

# HUTTON ENERGY LIMITED

Annual Report and Financial Statements

For the Year Ended 30 June 2020

Company number 07680815



# **HUTTON ENERGY LIMITED**

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# **HUTTON ENERGY LIMITED**

## **COMPANY INFORMATION**

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**DIRECTORS:**

Charles Waite Morgan  
Craig Ian Burton  
David Duncan Messina

**SECRETARY:**

Throgmorton Secretaries LLP

**REGISTERED OFFICE:**

4<sup>th</sup> Floor  
Reading Bridge House  
George Street  
Reading  
RG1 8LS

**REGISTERED NUMBER:**

07680815

**SOLICITORS:**

WFW Legal Services Limited  
15 Appold Street  
London  
EC2A 2HB

**ACCOUNTANTS:**

Throgmorton UK Limited  
6th Floor  
140 London Wall  
London  
EC2Y 5DN

# **HUTTON ENERGY LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 30 JUNE 2020**

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The Directors present their report together with the unaudited financial statements of Hutton Energy Limited ("the Company") for the year ended 30 June 2020.

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company during the course of the financial year was the acquisition of licenses and exploration for oil and gas in the UK.

#### **DIRECTORS**

The Directors who have held office during the year to the date of this report are as follows:

Charles Waite Morgan  
Craig Ian Burton  
David Duncan Messina

#### **EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events since the statement of financial position date to the date of signing of the annual report and financial statements.

#### **AUDIT EXEMPTION**

For the year ending 30 June 2020, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

#### **DIRECTORS' INTERESTS**

The Directors who held office at 30 June 2020 had the following interests in the shares of the Company:

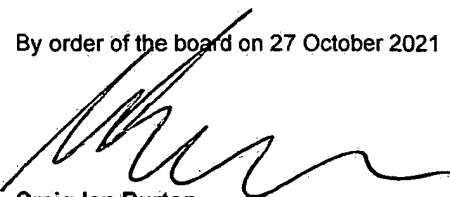
<b>Director</b>	<b>No. of shares</b>
Mtani Pty Ltd <sup>(1)</sup>	7,349,960
Seaspin Pty Ltd <sup>(2)</sup>	35,867,271 <sup>(3)</sup>
Craig Ian Burton	31,207,874

*(1) Mr David Messina has an interest.  
(2) Mr Charles Morgan has an interest  
(3) Including 50,000 redeemable shares*

#### **SMALL COMPANY PROVISIONS**

This directors' report has been prepared in accordance with the provisions applicable under Section 477 of The Companies Act 2006. The Company is entitled to the small companies exemption and the Directors have not prepared a Strategic Report in accordance with the small companies exemption.

By order of the board on 27 October 2021



**Craig Ian Burton**  
Chairman

**HUTTON ENERGY LIMITED**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
Administrative expenses		(18,997)	(1,338,323)
<b>Operating loss</b>		<b>(18,997)</b>	<b>(1,338,323)</b>
Finance income	6	4,394,640	-
Finance costs	7	(221,208)	(273,757)
<b>Profit/(Loss) before taxation</b>		<b>4,154,435</b>	<b>(1,612,080)</b>
Taxation	8	-	-
<b>Profit/(Loss) for the year</b>		<b>4,154,435</b>	<b>(1,612,080)</b>

The notes on pages 9 to 19 are an integral part of these financial statements.

**HUTTON ENERGY LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
<b>Profit/(Loss) for the year</b>	<b><u>4,154,435</u></b>	<b><u>(1,612,080)</u></b>
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation	121,458	228,067
<b>Other comprehensive income</b>	<b><u>121,458</u></b>	<b><u>228,067</u></b>
<b>Total comprehensive income/(loss) for the year</b>	<b><u>4,275,893</u></b>	<b><u>(1,384,013)</u></b>

The notes on pages 9 to 19 are an integral part of these financial statements.

**HUTTON ENERGY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

Company number 07680815

	Notes	30 June 2020 US\$	30 June 2019 US\$
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	9	78,163	57,931
Investments	10	-	-
		<b>78,163</b>	<b>57,931</b>
<b>Current assets</b>			
Trade and other receivables	11	887,334	914,656
Cash and cash equivalents	12	3,747	3,921
		<b>891,081</b>	<b>918,577</b>
<b>Total assets</b>		<b>969,244</b>	<b>976,508</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(69,393)	(54,769)
Shareholder loans	14	(3,591,209)	(7,888,990)
		<b>(3,660,602)</b>	<b>(7,943,759)</b>
<b>Net current liabilities</b>		<b>(2,769,521)</b>	<b>(7,025,182)</b>
<b>Total liabilities</b>		<b>(3,660,602)</b>	<b>(7,943,759)</b>
<b>Net liabilities</b>		<b>(2,691,358)</b>	<b>(6,967,251)</b>
<b>Equity attributable to owners of the parent</b>			
Share capital	16	569	569
Share premium	16	4,537	4,537
Redeemable share capital	16	82,458	82,458
Translation reserve		738,362	616,904
Accumulated losses		(3,517,284)	(7,671,719)
<b>Total equity</b>		<b>(2,691,358)</b>	<b>(6,967,251)</b>

For the year ending 30 June 2020, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of Directors and authorised for issue on 27 October 2021.

By order of the board on 27 October 2021.

  
**Craig Ian Burton**  
 Director

**HUTTON ENERGY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Share capital US\$	Share premium US\$	Redeemable share capital US\$	Translation reserve US\$	Accumulated losses US\$	Total equity US\$
<b>Balance as at 1 July 2018</b>	<b>569</b>	<b>4,537</b>	<b>82,458</b>	<b>388,837</b>	<b>(6,059,639)</b>	<b>(5,583,238)</b>
Loss for the year	-	-	-	-	(1,612,080)	(1,612,080)
Other comprehensive income	-	-	-	228,067	-	228,067
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>228,067</b>	<b>(1,612,080)</b>	<b>(1,384,013)</b>
<b>Balance at 30 June 2019</b>	<b>569</b>	<b>4,537</b>	<b>82,458</b>	<b>616,904</b>	<b>(7,671,719)</b>	<b>(6,967,251)</b>
Profit for the year	-	-	-	-	4,154,435	4,154,435
Other comprehensive income	-	-	-	121,458	-	121,458
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>121,458</b>	<b>4,154,435</b>	<b>4,275,893</b>
<b>Balance at 30 June 2020</b>	<b>569</b>	<b>4,537</b>	<b>82,458</b>	<b>738,362</b>	<b>(3,517,284)</b>	<b>(2,691,358)</b>

The notes on pages 9 to 19 form an integral part of these financial statements.



**HUTTON ENERGY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
<b>Cash flow from operating activities</b>		
Operating loss	(18,997)	(1,338,322)
Impairment of investment in subsidiary	-	170,354
Impairment of intercompany balance	-	1,095,187
Decrease / (increase) in trade and other receivables	820	(60,202)
Increase in trade and other payables	16,533	40,715
<b>Net cash used in operating activities</b>	<b>(1,644)</b>	<b>(92,268)</b>
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	(22,344)	(16,743)
<b>Net cash used in investing activities</b>	<b>(22,344)</b>	<b>(16,743)</b>
<b>Cash flow from financing activities</b>		
Proceeds from shareholder loans	23,924	100,344
<b>Net cash generated from financing activities</b>	<b>23,924</b>	<b>100,344</b>
Net decrease in cash and cash equivalents	(64)	(8,667)
<b>Cash and cash equivalents at start of year</b>	<b>3,921</b>	<b>12,903</b>
Effect of exchange rate fluctuations on cash held	(110)	(315)
<b>Cash and cash equivalents at end of year</b>	<b>3,747</b>	<b>3,921</b>

The notes on pages 9 to 19 form an integral part of these financial statements.

# **HUTTON ENERGY LIMITED**

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2020**

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#### **1. General Information**

Hutton Energy Ltd is a private company limited by shares, incorporated and domiciled in England and Wales. The address of its registered office is 4th Floor, Reading Bridge House, George Street, Reading, RG1 8LS.

#### **2. Basis of Preparation**

The financial statements of the Company have been prepared under the historical cost convention and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

In accordance with Section 399(2A) of the Companies Act 2006, group financial statements have not been prepared on the grounds that the Company, and group, is subject to the small companies regime.

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

The functional currency of the Company is UK£, however, the presentational currency is US\$.

#### **Going concern**

The financial statements have been prepared on the going concern basis, which the Directors believe to be appropriate for the following reasons.

- At the end of June 2020 the Company had a cash balance of US\$3,747 (2019: US\$3,921) and the total amount outstanding on loans from shareholders was US\$3,591,209 (2019: US\$7,888,990).
- The Directors have considered the cash flow forecasts of the Company for the next 12 months. Taking into account the existing cash balance and the ongoing support of the existing funding shareholders, the Directors are satisfied that the Company will have the capacity to meet all its working capital commitments, administration and operating costs for the next 12 months.
- The Company is dependent for the continuation of trading on funds provided to it by its shareholders. The shareholders have indicated that, for at least 18 months from the date of approval of these financial statements, they intend to continue to make available such funds as are needed by the Company and in particular will not seek repayment of the amounts currently made available. The Directors consider that this should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on its shareholders for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

#### **New and Amended IFRS Standards**

The following revised standards and interpretations, effective for the financial year beginning 1 July 2019, have been adopted by the Company. Their application has had no material impact on the disclosures or amounts recognised in the financial statements:

- IFRS 16 Leases;
- Prepayment Features with Negative Compensation - Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28;
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments;
- Annual IFRS Improvement Process IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity; and
- Annual IFRS Improvement Process IAS 12 Borrowing Costs – Borrowing costs eligible for capitalisation.

The Directors do not anticipate that the application of new standards or amendments that are currently in issue but not yet effective will have a material impact on the Company's financial statements.

# **HUTTON ENERGY LIMITED**

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2020**

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### **3. Significant accounting policies**

The principal accounting policies adopted are set out below.

#### **3.1 Foreign currencies**

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company are translated from UK sterling to US dollars at the exchange rate prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transaction are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

#### **3.2 Intangible assets - exploration and evaluation expenditure**

The Company follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. All licence acquisition, exploration and evaluation costs are initially capitalised as intangible fixed assets in cost centres by field or exploration area, as appropriate, pending determination of commerciality of the relevant property. Directly attributable administration costs are capitalised in so far as they relate to specific exploration activities. Pre-licence costs and general exploration costs not specific to any particular licence or prospect are expensed as incurred.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to the income statement. If the field is determined to be commercially viable, the attributable costs are transferred to property, plant and equipment in single field cost centres. These costs are then depreciated on a unit of production basis.

All field development costs are capitalised as property, plant and equipment. Property, plant and equipment related to production activities are amortised in accordance with the Company's depletion and amortisation accounting policy.

#### **3.3 Impairment**

At each reporting date, the Company assesses whether there is any indication that an asset, other than inventories and deferred tax assets, may be impaired. Where an indicator of impairment exists, the Company makes an estimate of the recoverable amount. An impairment loss is recognised in the income statement whenever the carrying amount of the asset or cash generating unit exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price and value in use in assessing the value in use, the estimated discounted future cash flows based on management's expectations are used where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Income Statement, net of any amortisation that would have been charged since the impairment.

#### **3.4 Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the assets are impaired.

#### **3.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

# HUTTON ENERGY LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

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#### 3. Significant accounting policies (continued)

##### 3.6 Trade and other payables

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

##### 3.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time the assets are substantially ready for their intended use.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### 3.8 Equity instruments

Equity issued by the Company is recorded at the proceeds received, net of direct issue costs.

##### 3.9 Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided in full on timing differences which result in an obligation at the reporting date to pay more tax, or a right to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

##### 3.10 Investments

Investments are measured at cost less provision for any impairment in value.

#### 4. Critical accounting estimates and judgements

Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

##### • *Recoverability of intangible exploration and evaluation assets (note 9)*

Where a project is sufficiently advanced the recoverability of intangible exploration and evaluation assets is assessed by comparing the carrying value, to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written-off to the income statement as exploration costs unless commercial reserves are established or the determination process is completed and there are no indications of impairment.

##### • *Recoverability of investments (note 10)*

The Company performs impairment reviews in respect of investments whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised in the income statement when the higher of the investment's net realisable value and its value in use is less than the carrying amount.

**HUTTON ENERGY LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**5. Staff costs**

The Company had no employees during the year (2019: none).

**6. Finance income**

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
Gain on shareholder loan write off	4,394,640	-

**7. Finance costs**

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
Foreign exchange loss	221,208	273,757

**8. Taxation**

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
<i>Current tax</i>		
UK corporation tax	-	-
<b>Total current tax expense</b>	-	-
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	-	-
<b>Total deferred tax expense</b>	-	-
<b>Total tax expense</b>	-	-

The tax assessed for the year is lower (2019: higher) than the effective rate of corporation tax in the UK of 19% (2019: 19%), as explained below:

	Year ended 30 June 2020 US\$	Year ended 30 June 2019 US\$
Profit / (loss) before taxation	4,154,435	(1,612,080)
Tax at the effective corporate tax rate of 19% (2019: 19%)	(789,343)	306,295
Tax losses on which no deferred tax recognised	-	(306,295)
Previously unrecognised tax losses used to reduce current tax expense	789,343	-
	-	-

The Company has tax losses available to be carried forward and used against future profits of US\$ 4,619,687 (2019: US\$ 8,774,122). No deferred tax asset has been recognised in respect of these losses due to uncertainty over the level of future profits.

**HUTTON ENERGY LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**9. Intangible assets**

	Exploration and evaluation assets US\$
<b>Cost:</b>	
At 1 July 2019	57,931
Additions	22,953
Foreign exchange on translation	(2,721)
<b>At 30 June 2020</b>	<b>78,163</b>

No provision for impairment was recognised as at 30 June 2020 (2019: US\$nil).

**10. Investments**

<b>Investments in subsidiaries and associates</b>	<b>US\$</b>
<b>Cost:</b>	
At 1 July 2019	1,064,799
Foreign exchange differences	(30,870)
<b>At 30 June 2020</b>	<b>1,033,929</b>
<b>Accumulated impairment:</b>	
At 1 July 2019	1,064,799
Impairment charge	-
Foreign exchange differences	(30,870)
<b>At 30 June 2020</b>	<b>1,033,929</b>
<b>Net book value</b>	
At 30 June 2020	-
At 30 June 2019	-

*List of subsidiaries*

A list of the investments in subsidiaries, including the name, proportion of ownership interest, country of operation and country of registration as at 30 June 2020 is given below:

Name	Country of operation	Principal activity	%	Country of registration
Hutton Energy UK Ltd	UK	Gas exploration	100%	UK - 06399734
Strzelecki Holdings UK Ltd	UK	Holding company	30.6%	UK - 08092544

During the year ended 30 June 2019 the investment in Strzelecki Holdings UK Ltd was impaired to US\$nil. Strzelecki Holdings UK Ltd was liquidated on 22 September 2020.

**HUTTON ENERGY LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**11. Trade and other receivables**

	30 June 2020 US\$	30 June 2019 US\$
Other receivables	48,144	49,582
Amounts owed by related parties (note 17)	837,342	862,342
Prepayments	-	669
Value added tax recoverable	1,848	2,063
	<u>887,334</u>	<u>914,656</u>

**12. Cash and cash equivalents**

	30 June 2020 US\$	30 June 2019 US\$
Cash at bank	<u>3,747</u>	<u>3,921</u>

**13. Trade and other payables**

	30 June 2020 US\$	30 June 2019 US\$
Trade payables	69,108	48,649
Other payables	(1,379)	162
Accruals	1,664	5,958
	<u>69,393</u>	<u>54,769</u>

**14. Shareholder loans due in less than one year**

	30 June 2020 US\$	30 June 2019 US\$
Seaspin Pty Limited	2,273,255	2,276,939
Maio Investments Limited	1,887,199	1,888,945
Skye Equity Pty Ltd (Craig Ian Burton)	1,883,063	1,860,526
Macquarie Bank Limited	1,733,553	1,735,300
Charles Morgan	123,590	127,280
Write offs	(4,309,451)	-
	<u>3,591,209</u>	<u>7,888,990</u>

During the year the Company borrowed US\$11,670 (2019: US\$87,156) from its shareholders. US\$4,309,451 of the remaining shareholder loan balance was written off, which has been recognised as finance income in the income statement.

# HUTTON ENERGY LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 15. Financial instruments

The Company is exposed to risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Company for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Company is funded by a mixture of equity and debt financing.

The capital structure of the consists of cash and cash equivalents and equity, comprising issued capital. The Company has no externally imposed capital requirements.

#### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies of the financial statements.

The principal financial instruments used by the Company, from which financial instrument risk arises are as follows:

- Trade and other receivables;
- Trade and other payables;
- Cash and cash equivalents; and
- Shareholder loans.

#### Financial assets

	30 June 2020 US\$	30 June 2019 US\$
<i>At amortised costs</i>		
Cash and cash equivalents	3,747	3,921
Amounts owed by related parties	837,342	862,342
Other receivables	48,144	49,582
	<u>889,233</u>	<u>915,845</u>

#### Financial liabilities

	30 June 2020 US\$	30 June 2019 US\$
<i>At amortised costs</i>		
Shareholder loans	3,591,209	7,888,990
Trade and other payables	67,729	48,811
Accruals	1,664	5,958
	<u>3,660,602</u>	<u>7,943,759</u>

All financial assets and liabilities are due within one year.

#### Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and credit risk.

#### Foreign currency risk management

As highlighted earlier in these financial statements, the functional currency of the Company is UK sterling. The Company has foreign currency denominated assets and liabilities. Exposures to exchange rate fluctuations therefore arise. The Company pays for invoices denominated in a foreign currency in the same currency as the invoice therefore suffers from a level of foreign currency risk. The Company does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.



**HUTTON ENERGY LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**15. Financial instruments (continued)**

**Foreign currency risk management (continued)**

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at 30 June 2020 is as follows:

US Dollar	30 June 2020	30 June 2019
	US\$	US\$
Cash at bank	74	46
Shareholder loans	(3,172,873)	(7,482,324)
	<u>(3,172,799)</u>	<u>(7,482,278)</u>
Euro		
	30 June 2020	30 June 2019
	US\$	US\$
Cash at bank	142	38
	<u>142</u>	<u>38</u>

At 30 June 2020, if all foreign currencies in which the Company transacts, had strengthened or weakened by 10% against UK sterling with all other variables held constant, post-tax profit/(loss) for the year would have (decreased)/increased by:

	Strengthened by 10% (decrease) in post-tax loss US\$	Weakened by 10% Increase in post-tax loss US\$
30 June 2019	(748,225)	748,225
30 June 2020	<u>(317,269)</u>	<u>317,269</u>

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number above indicates an increase in loss or other equity where the US\$ weakens 10% against the relevant currency. For a 10% strengthen of the US\$ against the relevant currency, there would be an equal and opposite impact on the profit (loss) and other equity.

**Interest rate risk management**

The Company has minimal exposure to interest rate risk as all shareholder loans are interest free.

**Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises principally from the Company's cash balances and intercompany receivables.

The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The concentration of the Company's credit risk is considered by counterparty, geography and currency. The Company does not have any significant concentrations of credit risk at the reporting date related to external third parties. The Company is exposed to credit risk in relation to a loan from a group company but as this is with a wholly owned and controlled subsidiary the credit risk is deemed to be low.

# HUTTON ENERGY LIMITED

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2020

#### 15. Financial instruments (continued)

##### Credit risk management (continued)

At 30 June 2020, the Company held no collateral as security against any financial asset (2019: none). No financial assets were past their due date and there were no problems with the credit quality of any financial asset in the year. As a result there has been no impairment of financial assets during the year.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

##### Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Company maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process.

##### Fair values

The Directors consider that the carrying amount of financial assets and liabilities approximates to their fair value. Due to the short term nature of such assets, the effect of discounting is negligible.

#### 16. Issued share capital and share premium

	Number of shares No.	Share capital US\$	Share premium US\$	Redeemable shares US\$
As at 30 June 2019 and 30 June 2020	140,082,979	569	4,537	82,458

The Company has one class of ordinary shares with a par value of £0.0000025 which carries no right to fixed income as it is allowed to do under the Companies Act 2006. There is no limit on authorised share capital. All shares have equal voting rights and rank pari passu.

The redeemable shares have a par value of £1.00 and rank pari passu with the ordinary shares in respect of the right to receive any dividend, distribution or other participation in the profits of the Company and on any distribution of assets on liquidation or otherwise. The redeemable shares shall not entitle their holders to receive notice or to attend and speak or vote at any general meeting of the Company. The redeemable shares shall have no right to request redemption, which will be at the sole discretion of the Company.

#### 17. Related party transactions

Other than the transactions already disclosed within these financial statements, there have been no other transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the year.

The following subsidiary and associate loans were outstanding at the reporting date:

	30 June 2020 US\$	30 June 2019 US\$
Loans from subsidiaries		
Amount due from Hutton Energy UK Limited	837,342	862,342

Amounts repayable to subsidiaries and associates are considered to be current and are interest free.

**HUTTON ENERGY LIMITED**  
**NOTES TO THE COMPANY FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**18. Other commitments and contingencies**

On 21 July 2016, the Company acquired five UK onshore exploration licenses, PEDLs 264, 269, 275 and 312 in which it has a 50% interest and PEDL 306 in which it has a 25% interest. The Company's rights and obligations in each license are set out in agreements with the Secretary of State for Energy and Climate Change. These agreements are structured such that the Company has certain rental payments and minimum exploration obligations in the initial term of the license. The exploration obligations are work commitments and do not have specific monetary amounts. During the remaining term of 25 years, the licenses are subject to escalating rental payments.

The Company can relinquish its licenses at any time without financial penalty. Work and rental commitments are as follows:

License	Date license acquired	Rental due in subsequent year	Work commitment
PEDL 264	21-July-16	\$6,479	Shoot 50km of 2D seismic data, 25 sq.km of 3D seismic data and drill one well to a depth of 1500m
PEDL 269	21-July-16	\$6,601	Shoot 50km of 2D seismic data, 25 sq.km of 3D seismic data and drill one well to a depth of 1500m
PEDL 275	21-July-16	\$6,446	Shoot 50km of 2D seismic data, 25 sq.km of 3D seismic data and drill two wells
PEDL 306	21-July-16	\$733	Shoot 50km of 2D seismic data, 25 sq.km of 3D seismic data and drill two wells to a depth of 1200m
PEDL 312	21-July-16	\$3,169	Shoot 50km of 2D seismic data, 25 sq.km of 3D seismic data and drill two wells to a depth of 1200m

All work commitments are due before 21 July 2021.

**19. Ultimate controlling party**

The Company has multiple shareholders and there is no ultimate controlling party.