REGISTERED NUMBER: 07603259 (England and Wales)

Group Strategic Report, Report of the Directors and

Consolidated Financial Statements for the Year Ended 30 April 2018

for

Karoo Energy plc

Contents of the Consolidated Financial Statements for the year ended 30 April 2018

Company Information
for the year ended 30 April 2018

DIRECTORS:	N Lyons D Hopkins Dr A Zimbler A Golding J G Negaard
SECRETARY:	Buckingham Corporate Services Limited
REGISTERED OFFICE:	1 Bentinck Street London United Kingdom W1U 2EA
REGISTERED NUMBER:	07603259 (England and Wales)
AUDITORS:	UHY Hacker Young Chartered Accountant & Registered Auditor Quadrant House 4 Thomas more Square London E1W 1YW

Chief Executive Officer's statement and Group Strategic Report
for the year ended 30 April 2018

I am pleased to report that the Company has made progress during the year. We announced in the first half of this year that exploration work in the Gemsbok Basin covered by the Company's Prospecting Licences EL001/2012 and PL171/2015 has produced results which confirm the geological model for the Company's exploration programme.

This model, based on multiple research projects, including deep boreholes and seismic surveys, undertaken by the Department of Geological Survey of Botswana and other published academic works, predicts a deep sedimentary basin, the Gemsbok Basin, infilled by Karoo Supergroup sedimentary rocks underlain by Nama Group sedimentary rocks. Both groups of rock, Karoo and Nama, are known to contain organic shales which form the target for this exploration project.

Further work in the second half of the year has strengthened the findings that support our belief in the integrity of our licence areas and thus re-main committed to our belief for the potential for shale gas within our portfolio of licences, our anticipated move to AIM and associated fund raise will accelerate exploration work and I look forward to announcing our progress in due course.

Subsequent to the year end the Company has had a change of personnel with the appointment of a new Non-Executive Director, Mr Darren Hopkins ACA. Darren is a chartered accountant and is a very welcome addition to the team as we anticipate an upswing in operational activity subject to an imminent AIM listing. To this end the company has appointed new brokers to assist with the fund raising requirements and, with their competence and commitment, are confident in a successful outcome in the final quarter of 2018.

FINANCIALS
The financial results for the year-ended 30 April 2018 show a loss after taxation of £877,835 (2017: £395,123) and year end cash of £41,419 (2017: £nil). The Group raised £502,449 net of expenses during the year through the issue of 16.899 million shares for the advancement of its Botswana licences and ongoing administrative expenses. It remains the focus of the Board to continue to progress the licence work programmes in Botswana in the most effective manner, utilising new technologies and the opportunities that the current low-cost exploration environment bring, whilst minimising the ongoing overhead and administrative cost burden to the extent that this does not impact adversely on operations.

REVIEW OF BUSINESS
The Company has made good progress during 2018 and has reviewed in detail its assets and operational strategy.

The Company is the holder of one of the largest shale gas licence areas in the world, comprising 4 licence areas and covering approximately 100,000 square km. We are always conscious of the challenges to explore and manage efficiently such large areas simultaneously.

The company remains very focused on shale gas, while also having CBM licences and as part of our strategy to sequence our exploration efforts whilst managing current and future cash resource, we applied for, and the Minister for Minerals and Mines kindly granted, a suspension of one of our shale gas licences, licence EL161-2015. This means that the licence commitments and time period in which they are due to be delivered are frozen. Licence PL2012-001 is under renewal. The Company also successfully applied for a suspension of its two CBM licences, this enables conservative cost management and a strategic focus on shale. The Company can now focus on just two of its four licences. The licence suspensions can be lifted at a time in the future at the Company’s discretion and are protected in the meantime under the Company’s ownership.

Subsequent to the year end the company has engaged a strategic operational partner, Contax Partners, an experienced oil and gas project management company based in the Middle East but with projects under management worldwide. Contax has already begun work on the ground in Botswana and are encouraged by their findings to the extent that they wish to participate in a significant equity stake on admission to AIM. The company is delighted with this new partnership and that it is aligned through its operational focus and incentivised through its proposed equity participation.

Chief Executive Officer's statement and Group Strategic Report
for the year ended 30 April 2018

The strategic focus for the immediate future is to achieve an admission to AIM to enable significant fundraising to be carried out. The company is confident, with the appointment of a new broker, that it will be successful however this is subject to completing fundraising and AIM approval. Assuming a successful admission is completed in the last quarter of 2018 then operational work will build up quickly on the ground. The work program on the two shale gas licences is scheduled to be completed by July 2019. It is hoped this work program on two of our licences may yield an estimated resource on one or both of these licence areas.

The Company also intends to do a dual listing on the Botswana Stock Exchange (BSE) following its admission to AIM. This will enable the raising of funds locally for the next phase of the exploration and possibly for any future production program.

ON BEHALF OF THE BOARD:

N Lyons - Director

1 October 2018

Report of the Directors
for the year ended 30 April 2018

The directors present their report with the financial statements of the company and the group for the year ended 30 April 2018.

REVIEW OF BUSINESS
The loss for the year, after taxation and non-controlling interests, amounted to £(877,835) (2017 - loss £(395,123)). The directors do not recommend payment of a dividend (2017: £Nil).

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 May 2017 to the date of this report.

N Lyons
Dr A Zimbler
A Golding
J G Negaard

Other changes in directors holding office are as follows:

D Hopkins - appointed 17 September 2018
A J Smith - appointed 1 September 2017 & resigned 16 September 2018

FINANCIAL INSTRUMENTS
The group's financial instruments comprise listed investments, bank balances, trade payable and other payables all arising in the normal course of business. The purpose of theses 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 change 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.

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 equivalent.

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. The Groups only borrowing relates to a loan from Noel Lyons of £70,000 lent in the year to 30 April 2016. The amount outstanding at 30 April 2018 totalled £87,260 (2017: £80,270). The balance is included within trade and other payables.

DIRECTORS' INTERESTS
At 30 April 2018, Noel Lyons had an interest in 673,684 (2017: 673,684) ordinary shares of 0.25p each and 10,000,000 (2017: 10,000,000) share options with an exercise price of 1p. At 30 April 2018, James Negaard had an interest in 1,250,000 (2017: 1,250,000) share options with an exercise price of 4p.

Report of the Directors
for the year ended 30 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group'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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS
The auditors, UHY Hacker Young, will be proposed for reappointment in accordance with section 489 of the Companies ACT 2006.

ON BEHALF OF THE BOARD:

N Lyons - Director

1 October 2018

Report of the Independent Auditors to the Members of Karoo Energy plc

Opinion
We have audited the financial statements of Karoo Energy Plc for the year ended 30 April 2018 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 30 April 2018 and of the Group loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities 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.

Emphasis of matter - Going concern
In forming our opinion on the financial statements we have considered the adequacy of the going concern disclosures made in note 2 to the financial statements concerning the Group's and Company's ability to continue as a going concern.

The Group incurred an operating loss of £(877,835) during the year ended 30 April 2018 and is still incurring losses. As discussed in note 2 to the financial statements, the Group has net current liabilities of £289,569 and will need to raise additional cash funding in the short term in order to meet its liabilities as they fall due (including the current liabilities in excess of available current assets) and subsequently to meet its committed expenditure under the exploration licences over the coming year.

The Directors do not intend to cease trading and believe they will be able to raise such funding in order to continue to meet the Company's liabilities as they fall due.

These conditions, along with other matters discussed in note 2 indicate the existence of a material uncertainty which may cast significant 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 if the Group and Company were unable to continue as a going concern.

Our opinion is not modified in respect of the above matter.

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

Our assessment of risks of material misstatements

We identified the following risks of material misstatement that we believe had the greatest impact on our overall audit strategy and scope, the allocation of resources in the audit; and directing the efforts of the engagement team. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impairment of exploration and evaluation assets	
The Groups has capitalised costs in respect of the exploration licence interests in accordance with IFRS 6 'Exploration for and Evaluation of Mineral Resources' (IFRS 6). The Directors are required to assess these for indicators of impairment and where these exist to undertake a full impairment review. The Group have suspended three exploration licences during the period and have not fulfilled the annual exploration programme set out in the licences.	In accordance with IFRS 6 the exploration and evaluation (E&E) assets have been assessed for indications of impairment and on finding these an impairment review has been considered. We discussed the exploration and evaluation assets with the directors and considered their assessment in conjunction with the Competent Persons Reports commissioned, and the current status of the licences, including the progress made on the licences versus the programme of work. Due to the financial resources available to the Group coupled with length of time remaining to complete the licence programmes, the Group suspended three of the licences in order to focus on the exploration of two of the key licences in January 2018. The directors have therefore deemed it appropriate to impair the capitalised E&E assets on the suspended licences at the balance sheet. The exploration assets relating to the remaining two active licences have not been impaired but should sufficient funding (as explained in note 2) not be obtained in the near to medium term it is likely the programme commitments will not be met prior to expiry of the licences on 30 June 2019. We consider the impairment charge to be sufficient and the remaining E&E assets to not require further impairment.
Going concern	
The group does not currently generate revenue, has net current liabilities at the year end and continues to incur losses. It is therefore reliant on raising additional funding to continue to meet its obligations as they fall due.	We reviewed the Group's working capital projections covering the period to 1 October 2019 and the Group's current financial position and plans for raising further funding. Whilst funds are not currently available to the Group, the Directors do not intent to cease trading and believe that sufficient funding may be raised in the short to medium term in order to meet the Group's liabilities as they fall due, including the exploration commitments. The ability to raise such funding it inherently uncertain and we have included an 'emphasis of matter' paragraph in respect of going concern in our audit report accordingly.

Our application of materiality

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

We also determine a level of performance materiality which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Overall materiality	We determined materiality for the financial statements as a whole to be £10,400.
How we determine it	Based on the main key indicators, being an average of 5% of the Group loss before taxation, 4% of Group net assets, and 2% of Group gross assets.
Rationale for benchmarks applied	We believe an average of loss before tax, the net assets and the gross assets value is the most appropriate benchmarks due to the size and stage of development of the Company and Group and due to the Group not yet generating any revenue.
Performance materiality	On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 60% of materiality, and this was rounded to £6,200.

We also report to the Board of Directors all misstatements that in our view, warrant reporting on qualitative grounds and on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Company and the Group, their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. Our Group audit scope includes all of the group companies. At the parent company level, we also tested the consolidation procedures. The audit team communicated regularly throughout the audit with the finance team in order to ensure we had a good knowledge of the business of the Group.

During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our 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 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Daniel Hutson (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor

Quadrant House
4 Thomas More Square
London E1W 1YW

1 October 2018

Karoo Energy plc (Registered number: 07603259)

Consolidated Statement of Profit or Loss
for the year ended 30 April 2018

	Notes	**2018** £	2017 £
CONTINUING OPERATIONS			
Revenue	4	**-**	-
Administrative expenses		**(870,941)**	(388,123)
OPERATING LOSS		**(870,941)**	(388,123)
Finance costs	6	**(7,000)**	(7,000)
Finance income	6	**106**	-
LOSS BEFORE INCOME TAX	7	**(877,835)**	(395,123)
Income tax	8	**-**	-
LOSS FOR THE YEAR		**(877,835)**	(395,123)
Loss attributable to:			
Owners of the parent		**(831,175)**	(381,914)
Non-controlling interests		**(46,660)**	(13,209)
		(877,835)	(395,123)
Earnings per share expressed in pence per share:	10		
Basic		**-0.43**	-0.21
Diluted		**-0.43**	-0.21

The notes form part of these financial statements

Karoo Energy plc (Registered number: 07603259)

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2018

	2018	2017
	£	£
LOSS FOR THE YEAR	**(877,835)**	(395,123)
OTHER COMPREHENSIVE INCOME	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(877,835)**	(395,123)
Total comprehensive income attributable to:		
Owners of the parent	**(831,175)**	(381,914)
Non-controlling interests	**(46,660)**	(13,209)
	(877,835)	(395,123)

The notes form part of these financial statements

Karoo Energy plc (Registered number: 07603259)

Consolidated Statement of Financial Position
30 April 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	**135,439**	322,154
		135,439	322,154
CURRENT ASSETS			
Trade and other receivables	13	**41,072**	95,260
Cash and cash equivalents	14	**41,419**	-
		82,491	95,260
TOTAL ASSETS		**217,930**	417,414
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	**511,837**	469,590
Share premium	17	**2,231,786**	1,771,584
Retained earnings	17	**(2,843,187)**	(2,078,646)
		(99,564)	162,528
Non-controlling interests	15	**(54,566)**	(7,906)
TOTAL EQUITY		**(154,130)**	154,622
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	**372,060**	262,792
TOTAL LIABILITIES		**372,060**	262,792
TOTAL EQUITY AND LIABILITIES		**217,930**	417,414

The financial statements were approved by the Board of Directors on 1 October 2018 and were signed on its behalf by:

N Lyons - Director

The notes form part of these financial statements

Karoo Energy plc (Registered number: 07603259)

Company Statement of Financial Position
30 April 2018

	Notes	2018 £	2017 £
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11	**-**	-
Investments	12	**312,674**	312,674
		312,674	312,674
CURRENT ASSETS			
Trade and other receivables	13	**189,841**	778,370
Cash and cash equivalents	14	**41,419**	-
		231,260	778,370
TOTAL ASSETS		**543,934**	1,091,044
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	16	**511,837**	469,590
Share premium	17	**2,231,786**	1,771,584
Opening retained earnings		**(1,319,916)**	(943,191)
Loss for year		**(1,209,730)**	(376,725)
Retained earnings	17	**(2,529,646)**	(1,319,916)
TOTAL EQUITY		**213,977**	921,258
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	**329,957**	169,786
TOTAL LIABILITIES		**329,957**	169,786
TOTAL EQUITY AND LIABILITIES		**543,934**	1,091,044

The financial statements were approved by the Board of Directors on 1 October 2018 and were signed on its behalf by:

N Lyons - Director

Karoo Energy plc (Registered number: 07603259)

Consolidated Statement of Changes in Equity for the year ended 30 April 2018

	Called up share capital £	Retained earnings £	Share premium £
Balance at 1 May 2016	450,450	(1,696,732)	1,576,659
Changes in equity			
Issue of share capital	19,140	-	210,553
Cost of share issue	-	-	(15,628)
Total comprehensive income	-	(381,914)	-
Balance at 30 April 2017	469,590	(2,078,646)	1,771,584
Changes in equity			
Issue of share capital	42,247	-	494,375
Cost of share issue	-	-	(34,173)
Share based payments	-	66,634	-
Total comprehensive income	-	(831,175)	-
Balance at 30 April 2018	511,837	(2,843,187)	2,231,786

	Sub-Total £	Non-controlling interests £	Total equity £
Balance at 1 May 2016	330,377	5,303	335,680
Changes in equity			
Issue of share capital	229,693	-	229,693
Cost of share issue	(15,628)	-	(15,628)
Total comprehensive income	(381,914)	(13,209)	(395,123)
Balance at 30 April 2017	162,528	(7,906)	154,622
Changes in equity			
Issue of share capital	536,622	-	536,622
Cost of share issue	(34,173)	-	(34,173)
Share based payments	66,634	-	66,634
Total comprehensive income	(831,175)	(46,660)	(784,515)
Balance at 30 April 2018	(99,564)	(54,566)	(154,130)

The notes form part of these financial statements

Karoo Energy plc (Registered number: 07603259)

Company Statement of Changes in Equity for the year ended 30 April 2018

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 May 2016	450,450	(943,191)	1,576,659	1,083,918
Changes in equity				
Issue of share capital	19,140	-	210,553	229,693
Cost of share issue	-	-	(15,628)	(15,628)
Total comprehensive income	-	(376,725)	-	(376,725)
Balance at 30 April 2017	469,590	(1,319,916)	1,771,584	921,258
Changes in equity				
Issue of share capital	42,247	-	494,375	536,622
Cost of share issue	-	-	(34,173)	
Share based payments	-	66,634	-	66,634
Total comprehensive income	-	(1,276,364)	-	(1,143,096)
Balance at 30 April 2018	511,837	(2,529,646)	2,231,786	213,977

The notes form part of these financial statements

Karoo Energy plc (Registered number: 07603259)

Consolidated Statement of Cash Flows
for the year ended 30 April 2018

	Notes	2018 £	2017 £
Cash flows from operating activities			
Cash generated from operations	1	**(389,613)**	(405,570)
Interest paid		**(7,000)**	(7,000)
Net cash from operating activities		**(396,613)**	(412,570)
Cash flows from investing activities			
Purchase of intangible fixed assets		**(64,523)**	(96,043)
Interest received		**106**	-
Net cash from investing activities		**(64,417)**	(96,043)
Cash flows from financing activities			
Share issue		**502,449**	229,694
Costs of Share Issue		**-**	(15,627)
Net cash from financing activities		**502,449**	214,067
Increase/(decrease) in cash and cash equivalents		**41,419**	(294,546)
Cash and cash equivalents at beginning of year	2	**-**	294,546
Cash and cash equivalents at end of year	2	**41,419**	-

The notes form part of these financial statements

Notes to the Consolidated Statement of Cash Flows
for the year ended 30 April 2018

1. RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2018	2017
	£	£
Loss before income tax	**(877,835)**	(395,123)
Impairment of intangible assets	**251,238**	136,141
Share based payments	**66,634**	-
Finance costs	**7,000**	7,000
Finance income	**(106)**	-
	(553,069)	(251,982)
Decrease/(increase) in trade and other receivables	**54,188**	(76,249)
Increase/(decrease) in trade and other payables	**109,268**	(77,339)
Cash used in operations	**(389,613)**	(405,570)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 30 April 2018

	30/4/18	**1/5/17**
	£	**£**
Cash and cash equivalents	**41,419**	**-**

Year ended 30 April 2017

	30/4/17	1/5/16
	£	£
Cash and cash equivalents	-	294,546

1. STATUTORY INFORMATION

Karoo Energy plc is a public limited company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

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.

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 2018.

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

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
IFRS 16 Leases	1 January 2019	Yes

IFRS 16 introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognize amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Due to the small value of leases entered into by the group, management do not believe this will have a material impact on the financial statements.

2. **ACCOUNTING POLICIES - continued**

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.

Going concern
During the year ended 30 April 2018 the Group made a loss of £(877,835) (2017: a loss of £(395,123)) and as at 30 April 2018 it had net current liabilities of £289,569 (2017: net current liabilities of £167,532). The operations of the Group are primarily financed from funds which the Parent Company raises from share placing as it does not currently generate revenue.

Whilst the Company successfully raised £502,449 through share placings during the year, the Group needs to raise significant funds in the short term to pay its liabilities as they fall due including existing creditors which exceed the group’s current assets. Funds are also required to deliver on its obligations under the exploration licences, as set out in note 21 regarding the Group financial commitments. Should such funding not be obtained, the group would not be able to meet its obligations as they full due. Furthermore, 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.

Subject to AIM approval for the admission to AIM, the Directors believe that the Group, through the newly appointed Broker, will be able to raise 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 significant 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.

2. **ACCOUNTING POLICIES - continued**

Intangible 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.

2. **ACCOUNTING POLICIES - continued**

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.

2. **ACCOUNTING POLICIES - continued**

Current taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

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.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

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.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

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.

2. **ACCOUNTING POLICIES - continued**

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards as adopted 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. Refer to note 11 in respect of intangible assets.

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.

4. SEGMENTAL REPORTING

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.

5. EMPLOYEES AND DIRECTORS

	2018	2017
	£	£
Wages and salaries	**67,900**	40,950

The average number of employees during the year was as follows:

	2018	2017
Director	**3**	1

5. **EMPLOYEES AND DIRECTORS - continued**

	2018	2017
	£	£
Directors' remuneration	**67,900**	40,950

6. **NET FINANCE COSTS**

	2018	2017
	£	£
Finance income:		
Bank interest received	**106**	-
Finance costs:		
Interest payable	**7,000**	7,000
Net finance costs	**6,894**	7,000

7. **LOSS BEFORE INCOME TAX**

The loss before income tax is stated after charging:

	2018	2017
	£	£
Other operating leases	**27,601**	23,303
Auditors' remuneration	**9,840**	10,500
Taxation compliance services	**1,800**	3,360
Reporting accountant services	**28,000**	-

8. **INCOME TAX**

Analysis of tax expense
No liability to UK corporation tax arose for the year ended 30 April 2018 nor for the year ended 30 April 2017.

Factors affecting the tax expense

	2018	2017
	£	£
Loss before income tax	**(877,835)**	(395,123)
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017 - 20%)	**(166,789)**	(79,025)
Effects of:		
Deferred tax not provided	**166,789**	79,025
Tax expense	**-**	-

9. **LOSS OF PARENT COMPANY**

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(1,209,730) (2017 - £(376,725)).

10. 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 period.

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.

Reconciliations are set out below.

	Earnings £	2018 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	**(877,835)**	**203,518,412**	**-0.43**
Effect of dilutive securities	**-**	**-**	**-**
Diluted EPS			
Adjusted earnings	**(877,835)**	**203,518,412**	**-0.43**

	Earnings £	2017 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	(395,123)	189,939,911	-0.21
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(395,123)	189,939,911	-0.21

11. INTANGIBLE ASSETS

Group

	Exploration and evaluation assets £
COST	
At 1 May 2017	**322,154**
Additions	**64,523**
Impairments	**(251,238)**
At 30 April 2018	**135,439**
NET BOOK VALUE	
At 30 April 2018	**135,439**
At 30 April 2017	322,154

11. **INTANGIBLE ASSETS - continued**

Group

As at 30 April 2018 the Directors have reviewed the intangible exploration asset for indicators of impairment in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources and, as a result of indicative factors, have undertaken a full impairment review of the licenses.

The Company applied to have its two CBM licences (PL159-2015 and PL160-2015) suspended, along with one shale gas licence, EL161-2015. This is a strategic decision resulting from the operational challenges to carry out exploration activities in one of the world's largest shale gas licence areas, along with consideration of the Group's current cash resource, the requirement to raise funds to meet its short and medium term commitments and the funding requirement necessary for exploration of these licences. The licence suspensions can be lifted at a time in the future, at the Company's discretion, when available cash and operational resource allow for the continuing exploration. The directors consider that the intangible exploration assets in respect of these licenses should be fully impaired and a charge of £251,238 has been recognised in administration expenses.

The Directors are satisfied that the remaining licences are in good standing. Additional technical data is required to fully appraise the project, however, the CPR report is positive and the Group intends to raise sufficient funds to complete the required work under the licences and accordingly do not consider an impairment charge necessary.

12. **INVESTMENTS**

Company

	Shares in group undertakings £
COST	
At 1 May 2017	
and 30 April 2018	**312,674**
NET BOOK VALUE	
At 30 April 2018	**312,674**
At 30 April 2017	312,674

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Equatorial Oil and Gas PLC
Registered office: England and Wales
Nature of business: Oil and gas exploration

Class of shares:	% holding
Ordinary	94.00

Tamboran Botswana (Pty) Ltd
Registered office: Botswana
Nature of business: Oil and gas exploration

Class of shares:	% holding
Ordinary	94.00

100% of the interest in Tamboran Botswana (Pty) Ltd is held indirectly by Equatorial Oil and Gas PLC.

13. TRADE AND OTHER RECEIVABLES

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Current:				
Other debtors	**10,250**	10,850	**10,250**	10,250
Director current account	**16,595**	80,821	**16,595**	80,821
Inter-co - Equatorial	**-**	-	**155,996**	683,710
VAT	**7,227**	-	**-**	-
Prepayments and accrued income	**7,000**	3,589	**7,000**	3,589
	41,072	95,260	**189,841**	778,370

As at 30 April 2018, the Group conducted an impairment review in accordance with the provisions of IAS 36. This is inherently an extremely judgmental exercise because it requires the Directors to place a value on exploration projects that by definition are in almost all cases still at very early stages of the cycle. This makes prescribing accurate and meaningful discounted economic values to them extremely difficult. As reported in the Group financial statement, an impairment has been recognised in relation to exploration assets held.

The Directors', in undertaking their review have decided that due to the factors set out in note 2 on going concern and note 11 on intangible assets, consider the impairment charge in relation to the underlying assets is to be reflected in the intercompany balances to the extent they exceed the Group's intangible exploration assets.

In the company, the impairment of the receivable recognised in administration expenses during the year was £682,615 (2017: £136,141).

14. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Bank accounts	**41,419**	-	**41,419**	-

At April 2017 and 2016 all significant cash and cash equivalents were deposited with major clearing banks in the UK with at least an 'A' rating.

At 30 April 2017 Karoo Energy plc’s bank account had been closed due to the bank reducing its exposure to companies considered to be operating in what they consider to be higher risk jurisdictions such as Botswana. The bank had previously attempted to contact the company to give notice of the closure, but this correspondence was not received therefore the funds were transferred to N Lyons, a director of the company until such as time as a new bank account could be opened. As at 30 April 2018 the balance still held by N Lyons totalled £12,855 (2017: £80,821), disclosed within Trade and other receivables as a director loan account. This constitutes a breach of the Companies Act 2006, section 197 as the loan was not approved by the members.

15. NON-CONTROLLING INTERESTS

Non-Controlling interest for the year was £46,660 (2017: £13,209).

16. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2018** **£**	2017 £
204,734,976	Ordinary	0.002 5	**511,837**	469,590

16. **CALLED UP SHARE CAPITAL - continued**

16,898,668 Ordinary shares of 0.0025 each were allotted as fully paid at a premium of £0.0275 per share during the year.

Allotted, issued, and fully paid:

	No	2018 £	No	2017 £
Ordinary shares of £0.0025 each				
Opening balance at 1 May	187,836,308	469,590	180,179,829	450,449
Allotments:				
31 May 2016 – shares issued at 2.5p each resulting premium of £182,143	-	-	7,142,857	17,856
10 November 2016 – shares issued at 2.5p each resulting premium of £10,411	-	-	378,622	947
20 February 2017 – shares issued at 2.5p each resulting premium of £3,713	-	-	135,000	338
22 May 2017 – shares issued at 3.0p each resulting premium of £426,240	15,500,000	38,750	-	-
22 May 2017 – shares issued at 3.0p each resulting premium of £10,963	398,668	997	-	-
22 May 2017 – shares issued at 3.0p each resulting premium of £27,500	1,000,000	2,500	-	-
At 30 April	204,734,976	511,837	187,836,308	469,590

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

17. **RESERVES**

Group

	Retained earnings £	Share premium £	Totals £
At 1 May 2017	**(2,078,646)**	**1,771,584**	**(307,062)**
Deficit for the year	**(831,175)**	**-**	**(831,175)**
Cash share issue	**-**	**460,202**	**460,202**
Share based payment expense	**66,634**	**-**	**66,634**
At 30 April 2018	**(2,843,187)**	**2,231,786**	**(611,401)**

Company

	Retained earnings £	Share premium £	Totals £
At 1 May 2017	**(1,319,916)**	**1,771,584**	**452,006**
Deficit for the year	**(1,276,364)**		**(1,276,702)**
Cash share issue	**-**	**460,202**	**460,202**
Share based payment expense	**66,634**	**-**	**66,634**
At 30 April 2018	**(2,529,646)**	**2,231,786**	**(297,860)**

17. **RESERVES - continued**

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.

18. **TRADE AND OTHER PAYABLES**

	Group		**Company**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Current:				
Trade creditors	**216,561**	13,431	**211,349**	12,232
Other creditors	**-**	10,547	**-**	10,547
Loan from Related Party	**87,260**	80,260	**87,260**	80,260
Accruals and deferred income	**68,239**	158,554	**31,348**	66,747
	372,060	262,792	**329,957**	169,786

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due, this is of greater importance given the current position of the company as disclosed in the going concern note 2.

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 undiscounted cash flows on the Group's financial liabilities as at 30 April 2018 and 2017 are presented in the table below.

	Total	**On Demand**	**Within 2 -6 months**	**6 – 12 months**
	£	**£**	**£**	**£**
At 30 April 2018				
Trade creditors	**216,561**	216,561	-	-
Other creditors	**-**	-	-	-
Loan from Related Party	**87,260**	87,260	-	-
Accruals and deferred income	**68,239**	68,239	-	-
	372,060	372,060	-	-

	Total	**On Demand**	**Within 2 -6 months**	**6 – 12 months**
	£	**£**	**£**	**£**
At 30 April 2017				
Trade creditors	13,431	13,431	-	-
Other creditors	10,547	-	10,547	-
Loan from Related Party	80,260	80,260	-	-
Accruals and deferred income	158,554	-	158,554	-
	262,792	93,691	169,101	-

19. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	2018	2017
	£	£
Within one year	**26,472**	1,708
Between one and five years	**80,719**	-
	107,191	1,708

Payments recognised as an expense relating to minimum lease payments under operating leases during the year totalled £27,601 (2017: £23,303).

20. **FINANCIAL INSTRUMENTS**

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

Financial assets	**2018**	**2017**
	£	**£**
Loans and receivables:		
Amounts due from director (note 13)	**16,595**	80,821
Other receivables (note 13)	**24,477**	14,439
Cash and cash equivalents (note 14)	**41,419**	-
	82,491	95,260

All of the above financial assets' carrying values are approximate to their fair values, as at 30 April 2018 and 2017.

Financial liabilities	**Measured at amortised cost**	
	2018	**2017**
	£	**£**
Trade payables (note 18)	**216,561**	13,431
Other payables (note 18)	**-**	10,547
Loan from related party (note 18)	**87,260**	80,260
Accruals (note 18)	**68,239**	158,554
	372,060	262,792

In the view of management, all of the above financial liabilities' carrying values approximate to their fair values as at 30 April 2018 and 2017.

21. OTHER FINANCIAL COMMITMENTS

License commitments:

As at date of this report, the Group has two active licences, being PL171-2015 held by Equatorial Oil and Gas plc and PL162-2015 held by Tamboran Botswana (Pty) Limited.

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

The committed spend for the remaining periods of each active licence have been set out below as at 30 April 2018:

Exploration license	Year ending 30 April 2019	Year ending 30 April 2020
	£	£
PL171/2015	1,097,613	345,324
PL162/2015	1,097,613	345,324
	2,195,226	690,648

The financial commitment for the three currently suspended licences totals £1,527,439 and as a result of this suspension, the timing of this commitment is uncertain.

22. SHARE-BASED PAYMENT TRANSACTIONS

The Group occasionally issues share options and warrants to Directors and shareholders. They are settled in equity once exercised. Details of the number of share options/warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

2018	**Number of options/warrants**	**WAER £**
Outstanding at the beginning of the year	11,250,000	0.0144
Issued	15,500,000	0.0600
Number vested & exercisable at 30 April	26,750,000	0.0408

2017	**Number of options/warrants**	**WAER £**
Outstanding at the beginning of the year	11,250,000	0.0144
Number vested & exercisable at 30 April	11,250,000	0.0144

	Share Options	**Share Options extension**	**Warrants**
Date of grant / extension	8 Dec 2014	8 Dec 2014	18 May 2017
Number granted / extended	1,250,000	10,000,000	15,500,000
Share price at date of grant / extension	6.5p	6.5p	5.5p
Expected price	4p	1p	6p
Expected volatility	15.09%	15.09%	15.09%
Expected life (years) from date of grant / extension	3.53	3.53	3.00
Risk free rate	1.3872%	1.3872%	0.8200%
Expected dividend yield	0%	0%	0%
Fair value / incremental fair value at date of grant	£0.0271	£0.0004	£0.0043
Earliest vesting date	8 Dec 2014	8 Dec 2014	18 May 2017
Expiry date	31 Dec 2021	31 Dec 2021	17 May 2020

Expected volatility was determined based on the historic volatility of the Company's shares for a period of 3 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 £66,634 (2017: £nil) related to share options accounted for as equity-settled share-based payment transactions during the year.

23. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

During 2016 the company received a loan from Noel Lyons of £70,000. Interest has been accrued at 10% per annum and is repayable on demand. The amount outstanding at 30 April 2018 totalled £87,260 (2017: £80,260). The balance is included within trade and other payables.

24. EVENTS AFTER THE REPORTING PERIOD

On 6 June 2018 the Group signed an MOU with Contax Partners ('CP') for CP to be the Group's technical partner and project manager for the extensive exploration and implementation work on the Group's shale gas assets. CP has agreed to accept up to £800,000 in shares of Karoo Energy plc, subject to the Company's proposed admission to AIM, in return for payment for services as per their Project Management agreement with the Company.

25. ULTIMATE CONTROLLING PARTY

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

26. 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 14.

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.