651,963

(b) The additions during the six month period ended 30 June 2017 mainly consists of the Group's share of expenditure on OPL 310 amounting to US$0.13 million. Total expenditure incurred on OPL 310 from inception of farm-in agreement to 30 June 2017 and expected to be recovered in oil amounts to US$112.3 million.

(c) The unexpired lease term on OPL310 is 1.5 years. The Company has commenced the renewal process of OPL 310 licence. Based on the usual practice within the oil and gas industry in Nigeria and level of interaction with the appropriate government agencies in respect of this, the Directors are confident that the license will be renewed before expiration date for an additional year. This renewal or conversion is a critical factor in recovering the value of these asset. The Group in June 2017, received the consent of the Honourable Minister of Petroleum for the complete transfer of the original 17.14% participating interest acquired on OPL310 in February 2013 by Mayfair Assets and Trust Limited, a subsidiary of the Group.

(d) Exploratory, geological and geophysical activities continued on OPL 310 during the period. On the basis of the expert's evaluation of the resource capability of OPL 310 carried out in 2016, which is believed to be significantly higher than the results of the Competent Persons Report of 2013, the Directors are of the opinion that the investment in OPL 310 is not impaired.

8. Intangible assets

In US Dollars	Mineral Rights Acquisition Costs**	Geological and Geophysical Software	Accounting Software	Total
Costs				
Balance at 1 January 2017	7,000,000	2,078,393	104,056	9,182,449
Additions during the period	–	–	–	–
Adjustment	–	(290,623)*	–	(290,623)
Balance at 30 June 2017	**7,000,000**	**1,787,770**	**104,056**	**8,891,826**
Accumulated amortisation				
Balance at 1 January 2017	25,746	878,810	40,478	945,034
Additions during the period	361,255	204,208	17,020	582,483
Adjustment	–	–	–	–
Balance at 30 June 2017	**387,001**	**1,083,018**	**57,498**	**1,527,517**
Carrying amounts				
At 30 June 2017 (Unaudited)	**6,612,999**	**704,752**	**46,558**	**7,364,309**
At 31 December 2016 (Audited)	6,974,254	1,199,583	63,578	8,237,415

* Adjustment to geophysical maintenance and training software.

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

9. Inventories

Inventories consist of the Group's share of crude stock of US$1,005,422 as at 30 June 2017 (31 December 2016: US$671,666).

10. Trade receivables

Trade receivables comprise:

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Sales proceeds receivables (a)	**988,413**	–
Underlift	**147,347**	–
	1,135,760	–

(a) Trade receivables consist of balance due from the crude offtaker from the proceeds of the second lifting.

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11. Other receivables

Other receivables comprise:

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Director's loan (b)	**1,658,493**	1,626,312
Employee loans and advances	**142,373**	20,963
Cash call receivable from joint venture partner	**2,094,845**	–
Due from Afren Investment Oil & Gas (Nigeria) Limited (a)	**795,851**	795,851
Other receivables	**47,779**	35,564
	4,739,340	2,478,690
Non-current	**795,851**	795,851
Current	**3,943,489**	1,682,839
	4,739,340	2,478,690

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

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

12. Other assets

Other assets comprises:

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Due from Ashbert Oil and Gas Limited (a)	**20,526,167**	19,119,201
Deposit for investments in Afren Investments Oil & Gas (Nigeria) Limited	**12,000,000**	12,000,000
Prepaid rent	**285,072**	399,242
Deposit for investments in Ashbert Oil and Gas Limited	**240,000**	240,000
Deposit DRSA Fund – Shell Western	**420,067**	–
Prepaid insurance	**133,526**	209,442
Others	**1,020,937**	544,342
	34,625,769	32,512,227
Current	**1,439,535**	186,454
Non-current	**33,186,234**	32,325,773
	34,625,769	32,512,227

(a) On 1 September 2015, the Group entered into a loan agreement with Ashbert Oil and Gas Limited ("the Borrower"). In accordance with the loan agreement, the Group will lend an aggregate sum of US$40,200,000 for the payment of the signature bonus on OPL 325 in three tranches of US$16,080,000, US$12,060,000 and US$12,060,000 (Note 12(b)). On 4 September 2015, the Group paid the first tranche of US$16,080,000.

The total commitment plus interest, fees, commissions and accessories due in respect thereof shall be repaid in the equivalent of barrels of crude oil from the Borrower's share of crude oil produced from the licence, subject to any existing agreements between the Borrower and the Lender regarding the allocation of crude oil entitlements; converted at the crude oil barrel price prevailing on the open market. The loan bears interest at a rate referencing 90-day LIBOR plus 12.5% per annum. The principal and accrued interest as at 30 June 2017 is US$20.53 million (31 December 2016: US$19.12 million).

13. Pre-paid development costs

In US Dollars	(Unaudited) 30 June 2017	(Audited) 31 Dec 2016
Balance at 1 January	**66,824,720**	28,807,397
Additions during the period	**5,444,076**	32,959,378
Recoveries during the period	**(7,523,267)**	–
Interest for the period	**3,884,796**	5,057,945
Balance at 30 June 2017	**68,630,325**	66,824,720
Non-current	**55,844,400**	33,307,187
Current	**12,785,925**	33,517,533
	68,630,325	66,824,720

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

14. Cash and cash equivalents

In US Dollars	(Unaudited) 30 June 2017	(Audited) 31 Dec 2016
Cash at hand	**9,837**	–
Bank balances	**5,280,088**	3,283,327
Restricted cash (a)	**1,101,894**	1,101,411
Cash and cash equivalents	**6,391,819**	4,384,738

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

15. Capital and reserves

(a) Share capital

In US Dollars	(Unaudited) 30 June 2017
Authorised	**50,000**
Total issued and called up share capital	**26,828**

	30 June 2017
In issue at 1 January	**26,828**
Issued for cash	**–**
In issue and fully paid, end of period	**26,828**
Authorised – par value US$0.00005 (2016: US$0.00005)	**1,000,000,000**

15. Capital and reserves continued

(b) Share premium

Share premium represents the excess of amount received over the nominal value of the total issued share capital as at the reporting date. The analysis of this account is as follows:

In US Dollars	(Unaudited) 30 June 2017
Balance at 1 January	264,004,066
Additional issue of shares during the period	–
Balance at end of period	264,004,066

16. Non-controlling interest

In US Dollars	(Unaudited) 30 June 2017	(Audited) 31 Dec 2016
LEKOIL Nigeria Limited	6,382,886	5,296,726
LEKOIL Exploration and Production (Pty) Limited (Namibia)	157,542	139,532
	6,540,428	5,436,258

17. Trade and other payables

In US Dollars	(Unaudited) 30 June 2017	(Audited) 31 Dec 2016
Accounts payable	20,078,055	18,314,337
Accrued expenses	9,725,843	10,512,541
Royalty payable	996,016	–
Income tax payable	424,768	–
Payroll liabilities	36,392	5,435
Foreign exchange payable	820,793	–
Other statutory deductions	3,102,375	2,372,721
Other payables	152,297	141,5185
	35,336,539	31,346,552

18. Provision for asset retirement obligation

The Group has recognised a provision for asset retirement obligation ("ARO") which represents the estimated present value of the amount the Group will incur to plug, abandon and remediate Otakikpo operation at the end of the productive lives, in accordance with applicable legislations.

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

In US Dollars	(Unaudited) 30 June 2017	(Audited) 31 Dec 2016
Balance at 1 January	91,199	176,621
Unwinding of discount	7,752	19,994
Effect of changes to decommissioning estimates	–	(105,416)
Balance at end of period	98,951	91,199

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

18. Provision for asset retirement obligation continued

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

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

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

19. Deferred income

Deferred income comprises:

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Interest on prepaid development costs (Note 13 (a))	**10,039,706**	7,426,486
Interest on loan due from Ashbert Oil and Gas Limited	**4,392,088**	3,032,803
	14,431,794	10,459,289
Non-current	**4,392,088**	3,032,803
Current	**10,039,706**	7,426,486
	14,431,794	10,459,289

20. Loans and borrowings

The movement in the loan account was as follows:

In US Dollars	**(Unaudited) 30 June 2017**	(Audited) 31 Dec 2016
Balance at 1 January	**27,390,036**	8,246,746
Draw-down during the period	**16,137,176**	28,028,149
Effective interest during the year	**3,593,063**	2,943,291
Interest and fees paid during the year	**(3,248,667)**	(3,828,150)
Foreign exchange rate changes	**(487,438)**	–
Principal repayment during the period	**(3,594,542)**	(8,000,000)
Balance at end of period	**39,789,628**	27,390,036
Non-current	**21,883,330**	17,024,335
Current	**17,906,298**	10,365,701
	39,789,628	27,390,036

In March 2017, subsequent to the initial drawdown of 1 billion Naira from the 5 billion Naira Sterling Bank facility, LEKOIL Oil and Gas Investments Limited ("LOGL") drew down additional 350 million Naira via a tripartite agreement with Sterling Bank and Cardinal Stone Partners ("Cardinal Stone), wherein Cardinal Stone advanced the same sum backed by a guarantee under the 5 billion Naira facility. The facility had a maturity of 3 months with monthly interest payments and full principal repayment at maturity. In June 2017, 200 million Naira out of the facility was refinanced for another three months on the same terms as the initial facility and 100 million Naira was repaid.

Also in March 2017, the Group received US$15 million advance payment facility from Shell Western Supply and Trading Limited ("Shell Western"), a member of the Royal Dutch Shell group of companies (LSE: RDSA, RDSB). The facility has a maturity of three years and is repayable quarterly following a six-month moratorium with a market margin over LIBOR.

The principal and accrued interest as at 30 June 2017 is US$39.79 million (31 December 2016: US$27.39 million).

21. Revenue

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Crude proceeds	**6,946,444**	–

Revenue represents the Group's share of crude sales from Otakikpo operation during the period (31 December 2016: nil). The Group lifted 304,121 barrels of crude comprising of cost oil recovery crude and entitlement crude during the period (31 December 2016: nil).

22. Cost of sales

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Depreciation and amortisation	**2,274,196**	–
Production operation costs	**928,810**	–
Evacuation & Related Expenses	**1,052,994**	–
Crude handling and lifting expenses	**1,173,122**	–
Royalty expenses	**938,924**	–
Closing stock adjustments	**(333,757)**	–
Other expenses	**48,288**	–
	6,082,577	–

23. Operating expenses

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Field support costs	**490,532**	–
Community and security expenses (a)	**1,069,080**	–
	1,559,612	–

(a) As of January 2017, community and security expenses are recorded as operating expenses whereas in 2016, they were classified as administrative expenses. See note 25 below.

24. Production bonus

Under the farm-in agreement with Green Energy International Limited (GEIL), LOGL is liable to US$4 million production bonus upon commencement of commercial production above 2,000 bopd. US$4 million has been recognised as production bonus during the period (2016: nil) in line with the farm-in agreement. US$1 million of this amount was paid as at 30 June 2017.

25. General & administrative expenses

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Personnel expenses	**4,365,558**	5,069,709
Corporate services and consultancy expenses	**941,841**	712,297
Travel and hotel expenses	**751,999**	790,915
Insurance	**206,625**	235,003
Rent expenses	**708,986**	832,641
Depreciation and amortisation	**514,687**	519,043
Directors' fees	**270,000**	135,000
Community and security expenses	**28,864**	1,380,689
Other expenses	**1,234,434**	849,286
	9,022,996	10,524,583

26. Finance income and costs

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Finance income		
Joint venture partner carry interest income (a)	**1,271,576**	–
Other interest income (b)	**45,566**	35,186
Net foreign exchange gains (c)	**2,408,160**	2,592,874
	3,725,302	2,628,060
Finance costs (d)	**3,600,815**	251,008

(a) Joint venture partner carry interest income
Following the commencement of production and sale of crude, the Group commenced recoveries from the prepaid development costs. Consequently, the group reclassifies the interest portion of the prepaid development costs to finance income (see note 13) proportionately over the period over which the cost recovery occurs by reference to cost recoveries in each period as a percentage of the total capital and operating costs incurred to date in the development of the field.

(b) Other interest income
Other interest income consists mainly of interests on an unsecured loan of US$1,500,000 granted to a Director on 9 December 2014 with a three year maturity, at an interest rate of four percent per annum; and the income earned from investments of the Group's cash resources in fixed deposit and call accounts.

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

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

27. Share-based payment arrangements

At 30 June 2017, the Group had the following share-based payment arrangements:

Share option scheme (equity-settled)
The Group established a share option scheme that entitles employees, key management personnel and consultants providing employment-type services to purchase shares in the Group. In accordance with the scheme, holders of vested options are entitled to purchase shares at established prices of the shares at the date of grant during a period expiring on the tenth anniversary of the effective date i.e. grant date. The grant dates for awards were 3 December 2010, 1 June 2011, 1 November 2011, 3 June 2012, 19 February 2013, 5 April 2013, 17 May 2013, 26 March 2014, 1 July 2015 and 23 December 2015 based upon a shared understanding of the terms of the awards at that time.

Long-term incentive plan scheme (equity-settled)
Awards were made under the Group's Long Term Incentive Plan (LTIP) which was approved on 19 November 2014 and amended on 21 December 2015. The Board approved the grant of 7,895,000 stock options to employees of the Group on 26 June 2015 and 3,143,000 stock options to the CEO, Olalekan Akinyanmi on 23 December 2015. In October 2016, 9,800,000 stock options were awarded to employees.

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

Non-Executive Director Share Plan (equity-settled)
On 21 December 2015 the Board adopted the Group's Non-Executive Director Share Plan designed to provide incentives to Non-Executive Directors. The Committee awarded 500,000 stock options to the Non-Executive Directors under this plan on 23 December 2015 and awarded another 500,000 stock options to Non-Executive Directors in December 2016.

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

28. Loss per share

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

(i) Loss attributable to ordinary shareholders (basic)

In US Dollars	**(Unaudited) 30 June 2017**	(Unaudited) 30 June 2016
Loss for the period attributable to owners of the Group	**(12,914,852)**	(5,384,626)

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

In US Dollars	**(Unaudited) 30 June 2017**	(Unaudited) 30 June 2016
Issued ordinary shares at I January	**536,529,893**	488,199,983
Effect of share options	**–**	–
Weighted-average number of ordinary shares (diluted) at period end	**536,529,893**	488,199,983

29. Taxes

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

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Balance at 1 January	–	–
Charge for the period	17,864	–
Payment in the period	–	–
Balance at end of period	17,864	–

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

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Balance at 1 January	–	–
Charge for the period	406,905	–
Payment in the period	–	–
Balance at end of period	406,905	–

(c) Unrecognised deferred tax assets
The Group has an estimated deferred tax asset of US$43.25 million (31 December 2016: US$57.01 million) primarily relating to unutilised capital allowances and tax losses. The Directors have not recognised this asset as it is not certain when the Group will make sufficient taxable profit and the period in which this timing difference will reverse.

30. Related party transactions

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

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

Loans to key management personnel
An unsecured loan of US$1,500,000 was granted to a Director on 9 December 2014. The loan has a three year term and bears interest at a rate of four per cent per annum. Repayment is due at the end of the term. At 30 June 2017, the balance outstanding was US$1,658,493 (2016: US$1,626,312) and is included in 'trade and other receivables'.

Key management personnel transactions
There were no transactions during the period with key management personnel and entities over which they have significant influence. However, there is an outstanding balance of US$1.72 million due to an entity which a key management personnel has significant influence, from transactions initiated in prior periods. In 2015, LOGL entered into a contract with SOWSCO Wells Services Nigeria Limited, a company controlled by a director, for the provision of well completion services.

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

Key management personnel compensation comprised the following:

In US Dollars	(Unaudited) 30 June 2017	(Unaudited) 30 June 2016
Short-term benefits	732,921	685,969
Share-based payments	99,706	55,133
	832,627	741,102

30. Related party transactions continued

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

	(Unaudited) 30 June 2017		(Unaudited) 30 June 2016	
	Short-term benefits	Share-based payments	Short-term benefits	Share-based payments
Lekan Akinyanmi	462,921	78,146	415,969	42,507
Samuel Adegboyega	70,000	4,312	70,000	2,223
Aisha Muhammed-Oyebode	50,000	4,312	50,000	2,601
Greg Eckersley	50,000	4,312	50,000	2,223
John van der Welle	50,000	4,312	50,000	3,356
Hezekiah Adesola Oyinlola	50,000	4,312	50,000	2,223
	732,921	99,706	685,969	55,133

Key management personnel and Director transactions

Directors of the Company control 8.26% of the voting shares of the Company as at 30 June 2017 (31 December 2016 is 8.73%).

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

31. Events after the reporting date

Subsequent to period end, the Group paid additional US$1.5 million in August to GEIL for production bonus, bringing the total payment made on production bonus to US$2.5 million of the US$4 million due.

The Group has obtained further two years extension of its petroleum exploration licence on Namibian BLOCKS 2514A&B – EPL 059.

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

32. Financial commitments and contingencies

(a) LEKOIL Limited, Namibia is bound to the licence renewal offer from the Ministry of Mines and Energy, with respect to its 77.5% participating interest in the Production Sharing Agreement (PSA) and operatorship in respect of Namibia Blocks 2514A and 2514B. The work programme for the licence include; acquisition of 2D seismic data over an area covering at least 1000 sq. km, acquisition of new CSEM (Control Source Electromagnetic/Hydroscan data over an area covering at least 200 km or acquisition of new 3D over an area of at least 200 sq.km, data integration and interpretation, lead identification and portfolio inventorisation, lead de-risking and portfolio analysis and ranking, and minimum exploration expenditure of US$2 million.

The renewed licence expires in July 2019.

(b) LOGL is bound to pay US$4 million to Green Energy International Limited (GEIL) for production bonus under the terms in a farm-in agreement with GEIL. In this respect, LOGL paid US$1 million during the period and subsequent to period end, the Group paid additional US$1.5 million in August 2017 to GEIL for production bonus, bringing the total payment made on production bonus to US$2.5 million of the US$4 million due.

32. Financial commitments and contingencies continued

(c) On 5 December 2014, the joint venture signed a Memorandum of Understanding (MoU) with its host community, Ikuru with respect to the Otakikpo Marginal Field area. The key items of the MoU include the following:

- The joint venture will allocate 3% of its revenue from the Liquefied Petroleum Gas (LPG) produced from the field to Ikuru Community in each financial year;
- The joint venture will allocate the sum of US$0.53 million (NGN 148.32 million) annually for sustainable community development activities.

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

(e) Litigation and claims
There are no litigations or claims involving the Group as at 30 June 2017 (31 December 2016 is nil).

Company information

Financial calendar

Announcements

- Full year results for 2017 are expected in April 2018.
- Half-year results for 2018 are expected in September 2018.

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

Directors

Samuel Adegboyega *Non-Executive Chairman*
Olalekan Akinyanmi *Chief Executive Officer*
Bruce Burrows *Chief Financial Officer*
Gregory Eckersley *Non-Executive Director*
H. Adesola Oyinlola *Non-Executive Director*
Aisha Oyebode *Non-Executive Director*
John van der Welle *Non-Executive Director*

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