

**Registered number: 04606754**

**POLEMOS PLC**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2016**

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## **POLEMOS PLC**

### **BOARD OF DIRECTORS**

#### **Company Board**

##### **Hamish Harris** Executive Chairman

Mr Harris holds a Bachelor of Commerce from the University of Tasmania. He has held positions within market risk management at a number of financial institutions including Nomura Group, Dresdner Kleinwort Wasserstein, Deutsche Bank AG and Lloyds Banking Group plc in Singapore, Hong Kong and London. Hamish currently holds a position with Nivalis Capital, a private equity vehicle which looks for opportunities in mining and agriculture in Eastern Europe.

##### **Spencer Wilson** Non-Executive Director

Mr. Wilson is a financier and has been Chief Executive Officer at Markab Capital Limited ("Markab"), a boutique Middle East-focused investment bank and family office since 2010. Mr. Wilson currently oversees deal origination at Markab as well as developing financing and M&A opportunities for the firm. Prior to joining Markab, Mr. Wilson worked as a Managing Partner at Churchill Merchant Capital, Inc. from 2000 to 2002 and then a Senior Managing Director at Newhaven Merchant Bankers from 2002 to 2010.

##### **Nicholas Lee** Non-Executive Director

Mr. Lee read Engineering at St. John's College, Cambridge and began his career at Coopers & Lybrand where he qualified as a chartered accountant. He then joined Dresdner Kleinwort where he worked in their corporate finance department advising a range of companies across a number of different sectors and most recently was a Managing Director and Head of Investment Banking for Dresdner Kleinwort's hedge fund/alternative asset manager clients. Nick is currently Non-Executive Chairman of AIM-listed Paternoster Resources plc ("Paternoster") and a Non-Executive Director of AIM-listed MX Oil plc and Pires Investments plc.

##### **Daniel Maling** Non-Executive Director

Dan Maling has over 15 years of senior commercial management experience primarily in the oil and gas and mining sectors. He has worked with several AIM, ASX and TSX listed companies providing corporate finance, business development and corporate governance advice and is currently Finance Director of AIM listed Solo Oil plc. Dan has a Bachelor of Accounting & Law and is a member of the Institute of Chartered Accountants in Australia.

##### **Jason Berry** Non-Executive Director (ceased as a director 16 November 2016)

Jason Berry joined Polemos as a Non-Executive Director in January 2016. He had extensive experience operating in global public markets having spent approximately 20 years working in the financial services sector in London. Highly experienced in raising capital for listed Companies and Sales Trading, Jason was Director of Dawnay (2005- 2008), Day Investment Banking Limited and was involved in the successful buy out of the business which now trades as Hobart Capital Markets Limited. Jason served as a director of JBerry Consulting Limited, Stoke Capital Limited and had, since July 2014, been an executive director of UK Oil & Gas Investments PLC, the AIM traded oil & gas exploration company. He held a BA (Honours) in European Business Studies. During the year Jason died unexpectedly from a short illness and ceased to be a director on 16 November 2016.

**POLEMOS PLC**

**CORPORATION INFORMATION**

**Company Secretary**

Daniel Maling

**Directors**

Hamish Harris (Executive Chairman)  
Spencer Wilson (Non-Executive Director)  
Daniel Maling (Non-Executive Director)  
Nicholas Lee (Non-Executive Director)

**Company Number**

04606754

**Registered Office**

2 Chapel Court  
London  
SE1 1HH

**Nominated Adviser and Broker**

Beaumont Cornish Limited  
2<sup>nd</sup> Floor, Bowman House  
29 Wilson Street  
London EC2M 2SJ

**Bankers**

Barclays Bank plc  
Corporate Banking  
One Churchill Place  
London  
E14 5HP

**Independent Auditors**

Chapman Davis LLP  
Statutory Auditors  
2 Chapel Court  
London SE1 1HH

**Solicitors**

Hill Dickinson LLP  
The Broadgate Tower  
20 Primrose Street  
London  
EC2A 2EW

## **POLEMOS PLC**

### **STRATEGIC REPORT**

The Directors are pleased to present the Strategic Report on the Company for the year ended 31 December 2016.

#### **Activities, Business Review and Strategy**

On 18 January 2016, Donald Strang stepped down as Executive Chairman and Hamish Harris replaced him as the Company's Executive Chairman. Mr Jason Berry also joined the board at that date as a non-executive director. Sadly in November 2016, Jason Berry died suddenly. He was only 47. He was heavily involved in the Company's fund raising and investment identification process. He will be missed. The most fitting tribute we can pay to him is to build further upon the momentum and success he helped to achieve. Our thoughts remain with his family.

The Company identified a transaction during Q3 2016 which we spent considerable time reviewing and were very keen to pursue but unfortunately for a number of reasons we were not able to conclude a transaction.

On June 1 2017 the company announced that it had signed a heads of terms to invest CAD 875,500 (approximately £500,000) into TSX-V listed Oyster Oil and Gas. The Investment is subject only to the completion of formal documentation which is expected to be finalised very shortly and is being funded from existing cash resources. Based on an enlarged issued share capital of Oyster of approximately 44.8 million shares, the Investment will result in Polemos acquiring a 3.9% equity interest in Oyster.

Each share we receive will come with a matching warrant at 55c and in addition, under the terms of the term sheet and conditional on compliance with the rules of the TSX, subject to a floor price of CAD 30c, the effective price at which the Investment is made can be varied to represent a discount of 20% to any further capital raised by Oyster within 12 months of the Investment.

Oyster is listed on the TSV Venture Exchange (TSX-V: OY) and is an international energy group focused on oil and gas exploration and production activities in underexplored hydrocarbon basins. Oyster currently operates 4 blocks in the Republic of Djibouti (100% interest); 3 blocks are located onshore and 1 block offshore, and it also operates a 100% working interest in a large onshore block in the Republic of Madagascar.

The investment was made on the basis that Oyster intended to list on AIM as soon as practically possible. The board's view was that given past experience of oil and gas companies migrating to AIM this would most likely see a dramatic increase in liquidity and likely a decent increase in market cap.

#### **Financial Review**

During the year, the Company made a loss before taxation from continuing operations of £269,000 (2015: £149,000). There was a weighted loss per share from continuing operations of 0.02p (2015: loss per share of 0.02p).

Cash and cash equivalents at 31 December 2016 amounted to £175,000 (31 December 2015: £207,000).

#### **Outlook**

Your Board is continuing to review a number of other investment opportunities in accordance with its investing policy and further announcements will be made as appropriate.

The Directors are pleased to present the Strategic Report on the Company for the year ended 31 December 2016.

Hamish Harris  
Chairman  
8 June 2017

## POLEMOS PLC

### REPORT OF THE DIRECTORS

The Directors present their report and the audited Financial Statements for the year ended 31 December 2016.

#### Principal Activities and Investment Policy

As at 31 December 2016 the principal activity of the Company remains that of an investing company which is seeking to acquire a direct and/or indirect interest in projects and assets in the natural resources sector, as well as opportunities that may arise in other sectors. The Company will focus on opportunities in Europe, Africa, Middle East and Australia, but will consider possible opportunities anywhere in the world.

#### Business Review and Future Developments

A full review of the Company's performance, financial position and future prospects is given in the Strategic Report on page 4.

#### Results and Dividends

The Statement of Comprehensive Income is set out on page 13 and has been prepared in Sterling, the functional and reporting currency of the Company.

The Company's loss after taxation attributable to equity holders of the Company for the period was £269,000 (2015 – £149,000 loss).

No dividends have been paid or proposed.

#### Key Performance Indicators ("KPIs")

The Board monitors the activities and performance of the Company on a regular basis. Given the current Investing Policy there were no relevant KPIs during the accounting period or at the year end.

#### Substantial Shareholdings

At 31 May 2017, the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares:

Shareholder	Number of Shares	% of Issued Capital
Beaufort Nominees Limited	604,295,380	20.56
Fiske Nominees Limited	380,070,000	12.93
Stifel Nicolaus Europe Limited	263,243,232	8.96
Pershing Nominees Limited	214,285,686	7.29
JIM Nominees Limited	195,625,027	6.66
Fitel Nominees Limited	172,120,000	5.86
Peel Hunt Holdings Limited	110,265,625	3.75
Mr Ronald Bruce Rowan	94,552,711	3.22

## **POLEMOS PLC**

### **REPORT OF THE DIRECTORS**

#### **Directors' Remuneration and interests**

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Directors' emoluments and payments made for professional services rendered are set out in note 7 to the Financial Statements.

All the directors below served during throughout the period unless otherwise stated;

Hamish Harris  
Spencer Wilson  
Donald Strang (resigned 18 January 2016)  
Jason Berry (appointed 18 January 2016, and ceased 16 November 2016)  
Nicholas Lee (appointed 15 February 2017)  
Daniel Maling (appointed 15 February 2017)

Each of the directors, with the exception of Jason Berry, at 31 December 2016, held fully vested options over 8,000,000 ordinary shares each (total options held by directors is 32,000,000) which are exercisable at 0.2p each up until 31 December 2020.

#### **Corporate Governance**

A statement on Corporate Governance is set out on pages 9 and 10.

#### **Annual General Meeting ("AGM")**

This report and financial statements will be presented to shareholders for their approval at an AGM. The Notice of the AGM will be distributed to shareholders separately to this Annual Report.

#### **Employees**

The Company has no directly employed personnel, apart from the Directors.

#### **Creditor Payment Policy**

The policy of the Company is to:

- Agree the terms of payment with suppliers when settling the terms of each transaction;
- Ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- Pay in accordance with its contractual and other legal obligations provided suppliers comply with the terms and conditions of supply.

Trade payables at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end payables is therefore not meaningful.

#### **Charitable Donations**

The Company made no charitable donations during the year (2015 - £Nil).

## **POLEMOS PLC**

### **REPORT OF THE DIRECTORS**

#### **Financial Reporting**

The Board has ultimate responsibility for the preparation of the annual audited Financial Statements. A detailed review of the performance of the Company is contained in the Strategic Report on page 4. With the Strategic Report, the Board seeks to present a balanced and understandable assessment of the Company's position, performance and prospects.

#### **Going Concern**

The Directors note the losses that the Company has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 30 June 2018 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. The Company also raised through an equity share placing in February 2017 £495,000. Accordingly, the financial statements have been prepared on a going concern basis.

#### **Risks and Uncertainties**

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system.

##### ***Financial Risk***

The risks faced by the Company include interest rate, credit risk and liquidity risk. Directors have in place a process of regularly reviewing risks to the business and monitoring associated controls, actions and contingency plans.

The Company's financial risk management policies are set out in note 3.

##### ***Business Risk***

The Board regularly evaluates and reviews all business risks when reviewing project timelines. The types of risks reviewed also include:

- Regulatory and compliance obligations
- Legal risks relating to contracts, licenses and agreements
- Insurance risks.

## **POLEMOS PLC**

### **REPORT OF THE DIRECTORS**

#### **Internal Control**

A key objective of the Directors is to safeguard the value of the business and assets of the Company. This requires the development of relevant policies and appropriate internal controls to ensure proper management of the Company's resources and the identification and mitigation of risks which might serve to undermine them. The Directors are responsible for the Company's system of internal control and for reviewing its effectiveness. It should, however, be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

#### **Provision of Information to Auditors**

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **Auditors**

Chapman Davis LLP has signified its willingness to continue in office as auditors, and a resolution that they be reappointed will be proposed at the annual general meeting.

This report was approved by the board on 8 June 2017 and signed on its behalf.

**Hamish Harris**

Director

## **POLEMOS PLC**

### **CORPORATE GOVERNANCE**

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Conduct Authority incorporate the UK Corporate Governance Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the UK Corporate Governance Code proportionate to the size and the stage of development of the Company.

#### **Board of Directors**

The Board of Directors currently comprises one executive Director (whom is the Chairman) and three non-executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the UK Corporate Governance Code have been implemented to an appropriate level. The Board maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

#### **Board meetings**

The Board meets regularly throughout the year in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance.

All Directors have access to the advice of the Company's solicitors and the Company Secretary ensures necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

#### **Board Committees**

The Board has established the following committees, each which has its own terms of reference:

##### ***Audit Committee***

The Audit Committee is responsible for overseeing the Company's financial reporting disclosure process; this also includes the choice of appropriate accounting policies. It also monitors internal financial controls as well as overseeing the hiring and performance of the external auditors. The Audit Committee comprises all of the Directors with Daniel Maling as Chairman.

##### ***Remuneration Committee***

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration for Directors. It comprises all of the Directors with Spencer Wilson as Chairman. Financial packages for Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

##### ***Nomination Committee***

The Directors do not consider that, given the size of the Board, it is appropriate to have a Nomination Committee. The appropriateness of such a committee will however, be kept under regular review by the Board.

## **POLEMOS PLC**

### **CORPORATE GOVERNANCE**

#### **Internal Controls**

The Directors acknowledge their responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

#### **Risk Management**

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

#### **Insurance**

The Company maintains insurance in respect of its Directors against liabilities in relation to the Company.

#### **Treasury Policy**

The Company finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Company. Decisions regarding the management of these assets are approved by the Board.

#### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

#### **Relations with Shareholders**

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

## **POLEMOS PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Company and of the profit or loss for that period.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the Financial Statements comply with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

## **POLEMOS PLC**

### **REPORT OF THE INDEPENDENT AUDITORS**

#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POLEMOS PLC**

We have audited the Financial Statements of Polemos plc for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

#### **Respective Responsibilities of Directors and Auditor**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the Audit of the Financial Statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

#### **Matters on which we are required to Report by Exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

#### **Keith Fulton**

Senior Statutory Auditor

for and on behalf of Chapman Davis LLP

Statutory Auditor, Chartered Accountants

LONDON

8 June 2017

POLEMOS PLC

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER 2016

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Revenue		-	-
Administrative expenses		(269)	(149)
Investment income	8	-	-
<b>Operating Loss</b>	9	(269)	(149)
Finance income	10	-	-
<b>Loss before Taxation</b>		(269)	(149)
Taxation	11	-	-
<b>Loss for the Year attributable to equity holders of the Company</b>		<u>(269)</u>	<u>(149)</u>
<b>Other Comprehensive Income:</b>			
<b>Other comprehensive income Items that may be subsequently reclassified to profit or loss:</b>			
Increase/(decrease) in value of available for sale assets		38	(66)
Total other comprehensive income		<u>38</u>	<u>(66)</u>
<b>Total Comprehensive Income for the Year attributable to equity holders of the Company</b>		<u>(231)</u>	<u>(215)</u>
<b>Earnings per Share</b>			
<b>Attributable to the Equity Holders of the Company during the Year</b>			
	Note	Pence	Pence
Earnings per share – Basic and diluted	12	(0.02)	(0.02)

The accounting policies and notes form an integral part of these Financial Statements.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Available-for-sale financial assets	13	94	51
		<u>94</u>	<u>51</u>
<b>Current Assets</b>			
Trade and other receivables	14	41	13
Cash and cash equivalents	15	175	207
		<u>216</u>	<u>220</u>
<b>Total Assets</b>		<u>310</u>	<u>271</u>
<b>Current Liabilities</b>			
Trade and other payables	16	(126)	(97)
<b>Net Assets</b>		<u>184</u>	<u>174</u>
<b>Equity attributable to shareholders</b>			
Share capital	17	19,459	19,395
Share premium	17	18,618	18,441
Share based payment reserve		63	63
Available-for-sale asset reserve		(217)	(255)
Retained earnings		<u>(37,739)</u>	<u>(37,470)</u>
<b>Total Equity</b>		<u>184</u>	<u>174</u>

The Financial Statements were approved and authorised for issue by the board of Directors on 8 June 2017 and were signed on its behalf by:

Hamish Harris  
Director

Daniel Maling  
Director

The accounting policies and notes form an integral part of these Financial Statements.

POLEMOS PLC

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 DECEMBER 2016

Attributable to equity shareholders

	Share Capital	Share Premium	Share based Payment reserve	Available for sale asset reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 December 2014</b>	<b>19,395</b>	<b>18,441</b>	<b>63</b>	<b>(189)</b>	<b>(37,321)</b>	<b>389</b>
Shares issued	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
<b>Total contributions by and distributions to owners of the Company</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
(Decrease) in value of available for sale assets	-	-	-	(66)	-	(66)
Loss for the year	-	-	-	-	(149)	(149)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(66)</b>	<b>(149)</b>	<b>(215)</b>
<b>At 31 December 2015</b>	<b>19,395</b>	<b>18,441</b>	<b>63</b>	<b>(255)</b>	<b>(37,470)</b>	<b>174</b>
Shares issued	64	191	-	-	-	255
Share issue costs	-	(14)	-	-	-	(14)
<b>Total contributions by and distributions to owners of the Company</b>	<b>64</b>	<b>177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241</b>
Increase in value of available for sale assets	-	-	-	38	-	38
Loss for the year	-	-	-	-	(269)	(269)
<b>Total Comprehensive Income for the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>(269)</b>	<b>(231)</b>
<b>At 31 December 2016</b>	<b>19,459</b>	<b>18,618</b>	<b>63</b>	<b>(217)</b>	<b>(37,739)</b>	<b>184</b>

The accounting policies and notes form an integral part of these Financial Statements.

POLEMOS PLC

STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
<b>Cash Flows from Operating Activities</b>			
Operating loss		(269)	(149)
Adjustments for non-cash items:			
Bad debts written-off		1	-
(Gain)/loss on disposal of AFS assets		-	-
		<hr/>	<hr/>
Operating cash flows before movements in working capital		(268)	(149)
(Increase) in trade and other receivables		(28)	(9)
Increase in trade and other payables		29	23
		<hr/>	<hr/>
<b>Net Cash Used in Operating Activities</b>		<b>(267)</b>	<b>(135)</b>
<b>Cash Flows from Investing Activities</b>			
Interest received		-	-
Purchases of available-for-sale financial assets		(4)	-
Proceeds from disposal of available-for-sale financial assets		-	-
		<hr/>	<hr/>
<b>Net Cash Used in Investing Activities</b>		<b>(4)</b>	<b>-</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from share issues		255	-
Share issue costs		(16)	-
		<hr/>	<hr/>
<b>Net cash generated from Financing Activities</b>		<b>239</b>	<b>-</b>
<b>Net (Decrease) in Cash and Cash Equivalents</b>		<b>(32)</b>	<b>(135)</b>
Cash and cash equivalents at beginning of year	15	<hr/>	<hr/>
		207	342
<b>Cash and Cash Equivalents at End of Year</b>	15	<hr/>	<hr/>
		175	207

The accounting policies and notes form an integral part of these Financial Statements.

## 1. General Information

Polemos Plc is a public limited company which is quoted on AIM and incorporated and domiciled in the UK. The business of Polemos Plc remains that of an Investment Company, pursuant to Rule 8 of the AIM Rules.

The Company's Investing Policy is to invest in any sector which the Directors consider may potentially create value for its Shareholders. The Directors intend initially to seek to acquire a direct or an indirect interest in projects and assets in the natural resources sector, however, they will consider other sectors as, and when, opportunities arise.

This investment may be in either quoted or unquoted companies; be made by direct acquisition or through farm-ins; may be in companies, partnerships, joint ventures; or direct interests in particular assets or projects. The Company's equity interest in a proposed investment may range from a minority position to 100 percent ownership and may comprise one investment or multiple investments.

Investments in early stage and exploration assets are expected to be mainly in the form of equity, with debt being raised later to fund the development of such assets. Investments in later stage assets are more likely to include an element of debt to equity gearing.

The Company intends to deliver Shareholder returns principally through capital growth rather than income distribution via dividends, although it may become appropriate to distribute funds to Shareholders once the investment portfolio matures.

The Company may be both an active and a passive investor depending on the nature of the individual investments in its portfolio. Although the Company intends to be a long-term investor, the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest or the proportion of the Company's gross assets that any investment may represent at any time and the Company will consider possible opportunities anywhere in the world.

The Directors may offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including by way of example, and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may, in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Company's Articles of Association. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the Existing Ordinary Shares.

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered.

### Authorisation of financial statements

The financial statements of Polemos Plc for the year ended 31 December 2016 were authorised for issue by the Board on 8 June 2017 and the balance sheets signed on the Board's behalf by Hamish Harris and Daniel Maling.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of Preparation

The Financial Statements of Polemos Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The Financial Statements have been prepared under the historical cost convention with modification for the available-for-sale financial assets.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant in the Financial Statements are disclosed in Note 4.

### Going Concern

The Directors noted the losses that the Company has made for the Year Ended 31 December 2016. The Directors have prepared cash flow forecasts for the period ending 31 March 2018 which take account of the current cost and operational structure of the Company.

The cost structure of the Company comprises a high proportion of discretionary spend and therefore in the event that cash flows become constrained, costs can be quickly reduced to enable the Company to operate within its available funding.

These forecasts demonstrate that the Company has sufficient cash funds available to allow it to continue in business for a period of at least twelve months from the date of approval of these financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

It is the prime responsibility of the Board to ensure the Company remains a going concern. As at 31 December 2016 the Company had cash and cash equivalents of £175,000 and no borrowings. The Company has minimal contractual expenditure commitments and the Board considers the present funds sufficient to maintain the working capital of the Company for a period of at least 12 months from the date of signing the Annual Report and Financial Statements. For these reasons the Directors adopt the going concern basis in the preparation of the Financial Statements.

### Accounting Policies

#### New standards, amendments and interpretations adopted by the Company

New and/or revised Standards and Interpretations that have been required to be adopted, and/or are applicable in the current year by/to the Company, as standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2016 do not have a material effect on the Company financial statements.

#### New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

- IFRS 9 in respect of Financial Instruments which will be effective for the accounting periods beginning on or after 1 January 2018.

## 2. Summary of Significant Accounting Policies (continued)

### **New standards, amendments and interpretations not yet adopted (continued)**

- IFRS 15 in respect of Revenue from Contracts with Customers which will be effective for accounting periods beginning on or after 1 January 2018.
- IFRS 16 in respect of Leases which will be effective for accounting periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

### **Financial Instruments**

The Company determines the classification of its financial assets at initial recognition. The subsequent measurement of financial assets depends on their classification as described below.

#### ***Available-for-sale financial assets***

Available-for-sale financial assets are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Available-for-sale financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is recognised in equity.

#### ***Trade and Other Receivables***

Trade and other receivables are initially measured at fair value, based on their invoice value and subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated recoverable amount.

#### ***Trade and Other Payables***

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits.

### **Foreign Currency Translation**

#### **(a) Functional and Presentation Currency**

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency.

#### **(b) Transactions and Balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Foreign exchange gains and losses are presented in the Other Comprehensive Income.

**2. Summary of Significant Accounting Policies (continued)****Share Capital**

Ordinary Shares are classified as equity. Share premium is shown as an additional incremental cost directly attributable to the issue of new shares are shown as a deduction, net of tax, in equity from the proceeds.

**Taxation**

The tax expense represents the sum of the tax payable for the current period and deferred tax.

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Share Based Payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 6.

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 Company's estimate of equity instruments that will eventually vest. At each Statement of Financial Position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Fair value is measured by use of the Black Scholes Model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

### 3. Financial Risk Management

#### Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including exchange rate risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Directors under policies approved by the Board of Directors which include continuous assessments of interest rate, credit risk and liquidity risk.

(a) **Market Risk**

(i) **Foreign Exchange Risk**

The Company operates mainly in the UK, and has limited exposure to foreign exchange risk. Following the new strategies post re-structure, the Company may have greater currency risk should it develop an international investment portfolio.

(ii) **Interest Rate Risk**

The Company does not have any borrowing at the year end and hence has limited exposure to interest rate risk. Should borrowing become necessary, the Directors will assess the instruments required to meet the Company's financing needs.

(b) **Credit Risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. The Company considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Company will only bank with financial institutes that have a credit rate of A- or better.

(c) **Liquidity Risk**

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Cash is invested in commercial call accounts which provide a modest return on the cash resources whilst ensuring there is limited risk of loss.

There is no difference between the carrying values and fair values of the financial instruments in the current year or prior year.

(d) **Market/Price Risk**

The Company is exposed to equity securities market/price risk because of investments held by the Company and classified on the Statement of Financial Position as available-for-sale assets. To manage this risk, the Company diversified its portfolio.

#### Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

**4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The preparation of the financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**(i) Critical Accounting Estimates and Assumptions****Share Based Payments**

The Company made no awards of options over its unissued share capital to the directors during the year to 31 December 2016. (2015: nil share options issued)

The fair value of share based payments is calculated by reference to a Black Scholes model. Inputs into the model are based on management's best estimates of appropriate volatility, dividend yields, discount rate and share price growth.

During the year, the Company incurred no share based payment charge (2015: £nil charge).

**5. Segment Information**

The Company is now operating as a single UK based segment with a single primary activity to invest in businesses so as to generate a return for the shareholders. No segmental analysis has been disclosed as the Company has no operating segments. The Directors will review the segmental analysis on a regular basis, and update accordingly.

**6. Share Based Payments**

During the year to 31 December 2016 and year to 31 December 2015, the Company granted no share options. The share option charge for the year is £nil (2015: £nil).

	<b>2016</b>	<b>Weighted</b>	<b>2015</b>	<b>Weighted</b>
	<b>No. of share</b>	<b>average</b>	<b>No. of share</b>	<b>average</b>
	<b>options</b>	<b>exercise</b>	<b>options</b>	<b>exercise</b>
		<b>price</b>		<b>price</b>
		<b>price</b>		<b>price</b>
Outstanding at beginning of year	32,000,000	0.2p	32,000,000	0.2p
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Cancelled during the year	-	-		
Outstanding at the end of the year	<u>32,000,000</u>	<u>0.2p</u>	<u>32,000,000</u>	<u>0.2p</u>
Exercisable at the end of the year	<u>32,000,000</u>	<u>0.2p</u>	<u>32,000,000</u>	<u>0.2p</u>

All options are exercisable at 0.2p and expire on 31 December 2020.

There are £nil (2015: £nil) employee benefit expenses in 2016 and 2015, as the Company does not have employees other than the Directors.

<b>7.</b>	<b>Directors and Employees</b>	<b>2016</b>	<b>2015</b>
	<b>Average number of employees</b>	<b>No.</b>	<b>No.</b>

Average number of employees (who are all Directors)  
during the year was:

	3	3
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	<b>£'000</b>	<b>£'000</b>
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Emoluments of the Directors

	36	42
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	<b>Salary and fees £'000</b>	<b>2016 Total £'000</b>	<b>2015 Total £'000</b>
Donald Strang (resigned on 18 January 2016)	1	1	18
Hamish Harris	12	12	12
Spencer Wilson	12	12	12
Jason Berry (ceased on 16 November 2016)	11	11	-
	36	36	42

There were no pension scheme contributions on behalf of Directors during in 2016 or 2015.

<b>8.</b>	<b>Investment income</b>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>

Dividend income

	-	-
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Realised gain on sale of AFS assets

	-	-
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	-	-
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<b>9.</b>	<b>Operating Loss</b>	<b>2016</b>	<b>2015</b>
		<b>£'000</b>	<b>£'000</b>

Included within the results of operating activities are the following;

Staff costs

	36	42
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Audit fees

	8	10
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Bad debt written-off

	1	-
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Auditor's remuneration:

- Fees payable for the audit of the Company

	8	10
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- Audit related assurance services

	-	-
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**10. Finance Income**

	2016 £'000	2015 £'000
Interest income on short-term bank deposits	-	-
	<u>-</u>	<u>-</u>

**11. Income Tax**

	2016 £'000	2015 £'000
<i>UK Corporation Tax at standard rate of UK companies</i> Corporation Tax rate of 20% (2015 - 20%)	-	-
<i>Deferred tax:</i> Origination and reversal of temporary differences	-	-

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to loss of the Company as follows:

Loss on ordinary activities before tax	(269)	(149)
Current tax at 20% (2015– 20%)	(54)	(30)
Tax effects of:		
- Expenses not deductible for tax purposes	-	-
- Tax losses for which no deferred income tax asset is recognised	54	30
Tax charge/(credit)	<u>-</u>	<u>-</u>

**12. Earnings per Share**

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss attributable to equity holders of the Company (£'000)	(269)	(149)
Weighted average number of ordinary shares in issue	1,375,705,278	886,907,500
Basic and diluted loss per share (pence)	<u>(0.02)</u>	<u>(0.02)</u>

The impact of the share options are considered to be anti-dilutive.

<b>13. Available-for-sale financial assets – Listed Investments</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	51	117
Purchase of securities	4	-
Disposal of securities	-	-
Gain on disposal of investments	-	-
Foreign exchange gains on translation	1	-
Transfers to income statement	-	-
Movement in market value during the year	38	(66)
Closing balance	<u>94</u>	<u>51</u>

Available-for-sale assets comprise investments in listed securities which are traded on stock markets throughout the world, and are held by the Company as a mix of strategic and short term investments.

<b>14. Trade and Other Receivables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Other receivables	10	1
VAT recoverable	24	6
Prepayments	7	6
	<u>41</u>	<u>13</u>

<b>15. Cash and Cash Equivalents</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand	<u>175</u>	<u>207</u>

<b>16. Trade and Other Payables</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	50	12
Other payables	22	3
Social security and other taxes	-	-
Accruals	54	82
	<u>126</u>	<u>97</u>

17. Share Capital and Premium	Number of shares (thousands)	Share capital £'000	Share premium £'000	Total £'000
<b>At 1 January 2015, and at 31 December 2015</b>				
- ordinary shares	886,907	88	18,441	18,529
- deferred shares	386,907	19,307	-	19,307
	1,273,814	19,395	18,441	37,836
<b>At 1 January 2016- Ordinary shares</b>				
<b>Shares issued during the year;</b>	886,907	88	18,441	18,529
On 18 February 2016, placing for cash at 0.04p per share	200,000	20	60	80
On 11 April 2016, placing for cash at 0.04p per share	437,500	44	131	175
Costs of share issues	-	-	(14)	(14)
- ordinary shares	1,524,407	152	18,618	18,784
- deferred shares	386,907	19,307	-	19,307
<b>Totals at 31 December 2016</b>	1,911,314	19,459	18,618	38,091

The issued share capital at 31 December 2016 consists of 1,524,407,464 ordinary shares of 0.01p each and 386,907,464 deferred shares of 4.99p each.

637,500,000 shares were issued during the year ended 31 December 2016 (2015: no shares issued).

The deferred shares do not entitle their holders to receive dividends or other distributions, receive notice of or to attend and vote at any general meeting or receive a return of capital on a winding up. The deferred shares are redeemable at the option of the Company at any time on giving 7 days written prior notice.

32 million share options were outstanding at 31 December 2016 (2015 – 32 million). The Company has no warrants in issue at 31 December 2016 (2015: nil).

#### 18. Operating Lease Commitments and capital commitments

The Company has no current lease or capital commitments as at 31 December 2016.

#### 19. Related Party Transactions

There were no related party transactions during the year.

##### **Key Management Personnel**

The only key management personnel are the directors, whose remuneration is detailed in Note 7.

#### 20. Events after the Reporting Period

On 15 February 2017, the Company announced the following;

- The issue of 1,414,285,714 new ordinary shares through a placing for cash at 0.035pence per share raising £495,000.
- The appointment of Nicholas Lee and Daniel Maling as Non-executive Directors of the Company.
- The issue of 120million share options to the Directors' of the Company, at an exercise price of 0.045pence per share, expiring on 31 December 2018.

On 1 June 2017, the Company announced signed a heads of terms to invest CAD 875,500 (approximately £500,000) into TSX-V listed Oyster Oil and Gas Limited ("Oyster") (the "Investment"). The Investment is subject only to the completion of formal documentation which is expected to be finalised very shortly and is being funded from existing cash resources. Based on an enlarged issued share capital of Oyster of approximately 44.8 million shares, the Investment will result in Polemos acquiring a 3.9% equity interest in Oyster.

#### 21. Ultimate Controlling Party

The Directors believe there to be no ultimate controlling party.