

**U.S. Oil and Gas Plc**  
**Annual Report and Group Financial Statements**  
*for the year ended 31 July 2018*

# **U.S. Oil and Gas Plc**

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# U.S. Oil and Gas Plc

## *Directors and other information*

<b>Directors</b>	Brian McDonnell Peter Whelan Karim Akrawi Brian McBeth	(Chief Executive Officer: Chairman) (Non Executive Officer) (Non Executive Officer) (Non Executive Officer)
<b>Registered Office &amp; Business Address</b>	Alexandria House The Sweepstakes Ballsbridge Dublin 4	
<b>Secretary</b>	Brian McDonnell	
<b>Auditors</b>	Nexia Smith and Williamson (Ireland) Limited Chartered Accountants Statutory Audit Firm Paramount Court Corrig Road Sandyford Business Park Dublin 18	
<b>Bankers</b>	Bank of Ireland Phibsborough Dublin 7  Bank of America 401 Virginia St. Reno NV 89501	
<b>Solicitors</b>	Whitney Moore Wilton Park House Wilton Place Dublin 2	
<b>Registrars</b>	Computershare Investor Services (Ireland) Limited Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18	
<b>Registered Number</b>	471932 Republic of Ireland	
<b>Date of Incorporation</b>	15 June 2009	
<b>Website:</b>	www.usoilandgas.us	

# **U.S. Oil and Gas Plc**

## **Chairman's Statement**

*for the year ended 31 July 2018*

The Group is pleased to report the final results for the year ended 31 July 2018.

## **Corporate Highlights**

- Funds raised \$2.218 m

## **Operational Highlights**

- Eblana - 3 well drilled
- Multiple hydrocarbon-bearing zones identified
- Perforation operations commenced
- Additional acreage acquired

## **Financial Highlights**

- Administration expenses \$1,052,926 (2017: \$750,849). The increase in expenditure was primarily due to increased exploration activity over the period and loss on currency movements.
- Total comprehensive loss \$1,063,234 (2017: \$620,911) and cash and cash equivalents \$1,956,971 (2017: \$3,274,903). The Group is debt-free.

## **Review of the year ended 31 July 2018**

### **Operational progress**

During drilling operations at the Eblana-3 well in April 2018, multiple potential hydrocarbon-bearing zones were identified from cutting samples, mud logs, and processed wire-line logging data. After a review of all available data, six zones indicating a higher potential for hydrocarbons were selected for perforation. Downhole operations, including perforating selected formations, were conducted between June 18 and June 30. However, perforation equipment failures led to significant delays in the program, curtailing swabbing and preventing preliminary flow testing of the perforated zones. The Company announced that it would recommence testing operations when equipment and personnel could be reassembled (please see "Outlook and post balance sheet events," below.).

### **Additional acreage acquired**

On the basis of the initially encouraging results from the Eblana-3 drill, in June and July 2018 the Company bid for further Hot Creek Valley leases in auctions held by the Bureau of Land Management (BLM). The award of those leases was subsequently confirmed, bringing the total acreage position of the Company to 73,725 acres. However, since that time a third party has claimed that the BLM made a series of administrative errors, initiating a potential dispute involving two leases and 3,819.6 acres of the newly acquired land, approximately 5.2% of the Company's current total acreage. The Company is currently seeking legal advice on the matter, but the Board's view is that loss of the relevant leases, if that should occur, would not materially affect the Company's current exploration or drilling plans.

### **Fund raising**

During the financial year, the company raised funds in two Placings. The Company raised approximately \$2.218 m (before currency adjustments) issuing 5,338,419 new Ordinary Shares at £0.30 per share. These fundraisings placed the Company in a strong financial position to move forward on both operational and corporate fronts.

# U.S. Oil and Gas Plc

## Chairman's Statement

*for the year ended 31 July 2018*

### Outlook and post balance sheet events

#### Preliminary testing of Eblana-3

Downhole operations on the Eblana-3 well, including perforating selected formations, were continued between 12 August and 19 August 2018. After well shut-ins, light crude oil of API 34.5 flowed to the surface. Workover rig operations were terminated and a jack pump set to pump monitored fluids for an extended period with the objective of clearing the formation. In the event that this does not succeed, subject to regulatory permissions, the well will be subject to a hydraulic fracturing (fracking) operation of short duration. The purpose is to increase the permeability of the targeted formations, and clear volcanic ash and tuff believed to be impeding flow. The data continues to support the belief that a viable hydrocarbon reservoir is present and that local permeability is preventing commercial flow.

#### Eblana-3 fracking proposal

In Q4 of 2018 and Q1 of 2019 the Company carried out a series of complex data modelling exercises to devise the potentially most effective fracking plan for Eblana-3. The well design was also re-evaluated. In addition, the Company carried out a comprehensive study of local water resources, requiring multiple samples be collected over an extended period and be independently analysed. The resulting hydrogeology report and fracking permit application was submitted to the authorities. Dialogue with the regulators and additional required data collection is ongoing at the time of this statement. The implementation of the fracking plan and the associated operational timetable is contingent on regulatory approvals. Every effort is being made by the Company to satisfy requirements, but no timescale can be offered for the completion of the process.

#### Lease expiries

Leases NVN 87414 and NVN 87415 are set to expire on May 31 2019 if oil is not produced on the relevant lease in paying quantities. A successful hydraulic fracking of Eblana -3 resulting in commercial flows is required to secure Lease NVN 87414. Since no well will be drilled on Lease NVN 87415 by its expiry date, that lease will lapse. Lease NVN 87415 and Lease NVN 87414 each covers approximately 2,500 acres and each constitutes 3.4% of the currently held acreage. The Company's geological studies indicate that Lease NVN 87415 is of only moderate relative prospectivity compared to other leases.

#### Funding, ongoing exploration and planning

The Company has shown itself capable of developing an appropriate forward-looking strategy, raising funds, and making significant operational progress. In December 2018 the Company raised an additional \$527k in working capital. Planning for corporate development and a stock market listing continues but listing remains contingent on producing oil in commercial quantities.

The large volumes of high quality data collected during the Eblana-3 drill are currently being integrated with all other data, including geochemical, VSP, geomagnetic and geophysical data, to generate targets for the next drilling campaign. Additional geophysical surveys are also planned. The Company views the results of these latest studies as highly encouraging, supporting the belief that its Hot Creek Valley lease area features a major oil system analogous to that in Railroad Valley. Of considerable importance for the cost of future drills is the finding that the areas now seen as of greatest potential require much shallower wells than have been necessary to date, as both Tertiary and Palaeozoic strata are found to be much closer to the surface. Highly prospective targets are clearly emerging from these studies and will form the basis of a multi-well development proposal now being prepared.



**Brian McDonnell**  
Chairman

# **U.S. Oil and Gas Plc**

## **Directors' Report**

*for the year ended 31 July 2018*

The Directors present their Annual Report and the group consolidated financial statements for the year ended 31 July 2018 for U.S. Oil and Gas plc ("the Company") and its subsidiary, Major Oil International LLC (collectively "the Group").

## **Principal Activity**

The principal activity of the Group is oil and gas exploration and development.

## **Review of Business and Future Development**

A review of activities for the period and future prospects of the Group is contained in the Chairman's Statement.

## **Principal Risks and Uncertainties**

The Group's activities are carried out in North America. Accordingly the principal risks and uncertainties are considered to be the following:

### *Exploration Risk*

Exploration and development activities may be delayed or adversely affected by factors outside the Group's control, in particular; climatic conditions, existence of commercial deposits of oil and gas, unknown geological conditions; remoteness of location; actions of host governments or other regulatory authorities (relating to, inter alia, the grant, maintenance or renewal of any required authorisations, environmental regulations or changes in law).

### *Commodity Price Risk*

The demand for, and price of, oil and gas is dependent on global and local supply and demand, actions of governments or cartels and general global economic and political developments.

### *Political Risk*

The Group may be subject to political, economic and other uncertainties.

### *Currency Risk*

Although the reporting currency is the US dollar (US\$), which is the currency most commonly used in the pricing of commodities and for significant exploration and production costs, other expenditure (in particular central administrative costs) and equity funding may be denominated in other currencies, being Euro (€) and Sterling (Stg£) respectively, thus creating currency exposure.

## **Financial Risk**

Financial risk is addressed in Note 22 to these financial statements

## **Share Price**

On 29 September 2017 the company completed a private placing at STG£0.30 per share.

On 29 March 2018 the company completed a private placing at STG£0.30 per share.

On 12 April 2018 the company completed a private placing at STG£0.30 per share.

## **Results and Dividends**

The loss for the year after providing for depreciation and taxation amounted to US\$1,052,861 (2017 : US\$750,898). All exploration and development costs to date have been deferred and therefore the Directors do not recommend the payment of a final dividend.

# U.S. Oil and Gas Plc

## Directors' Report

for the year ended 31 July 2018

### Directors and Secretary and their Interests

The interests (all of which are beneficial) of the directors and secretary and their families who held office at 31 July 2018 in the share capital of the Company were:

	<b>Ordinary shares</b>	
	<b>31 Jul '18</b>	<b>1 Aug '17</b>
<b>Directors</b>		
Brian McDonnell	3,931,753	3,913,234
Peter Whelan	564,118	564,118
Karim Akrawi	100,000	100,000
Brian McBeth	-	-
<b>Secretary</b>		
Brian McDonnell	3,931,753	3,913,234

### Share options in U.S Oil and Gas Plc - Ordinary Shares

	<i>Vested at 1 August '17 No.</i>	<i>Movement during the year No.</i>	<i>Vested at 31 Jul '18 No.</i>
Brian McDonnell	895,000	274,261	1,169,261
Peter Whelan	565,000	182,457	747,457
Karim Akrawi	535,000	153,530	688,530
Brian McBeth	-	200,000	200,000

### Transactions Involving Directors

There have been no contracts or arrangements of significance during the period in which the Directors of the Company were interested other than as disclosed in Notes 18 and 20 to the financial statements.

### Significant Shareholders

The Company has been informed that, in addition to the interests of the Directors, as at 31 July 2018 and the date of this report, the following shareholders own 3% or more of the issued share capital of the Company:

	<b>Percentage of Issued share capital</b>	
	<b>31 Jul '18</b>	<b>31 Jul '17</b>
Jim Nominees Limited	18.47%	19.13%
Davycrest Nominees	10.09%	10.96%
Aurum Nominees Limited	3.13%	3.43%
Redmayne (Nominees) Ltd	- *	3.30%
Pershing International Nominee's	3.70%	4.94%
Goodbody Stock Brokers	3.13%	3.43%

The Directors are not aware of any other holding of 3% or more of the share capital of the Company.

\* Not disclosable as the holding is below 3% of the issued share capital.

### Shares in Treasury

At 31 July 2018 the Company held 717,612 (2017 : 717,612) ordinary shares "in Treasury".

# **U.S. Oil and Gas Plc**

## **Directors' Report**

*for the year ended 31 July 2018*

## **Subsidiary Undertakings**

Details of the Company's subsidiary are set out in Note 13 to the financial statements.

## **Political Donations**

The Company did not make any political donations during the year (2017: \$Nil).

## **Statement of Directors' Responsibilities**

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

Company law in the Republic of Ireland requires the Directors to prepare Group financial statements for each financial period. The Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU (EU IFRS) and have elected to prepare the financial statement in accordance with EU IFRS, as applied in accordance with the provisions of the Companies Act 2014.

The Group financial statements are required by law and EU IFRS to present fairly the financial position and performance of the Group. The Companies Acts provide, in relation to such financial statements, that references in the relevant part of the Acts to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under the Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets and liabilities and financial position of the company and the group and of its profit and loss for that period.

In preparing each of the Group financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company, and the Group as a whole, 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 disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements and Directors' Report comply with the Companies Act 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the Group and 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 Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# **U.S. Oil and Gas Plc**

## **Directors' Report**

*for the year ended 31 July 2018*

### **Going Concern**

The Directors have reviewed budgets, projected cash flows and other relevant information, and on the basis of this review, and having made the appropriate enquiries, are confident that the Group will have adequate resources to continue in operational existence for the foreseeable future.

The future of the Group is also dependent on the successful future outcome of its exploration interests and the availability of future funding to bring these interests to production.

The Directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. Consequently, they consider that it is appropriate to prepare the financial statements on a going concern basis.

### **Corporate Governance**

The Directors are committed to maintaining the highest standards of corporate governance commensurate with the size, stage of development and financial status of the Group.

#### *The Board*

The Board is responsible for the supervision and control of the Group and is accountable to the shareholders. The Board has reserved decision-making on a variety of matters, including determining strategy for the Group, reviewing and monitoring executive management performance and monitoring risks and controls.

The Board currently has four Directors, comprising one executive Director and three non-executive Directors. The Board met formally on eight occasions during the year ended 31 July 2018. An agenda and supporting documentation were circulated for these meetings. All the Directors bring independent judgement to bear on issues affecting the Group and all have full and timely access to information necessary to enable them to discharge their duties. The Directors have a wide and varying array of experiences in the industry.

#### *Audit Committee*

The Audit Committee comprises Liam Kilkenny and Peter Whelan. It may examine any matters relating to the financial affairs of the Group and the Group's audits. This includes reviews of the annual financial statements and announcements, internal control procedures, accounting procedures, accounting policies, the appointment, independence, objectivity, terms of reference and fees of external auditors and such other related functions as the Board may require.

# U.S. Oil and Gas Plc

## Directors' Report

*for the year ended 31 July 2018*

### *Remuneration Committee*

The Remuneration Committee comprises Peter Whelan and Karim Akrawi. It determines the terms and conditions of employment and annual remuneration of the executive directors. It consults with the Chairman, takes into consideration external data and comparative third party remuneration and has access to professional advice outside the Group.

The key policy objectives of the Remuneration Committee in respect of the Company's executive directors and other senior executives are:

- to ensure that individuals are fairly rewarded for their personal contribution to the Company's overall performance; and
- to ensure that due regard is given to the interest of the Company's shareholders and to the financial and commercial health of the Company.

Directors' Remuneration during the year ended 31 July 2018 was as follows:

	2018	2017
	\$	\$
Remuneration and other emoluments - Executive Directors	156,010	106,841
Remuneration and other emoluments - Non- Executive Director	23,477	19,688
	<u>179,487</u>	<u>126,529</u>

### **Nominations Committee**

At present, as the Board of Directors is small, no formal nomination committee has been established. The authority to nominate new Directors for appointment vests in the Board of Directors. All Directors co-opted to the Board during any financial period are subject to election by shareholders at the first opportunity following their appointment. Consideration to setting up a nominations committee is under continuous review.

### **Communications**

The Group maintains regular contact with shareholders through publications such as the annual and interim report via press releases and the group's website, [www.usoil.us](http://www.usoil.us). The Directors are responsive to shareholder telephone and email enquiries throughout the year. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, Directors and management to meet and exchange views.

# **U.S. Oil and Gas Plc**

## **Directors' Report**

*for the year ended 31 July 2018*

### **Internal Control**

The Board is responsible for maintaining the Group's system of internal control to safeguard shareholders investments and Group assets.

The Directors have overall responsibility for the Group's system of internal control and have delegated responsibility for the implementation of this system to Executive Management. This system includes financial controls that enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Group's system of internal financial control provides reasonable, though not absolute assurance that assets are safeguarded, transactions authorised and recorded properly and that material errors or irregularities are either prevented or detected within a timely period. Having made appropriate enquiries, the Directors consider that the system of internal financial, operational and compliance controls and risk management operated effectively during the period covered by the financial statements and up to the date on which the financial statements were signed.

The internal control system includes the following key features, which have been designed to provide internal financial control appropriate to the Group's businesses:

- budgets are prepared for approval by the Board;
- expenditure and income are compared to previously approved budgets;
- a detailed investment approval process which requires Board approval of all major capital projects and regular review of the physical performance and expenditure on these projects;
- all commitments for expenditure and payments are compared to previously approved budgets and are subject to approval by personnel designated by the Board of Directors;
- cash flow forecasting is performed on an ongoing basis to ensure efficient use of cash resources; and
- the Directors, through the Audit Committee, review the effectiveness of the Group's system of internal financial control.

### **Accounting records**

The measures taken by the directors to ensure compliance with the requirements of Sections 281 to 285, Companies Act 2014, regarding adequate accounting records are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the provision of adequate resources to the financial function. The books and accounting records of the company are maintained at Alexandria House, The Sweepstakes, Ballsbridge, Dublin 4.

### **Disclosure of Information to Auditors**

Each of the persons who are directors at the time when this Director's Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# **U.S. Oil and Gas Plc**

## **Directors' Report**

*for the year ended 31 July 2018*

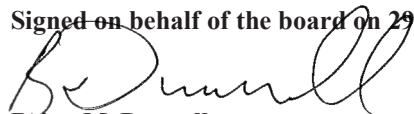
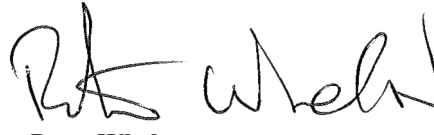
### **Post Balance Sheet Events**

There are no post balance sheet events of material significance.

### **Auditors**

LHM Casey McGrath Limited resigned as auditors during the year and Nexia Smith and Williamson (Ireland) Limited were appointed on casual vacancy and pursuant to Section 383(2) of the Companies Act 2014, Nexia Smith and Williamson (Ireland) Limited will continue in office.

**Signed on behalf of the board on 29 March 2019**

  
**Brian McDonnell**  
**Peter Whelan**

# **U.S. Oil and Gas Plc**

## **Independent Auditors' Report to the Shareholders of U.S. Oil and Gas Plc**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of U.S. Oil and Gas plc (the 'Group') for the year ended 31 July 2018, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and Financial Reporting Standards applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Group's affairs as at 31 July 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standards applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority ("IAASA"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

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

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

# U.S. Oil and Gas Plc

## Independent Auditors' Report to the Shareholders of U.S. Oil and Gas Plc

### Other information

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

In connection with our audit of the group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we considered necessary for the purpose of our audit
- In our opinion the accounting records of the parent company were sufficient to permit the parent company financial statements to be readily and properly audited.
- The parent company Statement of Financial Position is in agreement with the accounting records.
- In our opinion the information given in the Directors' Report 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 provisions of the Companies Act 2014 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by section 305 to 312 of the Companies Act 2014 are not made.

### Respective responsibilities

#### *Responsibilities of directors for the financial statements*

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

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

#### *Auditors responsibilities for the audit of the financial statements*

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

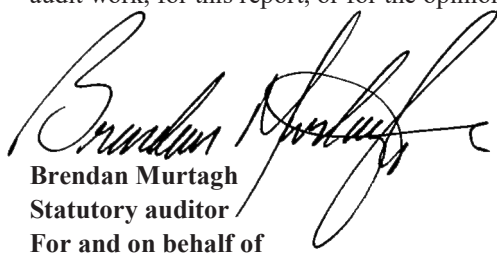
# **U.S. Oil and Gas Plc**

## **Independent Auditors' Report to the Shareholders of U.S. Oil and Gas Plc**

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [https://www.iaasa.ie/Publications/ISA 700 \(Ireland\)](https://www.iaasa.ie/Publications/ISA%20700%20(Ireland)). This description forms part of our Auditors' Report.

### **The purpose of the audit report and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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 Auditors' 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.



**Brendan Murtagh**  
Statutory auditor  
For and on behalf of

### **Nexia Smith and Williamson (Ireland) Limited**

Chartered Accountants  
Statutory Audit Firm  
Paramount Court  
Corrig Road  
Sandyford Business Park  
Dublin 18

Date: 29 March 2019

# U.S. Oil and Gas Plc

## Consolidated Statement of Comprehensive Income for the year ended 31 July 2018

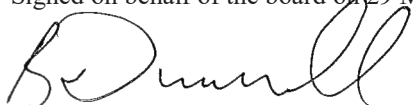
	<i>Notes</i>	31 Jul '18 US\$	31 Jul '17 US\$
<b>Continuing Operations</b>			
Administrative expenses		(1,052,926)	(750,849)
<b>Operating loss</b>		<u>(1,052,926)</u>	<u>(750,849)</u>
Finance Income	5	65	61
Interest payable and similar charges	6	-	(110)
<b>Loss for the year/period before taxation</b>	4	<u>(1,052,861)</u>	<u>(750,898)</u>
Income tax expense	9	-	-
<b>Loss for the year from the continuing operations</b>		<u>(1,052,861)</u>	<u>(750,898)</u>
<b>Other Comprehensive Income</b>			
<b>Loss for the year from the continuing operations</b>		(1,052,861)	(750,898)
Foreign exchange movement		(10,373)	129,987
<b>Total Comprehensive Loss for the year</b>		<u>(1,063,234)</u>	<u>(620,911)</u>
<b>Loss attributable to:</b>			
Equity holders of the Company		<u>(1,052,861)</u>	<u>(750,898)</u>
<b>Total Comprehensive Loss attributable to:</b>			
Equity holders of the Company		<u>(1,063,234)</u>	<u>(620,911)</u>
<b>Earnings per share from continuing operations</b>			
Basic loss per share (cent)	10	<u>(1.81)</u>	<u>(1.52)</u>
Diluted loss per share (cent)	10	<u>(1.71)</u>	<u>(1.45)</u>

All activities derive from continuing operations. All losses and total comprehensive loss for the year and the preceding period are attributable to the owners of the Company.

The company has no recognised gains or losses other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director



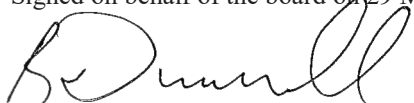
# U.S. Oil and Gas Plc

## Consolidated Statement of Changes in Equity for the period ended 31 July 2018

	Share Capital	Share Premium	Treasury Shares	Share Based Payment Reserve	Foreign Exchange Reserve	Retained Losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 August 2016	6,194	11,845,890	102	168,305	36,717	(5,745,150)	6,312,058
<b>Total comprehensive income for the year</b>							
Loss for the year	-	-	-	-	-	(750,898)	(750,898)
Foreign exchange on consolidation					129,987	-	129,987
Total comprehensive income for the year	-	-	-	-	129,987	(750,898)	(620,911)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued	880	2,752,387	-	-	-	-	2,753,267
Total transactions with owners	880	2,752,387	-	-	-	-	2,753,267
<b>Balance at 31 July 2017</b>	<b>7,074</b>	<b>14,598,277</b>	<b>102</b>	<b>168,305</b>	<b>166,704</b>	<b>(6,496,048)</b>	<b>8,444,414</b>
Balance at 1 August 2017	7,074	14,598,277	102	168,305	166,704	(6,496,048)	8,444,414
<b>Total comprehensive income for the year</b>							
Loss for the year	-	-	-	-	-	(1,052,861)	(1,052,861)
Foreign exchange on consolidation	-	-		-	(10,373)	-	(10,373)
Total comprehensive income for the year	-	-	-	-	(10,373)	(1,052,861)	(1,063,234)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued	648	2,217,684	-	-	-	-	2,218,332
Total transactions with owners	648	2,217,684	-	-	-	-	2,218,332
<b>Balance at 31 July 2018</b>	<b>7,722</b>	<b>16,815,961</b>	<b>102</b>	<b>168,305</b>	<b>156,331</b>	<b>(7,548,909)</b>	<b>9,599,512</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

# U.S. Oil and Gas Plc

## Company Statement of Changes in Equity for the year ended 31 July 2018

	Share Capital	Share Premium	Treasury Shares	Share Based Payment Reserve	Foreign Exchange Reserve	Retained Losses	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Balance at 1 August 2016	6,194	11,845,890	102	168,305	133,173	(3,914,868)	8,238,796
<b>Total comprehensive income for the year</b>							
Loss for the year	-	-	-	-	-	(390,744)	(390,744)
Foreign exchange	-	-	-	-	(379,782)	-	(379,782)
Total comprehensive income for the year	-	-	-	-	(379,782)	(390,744)	(770,526)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued	880	2,752,387	-	-	-	-	2,753,267
Total transactions with owners	880	2,752,387	-	-	-	-	2,753,267
<b>Balance at 31 July 2017</b>	<b>7,074</b>	<b>14,598,277</b>	<b>102</b>	<b>168,305</b>	<b>(246,609)</b>	<b>(4,305,612)</b>	<b>10,221,537</b>
Balance at 1 August 2017	7,074	14,598,277	102	168,305	(246,609)	(4,305,612)	10,221,537
<b>Total comprehensive income for the year</b>							
Loss for the year	-	-	-	-	-	(366,208)	(366,208)
Foreign exchange	-	-	-	-	94,103	-	94,103
Total comprehensive income for the year	-	-	-	-	94,103	(366,208)	(272,105)
<b>Transactions with owners, recorded directly in equity</b>							
Shares issued	648	2,217,684	-	-	-	-	2,218,332
Total transactions with owners	648	2,217,684	-	-	-	-	2,218,332
<b>Balance at 31 July 2018</b>	<b>7,722</b>	<b>16,815,961</b>	<b>102</b>	<b>168,305</b>	<b>(152,506)</b>	<b>(4,671,820)</b>	<b>12,167,764</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

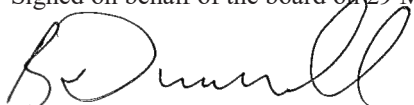
# U.S. Oil and Gas Plc

## Consolidated Statement of Financial Position as at 31 July 2018

	Notes	31 Jul '18 US\$	31 Jul '17 US\$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Intangible Assets	11	7,684,174	5,173,729
Total Non-Current Assets		7,684,174	5,173,729
<b>Current Assets</b>			
Trade and other receivables	14	78,518	124,747
Cash and cash equivalents	15	1,956,971	3,274,903
Total Current Assets		2,035,489	3,399,650
<b>Total Assets</b>		<b>9,719,663</b>	<b>8,573,379</b>
<b>Equity</b>			
<b>Capital and Reserves</b>			
Share capital presented as equity	17	7,722	7,074
Share premium	17	16,815,961	14,598,277
Other reserves		324,738	335,111
Retained loss		(7,548,909)	(6,496,048)
Attributable to owners of the Company		9,599,512	8,444,414
Total Equity		9,599,512	8,444,414
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	120,151	128,965
Total Current Liabilities		120,151	128,965
Total Liabilities		120,151	128,965
<b>Total Equity and Liabilities</b>		<b>9,719,663</b>	<b>8,573,379</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

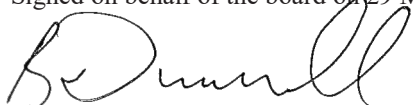
# U.S. Oil and Gas Plc

## Company Statement of Financial Position as at 31 July 2018

	<i>Notes</i>	31 Jul '18 US\$	31 Jul '17 US\$
<b>Assets</b>			
<b>Non-Current Assets</b>			
Tangible assets	12	331	-
Investments in Subsidiaries	13	12	12
Total Non-Current Assets		343	12
<b>Current Assets</b>			
Trade and other receivables	14	11,487,473	9,301,002
Cash and cash equivalents	15	724,860	1,013,520
Total Current Assets		12,212,333	10,314,522
<b>Total Assets</b>		<b>12,212,676</b>	<b>10,314,534</b>
<b>Equity</b>			
<b>Capital and Reserves</b>			
Share capital presented as equity	17	7,722	7,074
Share premium	17	16,815,961	14,598,277
Other reserves		15,901	(78,202)
Retained loss		(4,671,820)	(4,305,612)
Attributable to owners of the Company		12,167,764	10,221,537
Total Equity		12,167,764	10,221,537
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	44,912	92,997
Total Current Liabilities		44,912	92,997
Total Liabilities		44,912	92,997
<b>Total Equity and Liabilities</b>		<b>12,212,676</b>	<b>10,314,534</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

# U.S. Oil and Gas Plc

## Consolidated Statement of Cash Flows for the period ended 31 July 2018

	Note	31 Jul '18 US\$	31 Jul '17 US\$
<b>Cash flows from operating activities</b>			
Loss for the year before taxation		(1,052,861)	(750,898)
<b>Adjustments for:</b>			
Interest received/paid		(65)	49
		(1,052,926)	(750,849)
<b>Movement in working capital</b>			
Foreign exchange		(10,373)	129,987
Movement in trade and other receivables		46,229	(34,604)
Movement in trade and other payables		(8,814)	(27,568)
<b>Cash used in operations</b>		<b>(1,025,884)</b>	<b>(683,034)</b>
<b>Cash flows from financing activities</b>			
Proceeds of issue of share capital	17	2,218,332	2,753,267
<b>Net cash generated from financing activities</b>		<b>2,218,332</b>	<b>2,753,267</b>
<b>Cash flows from investing activities</b>			
Interest received		65	61
Interest paid		-	(110)
Expenditure on intangible assets	11	(2,510,445)	-
<b>Net cash used in investing activities</b>		<b>(2,510,380)</b>	<b>(49)</b>
<b>Movement in cash and cash equivalents</b>		<b>(1,317,932)</b>	<b>2,070,184</b>
<b>Cash and Cash Equivalents at the beginning of year</b>	15	<b>3,274,903</b>	<b>1,204,719</b>
<b>Cash and Cash Equivalents at end of year</b>	15	<b>1,956,971</b>	<b>3,274,903</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

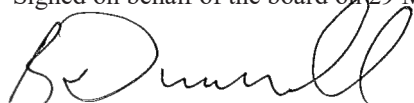
# U.S. Oil and Gas Plc

## Company Statement of Cash Flows for the period ended 31 July 2018

	Notes	31 Jul '18 US\$	31 Jul '17 US\$
<b>Cash flows from operating activities</b>			
Loss for the year before taxation	19	(366,208)	(390,744)
Bank interest received		(74)	(61)
<b>Movement in working capital</b>			
Movement in trade and other receivables		(2,186,471)	(2,056,909)
Movement in trade and other payables		(48,085)	(28,752)
Foreign exchange		94,103	(379,846)
<b>Cash used in operations</b>		<b>(2,506,735)</b>	<b>(2,856,312)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	17	2,218,332	2,753,267
<b>Net cash generated from financing activities</b>		<b>2,218,332</b>	<b>2,753,267</b>
<b>Cash flows from investing activities</b>			
Expenditure on tangible and intangible assets		(2,510,445)	-
Purchases of fixed asset		(331)	-
Interest received		74	61
<b>Net cash used in investing activities</b>		<b>(2,510,702)</b>	<b>61</b>
<b>Movement in Cash and Cash Equivalents</b>			
<b>Cash and Cash equivalents at beginning of the year</b>	15	<b>(2,799,105)</b> <b>1,013,520</b>	<b>(102,984)</b> <b>1,116,504</b>
<b>Cash and Cash equivalents at end of year</b>	15	<b>(1,785,585)</b>	<b>1,013,520</b>

The accompanying notes on pages 21 to 41 form an integral part of these financial statements.

Signed on behalf of the board on 29 March 2019



**Brian McDonnell**  
Director



**Peter Whelan**  
Director

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 1. Statement of Accounting Policies

U.S. Oil and Gas plc ("the Company") is a company incorporated in Ireland. The Group financial statements consolidate those of the Company and its subsidiary (together referred to as the "Group").

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all group entities.

#### Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial statements have been prepared on the historical cost basis. The accounting policies have been applied consistently by Group entities.

#### Statement of Compliance

The Group financial statements have been prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU IFRS"). The individual financial statements of the Company ("Company financial statements") have been prepared in accordance with EU IFRS and as applied in accordance with the Companies Acts which permits a company that publishes its Company and Group financial statements together, to take advantage of the exemption in Section 304 of the Companies Act 2014, from presenting to its members its Company Statement of Comprehensive Income and related notes that form part of the approved Company financial statements.

EU IFRS as applied by the Company and the Group in the preparation of these financial statements are those that were effective on or before 31 July 2018.

#### Standards and amendments to existing standards effective 1 August 2017

There were no standards, amendments and interpretations which became effective during the year that were of relevance to the Group:

#### Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

Standard/ Interpretation	Content	Effective for annual periods beginning on/after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019

In the year ended 31 July 2018, the Group did not early adopt any new or amended standards and do not plan to early adopt any of the standards issued but not yet effective.

# **U.S. Oil and Gas Plc**

## **Notes to the Financial Statements**

*for the year ended 31 July 2018*

### **Share Based Payment**

The Group approved a share option plan as an incentive to certain key management and staff (including Directors). The fair value of the share options granted to the directors and employees under the Company share option scheme is recognised as an expense with a corresponding credit to the share based payment reserve. The fair value is measured at grant date.

### **Functional and Presentation Currency**

The consolidated financial statements are presented in US Dollars (\$), which is the Company's functional currency.

### **Use of Estimates and Judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are in the following areas:

Note 11 - Intangible asset; measurement of impairment

Note 9 - Deferred Tax; utilisation of tax losses

### **Revenue Recognition - Interest revenue**

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Basis of Consolidation**

The consolidated financial statements comprise the financial statements of U.S. Oil and Gas plc and its subsidiary undertaking for the year ended 31 July 2018.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intragroup balances and any unrealised gains or losses or income or expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

In the Company's own Statement of Financial Position, investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.



# U.S. Oil and Gas Plc

## Notes to the Financial Statements

*for the year ended 31 July 2018*

### **Intangible Assets**

In respect of exploration for and evaluation of mineral resources, the Group uses the cost method of recognition. Exploration costs include licence costs, survey, geophysical and geological analysis and evaluation costs, costs of drilling and project-related overheads.

Exploration expenditure in respect of properties and licences not in production is capitalised and is carried forward in the Consolidated Statement of Financial Position under intangible assets in respect of each area of interest where:-

- (i) the operations are ongoing in the area of interest and exploration or evaluation activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves; or
- (ii) such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively by its realisation.

Expenditure relating to the development of mineral resources shall not be recognised as intangible assets, in line with IFRS 6.

Intangible assets arising from development shall only be recognised when the Group can demonstrate the technical feasibility of extracting the asset and the commercial viability of this extraction is confirmed.

Until these threshold are met, development expenditure is expensed as incurred in line with IAS 38.

When the Directors decide that no further expenditure on an area of interest is worthwhile, the related expenditure is written off or down to an amount which it is considered represents the residual value of the Group's interest therein.

### **Tangible assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

# **U.S. Oil and Gas Plc**

## **Notes to the Financial Statements**

*for the year ended 31 July 2018*

### **Impairment**

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that is expected to generate cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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

### **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised in other comprehensive income or equity respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividends is recognised.

# U.S. Oil and Gas Plc

## Notes to the Financial Statements

*for the year ended 31 July 2018*

### Foreign Currencies

Monetary assets and liabilities denominated in a foreign currency are translated into US Dollars at the exchange rate ruling at the balance sheet date, unless specifically covered by foreign exchange contracts whereupon the contract rate is used. Revenues, costs and non monetary assets are translated at the exchange rates ruling at the dates of the transactions. All exchange differences are dealt with through the Statement of Comprehensive Income.

On consolidation, the assets and liabilities of overseas subsidiaries are translated into US Dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising from the restatement of the opening balance sheets of these subsidiary Companies are dealt with through reserves. The operating results of overseas subsidiary Companies are translated into US Dollars at the average rates applicable during the year.

### Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a reduction in equity.

### Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### Financial Instruments

#### *Cash and Cash Equivalents*

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

#### *Trade and Other Receivables / Payables*

Trade and other receivables and payables are stated at cost less impairment, which approximates fair value given the short dated nature of these assets and liabilities.

### Finance Income

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as the interest accrues using the effective interest rate method to the net carrying amount of the financial asset.

### Segmental Information

The Group has one principle reportable segment which is the Group's strategic business unit, which represents the exploration for oil and gas in the United States.

Other operations includes cash resources held by the Group, interest income earned and other operational expenditure incurred by the Group, which have been allocated to the United States.

### Financial Assets - Investment in Subsidiaries

Investments in subsidiaries are stated at cost and are reviewed for impairment if there are indications that the carrying value may not be recoverable.

# **U.S. Oil and Gas Plc**

## **Notes to the Financial Statements**

*for the year ended 31 July 2018*

### **Provisions**

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of this obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Consolidated Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **2. Going Concern**

The financial statements have been prepared on the going concern basis, which assumes that U.S. Oil and Gas plc will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the following:

- 1) The raising of additional finance to fund the exploration and development programme and the administrative expenses of the Company and the Group.
- 2) The successful development or disposal of Oil and Gas rights in the Groups Licence area of North America. This is dependent on several variables including the existence of commercial deposits of oil and gas, availability of finance and the price of oil and gas.

The financial statements do not include any adjustments that would result if the development or disposal of oil and gas was not successful, and if the required additional finance was not secured. Whilst taking into consideration the uncertainties described above, the Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 3. Segment Information

In the opinion of the Directors the operations of the Group comprise one class of business, being the exploration and development of oil and gas. The Group's main operations are located within the United States. The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment is specifically focused on the exploration areas in the United States. In the opinion of the Directors the Group has only one reportable segment under IFRS 8 'Operating Segments,' which is exploration carried out in the United States.

Information regarding the Group's reportable segments is presented below.

#### Segment Revenues and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Loss	
	31 Jul '18 US\$	31 Jul '17 US\$	31 Jul '18 US\$	31 Jul '17 US\$
<b>Exploration - United States</b>	-	-	<b>(1,052,926)</b>	<b>(750,849)</b>
Total for continuing operations	-	-	<b>(1,052,926)</b>	<b>(750,849)</b>
Investment income			65	61
Finance costs			-	(110)
Loss before tax (continuing operations)			<b>(1,052,861)</b>	<b>(750,898)</b>
Income tax expense			-	-
Loss after tax			<b>(1,052,861)</b>	<b>(750,898)</b>

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### Segment assets and liabilities

Segment Assets	31 Jul '18	31 Jul '17
	US\$	US\$
Exploration - United States	9,719,663	8,573,379
Consolidated assets	<u>9,719,663</u>	<u>8,573,379</u>
<b>Segment Liabilities</b>		
Exploration - United States	120,151	128,965
Consolidated liabilities	<u>120,151</u>	<u>128,965</u>

### Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	31 Jul '18	31 Jul '17	31 Jul '18	31 Jul '17
	US\$	US\$	US\$	US\$
Exploration - United States	<u>-</u>	<u>-</u>	<u>2,510,445</u>	<u>-</u>

### Revenue from major products and services

The Group did not receive any revenue from external customers in the current or prior period.

### Geographical information

The Group operates in two principal geographical areas - Republic of Ireland (country of residence of U.S. Oil and Gas plc) and the United States (country of residence of Major Oil International LLC, a wholly owned subsidiary of U.S. Oil and Gas plc).

Information about its non-current assets by geographical location are detailed below:

	Non-Current Assets	
	31 Jul '18	31 Jul '17
	US\$	US\$
Ireland	-	-
United States	7,684,174	5,173,729
	<u>7,684,174</u>	<u>5,173,729</u>

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 4. Statutory Information

	31 Jul '18 US\$	31 Jul '17 US\$
<b>Group</b>		
<i>The loss for the financial year is stated after charging:</i>		
Loss for financial year in the Group	<u>1,052,861</u>	<u>750,898</u>
Loss on foreign currencies	27,027	443
Loss on foreign currencies	<u>-</u>	<u>443</u>
<b>Company</b>		
<i>The loss for the financial year is stated after charging / (crediting):</i>		
Loss for financial year in the Company	<u>366,208</u>	<u>390,744</u>
Loss on foreign currencies	<u>(121)</u>	<u>443</u>

As permitted by Section 304(2) of the Companies Act 2014, the Company Statement of Comprehensive Income has not been separately disclosed in these financial statements.

### 5. Finance Income: Continuing Operations

	31 Jul '18 US\$	31 Jul '17 US\$
Interest Revenue:		
Bank deposits	<u>65</u>	<u>61</u>

### 6. Interest payable and similar charges

	31 Jul '18 US\$	31 Jul '17 US\$
On bank loans and overdrafts	<u>-</u>	<u>110</u>

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 7. Employees

#### *Number of employees*

The average monthly numbers of employees (including the directors) during the year were:

	31 Jul '18 Number	31 Jul '17 Number
Directors	4	4

#### *Employment costs ( Including directors)*

	31 Jul '18 US\$	31 Jul '17 US\$
Wages and salaries	169,419	113,654
Social insurance costs	10,068	12,875
	<u>179,487</u>	<u>126,529</u>

### 7.1. Directors' emoluments

	31 Jul '18 US\$	31 Jul '17 US\$
Remuneration and other emoluments	<u>179,487</u>	<u>126,529</u>

### 8. Key management compensation

Key management includes the directors of the Company, all members of the company management, and the company secretary. The compensation paid or payable to key management for employee service is shown as below:

	31 Jul '18 US\$	31 Jul '17 US\$
Salaries and other short-term employee benefits	<u>179,487</u>	<u>126,529</u>



## U.S. Oil and Gas Plc

### Notes to the Financial Statements for the year ended 31 July 2018

#### 9. Income Tax Expense

	31 Jul '18 US\$	31 Jul '17 US\$
<b>Current tax</b>		
Current tax expense in respect of the current period	-	-
Total tax expense	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

	1 Aug '16 to 31 Jul '18 US\$	1 Aug '15 to 31 Jul '17 US\$
Loss from continuing operations	(1,052,861)	(750,898)
Income Tax expense calculated at Irish corporation tax rate of 12.5% (2017 : 12.5%)	(131,608)	(93,862)
<i>Effects of:</i>		
Investment Income taxable at a different rate	9	8
Losses available to carry forward	131,599	93,854
Income tax expense recognised	-	-

The tax rate used for the year end reconciliations above is the corporate rate of 12.5% payable by corporate entities in Ireland on taxable profits under tax law in the jurisdiction of Ireland.

At the Statement Financial Position date the Group has accumulated unused tax losses which may be available for offset against future profit. No deferred tax asset has been recognised due to the unpredictability of the future profit streams. Losses may be carried forward indefinitely.

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 10. Loss per share

#### Basic earnings per share

The basic and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	31 Jul '18 US\$	31 Jul '17 US\$
Loss for the year attributable to equity holders of the parent	(1,052,861)	(750,898)
Number of ordinary shares in issue - start of year	55,533,167	46,098,187
Weighted effect of share issued during the year	2,745,028	3,285,138
Weighted average number of ordinary shares for the purposes of basic earnings per share:	58,278,195	49,383,325
Basic loss per ordinary share (cent)	(1.81)	(1.52)

#### Diluted earnings per share

In calculating diluted earnings per share, adjustment is made to the number of shares in relation to the exercise of share options by executives.

Weighted average number of ordinary shares for the purposes of diluted earnings per share:	61,598,443	51,838,325
Diluted loss per ordinary share (cent)	(1.71)	(1.45)

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 11. Intangible assets - Group

	31 Jul '18	31 Jul '17
	US\$	US\$
Cost	7,684,174	5,173,729
	<u>7,684,174</u>	<u>5,173,729</u>

#### Exploration and Evaluation Assets

	31 Jul '18	31 Jul '17
	US\$	US\$
Cost		
At 1 August 2017	5,173,729	5,173,729
At 31 July 2018	<u>7,684,174</u>	<u>5,173,729</u>

The Directors have considered expenditure on exploration and evaluation activities which have been capitalised and carried at historical cost. No amortisation has been charged in the period. The Directors have reviewed the carrying value of the exploration and evaluation expenditure and consider it to be fairly stated and not impaired at 31 July 2018. The recoverability of the exploration and evaluation assets is dependent on the successful development or disposal of oil and gas in the Group's licence area.

### 12. Tangible assets - Company

	Furniture and Equipment US\$
Cost	
At 1 August 2017	-
Additions	331
At 31 July 2018	<u>331</u>
Depreciation	
At 1 August 2017	-
Charge for the year	-
At 31 July 2018	<u>-</u>
Net book value	
At 31 July 2018	<u>331</u>
At 31 July 2017	<u>-</u>

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 13. Financial assets - Company

	31 Jul '18	31 Jul '17
<b>Group undertakings - unlisted:</b>	<b>US\$</b>	<b>US\$</b>
Shares at cost	12	12
	<b>Subsidiary</b>	
	<b>Undertakings</b>	
	<b>Shares</b>	<b>Total</b>
<b>Cost</b>	<b>US\$</b>	<b>US\$</b>
At 1 August 2017	12	12
Additions	-	-
Exchange difference	-	-
At 31 July 2018	12	12
<b>Net book values</b>		
At 31 July 2018	12	12
At 31 July 2017	12	12
In respect of prior year:		
	<b>Subsidiary</b>	
	<b>Undertakings</b>	
	<b>Shares</b>	<b>Total</b>
<b>Cost</b>	<b>\$</b>	<b>\$</b>
At 1 Aug 2016	11	14
Additions	-	-
Exchange difference	1	3
At 31 July 2017	12	11
<b>Net book values</b>		
At 31 July 2017	12	11
At 31 July 2016	11	14

The value of the investments is dependent on future realisation or disposal. Should the future realisation or disposal prove unsuccessful, the carrying value in the Statement of Financial Position will be written off. In the opinion of the Directors' the carrying value of the investments at 31 July 2018 is appropriate. No impairment was recognised in 2018 or 2017 in respect of the above investments.

## U.S. Oil and Gas Plc

### Notes to the Financial Statements for the year ended 31 July 2018

At 31 July 2018 the company had the following subsidiary undertaking:

Name	Incorporated in	Main Activity	Proportion of ownership	
			31 Jul '18	31 Jul '17
Major Oil International LLC	Texas, U.S.A.	Petroleum and gas exploration	100%	100%

The aggregate capital and reserves and results from this undertaking for the last relevant financial period to 31 July 2018 was as follows:

	Capital and reserves	Loss for the year
	\$	\$
Major Oil International LLC	(4,946,742)	3,169,619

14. Trade and other receivables	Group 31 Jul '18 US\$	Group 31 Jul '17 US\$	Company 31 Jul '18 US\$	Company 31 Jul '17 US\$
<i>Amounts falling due within one year:</i>				
Trade debtors	-	1,926	-	-
Amounts owed by group undertakings	-	-	11,455,136	9,199,963
Other debtors	73,237	99,584	27,056	89,240
Prepayments	5,281	23,237	5,281	11,799
	<u>78,518</u>	<u>124,747</u>	<u>11,487,473</u>	<u>9,301,002</u>

### 15. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as follows:

	Group 31 Jul '18 US\$	Group 31 Jul '17 US\$	Company 31 Jul '18 US\$	Company 31 Jul '17 US\$
Cash at bank	1,956,698	3,274,671	724,860	1,013,616
Petty cash	273	232	-	(96)
	<u>1,956,971</u>	<u>3,274,903</u>	<u>724,860</u>	<u>1,013,520</u>

## U.S. Oil and Gas Plc

### Notes to the Financial Statements for the year ended 31 July 2018

16.	Trade and other payables	Group 31 Jul '18 US\$	Group 31 Jul '17 US\$	Company 31 Jul '18 US\$	Company 31 Jul '17 US\$
	Trade payables	85,363	37,104	11,488	14,717
	Directors Accounts	5,335	33,721	5,335	22,283
	Other creditors	29,453	58,140	28,089	55,997
		<u>120,151</u>	<u>128,965</u>	<u>44,912</u>	<u>92,997</u>

Some trade creditors had reserved title to goods supplied to the Company. Since the extent to which such creditors are effectively secured depends on a number of factors and conditions, some of which are not readily determinable, it is not possible to indicate how much of the above amount is secured under reservation of title.

## U.S. Oil and Gas Plc

### Notes to the Financial Statements for the year ended 31 July 2018

17.	Share capital presented as equity	31 Jul '18 US\$			31 Jul '17 US\$	
	Authorised 20,000,000,000 Ordinary shares of €0.0001 each	2,854,400			2,854,400	
	Issued, called up and fully paid:	No. of issued Shares	Share Capital US\$	Treasury Shares US\$	Share Premium US\$	Total Capital US\$
	At 1 August 2017	55,533,167	7,074	102	14,598,277	14,605,453
	Shares issued	5,338,419	648	-	2,217,684	2,218,332
	At 31 July 2018	60,871,586	7,722	102	16,815,961	16,823,785

The issued share capital of the company at 31 July 2018 comprised of 60,871,586 Ordinary Shares of €0.0001 (\$0.00014272) each issued and fully paid of which 717,612 are held as treasury shares (31 July 2017 : 55,533,167 issued and fully paid of which 717,612 were treasury shares)

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time.

The shareholders have all voting powers and full voting rights as permitted under the applicable company laws.

On 29 September 2017 the Company completed a placing of 1,901,807 new Ordinary Shares of €0.0001 each at a price of £0.30 per Ordinary Share raising gross proceeds of \$763,889.

On 29 March 2018 the Company completed a placing of 2,751,298 new ordinary shares of €0.0001 each at a price of £0.30 per Ordinary Share raising gross proceeds of \$1,162,375.

On 12 April 2018 the Company completed a placing of 685,314 new ordinary shares of €0.0001 each at a price of £0.30 per Ordinary Share raising gross proceeds of \$292,068.

# U.S. Oil and Gas Plc

## Notes to the Financial Statements for the year ended 31 July 2018

### 18. Share-based payments

#### *Share option plan*

The Group has an ownership based compensation scheme for any executives of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous general meeting, Directors and senior employees may be granted options to purchase ordinary shares.

Shares which are issued under this Plan will rank equally in all respects with the Shares then in issue, except that they shall not rank for any right attaching to Shares by reference to a record date preceding the exercise of the Award. The Participant will be entitled to receive any dividends and to exercise voting rights at general meetings of the Company in respect of Shares.

There were no options exercised at the end of the financial year 31 July 2018. There were also no options lapsed without being exercised.

On 31 January 2018 the existing share option scheme was modified. The exercise date for share options issued to executives is now 19 January 2024.

On 19 January 2017 the company awarded 3,420,248 share options at a price of £0.27p subject to the above modification being ratified. The meeting of the Board of Directors confirming this award was held on this date. This award comprised of 1,995,000 option extensions, and 1,425,248 new options being granted. Under the original scheme 100,000 options have lapsed.

#### **Costs associated with options issued during the year**

The Group recognised the following expense related to equity settled share based payment transactions:

	2018	2017
	\$	\$
Share based payments	-	168,305

Options issued during the year have been valued using the following inputs to the Black-Scholes model:

	2018	2017
Share price when options issued	£0.27	£0.31
Expected life	7 Years	5 Years
Risk free rate	0%	0%
Expected dividends	Zero	Zero

The following reconciles the outstanding share options granted under the employee share option plan at the beginning and at the end of the period

	2018		2017
	Number of options	Weighted average exercise price	Number of options Weighted average exercise price
Balance at beginning of financial period	3,320,248	Stg£0.27	2,455,000 Stg£0.654
<b>Balance at Period End</b>	<b>3,320,248</b>	<b>Stg£0.27</b>	<b>2,455,000</b> <b>Stg£0.654</b>



# **U.S. Oil and Gas Plc**

## **Notes to the Financial Statements** *for the year ended 31 July 2018*

### **19. Retained Losses**

In accordance with the provisions of the Companies Act 2014, the Company has not presented an Income Statement. A loss of \$366,208 (2017: \$390,744) for the year has been dealt with in the Statement of Comprehensive Income of the Group.

### **20. Related party transactions**

Related Party Disclosures, transactions between group entities that have been eliminated on consolidation are not disclosed.

### **21. Post Balance Sheet events**

There are no post balance sheet events of material significance.

# **U.S. Oil and Gas Plc**

## **Notes to the Financial Statements**

*for the year ended 31 July 2018*

### **22. Financial Instruments and Financial Risk Management**

The Group and Company's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to provide finance for the Group and Company's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations.

It is and has been throughout the financial year and prior years, the Group and Company's policy that no trading in derivatives be undertaken.

The main risks arising from the Group and Company's financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and capital risk. Management reviews and agrees policies for managing each of these risks which are summarised below.

#### **Foreign currency risk**

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposure is managed within approved policy parameters utilising forward exchange contracts where appropriate. The exposure to exchange rate fluctuations is limited to exchange rate variances between the Euro, US Dollar and Sterling.

At the year ended 31 July 2018, the Group had no outstanding forward exchange contracts.

#### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As the Group does not, as yet, have any sales to third parties, this risk is limited.

The Group and Company's financial assets comprise receivables and cash and cash equivalents. The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies. The Group and Company's exposure to credit risk arises from default of a counterparty, with a maximum exposure equal to the carrying amount of cash and cash equivalents in its consolidated Statement of Financial Position.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities.

# U.S. Oil and Gas Plc

## Notes to the Financial Statements

*for the year ended 31 July 2018*

### **Liquidity risk management**

Liquidity risk is the risk that the Group will not have sufficient funds to meet liabilities. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group and Company's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Cash forecasts are regularly produced to identify the liquidity requirements of the Group. To date, the Group has relied on shareholder funding to finance its operations. The Group had no borrowing facilities at 31 July 2018.

The Group and Company's financial liabilities as at 31 July 2018 were all payable on demand.

The expected maturity of the Group and Company's financial assets (excluding prepayments) as at 31 July 2018 was less than one month.

The Group expects to meet its' other obligations from operating cash flows with an appropriate mix of funds and equity instruments.

The Group had no derivative financial instruments as at 31 July 2018.

### **Interest rate risk**

The Group and Company's exposure to the risk of changes in market interest rates relates primarily to the Group and Company's holdings of cash and short term deposits.

It is the Group and Company's policy as part of its disciplined management of the budgetary process to place surplus funds on short term deposit in order to maximise interest earned.

### **Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust or issue new shares or raise debt. No changes were made in the objectives, policies or processes during the year ended 31 July 2018. The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained losses as disclosed in the consolidated statement of changes

### **Fair values**

The carrying amount of the Group and Company's financial assets and financial liabilities is a reasonable approximation of the fair value.

### **Hedging**

At the period ended 31 July 2018 and 31 July 2017, the Group had no outstanding contracts designated as hedges.

## **23. Approval of financial statements**

The financial statements were approved by the board on 29 March 2019.

