Whalsay Energy Limited
Annual Report and Financial Statements
for the year ended 31 December 2017

Company number: 04560068

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for the year ended 31 December 2017

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Whalsay Energy Limited
For the year ended 31 December 2017

Officers and Principal Advisers

Directors
Carlo Mattoni
Shanil Shah
Paul Warwick

Company Secretary
Andrew Fairclough

Registered office
1 Park Row
Leeds
LS1 5AB

Operations office
7 Queen's Gardens
Aberdeen
AB15 4YD

Auditors
BDO LLP
55 Baker Street
London
W1U 7EU

Tax Advisers
PwC LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

Principal Bankers
Royal Bank of Scotland plc
40 Albyn Place
Aberdeen
AB10 1YN

Legal Advisers
Pinsent Masons LLP
13 Queen's Road
Aberdeen
AB15 4YL

Strategic Report

Registration status and name change

On 13 June 2017 the Company re-registered as a private limited company and changed its name from Xcite Energy Resources plc to Whalsay Energy Limited (the "Company"). On 30 June 2017 the Company was acquired by Whalsay Energy Holdings Limited ("WEHL"), a company registered in the Cayman Islands.

Organisational overview

The principal activity of the Company is an operating company involved in the appraisal and development of oil resources in the UK North Sea. The Company considers this activity to be currently the only operating segment. The Company's principal asset is the Bentley field; a heavy oil field located in the Northern North Sea.

Business model and strategy

The Company's business model operates a small, core team retaining the proprietary knowledge needed to support the future development of the Bentley field, which is supplemented with the services of outside specialist contractor companies and service providers as required.

The Company's strategy is to attract a partner to fund the development of, and operate, the Bentley field.

Business financial review

For the year ended 31 December 2017 the Company reports a profit after tax of $336.79 million, primarily influenced by the release of debt and interest obligations following the restructure of the Company on 30 June 2017. The Company also incurred an additional $1.46 million on professional fees relating to the restructuring of the Company, which concluded in June 2017 with the sale of the Company to Whalsay Energy Holdings Limited. Further, the Company has made a provision of $1.67 million in the current year in respect of an estimate of future liabilities to be incurred in the permanent abandoning of the 9/3b-5 and 9/3b-6 & 6Z wells on the Bentley field.

On 30 June 2017 the Company completed a restructuring process. Immediately prior to the restructuring, the accrued interest on the Company's $135 million of senior secured bonds (the "Bonds") since the date of default of 31 October 2016 was waived in its entirety by the holders of the Bonds (the "Bondholders"). In addition, the former immediate parent company, Xcite Energy Limited, agreed to release the Company from its intercompany debt net liabilities totalling $329.55 million as at 30 June 2017. Subsequent to the waiver of accrued interest to the Bondholders and the waiver of the intercompany debt liabilities, Whalsay Energy Holdings Limited, a newly incorporated company wholly owned by the Bondholders, acquired the entire share capital of the Company from Xcite Energy Limited, and the carrying value of the Bond liability as at 30 June 2017 was reclassified as intercompany debt owing to the new parent company of Whalsay Energy Holdings Limited. As a result of the restructuring steps, the Company now has $145.74 million of intercompany loan liabilities (31 December 2016; $329.66 million) and $nil Bond liabilities (31 December 2016; $157.10 million).

On 21 June 2017 the Company entered into a $10 million committed working capital facility ("WCF"). The restructuring of the Company provides a financial platform from which to pursue its strategy to find a partner to develop and operate the Bentley field. Since completion of the restructuring, the Company has initiated an extensive third party, independent technical review of the reservoir and development concept as part of an exercise to support its future marketing of the Bentley field.

Upon the acquisition by Whalsay Energy Holdings Limited, Mr. Paul Warwick was appointed Chairman and Chief Executive Officer and Mr Carlo Mattoni and Mr Shanil Shah were appointed as Non-Executive Directors of the Company. Mr. Andrew Fairclough was appointed as Company Secretary. Each of the former Board of Directors resigned on completion of the restructuring.

In the lead up to the restructuring the Company entered into a number of cost saving initiatives, which resulted in the reduction of staff from 16 to 6 full time equivalents in addition to a reduction in operational overheads. The restructuring process resulted in a high level of expenditure during the year to 31 December 2017 on professional fees, with a total of $1.46 million expensed in the current year within operating expenses in relation to the restructuring process.

Expenditure on advancing the Bentley field development during 2017 was $4.63 million, which includes $1.46 million of capitalised staff costs in addition to $0.84 million for the annual renewal of the Bentley licence, $0.60 million on seismic data reprocessing and $0.99 million incurred on third party consultants and contractors.

The Company received a four year licence extension to the P.1078 licence, containing the Bentley field, which expires on 30 June 2021.

An initial drawdown of $4.25 million under the WCF was made in July 2017 and an interest expense of $0.24 million accrued to 31 December 2017. This interest was paid as payment-in-kind on 31 December 2017 by the issue of new 12% loan notes to existing loan note holders on a pro-rata basis in accordance with the WCF.

Principal risks and uncertainties

The principal risk factors facing the Company, together with their mitigations, where appropriate, are as follows:

Risk Factor	Explanation
Financing	Future field development will depend upon the ability of the Company to secure financing, whether this is by joint venture projects, farm down arrangements, public financing, asset financing or by other means. The Company is undertaking a disciplined approach to re-defining the development concept within strict economic boundaries in order to deliver a commercially attractive development to attract the necessary capital to develop the Bentley field. By using appropriate financial management and cash forecasting, the Company monitors its projected cash requirements on a regular basis.
Exploration and development	The nature of oil exploration is such that there is no assurance that exploration activities will be successful. Industry statistics show that few properties that are explored go on to being fully developed. Operations can also be adversely affected by weather conditions and drilling rig and other operating equipment availability outside the control of the Company. Exploration and development risk is mitigated by a process of detailed subsurface technical analysis using

industry professionals, to help identify those prospects with the highest chance of success. Detailed project planning, concept and design engineering and effective cost control all help to mitigate the downside risk of not delivering a project safely, on specification, on time and on budget.

Licensing and consents

The Company is dependent upon the good standing of its oil field asset licences, all of which are administered by the OGA in the United Kingdom, in order to conduct offshore exploration, appraisal, development and production activity. Each licence has its own terms and conditions, with defined licence periods, and maintenance of these licences is critical to the ability of the Company to continue to conduct its core business. In addition to the licences, the Company requires specific field development consent from the OGA in order to conduct any offshore operations, including drilling and production. The Company maintains regular and constructive dialogue with the OGA, not only for licensing and field development consents, but also for UK oil and gas regulatory matters.

The oilfield asset licence for the Company's principal asset, the Bentley field, does not expire until June 2021.

Fiscal and political regime

The decision making process in the oil and gas industry is focused on long-term field economics, which rely heavily upon a stable fiscal and political regime to provide the necessary confidence in proceeding, or otherwise, with project sanction. Prevailing rates of taxation and the availability of field allowances can change, which may then change previous oil field sanction decisions. Whilst it is not possible to forecast such changes or the impact these may have, membership of various industry associations ensures that the Company keeps up to date with industry consensus and has the ability to participate in relevant representations.

The announcement during the year ended 31 December 2016 of the decision of the United Kingdom to leave the European Union ("Brexit") brings about uncharted political and fiscal uncertainty. In addition, Brexit has reinvigorated the Scottish devolution movement. With the Company's principal assets being located in Scotland, fiscal and political risk is considered to have increased in recent years. The Company continues to participate in industry consultations and fiscal lobbying where considered appropriate in order to better protect its fiscal and political interests but acknowledges that its powers are limited.

Commodity pricing

The Company has no control over the market price of crude oil. Crude oil price forecasts are used in the Company's field economic models to support future investment decision making processes. There is a risk that the crude price models used do not present an accurate reflection of future revenue streams and lead to inappropriate investment decisions being made. The Company uses external pricing models to support the oil price forward curves being used in order to minimise internal bias.

Resource estimation

Oil resource estimation techniques are inherently judgemental and involve a high degree of technical interpretation and modelling techniques. Incorrect resource estimation may result in inappropriate capital investment decisions being made.

	To mitigate this risk, Company resources have been independently assessed to provide third party assessment of internal estimates.
Dependence on key executives and personnel	The Company's development and future potential are dependent upon the continued services and performance of its senior management and other key personnel. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Company. Executive reward structures are reviewed annually to ensure that there is an appropriate balance of executive reward and retention risk mitigation.
Early stage of development	The Company is subject to certain risks related to the nature of its business in the acquisition, exploitation, development and production of oil reserves and resources and its early stage of development. The Company has no history of earnings from commercial production and there can be no assurance that the Company's business will be successful or profitable. The Company's strategy is to find a partner(s) with the skills and resources to operate the field. The Company may be subject to growth-related risks, capacity constraints and pressure on its internal systems and controls, particularly given the early stage of the Company's development. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Key performance indicators

The Company is considered to be in the appraisal phase of its oil and gas assets and, in the absence of sustained oil production, key performance indicators associated with oilfield production have yet to be established. Current key performance indicators focus upon cashflow management, working capital facility covenant compliance and budget to actual expenditure performance.

Signed on behalf of the Board,

Director
17 April 2018

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Directors

The directors of the Company are shown on page 1. On 23 March 2017 Rupert Cole stepped down as a Director of the Company. On 30 June 2017 Matthew Bower, Barnaby Brennan, Jonathan Dale and Andrew Fairclough resigned as Directors of the Company and were replaced by Paul Warwick, Shanil Shah and Carlo Mattoni. Jonathan Dale also resigned as Secretary of the Company and was replaced by Andrew Fairclough.

Indemnification of Directors and Insurance

The Company has granted an indemnity to each of its Directors under which the Company will, to the fullest extent permitted by law and to the extent provided by Company's Articles of Association, indemnify them against all liability, charges, losses and associated costs incurred by them in the execution of their duties. The Company has a Directors' and Officers' Liability Insurance policy in place, details of which are provided to all Directors on an annual basis and to new Directors on appointment.

Results and dividends

The results for the year are set out in the Income Statement on page 14, and an overview of the performance of the Company during the year ended 31 December 2017 is provided in the Strategic Report on pages 2 to 5. The directors do not recommend the payment of a dividend (2016: $nil).

Future Developments

The Company is focused on attracting a partner or partners to develop, and operate, the Bentley field. The Company continues to maintain its technical work programmes to continue to meet its obligations under its licence.

Going Concern

The new working capital facility provides the Company with access to the remaining committed funds of $5.75 million of working capital over a period to 30 June 2019. Funds received under the working capital facility shall be used solely for approved costs. At the sole discretion of the Company, interest may be settled at the end of each quarter in cash or by payment-in-kind with a coupon of 12% per annum. The Company shall not enter into material financial commitments over and above the approved costs without the prior consent of the consortium of lenders.

The Company has estimated that it has sufficient estimated financial resources available to it via existing cash balances and its working capital facility to adhere to all commitments required under the terms of its P1078 licence and to continue to operate as a going concern until at least December 2018. However, the Company estimates that it will require additional funding to ensure that it can continue to trade and meet its obligations beyond December 2018. No confirmed additional funding is in place at the date of the signing of these financial statements. However, the principal lenders and shareholders of the Company remain supportive and are fully aware of the current situation and the requirement for such funding. Initiatives are currently underway, including discussions with principal shareholders and lenders, that are anticipated to address the identified funding shortfall through to a period beyond the anniversary of the signing of these financial statements. As no additional financing arrangements are in place at present, a material uncertainty exists that may cast significant doubt on the Company's ability to meet its commitments and discharge its liabilities in the normal course of business beyond December 2018.

The working capital facility provides the Company with a sufficient level of working capital until at least December 2018 but does not remove the need for longer term funding in order to finance the development of the Bentley field and to meet future working capital requirements.

The Company continues to adopt the going concern basis of accounting in preparing the financial statements and these financial statements do not include the adjustments that would result if the Company was unable to secure additional funding and to continue as a going concern.

Financial instruments and financial risk management

Details of the use of financial instruments by the company and related matters are contained in Note 17 of the financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the 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 (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Whalsay Energy Limited
For the year ended 31 December 2017

Directors Statement as to the Disclosure of Information to Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Auditor

The auditor, BDO LLP, has indicated its willingness to continue in office.

On behalf of the Board,

Paul Warwick
Director
17 April 2018

Independent Auditor's Report to the Members of Whalsay Energy Limited

Opinion

We have audited the financial statements of Whalsay Energy Limited (the 'Company') for the year ended 31 December 2017 which comprise the company statement of comprehensive income, the company statement of changes in equity, the company statement of financial position, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 2006

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2017;
- the Company financial statements 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.

Material uncertainty relating to going concern

We draw attention to Note 1 to the financial statements, which explains that the Company requires further funding in order to continue to meet their obligations and liabilities as and when they fall due as well as to continue to undertake the required work programme for the Company's principal asset.

The matters explained in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

We considered going concern to be a Key Audit Matter based on our assessment of the risk and the effect on our audit. We performed the following work in response to this key audit matter.

- We challenged the Director's forecasts to assess the Company's ability to meet their financial obligations as they fall due within the period of twelve months from the date of approval of the financial statements. We did so by reviewing the assumptions and inputs in the cashflow forecast to assess whether these were in line with our understanding of the Company's operations and other information obtained by us during the course of the audit.
- We performed a mechanical check on the cashflow forecast model prepared by Management.
- We assessed the quality of Management's cashflow forecasting, and
- Reviewed the disclosure included within the financial statements.

Use of our report

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

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, 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 period 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.

Carrying value of intangible assets

The Company's intangible assets represent the most significant asset on its statement of financial position totalling U$159.6 million as at 31 December 2017. Management and the Directors are required to assess whether there is any indication whether there are any indicators of impairment of the assets (refer Note 8). Given the significance of the assets on the Company's statement of financial position and the significant management judgement involved in the assessment of the carrying values of the asset there is an increased risk of material misstatement.

Our response

We evaluated Management's and the Board's impairment review for the Company's material, principal asset, Bentley. We critically challenged the considerations made of whether or not there were any indicators of impairment identified.

Our specific audit testing in this regard included:

- the verification of licencing status in order to confirm legal title and validity of the licence
- reviewing activity to assess whether there was evidence from technical work undertaken to date by Management and third parties which would indicate a potential impairment

- reviewing approved budget forecasts and minutes of Management and Board meetings to confirm the Group's intention to continue the exploration work on the licence
- in order to obtain an understanding of Management's expectation of commercial viability reviewed available technical documentation and discussed results and operations with the operational teams.

Our application of materiality

Company materiality as at 31 December 2017	Basis for materiality
US$877,000 (2016: US$3.1 million)	An average of 5% of profit before tax and 1% of total assets

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider that an average of 5% of profit before tax and 1% of total assets to be an appropriate judgement for materiality in order to address the disparity between the quantum of the figures in the income statement and those included in the statement of financial position.

In performing the audit we applied a lower level of performance materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds financial statement materiality. Performance materiality for the financial statements was set at US$658,500 (2016: US$2.3 million), being 75% of financial statement materiality.

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of US$18,000 (2016: US$62,000). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

We performed a full scope audit on the financial statements of the Company. All audit work was undertaken by BDO LLP.

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 auditor's 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.

Matters on which we are required to report by exception

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.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

Date: 17 April 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Whalsay Energy Limited
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Income Statement

All values stated in $'000s	Note	Year ended 31 December 2017	Year ended 31 December 2016
Impairment of oil and gas exploration properties	8	-	(338,030)
Provision for decommissioning liabilities	12	**(1,666)**	-
Corporate restructuring charges	3	**(1,460)**	(5,132)
Loss on disposal of fixed assets	9	-	(6,109)
Administrative expenses		**(755)**	(1,126)
Operating loss	3	**(3,881)**	(350,397)
Release of intercompany debt obligations	4	**329,554**	-
Release of bond interest obligations	4	**11,364**	-
Finance expense	13	**(245)**	-
Finance income		-	1
Profit/(loss) before taxation		**336,792**	(350,396)
Taxation	6	-	-
Profit/(loss) for the year attributable to Equity holders of the Company		**336,792**	(350,396)
Earnings/(loss) per share attributable to equity holders of the Company:			
- Basic and diluted (in $'000s)	7	**6.74**	(7.01)

All results relate to continuing operations.

Statement of Comprehensive Income

All values stated in $'000s	Year ended 31 December 2017	Year ended 31 December 2016
Profit/(loss) for the year	**336,792**	(350,396)
Total comprehensive income/(loss) for the year	**336,792**	(350,396)
Attributable to Equity holders of the Company	**336,792**	(350,396)

The notes on pages 18 to 38 form part of these financial statements.

Statement of Changes in Equity

All values stated in S'000s	Share Capital	(Accumulated deficit)/surplus	Translation Reserve	Other Reserves	Total
At 1 January 2016	85	7,061	604	13,582	21,332
Loss for the year ended 31 December 2016	-	(350,396)	-	-	(350,396)
Total comprehensive loss for the year ended 31 December 2016	-	(350,396)	-	-	(350,396)
Transfer upon cancellation of share options	-	13,582	-	(13,582)	-
At 1 January 2017	**85**	**(329,753)**	**604**	-	**(329,064)**
Profit for the year ended 31 December 2017	-	336,792	-	-	336,792
Total comprehensive income for the year ended 31 December 2017	-	**336,792**	-	-	**336,792**
At 31 December 2017	**85**	**7,039**	**604**	-	**7,728**

The notes on pages 18 to 38 form part of these financial statements.

Whalsay Energy Limited
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Statement of Financial Position

All values stated in $'000s	Note	31 December 2017	31 December 2016
Assets			
Non-current assets			
Intangible assets	8	159,633	155,000
Property, plant and equipment	9	8	21
Total non-current assets		159,641	155,021
Current assets			
Receivables	10	47	76
Cash and cash equivalents	17b	1,219	4,346
Total current assets		1,266	4,422
Total assets		160,907	159,443
Liabilities			
Current liabilities			
Trade and other payables	11	1,279	1,745
Intercompany loan payable	11	145,739	329,659
Decommissioning provision	12	1,666	-
Interest on Bonds	14	-	11,364
Bonds	14	-	145,739
Total current liabilities		148,684	488,507
Non-current liabilities			
Loan notes	13	4,495	-
Deferred tax	15	-	-
Total non-current liabilities		4,495	-
Total liabilities		153,179	488,507
Net assets/(liabilities)		7,728	(329,064)
Equity			
Share capital	18	85	85
Accumulated surplus/(deficit)	19	7,039	(329,753)
Translation reserve	19	604	604
Total equity		7,728	(329,064)

The notes on pages 18 to 38 form part of these financial statements. These financial statements were approved by the Board of Directors and authorised for issue on 17 April 2018 and were signed on its behalf by:

(Director) (Director)

Whalsay Energy Limited
For the year ended 31 December 2017

Statement of Cash Flows

All values stated in $'000s	Note	Year ended 31 December 2017	Year ended 31 December 2016
Cash flows used in operating activities			
Profit/(loss) for the year before tax		336,792	(350,396)
Adjustment for release of intercompany debt	4	(329,554)	-
Adjustment for release of bond interest	4	(11,364)	-
Adjustment for other income and interest received		-	(1)
Adjustment for foreign exchange		27	(63)
Adjustment for disposal of E&E assets	8	-	414
Adjustment for impairment of E&E assets	8	-	338,030
Adjustment for loss on disposal of fixed assets	9	-	6,109
Movement in working capital			
- Receivables		28	129
- Trade and other payables		799	(600)
Net cash flow used in operations		(3,272)	(6,378)
Cash flow from investing activities			
Payments to acquire intangible assets		(4,021)	(3,328)
Receipts from sale of fixed assets		2	2,374
Payments to acquire property, plant and equipment	9	-	(5)
Interest received		-	1
Net cash flow used in investing activities		(4,019)	(958)
Cash flow from financing activities			
Cash receipts from Loan Notes issued	13	4,250	-
Intercompany funding advanced to parent company		(288)	(122)
Intercompany funding received from parent company		229	11,748
Bond interest paid	14	-	(8,343)
Net transfer from/(to) restricted cash		-	8,343
Net cash flow from financing activities		4,191	11,626
Net (decrease)/increase in cash and cash equivalents	17	(3,100)	4,290
Cash and cash equivalents at beginning of year		4,346	-
Effect of foreign exchange rate changes		(27)	56
Cash and cash equivalents at end of year	17b	1,219	4,346

The notes on pages 18 to 38 form part of these financial statements.

Notes to the financial statements

1 Accounting Policies

Change of Company Name

On 13 June 2017 the Company re-registered as a private limited company and changed its name from Xcite Energy Resources plc to Whalsay Energy Limited.

Basis of preparation

The Company is a company registered in England and Wales and domiciled in the United Kingdom. The principal accounting policies adopted in the preparation of the financial statements are set out below.

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB"). The financial statements have also been prepared in accordance with IFRS as adopted by The European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis.

Going concern

The Company has sufficient estimated financial resources available to it via existing cash balances and its working capital facility to adhere to all commitments required under the terms of its P1078 licence and to continue to operate as a going concern until at least December 2018. However, the Company estimates that it will require additional funding to ensure that it can continue to trade and meet its obligations beyond December 2018. No confirmed additional funding is in place at the date of the signing of these financial statements. However, the principal lenders and shareholders of the Company remain supportive and are fully aware of the current situation and the requirement for such funding. Initiatives are currently underway, including discussions with principal shareholders and lenders, that are anticipated to address the identified funding shortfall through to a period beyond the anniversary of the signing of these financial statements. As no additional financing arrangements are in place at present, a material uncertainty exists that may cast significant doubt on the Company's ability to meet its commitments and discharge its liabilities in the normal course of business beyond December 2018.

The working capital facility provides the Company with a sufficient level of working capital until at least December 2018 but does not remove the need for longer term funding in order to finance the development of the Bentley field.

The Company continues to adopt the going concern basis of accounting in preparing the financial statements and these financial statements do not include the adjustments that would result if the Company was unable to secure additional funding and to continue as a going concern.

New accounting standards adopted during the year

Certain new standards, amendments and interpretations endorsed by the International Accounting Standard Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") were effective for accounting periods beginning on or after 1 January 2017. These include 'Amendments to IAS 7: Disclosure Initiative', 'Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses' and 'Improvements to IFRS Standards 2014-2016 Cycle'.

The Company has reviewed and considered all new available standards, amendments and interpretations and the adoption of these new accounting standards had no material impact on the previously reported results or financial position of the Company. The adoption of 'Amendments to IAS 7: Disclosure Initiative' requires new disclosure in respect of changes in liabilities arising from financing activities in these financial statements.

New standards and interpretations not yet applied

Certain new standards and interpretations issued and endorsed by the IASB and the IFRIC are effective for future periods and for which the Company has not early adopted. These include 'IFRS 16: Leases', 'IFRS 9: Financial Instruments', 'IFRIC 22: Foreign Currency Transactions and Advance Consideration", 'Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions' and 'IFRS 15: Revenue from Contracts with Customers'. None of these are expected to have a material effect on the reported results or financial position of the Company.

New standards and interpretations which have been issued by the IASB and the IFRIC but have yet to be endorsed by the European Union have not been adopted in these financial statements. The Company has reviewed and considered these new standards and interpretations and none of these are expected to have a material effect on the reported results or financial position of the Company. The future adoption of 'IFRS 16: Leases", expected from 1 January 2019, provides for a new model of lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and an associated lease liability, with the subsequent amortisation of the right-to-use asset over the lease term. However, as the Company currently has no leases other than short-term, the expected impact of the adoption of IFRS 16 is immaterial.

Finance income

Finance income is recognised on an accruals basis and is disclosed separately on the face of the Income Statement.

Taxation

The total tax expense represents the sum of current and deferred tax. Current tax is based on the taxable result for the period. The taxable result may differ from the net result as reported in the Income Statement as it may exclude certain items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the Statement of Financial Position differs to its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position and are expected to apply when the deferred tax liabilities/assets are settled/recovered. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable group company; or
- Different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Operating leases

All leases are treated as operating leases. Rental premiums are charged to the Income Statement or capitalised within E&E assets depending upon the nature of the lease on a straight-line basis over the term of the lease. Reverse premiums or other such incentives to enter into operating lease agreements are released to the Income Statement or as a credit to E&E assets over the lease term.

Foreign currency

The functional and presentational currency of the Company is US Dollars. Transactions entered into by the Company in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the date of the Statement of Financial Position.

Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement. Foreign currency exchange gains and losses arising from the retranslation of financial instruments are separately disclosed in the finance section of the Income Statement, with all other foreign exchange gains and losses disclosed within net administrative expenses.

Financial assets

The Company's financial assets are classified as loans and receivables and comprise the following:

Other receivables – these are measured on initial recognition at fair value and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset value is impaired.

Trade receivables – these assets arise through the provision of goods and services to customers or from credit notes due from suppliers, and are measured on initial recognition at fair value and are subsequently measured at amortised cost.

Cash and cash equivalents – comprise cash on hand and cash on deposit accessible without penalty and are subject to an insignificant risk of changes in value.

Intangible fixed assets – Exploration and Evaluation Assets

Capitalisation

Certain 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 and geophysical costs and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities) and appraisal, which includes project loan interest costs, certain payroll costs and associated employee share-based payment charges, are accumulated and capitalised as intangible E&E assets.

E&E costs are not amortised prior to the conclusion of appraisal activities. At 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, but only after the carrying value of the relevant E&E asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If, after completion of appraisal in an area, it is not possible to determine technical feasibility and commercial viability, or if the legal right to explore expires, or if the Company decides not to continue exploration and evaluation, the carrying value of the E&E asset is written off to the Income Statement in the period the relevant events occur.

The annual licence fees charged by the OGA in respect of the Company's oilfield assets, which enable the Company to explore, appraise, develop and exploit natural resources within its licensed Blocks, are fully capitalised to E&E assets as incurred as no credits are available for pro-rata periods.

Borrowing costs

Borrowing costs incurred specifically for the appraisal and development of the Company's oilfield assets are expensed to the Income Statement on an accruals basis.

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount an impairment review is performed. Impairment tests are performed when indicators, as described in IFRS 6, are identified. Such indicators may include a lack of development funding or a short remaining term on an oilfield licence. If such indicators are identified an impairment review is carried out by identifying groups of assets, within the E&E asset, which together form the Cash Generating Unit ("CGU") and comparing the carrying value of the CGU with its recoverable amount and any resulting impairment loss is written off to the Income Statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell, and its value in use. Impairment charges may be reversed in future periods if future recoverable amount assessments determine that impairment charges are no longer appropriate.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful life, as follows:

- Furniture, fittings and computing equipment	3-5 years
- Other oilfield equipment	5 years

Assets capitalised not yet available for use are not depreciated, but are held at the lower of cost and net realisable value.

In the event that an asset is disposed of, all associated acquisition costs to the date of disposal and accumulated depreciation recognised to date are written off. Any proceeds from sale are offset to arrive at a net gain or loss on disposal reported in the Income Statement.

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment to determine if there is any indication that the assets have suffered impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. In the event that an asset is identified as being impaired, impairment charges are expensed to the Income Statement and associated cost and accumulated depreciation is written off.

Financial liabilities

The Company's financial liabilities comprising trade payables, intercompany payables, Loan Notes and other payables. In the prior period financial liabilities also included bonds and accrued interest on bonds. Financial liabilities are recognised on initial recognition at fair value less associated transaction costs and are subsequently measured at amortised cost.

Decommissioning liabilities

Future decommissioning liabilities are recognised when the Company's obligation to decommission an appraisal, development or producing well crystallises. This obligation arises at the earlier of a formal request from the OGA to decommission an oilfield well or one month prior to expiry of an oilfield production licence. The amount recognised in the estimated cost of decommissioning, discounted to its net present value, is re-assessed each year in accordance with local conditions and requirements. Changes in the estimates of commercial reserves or de-commissioning cost estimates are dealt with prospectively by recording an adjustment to the decommissioning provision.

Decommissioning charges are expensed to the Income Statement, with an associated liability recognised on the Statement of Financial Position, within either current or non-current liabilities depending upon the expected timing of decommissioning work programmes.

Bond liabilities

The Company no longer has any bonds in issue. However, the Company's former senior secured bonds (the "Bonds") were measured at amortised cost, taking into account any initial discount, fees or costs directly associated with the issuance of the Bonds which were capitalised at inception and amortised over their term on a straight-line basis. Interest liabilities accruing under the Bonds were classified as current liabilities.

The Bonds went into default on 31 October 2016 and were subsequently delisted from the Nordic Alternative Bond Market ("Nordic ABM"). The Company continued to account for coupon and PIK interest at 12% and 3% respectively to the Bond liability carrying value to 31 December 2016. In addition, a default interest rate of 5% has been applied from the date of default to 31 December 2016. All accrued interest was subsequently waived during 2017 as part of the restructuring of the Company.

Working Capital Facility - Loan notes

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Loans are subsequently carried at amortized cost using the effective interest method.

Provisions and Contingent Liabilities

Provisions for future liabilities are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Contingent liabilities are recognised when the Company considers that a legal or constructive obligation is more likely than not to arise in the future, depending on the outcome of an uncertain future event. A contingent liability is recorded where it is probable that an outflow of resources will be required to settle the future obligation and when the amount can be reasonably estimated. Contingent liabilities are measured at the present value of management's best estimate, similar to that for provisions.

Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

Critical accounting estimates and judgements

Accounting 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual costs. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial period are discussed below.

(a) Impairment of Exploration and Evaluation assets

Exploration and Evaluation assets are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value. This assessment involves judgement as to whether these circumstances are considered to be an indicator of impairment. In the event of any such indication, an impairment test is carried out and, if necessary, an impairment charge is made representing the surplus of capitalised cost over estimated recoverable value of the related commercial oil reserves. Estimated recoverable value is based upon anticipated discounted pre-tax net cash flows attributable to the Company's asset base. An impairment charge was recognised in 2016 (see Note 8). Based on a third party assessment of the Company's oil reserves and resources, together with the strengthening of the oil price, management have concluded that there are no indicators of impairment as at 31 December 2017.

(b) Going concern

On 21 June 2017 the Company entered into a working capital facility which provided the Company with a committed total of $10.0 million of working capital over a period to 30 June 2019. Funds received under the working capital facility shall be used solely for approved costs. At the sole discretion of the Company, interest may be settled at the end of each quarter in cash or by payment in kind with a coupon of 12% per annum. The Company shall not enter into material financial commitments over and above the approved costs without the prior consent of the consortium of lenders.

The Company has sufficient estimated financial resources available to it via its working capital facility to adhere to all commitments required under the terms of its P1078 licence and to continue to operate as a going concern until December 2018. However, the Company estimates that it will require additional funding to ensure that it can continue to trade and meet its obligations beyond December 2018. No confirmed additional funding is in place at the date of the signing of these financial statements. However, the principal lenders and shareholders of the Company remain supportive and are fully aware of the current situation and the requirement for such funding. Initiatives are currently underway, including discussions with principal shareholders and lenders, that are anticipated to address the identified funding shortfall through to a period beyond the anniversary of the signing of these financial statements. As no additional financing arrangements are in place at present, a material uncertainty exists that may cast significant doubt on the Company's ability to meet its commitments and discharge its liabilities in the normal course of business beyond December 2018.

On this basis, the Company continues to adopt the going concern basis of accounting in preparing the financial statements and these financial statements do not include the adjustments that would result if the Company was unable to secure additional funding and to continue as a going concern.

The working capital facility has various conditions precedent attached, including, but not restricted to, the provision of periodic financial information and a reconciliation of expenditure to the approved budgeted costs.

(c) Contingent liabilities and provisions

Management make judgements in respect of the need to recognise provisions or to disclose contingent liabilities. Such assessments are made on a periodic basis and with the agreement of the Board of Directors.

2 Segment Information

The Company only operates in a single business and geographical segment. The reporting of this segment is in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Company's single line of business is the appraisal and development of oil and gas reserves and the geographical segment in which it currently operates is the North Sea.

Financial information is presented to management in accordance with the measurement principles of IFRS. There are no adjustments or eliminations made in preparing the Company's financial statements from the reportable segment revenues, profit or loss, assets and liabilities.

3 Operating loss

The operating loss on ordinary activities is stated after charging/(crediting) the following:

	Year ended 31 December 2017	Year ended 31 December 2016
	$'000s	$'000s
Impairment charge on oil and gas properties	-	338,030
Corporate restructuring charges	**1,460**	5,132
Loss on disposal of oilfield equipment assets	-	6,109
Foreign exchange losses / (gains)	**27**	(63)
Auditors' remuneration	**47**	36

The Company incurred total charges in respect of property leases in the current year of $0.14 million (year ended 31 December 2016: $0.23 million). These have all been capitalised to E&E assets in accordance with the Company's accounting policy.

The costs associated with the restructuring of the Company totaling $1.46 million in the year ended 31 December 2017 have been expensed to operating loss (2016: $5.13 million). These charges included professional corporate advisory, tax and legal fees incurred leading up to and subsequent to the liquidation of the former parent company, Xcite Energy Limited, and the default on the Bonds issued by the Company.

4 Company Restructuring

On 30 June 2017 the Company completed a restructuring process. Immediately prior to the restructuring, the Company was released in its entirety from its liabilities in respect of accrued interest on the Company's $135 million of senior secured bonds (the "Bonds") since the date of default of 31 October 2016 totalling $11.36 million by the holders of the Bonds (the "Bondholders"). In addition, the former immediate parent company, Xcite Energy Limited, agreed to release the Company from its intercompany net debt liabilities totalling $329.55 million. The release of the Company from interest accrued under the Bonds and the release of the intercompany net debt liabilities was credited to the Income Statement in accordance with IAS 39.

The entire share capital of the Company was acquired by Whalsay Energy Holdings Limited, a company wholly-owned by the former Bondholders to the Company on 30 June 2017.

5 Staff Costs and Directors' Emoluments

a) The average number of persons employed by the Company (including Executive Directors) during the year was as follows:

	31 December 2017	31 December 2016
Technical and administration	**10**	16

The aggregate payroll costs of staff and Executive Directors were as follows:

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Wages and salaries	**1,529**	2,626
Compensation for loss of office	**82**	18
Social security costs	**198**	327
Company defined contribution pension charges	**24**	6
	1,833	2,977

Of the total payroll costs, a value of $1.46 million has been capitalised within E&E asset additions in the year ended 31 December 2017 ($2.40 million for the year ended 31 December 2016). The balance of payroll costs has been expensed within Other Expenses in the Income Statement in each relevant year.

Compensation for loss of office represents charges in respect of statutory redundancy payments following a staff restructuring programme during the year with the loss of six full-time equivalent staff members.

b) Executive Directors' emoluments

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Wages and salaries	**745**	1,671
Compensation for loss of office	**74**	-
Social security costs	**99**	220
Company defined contribution pension charges	**9**	4
	927	1,895

Company pension contributions were paid to a total of 5 Directors during the year (2016: 6). On 22 March 2017 Rupert Cole resigned as Chief Executive Officer of the Company and received compensation for loss of office of $73,754.

The emoluments of the highest paid Director during the year were as follows:

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Wages and salaries	**189**	368
Compensation for loss of office	**74**	-
Social security costs	**23**	49
Company defined contribution pension charges	**1**	1
	287	418

On 30 June 2017, Matthew Bower, Jonathan Dale, Andrew Fairclough and Barnaby Brennan stepped down as Directors of the Company. Carlo Mattoni and Shanil Shah receive no remuneration in their capacity as Directors of the Company.

6 Taxation

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Deferred tax – current year	-	(6,315)
Effects of changes in tax rates	-	6,315
	-	-

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below.

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Profit/(loss) on ordinary activities before tax	**336,792**	(350,396)
Profit/(loss) on ordinary activities multiplied by the combined rate of corporation tax in the UK of 40%	**134,717**	(140,158)
Effects of:		
Income not taxable	**(136,364)**	-
Expenses not deductible for tax purposes	**597**	160
Ring-fence expenditure supplement claim	**(25,258)**	(23,206)
Rate change on Supplementary Charge	-	(151,577)
Losses utilised in the year	-	171,805
Losses not recognised	**26,308**	142,976

	Year ended 31 December 2017 $'000s	Year ended 31 December 2016 $'000s
Total tax charge for the year	-	-

The Company is considered to be a company which profits from oil extraction and oil rights in the UK and the UK Continental Shelf and is, therefore, subject to corporation tax on taxable profits at a rate of 30% or 19% where the profits fall within the limit of the small companies rate. On 16 March 2016 the UK Budget 2016 announced a 10% reduction in the rate of Supplementary Charge, down from 20% to 10%, giving an effective headline rate of UK tax for upstream oil activity of 40%.

7 Earnings/(loss) per Share

The basic earnings/(loss) per share ("EPS") is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The diluted EPS is calculated by dividing the profit/(loss) attributable to ordinary shareholders by the weighted average number of potentially outstanding ordinary shares, which takes into account issued ordinary shares in addition to all outstanding potentially dilutive instruments that may yet be converted into ordinary shares in the Company in the future. The Company currently has no potentially dilutive financial instruments in issue. When a loss for the year is presented the calculation of the diluted EPS is anti-dilutive, and, therefore, under IAS 33 'Earnings per Share' the potential ordinary shares are ignored for the purposes of calculating EPS.

The calculation of the basic and diluted earnings/(loss) per share for the year is based on the following values:

	Year ended 31 December 2017	Year ended 31 December 2016
Profit/(loss) in financial year (in $'000s)	**336,792**	(350,396)
Weighted average number of shares in issue:		
- Basic and fully diluted	**50,000**	50,000
Loss per share in dollars:		
- Basic and diluted EPS	**6,736**	(7,008)

8 Intangible Assets

Cost	Oilfield Licences $'000s	Exploration and Appraisal Costs $'000s	Total Intangible Assets $'000s
Cost as at 1 January 2016	5,824	454,508	460,332
Additions	849	32,263	33,112
Disposals	(256)	(158)	(414)
Cost as at 31 December 2016	6,417	486,613	493,030
Additions	839	3,794	4,633
Cost as at 31 December 2017	**7,256**	**490,407**	**497,663**

Amortisation			
As at 1 January 2016	-	-	-
Impairment charges	-	(338,030)	(338,030)
As at 31 December 2016	-	(338,030)	(338,030)
As at 31 December 2017	-	**(338,030)**	**(338,030)**

Net Book Value			
As at 1 January 2016	5,824	454,508	460,332
As at 31 December 2016	6,417	148,583	155,000
As at 31 December 2017	**7,256**	**152,377**	**159,633**

The costs associated with the appraisal of the Bentley field and its surrounding prospects have been capitalised in accordance with the Company's accounting policy in Note 1. Additions include a value of $1.46 million (2016: $2.40 million) in respect of capitalised payroll costs.

In the year ended 31 December 2016 the Company relinquished UK Seaward Production Licence P.1979. and therefore disposed of a total of $0.41 million of previously capitalised costs, of which $0.25 million was in relation to licence fees and the balance of $0.16 million in relation to associated study work.

Impairment Review

In accordance with IFRS 6 an impairment review of the Company's E&E asset carrying value is conducted when management identify potential impairment triggers. In 2016, management considered that Company and industry circumstances, including uncertainty over the granting of an extension to the Company's principal oilfield licence, the Bentley P1078 licence, justified an impairment charge of $338.03 million for the year ended 31 December 2016. The principal uncertainty over the P1078 licence was removed in June 2017 with the granting of a four-year extension to the licence. This licence extension, together with greater stability in the oil price, meant that management did not identify any of the impairment indicators in IFRS 6 and therefore no impairment was recorded in the year ended 31 December 2017. As further funding is required to develop the asset, management did not consider it appropriate to reverse any of the previous impairment charges taken. The situation will continue to be monitored by management and adjustments made if future events indicate that further adjustments are appropriate.

9 Property, Plant and Equipment

	Oilfield equipment	Furniture, fittings and computing equipment	Total
Cost	$'000s	$'000s	$'000s
As at 1 January 2016	8,483	1,056	9,539
Additions	-	5	5
Disposals	(8,483)	(241)	(8,724)
As at 31 December 2016	-	820	820
Disposals	-	(508)	(508)
As at 31 December 2017	**-**	**312**	**312**
Accumulated Depreciation			
As at 1 January 2016	-	1,016	1,016
Depreciation charge	-	24	24
Disposals	-	(241)	(241)
As at 31 December 2016	-	799	799
Depreciation charge	-	11	11
Disposals	-	(506)	(506)
As at 31 December 2017	**-**	**304**	**304**
Net Book Value			
As at 1 January 2016	8,483	40	8,523
As at 31 December 2016	-	21	21
As at 31 December 2017	**-**	**8**	**8**

In the year ended 31 December 2016 the Company sold oilfield equipment assets with carrying value of $8.48 million realising net proceeds of $2.37 million. A loss on disposal of $6.11 million, which includes associated disposal costs, was recognised within Operating Loss.

10 Receivables

	31 December 2017 $'000s	31 December 2016 $'000s
Indirect taxes receivable	**28**	59
Deposits	**19**	17
	47	76

11 Trade and Other Payables

	31 December 2017 $'000s	31 December 2016 $'000s
Trade payables	**148**	1,303
Social security and other taxes payable	**69**	72
Indirect taxes payable	**11**	-
Accruals and other payables	**1,005**	370
Intercompany account payable	**46**	329,659
Intercompany loan payable	**145,739**	-
	147,018	331,404

The intercompany loan balance in the current year represents a secured liability owing to Whalsay Energy Holdings Limited and is payable on demand and bears no interest. Security is granted via a fixed and floating charge over the Company's assets. As at 31 December 2016 the intercompany account payable of $329.66 million was an unsecured liability owing to Xcite Energy Limited which has since been released (see Note 4).

12 Decommissioning Provision

As an obligation of the Bentley field licence granted to the Company in June 2017, the Company has committed to and made a provision for a decommissioning programme in respect of the 9/3b-5 and 9/3b-6 & 6Z wells previously drilled on the Bentley field. A provision of $1.67 million has been booked in the current year in respect of an estimate of future liabilities to be incurred and represents management's best estimate of the cost of the expected work programme to decommission the wells in accordance with good industry practice, the timing of which is expected to commence in May 2018. There were no such provisions as at 31 December 2016.

13 Loan Notes

	31 December 2017 $'000s	31 December 2016 $'000s
12% loan notes	4,495	-
	4,495	-

On 14 December 2017 the Company listed a total of $15.00 million of loan notes on the Cayman Stock Exchange, of which the Company holds a non-interest bearing balance of $10.50 million as at 31 December 2017. $10.00 million of the listed loan notes represent financial instruments issued as part of a working capital facility (the "WCF") entered into on 21 June 2017 and available to the Company for periodic drawdown to meet approved costs of the Company as they fall due. Approved costs are based on a pre-approved budget of costs agreed between the Company and its lenders. The balance of $5.00 million of listed loan notes shall enable the Company to issue new loan notes, at its sole discretion, to settle interest falling due under the WCF by way of payment-in-kind.

The working capital facility has various conditions attached, including, but not restricted to, the approval of the working capital budget with the consortium of lenders and for the Company to provide periodic financial information and a reconciliation of expenditure to the approved budgeted costs.

The Company has issued a total of $4.49 million of loan notes in the year ended 31 December 2017, representing an initial drawdown of $4.25 million plus new notes issued in respect of payment-in-kind interest of $0.24 million. Interest under the WCF is expensed to the Income Statement on an accruals basis.

The facility has a maturity date of 30 June 2019 with total remaining committed funds available from the consortium of lenders to the Company of $5.75 million as at 31 December 2017.

14 Senior Secured Bonds

	31 December 2017 $'000s	31 December 2016 $'000s
Current liabilities:		
Bond interest accrual	-	11,364
Bond capital less unamortised issue costs	-	145,739
12.0% Senior Secured USD Bonds 2014/2016	-	157,103

On 30 June 2017, the Company completed a corporate restructuring (see Note 4) which resulted in the release of all accrued interest on the Company's Bonds since 31 October 2016. The Bond liability as at 30 June 2017 was refinanced and was consequently reclassified as an intercompany debt owing to Whalsay Energy Holdings Limited (see Note 11).

15 Deferred Tax

There is a deferred tax liability of $48.89 million (2016: $44.04 million) comprising temporary differences arising from tax relief claimed for fixed asset expenditure in the UK. There are deferred tax assets of $264.37 million (2016: $242.39 million) arising on UK tax losses. The deferred tax liability has been offset by the deferred tax assets, leading to a closing deferred tax liability of $nil, leaving an unrecognised deferred tax asset balance of $215.48 million (2016: $198.35 million).The Company has elected not to recognise deferred tax assets until such time as the Company is in sustained commercial production from its oilfield assets.

16 Notes to the Cash Flow Statement

Analysis of Changes in Net Debt

	At 1 January 2017 $'000s	Cash flows $'000s	Non-Cash Changes $'000s	**At 31 December 2017 $'000s**
Intercompany liabilities	**(329,659)**	59	183,815	**(145,785)**
12% Loan Notes	-	(4,250)	(245)	**(4,495)**
Bonds	**(157,103)**	-	157,103	-
	(486,762)	(4,191)	340,673	**(150,280)**

The non-cash movement on intercompany liabilities represents the intercompany debt release by the former parent to the Company on 30 June 2017 of $329.55 million (see Note 4), offset by the reclassification of former Bond liability capital balance of $145.74 million. Accordingly, the non-cash movement in respect of the Company's former Bonds represents the reclassification of the Bond capital liability to intercompany liabilities, in addition to the agreement by the former Bondholders to the release of $11.36 million of Bond interest accrual (see Note 14).

On 31 December 2017 the Company elected to settle all interest liabilities accruing under its 12% Loan Notes totalling $0.24 million by the issuance of new 12% Loan Notes. This is classified as a non-cash movement.

17 Financial Instruments

The Company's principal financial instruments are other receivables, trade and other payables, loan notes, intercompany payables, Bonds and cash, which are denominated in various currencies. The main purpose of these financial instruments is to finance the Company's ongoing operational requirements.

The Company does not currently trade in derivative financial instruments. The principal financial risks faced by the Company are liquidity, credit risk, foreign currency and interest rate risk. Policies for the management of these risks, which have been consistently applied throughout the year, are shown below.

Non-market risk

a) Credit risk

Company management has a responsibility to minimise the risk of default on credit advanced to customers and on deposits and advance payments held by suppliers. Deposits held by suppliers comprise an office rent deposit recorded as receivables and, as such, it is regarded as low risk. Company management is satisfied that any credit risk has been minimised.

Credit risk also arises from cash and cash equivalents and deposits held by banks and financial institutions. To minimise the credit risk on banks and financial institution deposits, only independently rated parties with a minimum credit rating of "A-" grade or higher are used by the Company to hold such deposits.

b) Liquidity risk

The Company has responsibility for reducing exposure to liquidity risk and for ensuring that adequate funds are available to meet anticipated requirements. The Company's objective is to ensure that sufficient liquid resources are available to meet its obligations on time. Liquidity risk is managed by forecasting operational requirements and financial commitments. It operates according to the policies and guidelines established by the Board.

The following tables set out the contractual maturities (representing undiscounted contractual cash flows) of the Company's financial assets and financial liabilities.

	Carrying Amount	
	31 December 2017 $'000s	31 December 2016 $'000s
Financial assets – loans and receivables		
Cash and cash equivalents	**1,219**	4,346
Receivables (current)	**19**	17
	1,238	4,363
Financial liabilities – measured at amortised cost		
12% Loan Notes (non-current)	**4,495**	-
Intercompany loan payable (current)	**145,739**	-
Senior Secured Bonds (current)	**-**	157,103
Intercompany payables (current)	**46**	329,659
Payables (current)	**552**	1,673
	150,832	488,435

Management believes that as all current financial instruments are short term, the fair values for all such items equate to their carrying amount. The accounting policies for financial assets and financial liabilities are disclosed in Note 1.

c) Capital disclosures

The Company considers its capital to comprise its ordinary share capital, the working capital facility and accumulated surplus/deficit.

In managing its capital, the Company's primary objective is to ensure preservation of capital and ultimately capital growth for its equity shareholders. In order to achieve this objective, the Company seeks to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, the Company considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other material changes to the Company's capital management objectives, policies and processes during the period. The implementation of the working capital facility represents an addition to what the Company considers to be its capital.

Market risk

d) Interest rate and foreign currency risks

The currency and interest profile of the Company's financial assets and liabilities are as follows:

	Fixed Rate Liabilities		**Interest Free Liabilities**	
	31 December 2017 \$'000s	31 December 2016 \$'000s	**31 December 2017 \$'000s**	31 December 2016 \$'000s
Sterling	**-**	-	**132**	1,204
US Dollar	**4,495**	157,103	**146,205**	330,119
Norwegian Krone	**-**	-	**-**	9
	4,495	157,103	**146,337**	331,331

	Floating Rate Assets		**Interest Free Assets**	
	31 December 2017 \$'000s	31 December 2016 \$'000s	**31 December 2017 \$'000s**	31 December 2016 \$'000s
Sterling	**246**	1,363	**20**	17
US Dollar	**972**	2,983	**-**	-
	1,218	4,346	**20**	17

The Company is not exposed to significant interest rate or foreign currency exchange risk due to the composition of its financial assets and financial liabilities, together with a climate of sustained low UK and US Federal base interest rates. As such, estimated variances from applying interest rate and foreign currency exchange risk sensitivity would be not material.

Fixed rate liabilities in 2016 were in relation to the Company's senior secured US dollar bonds, which attracted a fixed rate of 12% coupon interest, together with PIK interest rate of 3%. The Company's fixed rate liabilities in 2017 represent the 12% loan notes issued under the WCF. The Company's interest free liabilities are in respect of its trade payable and accrual balances, together with an interest-free intercompany account with the parent company.

Sterling floating rate assets earn interest at rates linked to the Bank of England Base Rate, with higher rates of return being achieved on deposits placed on longer maturities. The Company currently earns no interest on Sterling balances. At 31 December 2017 the weighted average rate of interest being earned on Sterling deposits was approximately nil% (2016: nil %).

At 31 December 2017 the weighted average rate of interest being earned on US deposits was nil% (2016: nil %).

Cash deposits are only kept with banks with "A-" rating or better. The policy of the Company is to ensure that all cash balances earn a market rate of interest and that interest rate exposures are regularly reviewed and managed.

Foreign currency risk arises where purchase transactions are undertaken in a currency other than US Dollars (transactional risk). The Company is exposed to exchange rate movements in Pounds Sterling and Norwegian Krone. During well drilling programmes the Company aligns its expected future foreign expenditure with the necessary foreign currency cash balances, in effect creating a natural hedge. The Company will continue to monitor its exposure to such foreign currency risks and will manage future risks using derivative financial instruments as considered appropriate.

(e) Foreign exchange rate sensitivity analysis

Foreign exchange rate sensitivity analysis has been determined based on the exposure to financial instruments denominated in currencies ("transactional currencies") other than the functional currency of US Dollars (the "base currency") as at the date of the Statement of Financial Position.

Based on the Company's financial instruments at the Statement of Financial Position date, had the base currency been stronger than the transactional currencies by 2% then the Company would have reported an estimated additional unrealised exchange gain in the Income Statement of $1,962 (year ended 31 December 2016; the unrealised exchange gain reported by the Company would have increased by an estimated $3,370). Had the base currency been weaker than the transactional currencies by 2% then the Company would have reported an estimated additional unrealised exchange loss in the Income Statement of $2,042 (year ended 31 December 2016; the Company would have reported an estimated additional unrealised exchange loss of $3,508).

(f) Interest rate sensitivity analysis

Interest rate sensitivity analysis has been determined based on the exposure to interest rates for financial instruments during the year.

Based on the Company's cash and interest-earning deposit balances during the year, if interest rates had been 0.5% higher and all other variables were held constant, the Company's profit for the year ended 31 December 2017 would increase by an estimated $13,615 (year ended 31 December 2016; the Company's loss would decrease by an estimated $2,593). As the Company has no interest earnings in the year, had interest rates been 0.5% lower and all other variables were held constant, the Company's profit for the year ended 31 December 2017 would remain unchanged (year ended 31 December 2016; the Company's loss would increase by an estimated $676).

18 Share Capital

	31 December 2017 $'000s	31 December 2016 $'000s
Authorised		
- 50,000 Ordinary shares of £1 each	**85**	85
Issued and fully paid up		
- 50,000 Ordinary shares of £1 each	**85**	85

19 Reserves

The following explains the nature and purpose of each reserve within owners' equity:

- Accumulated surplus/(deficit): cumulative profits/(losses) recognised in the Statement of Comprehensive Income less cumulative losses and distributions made.
- Translation Reserve: represents the cumulative exchange differences that arose on the historical translation of functional to presentational currency.
- Other Reserves: includes the Share-Based Payments Reserve, which represents the fair value of unexercised share-based payments at the date of grant in respect of the Company's former share option scheme.

20 Commitments and Contingencies

At 31 December 2017 the Company had minimum lease commitments under non-cancellable operating leases expiring as follows:

	31 December 2017 $'000s	31 December 2016 $'000s
Within one year	23	16

21 Related Parties and Ultimate Parent Undertaking

The immediate and ultimate parent undertaking and controlling party is Whalsay Energy Holdings Limited ("WEHL"). WEHL is a company incorporated in the Cayman Islands, whose registered office is at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

In line with IAS 24, the Company defines related parties as:

- The Company's new parent company WEHL and its Directors;
- The Company's former parent company Xcite Energy Limited ("XEL") and its Directors;
- The Company's Directors and key management; and
- Companies in which the Directors exercise significant influence.

The Executive Directors have received remuneration, details of which are given in Note 5 to these financial statements.

The Company restructuring event is disclosed per Note 4 to these financial statements and discloses the nature and value of transactions with former bondholders of the Company and the former parent company.

During the year ended 31 December 2017, in the normal course of business and following the acquisition of the Company by WEHL, the Company transacted with WEHL whereby the Company made payments on behalf of WEHL, via intercompany funding arrangements, totalling $0.18 million and received funds from WEHL totalling $0.22 million. There was a balance outstanding owing to WEHL as at 31 December 2017 of $0.05 million.

During the year ended 31 December 2017, in the normal course of business and prior to the disposal of the Company by XEL, the Company transacted with XEL whereby the Company made net payments on behalf of XEL, via intercompany funding arrangements, totalling $0.10 million. Upon the restructuring of the Company on 30 June 2017 all debt obligations owing to XEL by the Company were released in their entirety. There was no associated balance outstanding as at 31 December 2017.

During the year ended 31 December 2017, the Company made payments totalling $113,865 to Paul Warwick Limited, a company for which Paul Warwick, CEO and a Director, is a Director. These payments were made in the normal course of business prior to Mr. Warwick becoming a Director of the Company. There was no balance outstanding as at 31 December 2017.