Registered number: 07603259

KAROO ENERGY PLC

(formally Nodding Donkey plc)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2016

COMPANY INFORMATION

Directors	Noel Lyons James Negaard Alan Golding Allen Zimbler
Company secretary	Buckingham Corporate Services Limited
Registered number	07603259
Registered office	2nd Floor 1 Bentinck Street London W1G 2EA
Independent auditors	UHY Hacker Young Chartered Accountants & Registered Auditors Quadrant House 4 Thomas More Square London E1W 1YW

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CHIEF EXECUTIVE OFFICER'S STATEMENT

FOR THE YEAR ENDED 30 APRIL 2016

I am pleased to announce that the company has made significant operational progress on its shale gas and CBM licenses in Botswanas Kalahari-Karoo basin and we expect to make an announcement in the near future with the initial results of our drilling program to-date.

At a corporate level we were delighted to welcome Dr Allen Zimbler to the Board of Karoo Energy Plc as our new Non-Executive Chairman.

Dr Zimbler retired from Investec Bank plc at the end of March 2016, having held the positions of Chief Integration Officer of the group, member of the group executive, and executive director of Investec Bank plc. Allen first started at Investec Bank plc in September 2001.

Prior to 2001, Dr Zimbler ran his own strategic management and organisation development consultancy over a twenty-year period. During this time he consulted to numerous organisations internationally, including Investec Bank plc, in the fields of culture, strategy formulation and implementation and organisation development. He specialised in the retail, financial services and information technology sectors.

FINANCIALS

The financial results for the year ended 30 April 2016 show a loss after taxation of GBP357,691 (2015: GBP159,302)

OUTLOOK

I am pleased at the progress made since my last report to shareholders and look forward to providing investors with detail on further progress over the coming months.

Noel Lyons

Chief Executive Officer,

5 October 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 APRIL 2016

The directors present their report and the financial statements for the year ended 30 April 2016.

The company changed its name from Nodding Donkey plc to Karoo Energy plc on 10 November 2015.

Results

The loss for the year, after taxation and non-controlling interests, amounted to £357,691 (2015 - loss £159,302). The directors do not recommend payment of a dividend (2015: £Nil).

Directors

The directors who served during the year were:

Conrad Windham (resigned 23 June 2015)

Noel Lyons

James Negaard

Alan Golding (appointed 26 November 2015)

Allen Zimbler (appointed 11 April 2016)

Directors' interests

At 30 April 2016, Noel Lyons had an interest in 8,194,212 ordinary shares of 0.25p each and 10,000,000 share options with an exercise price of 1p. There have been no changes in these interests up to 4 October 2016.

Financial instruments

The group's financial instruments comprise listed investments, bank balances, trade payables and other payables all arising in the normal course of business. The purpose of these financial instruments is to finance the group's operations.

The group manages liquidity risk and cash flow risk by monitoring its cash balances and ensuring that funds are available to meet liabilities as they fall due. The group's core funding comes from the proceeds of share issues.

The group's exposure to changes in interest rates relates primarily to cash at bank. Cash is held on either current or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate. The group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

The group holds investments quoted on public markets. In the opinion of the directors the main risk is due to market price fluctuations.

Share capital

The company has one class of ordinary shares in issue. Details of the shares in issue are set out in note 12 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2016

Major interests in ordinary shares

At 4 October 2016, the following shareholders each had an interest in more than 3% of the issued share capital of the company.

Name	Number of shares	Shareholding %
Conrad Windham	8,212,712	5.96
Neil McGrigor	7,142,857	3.81
Noel Lyons (director)	8,194,212	4.38
Tamboran Resources Limited	10,000,000	5.34

Subsequent events

The events since the balance sheet date are disclosed in note 25.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' 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 as adopted by the EU and applicable law). 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 the group and of the profit or loss of the group 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 applicable International Financial Reporting Standards as adopted by the EU have been followed, 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 group will continue in business.

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

UHY Hacker Young will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 APRIL 2016

Disclosure of information to auditors

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

- so far as that director is aware, there is no relevant audit information of which the company and the group'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 and the group's auditors are aware of that information.

This report was approved by the board on 5 October 2016 and signed on its behalf.

Noel Lyons

Director

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2016

The company retains its focus on its two main investments, Equatorial Oil and Gas Plc of which Karoo owns 93.48% and Tamboran Botswana (Pty) Ltd of which the Group owns 94.46%.

Equatorial Oil and Gas Plc holds three licenses, two coal bed methane (CBM) licenses PL159-2015 and PL160-2015 and one shale gas license EL171-2015. The first year's work has recently been successfully completed on these licenses and result of the bore hole exploration is being independently analysed and will be announced in due course.

Tamboran Botswana (Pty) Limited holds two shale gas licenses, license numbers EL161-2015 and EL162-2015. The first years work program for both of these licenses has recently been completed and the company will announce the results once independent analysis has been completed.

Tamboran Botswana (Pty) Limited also has the renewal of shale gas license EL001-2012 pending and the company believes that this renewal is imminent. Once this license is renewed the company plans to start work immediately on the licenses work program.

All work completed on the above licenses will help the companies to decide where their focus should lie during year two of their licenses work programs.

The overall strategy of Karoo remains to monitor and support its investments and through the investments deliver real value to shareholders. The company will look to secure further investment through the issue of new equity and will be looking to further strengthening the technical team to assist with the more detailed work planned on licenses held.

This report was approved by the board on 5 October 2016 and signed on its behalf.

Noel Lyons

Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAROO ENERGY PLC

We have audited the group financial statements of Karoo Energy PLC for the year ended 30 April 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Parent Company Balance sheet, the Parent Company Statement of Changes In Equity and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statement is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdon Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 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.

Respective responsibilities of directors and auditors

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. 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 (APB) 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 FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 April 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statement have been properly prepared with Financial Reporting Standard 101 Reduced Disclosure Framework and as applied in accordance with the provisions of the Companies Act 2006; and
- the group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KAROO ENERGY PLC

Emphasis of matter – Going Concern
In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the principal accounting policies to the financial statements concerning the Group's ability to continue as a going concern. The Group incurred a loss of £357,691 during the year to 30 April 2016 and is still incurring losses. Along with similar sized exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As discussed in the going concern section of the principal accounting policies the Company will need to raise further funds in order to meet the financial obligations under the Group's exploration licences and the general operating costs of the Group. Should these funds not materialise there is a risk that the licence obligations are not met and that the Group is unable to meet its liabilities as they fall due.

These conditions, along with other matters disclosed in the going concern section of the principal accounting policies indicate the existence of a material uncertainty which may cast doubt about the Group's and Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result (such as impairment of evaluation and exploration assets) if the Group and Company were unable to continue as a going concern or if licences obligations were unable to be met.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the group strategic report and the 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Daniel Hutson (senior statutory auditor)

for and on behalf of
UHY Hacker Young

Chartered Accountants
Registered Auditors

Quadrant House
4 Thomas More Square
London
E1W 1YW
5 October 2016

Consolidated Income Statement for the year ended 30 April

	Notes	2016 £	2015 £
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(356,285)	(159,257)
Operating loss	2	(356,285)	(159,257)
Finance costs	4	(3,260)	(523)
Loss before taxation		(359,545)	(159,780)
Taxation	5	-	-
Non-controlling interest		1,854	478
Loss for the financial year attributable to the Company's equity shareholders		(357,691)	(159,302)
Loss per share from operations			
Basic and diluted loss per share (pence)	6	(0.2341)	(0.1124)

Consolidated Statement of Comprehensive Income for the year ended 30 April

	2016 £	2015 £
Loss for the financial year	(357,691)	(159,302)
Total comprehensive income for the financial year attributable to the Company's equity shareholders	(357,691)	(159,302)

All amounts relate to continuing operations.

The notes on pages 15 to 40 form part of these financial statements.

Consolidated Balance Sheet as at 30 April

	Notes	2016	2015
Assets		**£**	**£**
Non-current assets			
Intangible assets	8	362,252	214,396
Current assets			
Trade and other receivables	10	19,011	42,253
Investments	9	-	226
Cash and cash equivalents	11	294,546	29,152
		313,557	71,631
Total Assets		675,809	286,027
Equity and liabilities			
Capital and reserves			
Share capital	12	450,449	362,264
Share premium		1,576,659	431,572
Retained earnings		(1,696,734)	(638,635)
Shareholders' funds		330,374	155,201
Non-controlling Interests		5,303	6,922
		335,667	162,123
Current liabilities:			
Trade and other payables	15	340,132	123,904
Total equity and liabilities		675,809	286,027

The financial statements were approved by the Board of Directors on 5 October 2016 and were signed on its behalf by:

Noel Lyons

Director

Registered number: 07603259

Consolidated Statement of Changes in Equity

	Share capital £	Share premium £	Retained earnings £	Non-controlling interests £	Total £
For the year ended 30 April 2016					
Balance at 1 May 2015	362,264	431,572	(638,635)	6,922	162,123
Loss for the financial year	-	-	(357,691)	(1,854)	(359,545)
Total comprehensive income	-	-	(357,691)	(1,854)	(359,545)
Issue of shares	88,185	1,145,087	-	-	1,233,272
Acquisition of non-controlling interests	-	-	(700,408)	235	(700,173)
Balance at 30 April 2016	450,449	1,576,659	(1,696,734)	5,303	335,677
For the year ended 30 April 2015					
Balance at 1 May 2014	344,764	309,072	(520,317)	1,863	135,382
Loss for the financial year	-	-	(159,302)	(478)	(159,780)
Total comprehensive income	-	-	(159,302)	(478)	(159,780)
Issue of shares	17,500	122,500	-	-	140,000
Non-controlling interest on acquisition	-	-	-	5,537	5,537
Share based payments	-	-	40,984	-	40,984
Balance at 30 April 2015	362,264	431,572	(638,635)	6,922	162,123

Consolidated Statement of Cash Flows for the year ended 30 April

	Notes	2016	2015
		£	£
Cash flow from operating activities			
Loss for the financial year before tax		(359,545)	(159,780)
Finance costs		3,260	523
Revaluation loss on investments		226	-
Share based payments		-	40,984
		(356,059)	(118,273)
Changes in working capital			
Decrease / (increase) in trade and other receivables		23,242	(11,029)
Increase in trade and other payables		142,968	57,990
Cash outflow from operating activities		(189,849)	(71,312)
Cash flow from investing activities			
Cash spend on exploration activities		(147,856)	-
Acquisition of business	22	-	(42,827)
Net cash used in investing activities		(147,856)	(42,827)
Cash flow from financing activities			
Issue of shares		533,099	140,000
Proceeds from related party loan		70,000	-
Net cash from in financing activities		603,099	140,000
Net increase in cash and cash equivalents		265,394	25,861
Cash and cash equivalents at beginning of financial year		29,152	3,291
Cash and cash equivalents at end of financial year		294,546	29,152

Principal Accounting Policies

Company information
Karoo Energy plc is a public limited company incorporated and domiciled in the United Kingdom.

Basis of preparation
The consolidated financial statements of Karoo Energy plc and its subsidiaries (together, "the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, IFRIC interpretations, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group has adopted IFRS for the first time in these consolidated financial statements. The Group's transition date to IFRS is 1 May 2014.

The policies have changed from the previous published consolidated financial statements which were prepared under applicable United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). The consolidated financial statements have been restated in accordance with IFRS. The changes to accounting policies are explained in note 26 together with the reconciliation of opening balances and comparative results in note 27.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 30 April 2016.

The principal accounting policies set out below have been consistently applied to all periods presented.

IFRS transition
IFRS 1 permits companies adopting IFRS for the first time to take certain optional exemptions from the full retrospective application of IFRS. The Group has not taken any of the exemptions available under IFRS 1.

The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in notes 26 and 27.

Going concern
During the year ended 30 April 2016 the Group made a loss of £357,691 (2015: a loss of £159,780). Whilst the Group had net assets of £335,667 (2015: net assets of £162,123) as at 30 April 2016 it had net current liabilities of £26,575 (2015: net current liabilities of £52,273) at that date. The operations of the Group are primarily financed from funds which the Parent Company raises from share placings.

The Group's capital management policy is to raise sufficient funding to finance the Group's near term exploration and development objectives.

The Company successfully raised £533,100 through share placings (excluding those shares issued to acquire the 15% of Tamboran Botswana (Pty) Limited and 7.5% of Equatorial Oil & Gas plc (see note 21) during the year and had raised a further £200,000 subsequent to the year end. The Group had a cash balance of £180,488 at 4 October 2016. The Group will need to raise additional cash funding to support both working capital requirements and its obligations under the exploration licences, as set out in note 23 regarding the Group financial commitments. Should such funding not be obtained, the

Group would fail to meet the required annual spend on the exploration licences which in turn may lead to exploration assets being impaired and potentially even revoked by the Ministry of Mines in Botswana.

The Directors believe that the Group will be able to raise as required, sufficient cash to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed exploration and development activities and liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts. However, there can be no guarantee that the required funds we be raised within the necessary timeframe.

Consequently, a material uncertainty exists that may cast doubt on the Group's ability to continue to operate as planned and to be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of this report. The financial statements do not include the adjustments that would result if the Group was unable to continue in operation.

Basis of consolidation

The consolidated financial statements incorporate the results of Karoo Energy plc ("the Company") and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs of business combinations that have occurred after the date of transition are expensed as incurred.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Finance income and costs

Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Exploration and Evaluation assets

The Group accounts for oil and gas expenditure under the full cost method of accounting.

Costs (other than payments to acquire the legal right to explore) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological, geophysical, data costs and other direct costs of exploration and appraisal are accumulated and capitalised as intangible exploration and evaluation ("E&E") assets.

E&E costs are not amortised prior to the conclusion of appraisal activities. At the completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production asset within tangible fixed assets.

If after completion of appraisal activities in an area, it is not possible to determine technical feasibility or commercial viability, then the costs of such unsuccessful exploration and evaluation are written off to the income statement. The costs associated with any wells which are abandoned are fully amortised when the abandonment decision is taken.

Development and production assets, are accumulated generally on a field by-field basis and represent the costs of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves which have been transferred from intangible E&E assets.

The net book values of development and production assets are depreciated generally on a field-by-field basis using the unit of production method based on the commercial proven and probable reserves. Assets are not depreciated until production commences.

Investments
Investments held in listed equity instruments are classified as ‘held for trading’ and are initially recognised at fair value and are measured at subsequent reporting dates at fair value, the gains and losses arising from changes in fair value are included in profit or loss.

Impairment of non-financial assets including goodwill
For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

At each balance sheet date the Directors review the carrying amounts of the Group’s tangible and intangible assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets
The Group classifies its financial assets as 'loans and receivables'. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Balance Sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities
The Group's financial liabilities include trade and other payables and borrowings.

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Current taxation
Current taxation for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the 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, it is not accounted for. Deferred 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 tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

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

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

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 tax 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.

Leasing
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. All differences are taken to the Income Statement.

Assets and liabilities of subsidiaries that have a functional currency different from the presentation currency (pound sterling), if any, are translated at the closing rate at the date of each balance sheet presented. Income and expenses are translated at average exchange rates. All resulting exchange differences are recognised in other comprehensive income (loss), if any.

Share based payments

Where share options have been granted to directors, IFRS 2 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value at grant date is determined including the effect of market based vesting conditions, to the extent such vesting conditions have a material impact.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit for a period to the Income Statement represents the movement in cumulative expense recognised as at the beginning and end of that period.
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following may have an impact going forward:

New/Revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	EU adopted	Potential impact on Group
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	No	Classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	1 January 2018	No	Recognition of revenue
IFRS 16	Leases	1 January 2019	No	Recognition and measurement of leases
IAS 1	Amendments to IAS 1 – Disclosure Initiative	1 January 2016	Yes	Presentation of the financial statements

Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards as adoped by the EU requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the significant judgements used in applying the accounting policies of the Group that have the most significant effect on the consolidated financial statements:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether it successfully recovers the related exploration and evaluation asset through sale. Factors which could impact the future recoverability include the level of proved, probable and inferred resources, future technological changes which could impact the cost of drilling and extraction, future legal changes (including changes to environmental restoration obligations), changes to commodity prices and licence renewal dates and commitments.

To the extent that capitalised exploration and evaluation expenditure is determined to be irrecoverable in the future, this will reduce profits and net assets in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined either by using the Black Scholes model or by reference to the value of the fees or remuneration settled by way of granting of warrants.

Notes to the Consolidated Financial Statements

1. Segmental reporting

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources, assessing the performance of the operating segment and making strategic decision, has been identified as the Board of Directors. The Board of Directors consider that the Group has only one operating segment at corporate level, therefore no additional segmental information is presented.

2. Operating loss

Operating loss is stated after charging/(crediting):	**2016** **£**	**2015** **£**
Fees payable to the Company's auditors for the audit of the annual financial statements	8,400	4,800
Fees payable to the Company's auditors and its associates for other services to the Group:		
- Audit of the accounts of subsidiaries	3,000	2,500
- Tax compliance services	-	-
- Other services	36,000	-
Operating lease rentals payable:		
- Office and equipment	31,394	22,505

3. Directors and employees

The aggregate payroll costs of the employees, including both management and Executive Directors, were as follows:

	2016 **£**	**2015** **£**
Staff costs		
Wages and salaries	48,000	47,250
Share based payments	-	40,984
	48,000	88,234

Average monthly number of persons employed by the Group during the year was as follows:

	2016 **Number**	**2015** **Number**
By activity:		
Directors	3	3

	2016	2015
	£	£
Remuneration of Directors		
Emoluments for qualifying services	48,000	47,250
Share based payments	-	40,984
	48,000	88,234

	2016	2015
	£	£
Highest paid Director		
Remuneration	36,000	20,250
Share based payments	-	3,575
	36,000	23,825

Key management personnel are identified as the Executive Directors.

No share options have been exercised by any of the directors, nor any payments of pensions contributions made on behalf of directors in any of the periods presented.

4. Finance costs

	2016	2015
	£	£
Loss on revaluation of investments	-	(523)
Interest on related party loan	(3,260)	-
	(3,260)	(523)

5. Taxation

	2016	2015
	£	£
Loss before tax	(359,545)	(159,780)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015:21%)	(71,909)	(33,554)
Tax effects of:		
Deferred tax not provided	71,909	33,554
Changes in tax rates	-	-
Corporation tax charge	-	-

6. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year.

The Group does not have any potentially dilutive shares in any of the periods presented due to the losses reported, therefore the basic and diluted earnings per share are the same.

Basic earnings per share

	2016 pence	**2015 pence**
Total basic loss per share	(0.2341)	(0.1124)

The losses and weighted average number of Ordinary Shares used in the calculation of basic earnings per share are as follows:

	2016 £	**2015 £**
Loss used in the calculation of total basic and diluted earnings per share	(357,691)	(159,302)

	2016	**2015**
Number of shares		
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	152,811,007	141,784,956

7. Subsidiaries

Details of the Group's subsidiaries are as follows:

Name of subsidiary	**Principal activity**	**Class of shares**	**Place of incorporation and operation**	**% ownership held by the Group**		
				2016	**2015**	**2014**
Equatorial Oil and Gas PLC	Oil and gas exploration	Ordinary	England and Wales	94	87	87
Tamboran Botswana (Pty) Ltd*	Oil and gas exploration	Ordinary	Botswana	94*	74*	-
Nodding Donkey Ltd	Oil and gas exploration	Ordinary	England and Wales	100	-	-

*15% held directly by Karoo Energy plc, the remaining 85% is held indirectly by Equatorial Oil and Gas PLC

8. Intangible assets

	Exploration and Evaluation assets £
Cost	
At 1 May 2014	139,982
Additions	-
Acquired within business combination (note 22)	74,414
At 30 April 2015	214,396
Additions	147,856
At 30 April 2016	362,252
Net book value	
At 30 April 2016	362,252
At 30 April 2015	214,396
At 30 April 2014	139,982

As at 30 April 2016 The exploration and development work within the Licence Areas has not led the Directors to consider that an impairment charge to the carrying value of the assets is required. The Directors have reviewed the intangible exploration asset for indications of impairment in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources and have not identified any necessary impairment charge.

Licence 001/2012 expired on 31 December 2015 and the renewal application was lodged with the Ministry of Mines in Botswana on 16 November 2015. The renewal process is still ongoing but the Directors are confident that the licence will be renewed. Expenditure of £94,267 has been capitalised in respect of this licence and annual license fees of approximately £50,000 remain outstanding and have been accrued as at 30 April 2016.

Management do not consider the asset to be impaired as they expect the license to be renewed, however should the license not be re-issued the Group would need to impair the exploration assets associated with the license, leading to a charge of £94,267 to the Income Statement.

9. Investments

	2016 £	2015 £
Cost brought forward	226	749
Revaluation	(226)	(523)
	-	226

Investments represent held for trading listed equity investments.

10. Trade and other receivables

	2016	2015
	£	£
Current assets:		
Trade receivables	-	7,884
Other receivables	13,427	14,115
Prepayments and accrued income	5,584	20,254
	19,011	42,253

The Directors consider the carrying value of trade and other receivables is approximate to its fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment and none have been identified at any reporting date presented.

11. Cash and cash equivalents

	2016	2015
	£	£
Cash at bank (GBP)	294,546	29,152

At April 2016 and 2015 all significant cash and cash equivalents were deposited with major clearing banks in the UK with at least an 'A' rating.

12. Share capital

Allotted, issued, and fully paid:

	2016 No	2016 £	2015 No	2015 £
Ordinary shares of 0.0025 each				
Opening balance at 1 May	144,905,504	362,264	137,905,504	344,764
Allotments:				
4 June 2014 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
7 August 2014 - shares issued at 2p each resulting premium of £40,000	-	-	2,000,000	5,000
10 October 2014 - shares issued at 2p each resulting premium of £40,000	-	-	2,000,000	5,000
6 January 2015 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
1 April 2015 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
10 July 2015 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
30 July 2015 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
30 September 2015 - shares issued at 3p each resulting premium of £31,350	1,140,000	2,850		
7 October 2015 - shares issued at 3p each resulting premium of £7,700	280,000	700		
1 December 2015 - shares issued at 3p each resulting premium of £9,625	350,000	875		
15 December 2015 - shares issued at 3p each resulting premium of £55,000	2,000,000	5,000		
18 January 2016 - shares issued at 4p each resulting premium of £375,000	10,000,000	25,000		
23 February 2016 - shares issued at 4p each resulting premium of £281,412	7,504,325	18,760		
29 February 2016 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
14 March 2016 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
28 April 2016 - shares issued at 3p each resulting premium of £275,000	10,000,000	25,000		
At 30 April	180,179,829	450,449	144,905,504	362,264

As regards income and capital distributions, all categories of shares rank pari passu as if the same constituted one class of share.

13. Share based payments

The Group operates a share option scheme to which Directors may be invited to participate. The options are settled in equity once exercised. If the options remain unexercised after 31 December 2021, the options expire.

The Group had also issued share options in prior financial years which were exercisable immediately upon issue.

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

2016	**Number of options**	**WAEP £**
Outstanding at the beginning of the year	21,250,000	0.0118
Lapsed	(10,000,000)	0.0100
Outstanding at the year end	11,250,000	0.0144
Number vested and exercisable at 30 April 2016	11,250,000	0.0144

2015	**Number of options**	**WAEP £**
Outstanding at the beginning of the year	20,000,000	0.0100
Issued	1,250,000	0.0400
Outstanding at the year end	21,250,000	0.0118
Number vested and exercisable at 30 April 2015	21,250,000	0.0118

	Share options	Share options extension
Date of grant / extension	8 December 2014	8 December 2014
Number granted / extended	1,250,000	20,000,000
Share price at date of grant / extension	6.5p	6.5p
Exercise price	4p	1p
Expected volatility	15.09%	15.09%
Expected life from date of grant / extension	3.53	3.53
Risk free rate	1.3872%	1.3872%
Expected dividend yield	0%	0%
Fair value / incremental fair value at date of grant	£0.0271	£0.0004
Earliest vesting date	8 December 2014	8 December 2014
Expiry date	31 December 2021	31 December 2021

Expected volatility was determined based on the historic volatility of the Company's shares for a period averaging 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £nil (2015: £40,984) related to share options accounted for as equity-settled share-based payment transactions during the year.

14. Trade and other payables

	2016 £	2015 £
Trade payables	123,380	31,091
Accruals	143,492	66,764
Other creditors	-	26,049
Loan from related party	73,260	-
	340,132	123,904

15. Financial instruments

Categories of financial instruments

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets	**2016** **£**	**2015** **£**
Held for trading:		
Listed equity investments (note 9)	-	226
Loans and receivables:		
Trade receivables (note 10)	-	7,884
Other receivables (note 10)	13,427	14,115
Cash and cash equivalents (note 11)	294,546	29,152
	307,973	51,151
	307,973	51,347

All of the above financial assets' carrying values are approximate to their fair values, as at 30 April 2016 and 2015.

Financial liabilities	**Measured at amortised cost**	
	2016	**2015**
	£	**£**
Trade payables (note 14)	123,380	31,091
Other payables (note 14)	73,260	26,049
Accruals (note 14)	143,492	66,764
	340,132	123,904

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at 30 April 2016 and 2015.

Fair value measurements

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	**Fair value as at**		**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	2016	**2015**				
	£	**£**				
Listed equity investments	-	226	Level 1	Observed market value	N/A	N/A

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values (due to their nature and short times to maturity).

16. Financial instrument risk exposure and management

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 9, 10, 11, 14, 15, and 17.

Liquidity risk

Liquidity risk is dealt with in note 17 of these consolidated financial statements.

Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure spread over a number of third parties.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents, as described in note 15.

Interest rate risk

The Group's only exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial and the interest on the related party loan, which is also immaterial.

17. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors the level of working capital it requires. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 30 April 2016 and 2015, on the basis of their earliest possible contractual maturity.

	Total	On Demand	Within 2 -6 months	6 – 12 months
	£	£	£	£
At 30 April 2016				
Trade payables	123,380	123,380	-	-
Other payables	-	-	-	-
Loan from related party	73,260	73,260	-	-
Accruals	143,492	-	143,492	-
	340,132	196,640	143,492	-
At 30 April 2015				
Trade payables	31,091	31,091	-	-
Other payables	26,049	-	-	26,049
Accruals	66,764	-	66,764	-
	123,904	31,091	66,764	26,049

18. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented on the face of the Balance Sheet and further disclosed in note 11.

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Group is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

19. Operating lease arrangements

The Group does not have an option to purchase any of the operating leased assets at the expiry of the lease periods.

Payments recognised as an expense	**2016**	**2015**
	£	**£**
Minimum lease payments	31,394	22,505

Non-cancellable operating lease commitments	**2016**	**2015**
	£	**£**
Not later than 1 year	20,500	20,500
Later than 1 year and not later than 5 years	-	20,500
	20,500	41,000

20. Related party transactions

Key management personnel are identified as the Executive Directors, and their remuneration is disclosed in note 3.

During the year, the company received a loan from Noel Lyons of £70,000. Interest has been accrued at 10% per annum.

21. Acquisitions of non-controlling interests in subsidiaries

During the year ended 30 April 2016 the Group acquired the remaining 15% interest in Tamboran Botswana (Pty) Ltd, a company incorporated in Botswana, for £400,000 which consideration was settled by the issue of 10,000,000 shares at 4p per share.

Alongside this transaction, a deed of termination was signed which extinguishes the contingent liability to Tamboran Resources Limited in relation to the Group's acquisition of Tamboran Botswana (Pty) Limited.

During the year, the Group also acquired a further 6.25% interest in Equatorial Oil and Gas PLC from Conrad Windham for £300,173 which consideration was settled by the issue of 7,504,325 shares at 4p per share.

These transactions do not meet the criteria of business combinations under IFRS 3 Business Combinations, as they are transactions with non-controlling interests. Accordingly they have been accounted for in accordance with IFRS 10 Consolidated Financial Statements whereby the difference between the consideration paid and the non-controlling interest acquired is recognised directly in equity. This has resulted in a charge of £700,408 to retained earnings.

22. Business combinations

During the year ended 30 April 2015 the Group acquired an 85% interest in Tamboran Botswana (Pty) Ltd, a company incorporated in Botswana:

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Consideration transferred
2015	Oil and gas exploration	July 2014	85	68,876

Consideration transferred

	£
Cash	42,827
Deferred consideration	26,049
Total	68,876

The deferred consideration is due following the grant of two further licences to Tamboran Botswana (Pty) Ltd after the year end date.

Assets acquired and liabilities recognised at the date of acquisition:

	£
Non-current assets	
Intangible exploration assets	36,913
Less: 15% Non-controlling interest	(5,537)
	31,376

Net Cash inflow on acquisition of subsidiaries

	£
Consideration paid in cash	(42,827)
	(42,827)

The acquiree has been included in the consolidated financial statements for the first time in 2015.

23. Financial commitments

License commitments

As at date of this report, the Group has five active licenses, being PL159-2015, PL160-2015 and PL171-2015 held by Equatorial and PL161-2015 and PL162-2015 held by Tamboran Botswana (Pty) Limited.

Under the terms of the license, the Group is required to meet minimum levels of exploration activity each year.

The committed spend for the remaining periods of each license have been set out below as at 30 April 2016:

Exploration license	**Year ending 30 April 2017**	**Year ending 30 April 2018**	**Year ending 30 April 2019**	**Year ending 30 April 2020**
	£	£	£	£
PL159/2015	6,329	78,996	110,667	-
PL160/2015	6,196	78,863	110,667	-
PL171/2015	70,336	340,336	655,002	319,002
PL162/2015	72,737	342,737	657,403	321,403
PL161/2015	67,858	337,858	652,524	316,524
	223,456	1,178,790	2,186,263	956,929

License 001/2012 expired on 31 December 2015 and the renewal application was lodged with the Ministry of Mines in Botswana on 16 November 2015 as set out in note 8 and whilst management expect the licence will be renewed there was no financial commitment as at 30 April 2016 in respect of this licence. Should the license not be re-issued, the exploration asset associated with the license of £94,267 would require impairment.

24. Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.

25. Events after the balance sheet date

The following shares have been issued by the Company since the balance sheet date:

Date	**Number of shares**	**Price per share**	**Funds raised**
31 May 2016	7,142,857	3p	£200,000 net of commission

26. Transition to IFRS

Karoo Energy plc reported under UK Generally Accepted Accounting Practice in its previously published consolidated financial statements for the year ended 30 April 2015.

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

The main changes are in respect to the primary statements. The Profit and Loss Account has been replaced with an Income Statement, and the Statement of Recognised Gains and Losses has been replaced with a Statement of Comprehensive Income which presents the result for the year as the total comprehensive income for the year instead of the profit for the year.

The Balance Sheet has changed format: instead of presenting net assets and shareholders’ funds, the information is now presented as total assets and total equity and liabilities.

A Statement of Changes in Equity is presented as a primary statement and provides information on the movements in equity during the financial year. Previously this information was presented as part of the movement in reserves and reconciliations of movement in shareholders' funds notes.

The Group's Statement of Cash Flows is presented in accordance with IAS 7. The statements present substantially the same information as that required under UK GAAP, with no notable exceptions, other than that cash flows are categorised differently.

A number of GAAP differences arise as a result of change in accounting policies on the conversion to IFRS:

1. Reclassification of gains and losses on equity investments from revenue to finance costs
2. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

27. Reconciliation of equity and profit under UK GAAP to IFRS

a) Reconciliation of equity at 1 May 2014

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
Assets		**£**	**£**	**£**
Non-current assets				
Intangible assets		139,982	-	139,982
Current assets				
Trade and other receivables		31,224	-	31,224
Investments		749	-	749
Cash and cash equivalents		3,291	-	3,291
		35,264	-	35,264
Total Assets		175,246	-	175,246
Equity and liabilities				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		344,764	-	344,764
Share premium		309,072	-	309,072
Revaluation reserve	1	749	(749)	-
Retained earnings	1	(521,066)	749	(520,317)
Shareholders' funds		133,519	-	133,519
Non-controlling Interests		1,863	-	1,863
		135,382	-	135,382
Current liabilities				
Trade and other payables		39,864	-	39,864
Total liabilities		39,864	-	39,864
Total equity and liabilities		175,246	-	175,246

Notes to IFRS adjustments:

1. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

b) Reconciliation of equity at 30 April 2015

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
Assets		£	£	£
Non-current assets				
Intangible assets		*214,396	-	214,396
Current assets				
Trade and other receivables		42,253	-	42,253
Investments		226	-	226
Cash and cash equivalents		29,152	-	29,152
		71,631	-	71,631
Total Assets		286,027	-	286,027
Equity and liabilities				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		362,264	-	362,264
Share premium		431,572	-	431,572
Revaluation reserve	1	226	(226)	-
Retained earnings	1	(638,861)	226	(638,635)
Shareholders' funds		155,201	-	155,201
Non-controlling Interests		6,922	-	6,922
		162,123	-	162,123
Current liabilities				
Trade and other payables		123,904	-	123,904
Total liabilities		*123,904	-	123,904
Total equity and liabilities		286,027	-	286,027

* An adjustment to previously reported UK GAAP was made to restate intangible assets for the effect of accrued additions of £37,500.

Notes to IFRS adjustments:

1. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

c) Reconciliation of profit for the year ended 30 April 2015

	Notes	UK GAAP	Effect of transition to IFRS	IFRS
		£	£	£
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administrative expenses		(159,257)	-	(159,257)
Operating profit				
Finance income		-	-	-
Finance costs	1	-	(523)	(523)
Profit before taxation		(159,257)	(523)	(159,780)
Taxation		-	-	-
Non-controlling interests		478	-	478
Profit for the financial year attributable to the Company's equity shareholders		(158,779)	(523)	(159,302)

Notes to IFRS adjustments:

1. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

d) Reconciliation of total comprehensive income for the year ended 30 April 2015

	UK GAAP	Effect of transition to IFRS	IFRS
	£	£	£
Loss for the financial year	(158,779)	(523)	(159,302)
Total comprehensive income for the financial year attributable to the Company's equity shareholders	(158,779)	(523)	(159,302)

Company Balance Sheet as at 30 April

	Notes	2016	2015
Assets		**£**	**£**
Non-current assets			
Investments	2	712,674	12,501
Current assets			
Trade and other receivables	3	327,486	206,667
Investments		-	226
Cash and cash equivalents		294,460	27,682
		621,946	234,575
Total Assets		1,334,620	247,076
Equity and liabilities			
Capital and reserves			
Share capital	5	450,450	362,264
Share premium		1,1,576,659	431,572
Retained earnings		(943,193)	(597,865)
Shareholders' funds		1,083,916	195,971
Current liabilities:			
Trade and other payables	4	250,704	51,105
Total equity and liabilities		1,334,620	247,076

The financial statements were approved by the Board of Directors on 5 October 2016 and were signed on its behalf by:

Noel Lyons

Director

Registered number: 07603259

Company Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
For the year ended 30 April 2016				
Balance at 1 May 2015	362,264	431,572	(597,865)	195,971
Loss for the financial year	-	-	(345,327)	(345,327)
Total comprehensive income	-	-	(345,327)	(345,327)
Issue of shares	88,186	1,145,087	-	1,233,273
Balance at 30 April 2016	450,450	1,576,659	(943,192)	1,083,917
For the year ended 30 April 2015				
Balance at 1 May 2014	344,764	309,072	(482,735)	171,101
Loss for the financial year	-	-	(156,114)	(156,114)
Total comprehensive income	-	-	(156,114)	(156,114)
Issue of shares	17,500	122,500	-	140,000
Share based payments	-	-	40,984	40,984
Balance at 30 April 2015	362,264	431,572	(597,865)	195,971

Notes to the Parent Company Financial Statements

for the year ended 30 April 2016

1. Accounting Policies

Basis of Preparation

The annual financial statements of Karoo Energy plc (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value)
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value)
- Related party transactions
- Share based payments

First time application of FRS 100 and 101

In the current year the company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK GAAP.

This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with EU endorsed IFRS. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in Notes 8 and 9.

There have been no other material amendments to the disclosure requirements previously applied in accordance with EU endorsed IFRS.

As permitted by section 408 of Companies Act 2006, a separate Income Statement for the Company has not been included in these financial statements. The Company's loss for the year ended 30 April 2016 was £345,327 (2015: £156,114).

Investments
Investments held in listed equity instruments are classified as 'held for trading' and are initially recognised at fair value and are measured at subsequent reporting dates at fair value, the gains and losses arising from changes in fair value are included in profit or loss.

Impairment of non-financial assets
At each balance sheet date the Directors review the carrying amounts of the Company's tangible and intangible assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments
Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets
The Company classifies its financial assets as 'loans and receivables'. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Balance Sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

Financial liabilities
The Company's financial liabilities include trade and other payables and borrowings.

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Current taxation
Current taxation for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the 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, it is not accounted for. Deferred 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 tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

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

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

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 tax 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.

Leasing
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currency
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the year end date. All differences are taken to the Income Statement.

Share based payments
Where share options have been granted to directors, IFRS 2 has been applied whereby the fair value of the options is measured at the grant date and spread over the period during which the employees become entitled to the options. An options valuation model is used to assess the fair value, taking into account the terms and conditions attached to the options. The fair value at grant date is determined including the effect of market based vesting conditions, to the extent such vesting conditions have a material impact.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The charge or credit for a period to the income statement represents the movement in cumulative expense recognised as at the beginning and end of that period.
No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based

payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

Equity

Equity comprises the following:

- “Share capital” represents amounts subscribed for shares at nominal value.
- “Share premium” represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- “Retained earnings” represents the accumulated profits and losses attributable to equity shareholders.

2. Investments

	Investments in Subsidiaries
	£
Cost	
As at 1 May 2015	12,501
Additions	700,173
As at 30 April 2016	712,674

The Company holds the issued share capital of the following subsidiary undertakings:

Name of subsidiary	Principal activity	Class of shares	Place of incorporation and operation	% ownership held directly 2016	% ownership held directly 2015
Equatorial Oil and Gas PLC	Oil and gas exploration	Ordinary	England and Wales	94	87
Tamboran Botswana (Pty) Ltd*	Oil and gas exploration	Ordinary	Botswana	15	-
Nodding Donkey Limited	Oil and gas exploration	Ordinary	England and Wales	100	-

*15% of Tamboran Botswana (Pty) Ltd is held directly by Karoo Energy plc, the remaining 85% interest is held indirectly by Equatorial Oil and Gas PLC.

3. Receivables

	2016	2015
	£	£
Other receivables	10,250	18,134
Amounts due from group undertakings	311,652	168,279
Prepayments	5,584	20,254
	327,486	206,667

4. Trade and other payables

	2016	2015
	£	£
Trade payables	91,330	24,341
Accruals	86,114	26,764
Related party loan	73,260	-
	250,704	51,105

5. A) Share Capital

Allotted, issued, and fully paid:

	2016 No	2016 £	2015 No	2015 £
Ordinary shares of 0.0025 each				
Opening balance at 1 May	144,905,504	362,264	137,905,504	344,764
Allotments:				
4 June 2014 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
7 August 2014 - shares issued at 2p each resulting premium of £40,000	-	-	2,000,000	5,000
10 October 2014 - shares issued at 2p each resulting premium of £40,000	-	-	2,000,000	5,000
6 January 2015 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
1 April 2015 - shares issued at 2p each resulting premium of £20,000	-	-	1,000,000	2,500
10 July 2015 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
30 July 2015 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
30 September 2015 - shares issued at 3p each resulting premium of £31,350	1,140,000	2,850		
7 October 2015 - shares issued at 3p each resulting premium of £7,700	280,000	700		
1 December 2015 - shares issued at 3p each resulting premium of £9,625	350,000	875		
15 December 2015 - shares issued at 3p each resulting premium of £55,000	2,000,000	5,000		
18 January 2016 - shares issued at 4p each resulting premium of £375,000	10,000,000	25,000		
23 February 2016 - shares issued at 4p each resulting premium of £281,412	7,504,325	18,760		
29 February 2016 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
14 March 2016 - shares issued at 3p each resulting premium of £27,500	1,000,000	2,500		
28 April 2016 - shares issued at 3p each resulting premium of £275,000	10,000,000	25,000		
At 30 April	180,179,829	450,449	144,905,504	362,264

As regards income and capital distributions, all categories of shares rank pari passu as if the same constituted one class of share.

7. Events After the Balance Sheet Date

See Note 25 of the Notes to the Consolidated Financial Statements.

8. First time adoption of FRS 101 Reduced Disclosure Framework

This is the first time that the company has adopted FRS 101 having previously applied applicable UK accounting standards. The date of transition to FRS 101 was 1 May 2014. In applying FRS 101 for the first time the company has made the following elections:

- To retain the carrying amount of investment in subsidiaries at the date of transition to FRS 101 at the carrying amount at that date in accordance with applicable UK accounting standards.

A number of GAAP differences arise as a result of change in accounting policies on the conversion to FRS101:

1. Reclassification of gains and losses on equity investments from revenue to finance costs
2. Designation of the equity investments as “held for trading”, resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

9. Reconciliation of equity under UK GAAP to FRS101

a) Reconciliation of equity at 1 May 2014

	Notes	UK GAAP	Effect of transition to FRS101	FRS101
Assets		**£**	**£**	**£**
Non-current assets				
Investments		12,501	-	12,501
Current assets				
Trade and other receivables		190,843	-	190,843
Investments		749	-	749
Cash and cash equivalents		3,272	-	3,272
		194,864	-	194,864
Total Assets		207,365	-	207,365
Equity and liabilities				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		344,764	-	344,764
Share premium		309,072	-	309,072
Revaluation reserve	1	749	(749)	-
Retained earnings	1	(483,484)	749	(482,735)
Shareholders' funds		171,101	-	171,101
Current liabilities				
Trade and other payables		36,264	-	36,264
Total liabilities		36,264	-	36,264
Total equity and liabilities		207,365	-	207,365

Notes to FRS101 adjustments:

1. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.

b) Reconciliation of equity at 30 April 2015

	Notes	UK GAAP	Effect of transition to FRS101	FRS101
Assets		**£**	**£**	**£**
Non-current assets				
Investments		12,501	-	12,501
Current assets				
Trade and other receivables		206,667	-	206,667
Investments		226	-	226
Cash and cash equivalents		27,682	-	27,682
		234,575	-	234,575
Total Assets		247,076	-	247,076
Equity and liabilities				
Capital and reserves attributable to the Company's equity shareholders				
Share capital		362,264	-	362,264
Share premium		431,572	-	431,572
Revaluation reserve	1	226	(226)	-
Retained earnings	1	(598,091)	226	(597,865)
Shareholders' funds		195,971	-	195,971
Current liabilities				
Trade and other payables		51,105	-	51,105
Total liabilities		51,105	-	51,105
Total equity and liabilities		247,076	-	247,076

Notes to FRS101 adjustments:

1. Designation of the equity investments as "held for trading", resulting in the gains and losses on the investments being recognised in profit or loss for the year where previously under UK GAAP these gains and losses were recognised in a revaluation reserve.