



PING PETROLEUM UK LIMITED  
(Incorporated in England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018



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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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## STRATEGIC REPORT

The Directors present their Strategic Report for the period ended 30 June 2018.

### GENERAL

Ping Petroleum UK Limited ("the Company") is a private limited company, incorporated and domiciled in England and Wales. The Company was incorporated on 22 July 2015 with issued and paid-up share capital of GBP 1.00.

The principal place of business is Ground Floor, Caledonian House, 234 Union Street, Aberdeen, AB10 1TN, United Kingdom.

The registered address of the Company is Cannon Place, 78 Cannon Street, London, EC4N 6AF, United Kingdom.

The Parent company is Ping Petroleum Limited, a company incorporated in Bermuda.

### BUSINESS REVIEW

The principal activities of the Company are the exploration, development and production of crude oil and gas. There have been no significant changes in the nature of these activities during the financial year.

#### i) Anasuria Cluster

On 10 March 2016, the Company completed the transaction to acquire 50% of the entire interests of Shell U.K. Limited ("Shell UK"), Shell EP Offshore Ventures Limited ("Shell EP") and Esso Production and Production UK Limited ("Esso UK") in the Anasuria Cluster of oil and gas fields. The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities;
- 100% interest in the Teal field and the related field facilities;
- 100% interest in the Teal South field and the related field facilities;
- 38.65% interest in the Cook field and the related field facilities; and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit ("FPSO") and related equipment.

The Company, together with Anasuria Hibiscus UK Limited ("AHUK") established the joint operating company, Anasuria Operating Company Limited ("AOC") as the operator of the Anasuria Cluster assets. AOC has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government.

The principal place of the joint operations is Aberdeen, United Kingdom.

#### Anasuria Production Performance

	Units	2018	2017
Average daily oil production rate	bbl/day	2,705	3,197
Average daily gas export rate*	boe/day	240	356
Average daily oil equivalent production rate	boe/day	2,945	3,553
Average OPEX per boe	USD/boe	24.57	15.12
Total oil sold	bbl	846,812	1,073,848
Average realised oil price	USD/bbl	59.83	47.58
Average uptime/availability of Anasuria facilities	%	75	85

\* Conversion rate of 6,000 standard cubic feet ("scf")/boe

The combined production of the Anasuria Cluster assets resulted in the Company achieving net average production rate of 2,945 boe/day (2017: 3,553 boe/day).

The average uptime of the Anasuria facilities was 75% during the year. Uptime performance and production was affected by the successful execution of a planned 30-day turnaround of the Anasuria FPSO in September 2017 and by a temporary gas compression outage in January. During the planned shutdown important maintenance work was conducted to improve the reliability of topside facilities and further enhance safety systems.

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Anasuria Production Enhancement Projects

GUA-P4 Gas Lift Installation

In October 2017, subsea well intervention activities were conducted to install gas lift facilities on the GUA-P4 well, located in the Guillemot A Field. The project was completed in November 2017 and resulted in a positive production uplift.

GUA-P2 Side-Track

AOC spud the Guillemot P2 side-track well in June 2018. The well was completed successfully and commenced continuous production in September 2018.

Cook Water Injector

In May 2018, the Company, together with the partners in the Cook field (operator Ithaca Energy UK Limited, "Ithaca Energy") sanctioned the Cook Water Injector project. The project will result in a water injector well being drilled in 2019 and the concurrent installation of a subsea pipeline to deliver water from the Anasuria FPSO into the Cook field reservoir.

Future Enhancement Projects

AOC will continue to focus on the existing fields in the Anasuria Cluster and pursue infill drilling opportunities as they become further evaluated. This will likely involve the drilling of two production wells per year in the Anasuria Cluster fields. In addition to this AOC is focused on executing operational efficiencies to enhance uptime and to reduce costs where possible, whilst continuing to enhance asset integrity and operational safety.

ii) Other Assets Review

Avalon

In April 2017, the Company signed an agreement with Summit Exploration and Production Limited ("SEPL") to farm into the Avalon oil and gas field, obtaining a 50% working interest in Block 21/6b.

Avalon is an undeveloped field with a single high-quality Palaeocene reservoir, located in the Central UK North Sea. Static and dynamic modelling work on the accumulation is underpinned by results from two exploration and appraisal wells drilled in 2014 and 2017, with seismic inversion work conducted in the interim period.

The Company spudded the Avalon appraisal well with SEPL as the Operator in June 2017. In June 2018 the Company acquired the operatorship of the Avalon field from SEPL. The Company's share of the interests of the Avalon field remained unchanged at 50%.

The Company is seeking to develop the Avalon field through a phased development programme.

Ranger

The Company holds a 100% interest in Block 15/16d.

Block 22/14c

Following successful applications made during the 30<sup>th</sup> Licencing Round Awards, the Company was awarded Block 22/14c (SEPL 50% working interest and operator, the Company 50% interest)

Blocks 15/17c and 15/18c

Following successful applications made during the 30<sup>th</sup> Licencing Round Awards, the Company was awarded Blocks 15/17c and 15/18c (Azinor Catalyst Limited 50% working interest and operator, the Company 50% interest).

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## FINANCE REVIEW

### Statement of Comprehensive Income

Profit before taxation for the financial year ending 30 June 2018 was USD 6.3 million (2017: USD 8.8 million).

Revenue was USD 53.9 million (2017: USD 55.6 million), arising from three offtakes of crude oil during the year. The timing of liftings are based on production availabilities between the Company and Ithaca Energy, whom operate the Cook oil and gas field which ties back to Anasuria FPSO.

Cost of sales was USD 40.5 million (2017: USD 39.2 million), which included depreciation, depletion and amortisation expense ("DD&A") of USD 16.1 million (2017: USD 17.9 million).

A tax expense of USD 1.5 million was recognised in the financial year ending 30 June 2018, in comparison to a tax credit of USD 15.5 million in the previous year. The credit in the previous year related to changes in tax rates applicable to ring fence activities in the UK and the recalculation of the taxation balances.

Profit after taxation for the financial year ending 30 June 2018 was USD 4.8 million (2017: USD 24.3 million).

### Statement of Financial Position

The Company's net assets in the current financial year have increased to USD 116.4 million (2017: USD 111.6 million).

### Statement of Cash Flows

The Company's closing cash position for the current financial year was USD 24.5 million (2017: USD 22.9 million).

Net cash generated from operating activities in the year amounted to USD 31.0 million (2017: USD 26.5 million).

Net cash used in investing activities was USD 25.6 million (2017: USD 21.2 million), which included USD 7.5 million as the final payment of the deferred consideration for the acquisition of the Anasuria Cluster and USD 17.6 million of investment in oil and gas assets.

Net cash used in financing activities was USD 4.0 million (2017: USD 8.1 million net cash generated from financing activities). This included USD 3.6 million of additions to restricted cash relating to prepaid decommissioning costs.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties in the course of its business. The principal risks and uncertainties that may adversely impact its business, financial condition or operating results are discussed below.

### (a) Market prices for crude oil and gas

A substantial or extended decline in crude oil or gas prices would reduce the Company's operating results and cash flows and could adversely impact its future rate of growth and the carrying value of its assets.

Prices for crude oil and gas fluctuate widely. Many of the factors influencing prices of crude oil and gas are beyond the Company's control. The factors include:

- worldwide supply and demand for crude oil and gas;
- the cost of exploring for, developing and producing oil and gas;
- the ability of the members of Organization of the Petroleum Exporting Countries ("OPEC") to agree to and maintain production controls;
- political instability or armed conflict in oil-producing regions;
- changes in weather patterns and climatic changes;
- natural disasters such as hurricanes and tornados;
- the price and availability of alternative and competing fuels;
- domestic and foreign governmental regulations and taxes, and
- general economic conditions worldwide.

The long-term effects of these and other factors on the prices of crude oil and gas are uncertain.

Significant reductions in crude oil and gas prices could require the Company to reduce its capital expenditures and impair the carrying value of its assets.

(b) Estimates of crude oil and gas reserves

Estimates of crude oil and gas reserves depend on many factors and assumptions, including various assumptions that are based on conditions in existence as at the dates of the estimates. Any material changes in those conditions or other factors affecting those assumptions could impair the quantity and value of the Company's crude oil and gas reserves, as discussed in Note 3 to the financial statements.

(c) Environmental matters and decommissioning provision

The Company will continue to incur significant capital expenditures and operating costs as a result of compliance with, and changes in, environmental and decommissioning laws and regulations, and, as a result, its profitability could be materially reduced.

The Company provides for decommissioning liabilities in its financial statements in accordance with International Financial Reporting Standards ("IFRSs"). Additional information regarding decommissioning liabilities is set forth in the Note 22 to the financial statements. The process of estimating decommissioning liabilities is complex and involves significant uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability.

(d) Operational risks

The Company's production operations are subject to business interruptions and unplanned occurrences, including blowouts, explosions, fires, loss of well control, spills, adverse weather, labour disputes and accidents. Its operations are also subject to the additional hazards of pollution, releases of toxic gas and other environmental hazards and risks, as well as the hazards of marine operations, such as capsizing, collision and damage or loss from severe weather conditions. These hazards could result in injuries, loss of human life, significant damage to property and equipment, environmental pollution, impairment of operations and substantial financial losses.

The Company maintains insurance against many, but not all, potential losses or liabilities arising from these operating hazards in amounts that management believes to be prudent. Uninsured losses and liabilities arising from operating hazards could reduce the funds available to the Company for production and could materially reduce the Company's profitability.

(e) Cash flow and financing risk

The ability to finance Company commitments and further develop the Company's business depends upon:

- Cash flow the Company's producing Anasuria Cluster assets. Production cash flow is dependent upon a combination of factors including field performance (both reservoir and facilities), commodity prices, fiscal regime and operating costs, many of which are substantially out control of the Company;
- Availability of finance from the debt and equity capital market, farm downs and other means.

Some of the Company's opportunities are medium term in nature and there is no assurance that that the Group will be successful in generating or obtaining future financing to pursue and develop these opportunities. In the event that sufficient funds from future operations or external finance is not available to the business, it could have an adverse effect on the Company's financial condition and its ability to conduct operations.

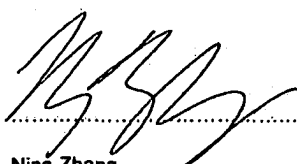
(f) Fiscal risk

The Company enters into commitments assuming a relatively stable fiscal system. Any material change to the fiscal system represents a risk to the Company's cash flows and its ability to raise capital and fund future projects.

(g) Dependence on key personnel

The Company is reliant on its Management Team, which is spread globally. Any unforeseen loss of services to key personnel may have a negative impact on the business. Employee recruitment and retention may be required to ensure the company's strategic aims can be met.

On behalf of the Board,



Ning Zhang  
Director

11 December 2018

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## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the financial year ended 30 June 2018.

### PERFORMANCE OF THE BUSINESS

Information on the performance of the business and future developments can be found in the Strategic Report.

### FUTURE DEVELOPMENTS

Information regarding the future developments of the Company can be found in the Strategic Report.

### SHARE CAPITAL

Details of the Capital of the Company are set out in Note 19 to the financial statements.

### FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

#### (a) Price risk

Commodity price risk related to crude oil is the Company's significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instrument to manage its exposure to price volatility, thus mitigating fluctuation in commodity-related cash flows.

#### (b) Credit risk

The Company's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks. Oil production from the Anasuria Cluster is sold to BP Oil International Limited. Gas production from the Anasuria Cluster is sold to Shell UK and Esso UK.

The Company regularly monitors all customer receivables balances outstanding in excess of 90 days. As at 30 June 2018, all trade receivables were current (being defined as less than 90 days). The Company has no allowance for doubtful debts as at 30 June 2018.

#### (c) Liquidity risk and cash flow risk

The Company along with its holding company will ensure it has sufficient available funds to operate its existing licenses and participate in future opportunities.

### DIVIDENDS

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2018.

### POLITICAL DONATIONS

The Company has not made any donations to a registered political party, other political organisation in the EU (including the UK) or any independent election candidate for the financial period ended 30 June 2018.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Since 30 June 2018, no matter or circumstance has arisen that has significantly affected, or may significantly affect:

- (a) the Company's operations in future periods, or
- (b) the results of those operations in future periods, or
- (c) the Company's state of affairs in future periods.

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DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Ning Zhang  
Paul A Baltensperger  
David Roy Phillips

The Directors of the Company shall not be subjected to retirement at all general meetings.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

All Directors in office at the date of approval of the Directors' Report confirm that in so far as each of the Directors are aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, 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/period. Under the law the Directors have prepared the financial statements in accordance with IFRSs 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:

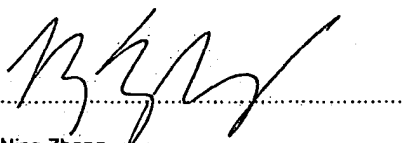
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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.

The Directors 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.

All Directors in office at the date of approval of the Directors' Report confirm that in so far as each of the Directors are aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors in accordance with their resolution.



Ning Zhang  
Director  
11 December



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INDEPENDENT AUDITORS' REPORT  
TO THE DIRECTORS OF PING PETROLEUM UK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Ping Petroleum UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

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Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Bruce Collins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
11<sup>th</sup> December 2018

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 USD '000	2017 USD '000
Revenue	5	53,934	55,673
Cost of sales	6	(40,531)	(39,188)
<b>Gross profit</b>		<b>13,403</b>	<b>16,485</b>
Other income	7	256	270
Other operating expenses		(413)	-
General and administrative expenses	4	(3,184)	(1,522)
Finance costs	8	(4,036)	(6,386)
Foreign exchange income/(expenses)		300	(51)
<b>Profit before taxation</b>		<b>6,326</b>	<b>8,796</b>
Taxation	9	(1,524)	15,515
<b>Profit and total comprehensive income for the year</b>		<b>4,802</b>	<b>24,311</b>

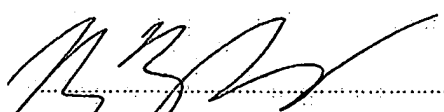
The accounting policies and the notes on pages 13 to 32 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018

	Note	2018 USD '000	2017 USD '000
<b>Non-current assets</b>			
Intangible assets	11	179,441	181,694
Property, plant and equipment	12	90,707	85,107
Restricted cash and cash equivalents	13	3,584	-
		<b>273,732</b>	<b>266,801</b>
<b>Current assets</b>			
Trade and other receivables	15	8,631	10,260
Inventories	16	3,458	3,250
Cash and cash equivalents	18	24,482	22,943
Current tax assets	10	669	-
		<b>37,240</b>	<b>36,453</b>
<b>Total assets</b>		<b>310,972</b>	<b>303,254</b>
<b>Current liabilities</b>			
Trade and other payables	23	19,515	6,716
Deferred consideration	20	-	7,315
Current tax liabilities	10	-	6,091
Amount due to parent company	17	12,666	13,129
		<b>32,181</b>	<b>33,251</b>
<b>Non-current liabilities</b>			
Contingent consideration	21	451	408
Deferred tax liabilities	10	71,389	72,555
Provision for decommissioning costs	22	90,523	85,414
		<b>162,363</b>	<b>158,377</b>
<b>Net assets</b>		<b>116,428</b>	<b>111,626</b>
<b>Equity</b>			
Share capital	19	-	-
Retained earnings		116,428	111,626
<b>Total equity</b>		<b>116,428</b>	<b>111,626</b>

The accounting policies and the notes on pages 13 to 32 form an integral part of these financial statements.

The financial statements on pages 9 to 32 were authorised for issue by the Board of Directors on 6 December 2018 and were signed on its behalf.



Ning Zhang  
Director

11 December 2018

Ping Petroleum UK Limited  
Registered Company No. 9698077

STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Share capital USD '000	Retained earnings USD '000	Total USD '000
<b>Equity as 1 July 2016</b>	-	<b>87,315</b>	<b>87,315</b>
Profit for the financial year and total comprehensive income	-	24,311	24,311
<b>Equity at 30 June 2017</b>	-	<b>111,626</b>	<b>111,626</b>
Profit for the financial year and total comprehensive income	-	4,802	4,802
<b>Equity at 30 June 2018</b>	-	<b>116,428</b>	<b>116,428</b>

The accounting policies and the notes on pages 13 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	2018 USD '000	2017 USD '000
<b>Cash flows from operating activities</b>		
Profit before taxation	6,326	8,796
<u>Adjustment for:</u>		
Depreciation, depletion and amortisation	16,185	17,910
Unwinding of discount on deferred/contingent consideration and provisions	4,035	6,386
Foreign exchange	(300)	51
Operating profit before changes in working capital	26,247	33,143
<u>Movements in working capital:</u>		
Inventory movement	(208)	1,874
Receivables movement	1,629	(5,975)
Payables movement	12,799	441
Cash generated from operating activities	40,467	29,483
Tax paid	(9,450)	(2,981)
<b>Net cash generated from operating activities</b>	<b>31,017</b>	<b>26,502</b>
<b>Cash flows from investing activities</b>		
Acquisition of Anasuria Cluster deferred consideration	(7,495)	(14,778)
Acquisition of Avalon field operatorship	(650)	-
Expenditure on intangible and property, plant and equipment assets	(17,586)	(6,384)
Interest received	122	-
<b>Net cash generated used investing activities</b>	<b>(25,609)</b>	<b>(21,162)</b>
<b>Cash flows from financing activities</b>		
Additions to restricted cash	(3,584)	-
(Repayments to)/advances from Parent company	(463)	8,110
<b>Net cash (used in)/generated from financing activities</b>	<b>(4,047)</b>	<b>8,110</b>
Net increase in cash and cash equivalents	1,361	13,450
Effect on foreign exchange movement on cash and cash equivalents	178	(105)
Cash and cash equivalents at the beginning of the financial year	22,943	9,598
<b>Cash and cash equivalents at the end of the financial year</b>	<b>24,482</b>	<b>22,943</b>

The accounting policies and the notes on pages 13 to 32 form an integral part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

### 1 GENERAL INFORMATION

The principal activities of the Company are the exploration, development and production of oil and natural gas. There has been no significant change in the nature of these activities during the financial year.

The Company is a private company limited by shares, incorporated and domiciled in England and Wales.

Details of the registered office, principal place of business and holding company are as stated in the Strategic Report.

The average number of employees for the year amounted to 4 (2017: 2), all employees falling under Production and Development departments.

### 2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with IFRS and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

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 3 (p) to the financial statements.

The financial statements are presented in United States Dollars ("USD") and all values are rounded to the nearest thousand, unless otherwise indicated.

#### Going concern

As at 30 June 2018, the Company is in a net current asset position of USD 5.1 million (2017: USD 3.2 million).

The Directors are of the view that the Company will have sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements, and there is no material uncertainty on the Company's ability to continue as a going concern. Therefore, the Directors have prepared the financial statements of the Company on a going concern basis.

#### Changes in accounting policy and disclosures

(a) The new accounting standards, amendments to published standards and interpretations that are effective for the first time for the financial period beginning on 01 July 2017 are set out below.

- (i) Amendment to IFRS 11 'Joint Arrangements' (effective from 1 January 2016) requires an investor to apply the principles of IFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control. Application of these amendments had no impact on the financial reporting of the company.
- (ii) Amendment to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' (effective from 1 January 2016) clarifies that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to IAS 38 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Application of these amendments had no impact on the financial reporting of the company.

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Company.

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2018.

- (i) Amendments to IAS 7 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.
- (ii) Amendments to IAS 12 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

The amendments shall be applied retrospectively.

- (iii) IFRS 15, 'Revenue from Contracts with Customers' (effective 1 January 2018) replaces IAS 18, 'Revenue' and IAS 11, 'Construction Contracts' and related interpretations. The core principle in IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also changes to disclosure requirements.

The company's evaluation of the impact of this standard on future accounting periods is not yet completed.

- (iv) IFRS 9 'Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities' (effective from 1 January 2018) replaces the parts of IAS 39 'Financial instruments: Recognition and Measurement' that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The company's evaluation of the impact of this standard on future accounting periods is not yet completed.

- (v) IFRS 16 'Leases' (effective from 1 January 2019) supersedes IAS 17 'Leases' and the related interpretations.

Under IFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). IFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in IFRS 16 and the lease liability is accreted over time with interest expense recognised in the income statement.



For lessors, IFRS 16 retains most of the requirements in IAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

All leases are now on the balance sheet.

The Company is currently assessing the impact of adopting the above standards and amendments to published standards on the financial statements.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

#### (a) Investment in a joint arrangement

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Company with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to the Company's interest in the joint operation, the Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

#### (b) Revenue

##### Sale of oil and gas products

Oil and gas revenues comprise the Company's share of shares of hydrocarbons when the significant risks and rewards of ownership have been passed to the buyer. This generally occurs when the product is physically transferred into a vessel, pipe or other delivery mechanism.

#### (c) Cost of sales

##### Under/over lift

Under or over-lifted positions of hydrocarbons are valued at the reporting date spot price or prevailing contract price prevailing at the reporting date. Material under/over lift positions are unlikely to occur due to the nature of the lifting agreement in place.

#### (d) Intangible assets

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation of producing oil and gas properties (Development and Production assets) is computed based on the unit of production method using proven and probable reserves for capitalised acquisition costs.

Amortisation of other intangible assets is based on the cost of an asset less its residual value and is amortised from the date they are available for use. The intangible assets will be amortised using the unit of production method.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Exploration and Evaluation assets are not amortised prior to the conclusion of evaluation activities. At completion of evaluation activities, if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the

carrying value of the Exploration and Evaluation asset is reclassified as a Development and Production asset, but only after the carrying value is assessed for impairment and where appropriate its carrying value adjusted. If after completion of evaluation activities 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 activity, then the costs of such unsuccessful exploration and evaluation are written off to the statement of income in the period the relevant events occur.

(e) Property, plant and equipment

Expenditure on the construction, installation and completion of infrastructure facilities is capitalised within property, plant and equipment.

Depreciation of oil and gas assets comprising subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of property, plant and equipment initially recognised include purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Floating production storage and offloading ('FPSO')      5%

The depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Expenses incurred for the construction of tangible assets attributable to ongoing projects incurred are capitalised as 'work in progress'. Capitalisation is made within tangible assets according to the nature of the expenditure. No depreciation is charged during this phase until the asset is ready for use. The depreciation rate would be calculated based on the useful life of the asset to be assessed once it is ready for use.

(f) Impairment

(i) Impairment of financial assets

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having impact on the estimated future cash flows of the asset. For an equity instrument, a significant or prolonged decline in the fair value below its cost is considered to be objective evidence of impairment.

An impairment loss in respect of loans and receivables financial assets is recognised in statement of comprehensive income and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discontinued at the financial asset's original effective interest rate.

(ii) Impairment of non-financial assets

Assets that have indefinite useful life or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when there is an indication that these assets may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs of disposal and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised in statement of comprehensive income immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is

recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(g) Inventories

Inventories of diesel, chemical and spares are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location, and is determined on a weighted average basis.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise bank balances, cash on hand and deposits with licensed banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents does not include restricted cash. Restricted cash comprises amounts held on deposit for specific purposes under contractual agreements and which are not available to the company to service short term liquidity needs.

(i) Receivables

Receivables are carried at anticipated realisable value. Allowance is made for doubtful debts based on specific review of outstanding balances at the reporting date. Bad debts are written off during the period in which they are identified.

(j) Payables

Payables, including accruals represent liabilities for goods purchased and services rendered to the Company prior to the end of the period and which remain unpaid.

(k) Provisions

(i) Decommissioning costs

Provision for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss as hydrocarbons are produced. The estimated interest rate used in discounting the cash flow is reviewed at least annually.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment in the provision for decommissioning costs of the corresponding oil and gas asset.

(ii) Other

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

(l) Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences on investments in subsidiaries, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition, if any.

(m) Financial instruments

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability or an asset are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(i) Financial assets

The Company classifies its financial assets in the following categories: at FVTPL, held-to-maturity, loans and receivables, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. The Company determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date. The Company had only financial assets classified as loans and receivables at the reporting date. The Company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 14 and 16).

Loans and receivables financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in other comprehensive income relating to that asset is reclassified to profit or loss.

(ii) Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. The Company had not entered into any hedging activities as at the reporting date. The Company's other financial liabilities comprise of trade payables, other payables and accruals, amount owing to ultimate holding company, amount owing to a related party, deferred consideration and contingent consideration.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(iii) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

(n) Foreign currency

(i) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollar ('USD'), which is also the Company's functional currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate at the reporting date are recognised in profit or loss.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined.

Closing rates

The principal closing rates in the 30 June 2018 financial year end used in translation of foreign currency amounts are as follows:

<u>Foreign currency</u>	<u>2018</u> USD	<u>2017</u> USD
1 Great Britain Pound ("GBP")	1.2714	1.3003

(o) Other income

Other income includes interest income, which is recognised using the effective interest method. Interest income consists of income from deposits with a licensed bank.

(p) Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight line basis over the lease period.

Initial direct costs incurred by the Company in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss over the lease term on a straight-line basis.

(q) Critical accounting estimates and assumptions

The Company makes accounting estimates and assumptions concerning the future which may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are:

(i) Critical accounting estimates and assumptions

Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Company's investment decision making process. They are also an important element in testing for impairment. Changes in proved and probable developed oil and gas will affect unit-of-production depreciation charges to profit or loss. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved

reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

*Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.*

In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Company's estimates of proved and probable reserves, particularly proved and probable developed reserves, also affect the amount of depreciation and amortisation recorded for oil and gas assets and rights and concessions related to revisions. A reduction in proved and probable developed reserves will increase depreciation and amortisation charges (assuming constant production) and reduce income.

Although the possibility exists for changes in reserves to have a critical effect on depreciation and amortisation charges and, therefore, income, it is expected that in the normal course of business, the Company will continue to prioritise exploration and timely project delivery which ultimately results in maximisation of reserve recovery and will thus constrain the likelihood for changes to occur.

#### Impairment review of oil and gas assets

The recoverable amount of the Company's oil and gas assets is determined by post-tax cash flows expected to be generated by the assets over their lives taking into account those assumptions that market participants would take into account when assessing fair value.

Key assumptions in a valuation model relate to prices and costs that are based on long term assumptions. The calculation of the valuation requires the use of estimates of key assumptions. The Company uses the oil price forecast based on the oil price forward curve from independent parties initially, then management's views, future cost inflation factor of 2% per annum and discount rate of 10% to calculate post-tax cash flows. These assumptions and judgements are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed on an annual basis.

In June 2016, an independent valuer performed a valuation of the Anasuria Cluster as at completion date. The valuation numbers were considered in the purchase price allocation pursuant to the business combination. There were no impairment triggers identified which would require an update to the key assumptions used.

#### Asset retirement obligations

The Company incurs retirement obligations for certain assets. The fair values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of fair value, the Company uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation; technical assessments of the assets; estimated amounts and timing of settlements; discount rates; and inflation rates. Asset retirement obligations are disclosed in Note 22 to the financial statements.

#### (ii) Critical judgments in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. The following accounting policy require subjective judgment, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain:

#### Functional currency

The financial statements are prepared in the functional currency of US Dollar, which is the currency of the primary economic environment in which the company operates. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies and sources of financing. Based on the factors considered, the Company has determined that US Dollar is the functional currency.

Classification of joint arrangements

The joint venture agreements in relation to the Anasuria Operating Company Limited ("AOC") require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the operation. This entity is therefore classified as a joint operation and the group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

4 GENERAL AND ADMINISTRATIVE EXPENSES

Profit before taxation is arrived at after charging/(crediting):

	2018 USD '000	2017 USD '000
General and administrative	3,184	1,522

(a) Directors' Remuneration

	2018 USD '000	2017 USD '000
Aggregate remuneration	676	624
Pension contributions	14	-

(b) Employees

	2018 USD '000	2017 USD '000
Wages and salaries	747	110
Pension contributions	55	-
Other staff costs	123	-

(c) Services provided by the Company's Auditor

	2018 USD '000	2017 USD '000
Fees payable for the audit of the Company's financial statements	42	42

5 REVENUE

	2018 USD '000	2017 USD '000
Crude oil sales	51,825	53,304
Gas sales	2,109	2,369
	53,934	55,673

6 COST OF SALES

	2018 USD '000	2017 USD '000
Cost of operations	22,905	19,400
Crude oil marketing and transportation costs	1,441	1,878
Depreciation, depletion and amortisation ("DD&A")	16,185	17,910
	40,531	39,188

7 OTHER INCOME

	2018 USD '000	2017 USD '000
Timewriting	134	-
Interest income	122	270
	<b>256</b>	<b>270</b>

8 FINANCE COSTS

	2018 USD '000	2017 USD '000
Unwinding of discount on deferred consideration	180	1,773
Unwinding of discount on contingent consideration	43	38
Unwinding of discount on provision for decommissioning costs	3,813	4,575
	<b>4,036</b>	<b>6,386</b>

9 TAXATION

	2018 USD '000	2017 USD '000
Current year	2,691	9,075
<u>Deferred income tax:</u>		
Adjustment in respect of prior periods	-	(93)
Relating to the origination and reversal of temporary differences	(1,167)	(5,087)
Relating to changes in tax rates	-	(19,410)
	<b>1,524</b>	<b>(15,515)</b>

The tax assessed for the period is lower than the standard effective rate of corporation tax in the United Kingdom for the period ended 30 June 2018. The difference is explained below:

	2018 USD '000	2017 USD '000
Profit before taxation	6,326	8,796
Tax calculated at the effective tax rate of 40% (2017: 40%)	2,531	3,517
<u>Tax effect of:</u>		
Expenses not deductible for tax purposes	89	639
Investment allowance deductible for SCT	(1,096)	(168)
Prior period adjustment	-	(93)
Changes in tax rates	-	(19,410)
	<b>1,524</b>	<b>(15,515)</b>

Upstream oil and gas production activities are taxed at a UK corporation tax of 30% plus a supplementary charge of 10%. The rate of Supplementary Charge to Taxation ("SCT") applicable to ring fence activities in the UK had been reduced to 10% with effect from 1 January 2016. The reduction was enacted in September 2016 and therefore opening balances for the year-ending 2017 have been recalculated using the new rate, resulting in the tax credit as shown above.

There are no other balances in the Company for which deferred tax has not been recognised.

10 DEFERRED TAXATION



Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2018 USD '000	2017 USD '000
Deferred tax assets	36,410	37,373
Deferred tax liabilities	(107,799)	(109,928)
<b>Net deferred tax liabilities</b>	<b>(71,389)</b>	<b>(72,555)</b>

The movement of the deferred tax is as follows:

	2018 USD '000	2017 USD '000
At 1 July	(72,555)	(97,142)
Acquisition through business combination	-	23,420
<u>(Charged)/credited to statement of comprehensive income:</u>		
Oil and gas properties	(1,080)	11,070
Decommissioning provision	2,044	(7,056)
Tax losses and other deductions	202	(3,556)
Capital allowances	-	709
<b>At 30 June</b>	<b>(71,389)</b>	<b>(72,555)</b>

<b>Deferred tax assets (before offsetting)</b>		
Tax losses and other deductions	202	-
Decommissioning provision	36,208	37,373
	36,410	37,373
Offsetting	(36,410)	(37,373)
<b>Deferred tax assets (after offsetting)</b>	<b>-</b>	<b>-</b>

<b>Deferred tax liabilities (before offsetting)</b>		
Oil and gas properties	(107,799)	(109,928)
	(107,799)	(109,928)
Offsetting	36,410	37,373
<b>Deferred tax liabilities (after offsetting)</b>	<b>(71,389)</b>	<b>(72,555)</b>

	2018 USD '000	2017 USD '000
Unused tax losses and other deductions	202	-

11 INTANGIBLE ASSETS

	Development and Production assets USD '000	Exploration and Evaluation assets USD '000	Total USD '000
<b>Cost</b>			
At 1 July 2016	193,248	-	193,248
Additions	-	2,690	2,690
Disposals	(222)	-	(222)
At 30 June 2017	193,026	2,690	195,716
Additions	-	4,957	4,957
Disposals	-	-	-
<b>At 30 June 2018</b>	<b>193,026</b>	<b>7,647</b>	<b>200,673</b>
<b>Accumulated depreciation, depletion and amortisation</b>			
At 1 July 2016	3,205	-	3,205
Charge for the financial period	10,817	-	10,817
At 30 June 2017	14,022	-	14,022
Charge for the financial year	7,210	-	7,210
<b>At 30 June 2018</b>	<b>21,232</b>	<b>-</b>	<b>21,232</b>
<b>Net book value</b>			
At 30 June 2017	179,004	2,690	181,694
<b>At 30 June 2018</b>	<b>171,794</b>	<b>7,647</b>	<b>179,441</b>

Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses. Depreciation, depletion and amortisation charges ("DD&A") are recognised in Cost of Sales, as disclosed in Note 6 to the financial statements.

12 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets USD '000	FPSO USD '000	Total USD '000
<b>Cost</b>			
At 1 July 2016	95,600	7,000	102,600
Additions	-	-	-
Foreign exchange impact on the revaluation of estimates	(8,018)	-	(8,018)
At 30 June 2017	87,582	7,000	94,582
Additions	13,279	-	13,279
Foreign exchange impact on the revaluation of estimates	1,296	-	1,296
<b>At 30 June 2018</b>	<b>102,157</b>	<b>7,000</b>	<b>109,157</b>
<b>Accumulated depreciation, depletion and amortisation</b>			
At 1 July 2016	2,313	69	2,382
Charge for the financial year	6,886	207	7,093
At 30 June 2017	9,199	276	9,475
Charge for the financial year	8,768	207	8,975
<b>At 30 June 2018</b>	<b>17,967</b>	<b>483</b>	<b>18,450</b>
<b>Net book value</b>			
At 30 June 2017	78,383	6,724	85,107
<b>At 30 June 2018</b>	<b>84,190</b>	<b>6,517</b>	<b>90,707</b>

Foreign exchange impact on the revaluation of estimates relates to the revaluation of the present value of decommissioning costs and the subsequent adjustment to the Asset Retirement Obligation asset ("ARO asset").

### 13 RESTRICTED CASH AND CASH EQUIVALENTS

	2018 USD '000	2017 USD '000
At 1 July	-	-
Additions to cash in trust	3,584	-
<b>At 30 June</b>	<b>3,584</b>	<b>-</b>

Additions to cash in trust relate to Decommissioning Security Agreement ("DSA") amounts paid during the year. Under the DSA, the Company is required to make security arrangements for the estimated costs of decommissioning of the Anasuria Cluster by placing monies into a Trust Deed, with effect from the Deferred Consideration Due Date, September 2017. The Law Debenture Trust Corporation Plc is the Trustee of the Trust Deed.

### 14 INVESTMENTS

#### Anasuria Operating Company Limited ("AOC")

The Company with AHUK, holds 50% of the entire interests of the Anasuria Cluster of oil and gas fields.

The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- (i) 100% interest in the Guillemot A field and the related field facilities (50% net share of the Company);
- (ii) 100% interest in the Teal field and the related field facilities (50% net share of the Company);
- (iii) 100% interest in the Teal South field and the related field facilities (50% net share of the Company);
- (iv) 38.65% interest in the Cook field and the related field facilities (19.33% net share of the Company); and
- (v) 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit ("FPSO") and the related equipment (50% net share of the Company).

The Company, together with AHUK, established the joint operating company, AOC as the operator of the Anasuria Cluster assets. AOC has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government. The principal place of business of the joint operations is in Aberdeen, United Kingdom.

### 15 TRADE AND OTHER RECEIVABLES

	2018 USD '000	2017 USD '000
Trade receivables	6,820	1,284
Other receivables	1,811	8,976
	<b>8,631</b>	<b>10,260</b>

The Company's trade and other receivables are neither past due nor impaired and have not been renegotiated during the financial year. The Company believe no impairment is necessary in respect of their trade and other receivables.

The credit term of trade receivables is 30 days (2017: 30 days).

### 16 INVENTORIES

	2018 USD '000	2017 USD '000
Crude oil	3,338	2,948
Spares	120	65
Diesel	-	274
Chemical	-	(37)
	<b>3,458</b>	<b>3,250</b>

Cost of crude oil inventory recognised as an expense during the current financial year amounted to USD 22.9 million (2017: USD 19.4 million) as disclosed in Note 6 to the financial statements.

# 17 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Amount owing to related companies arose mainly from recovery of expenses and shared overhead costs with other related parties. The amounts are unsecured, interest-free and repayable on demand.

(a) The related parties of, and their relationships with the Company, are as follows:

Related Parties	Relationship
<b>Ping Petroleum Limited</b> Clarendon House, 2 Church Street, Hamilton, HM DX, Bermuda (incorporated in Bermuda)	Ultimate parent company (Note 25)
<b>Ping Petroleum Sdn. Bhd.</b> Lot 1, 26-1 (1 <sup>st</sup> Floor) Jalan 2A/27A, Section 1 Wangsa Maju, 53300 Kuala Lumpur, Malaysia (incorporated in Malaysia)	Wholly owned subsidiary of Ping Petroleum Limited
<b>Anasuria Operating Company Limited</b> Cannon Place, 78 Cannon Street, London, EC4N 6AF, United Kingdom (incorporated in England and Wales)	Joint operating company with Hibiscus Petroleum Berhad
<b>Luluna Industries LLC</b> 5444 Westheimer Rd, Houston, TX 77056, United States (incorporated in USA)	Entity owned by relative of a Director of the Company
<b>DNeX Petroleum Sdn. Bhd.</b> Dagang Net Tower, Block 10 (A&B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 6300 Cyberjaya, Selangor, Malaysia (incorporated in Malaysia)	30.0% shareholder of Ping Petroleum Limited
<b>Dagang NeXchange Berhad</b> Dagang Net Tower, Block 10 (A&B) Corporate Park, Star Central, Lingkaran Cyberpoint Timur, Cyber 12, 6300 Cyberjaya, Selangor, Malaysia (incorporated in Malaysia)	Parent company of DNeX Petroleum Sdn. Bhd.

(b) Significant related party balances

Included in the Company's statement of financial position are the following significant related party balances:

	2018 USD '000	2017 USD '000
Ping Petroleum Limited	10,548	10,686

Transactions with the above related parties are comprised of intercompany recharges and financing transactions. All such transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

# 18 CASH AND CASH EQUIVALENTS

	2018 USD '000	2017 USD '000
<u>Cash at bank, denominated in:</u>		
USD	11,782	11,627
GBP	12,700	11,316
	24,482	22,943

19 SHARE CAPITAL

	2018 USD	2017 USD
Authorised share capital		
1 ordinary share of GBP 1.00		
(2017: 1 ordinary share of GBP 1.00)	1	1
Issued and fully paid	1	1

The Company was incorporated with 1 ordinary share of GBP 1.00 that was subscribed for on the date of incorporation.

20 DEFERRED CONSIDERATION

	2018 USD '000	2017 USD '000
Current	-	7,315
Non-current	-	-
	-	7,315

The base consideration for the acquisition of a 50% interest in the Anasuria Cluster comprised of the following:

- Initial consideration of USD 30.0 million; and
- Deferred consideration of USD 22.5 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration was payable as follows:

- USD 15.0 million within 12 months from completion; and
- USD 7.5 million within 18 months from completion.

The final deferred consideration was paid in full in September 2017.

The movements in the deferred consideration of the Company are as follows:

	2018 USD '000	2017 USD '000
<b>Current</b>		
At 1 July	7,315	13,920
Unwinding of discount	180	1,080
Payments	(7,495)	(15,000)
Movements between current/non-current	-	7,315
<b>At 30 June</b>	-	7,315
<b>Non-current</b>		
At 1 July	-	6,622
Unwinding of discount	-	693
Movements between current/non-current	-	(7,315)
<b>At 30 June</b>	-	-

## 21 CONTINGENT CONSIDERATION

	2018 USD '000	2017 USD '000
Non-current	451	408

The movements in the contingent consideration of the Company are as follows:

	2018 USD '000	2017 USD '000
At 1 July	408	370
Unwinding of discount	43	38
<b>At 30 June</b>	<b>451</b>	<b>408</b>

As part of the acquisition of a 50% interest in the Anasuria Cluster, a contingent consideration is payable to Shell UK, Shell EP and Esso UK from 2018 to 2021, if and only when in a calendar year, the annual average oil price (USD Y) exceeds USD 75 per bbl, in which case, Shell UK, Shell EP and Esso UK will be paid USD 0.15 x (Y-USD 75) per bbl of the production from the Anasuria Cluster. The contingent consideration is limited by the production volume and the average oil price for the relevant calendar year.

## 22 PROVISION FOR DECOMMISSIONING COSTS

	2018 USD '000	2017 USD '000
Non-current	90,523	85,414

The movements in the provision for decommissioning costs of the Company are as follows:

	2018 USD '000	2017 USD '000
At 1 July	85,414	88,857
Unwinding of discount	3,813	4,575
Foreign exchange impact on revaluation of estimates	1,296	(8,018)
<b>At 30 June</b>	<b>90,523</b>	<b>85,414</b>

The Company makes full provision for the future costs of decommissioning its oil production facilities and pipelines with respect to the Anasuria Cluster on a discounted basis, based on the Company's share of the contractual obligation of 50%. The provision represents the present value of decommissioning costs which are expected to be incurred up to year 2036 assuming no further development of the cluster. The liability is discounted at a rate of 4.3% and includes an inflationary factor of 2%.

These provisions have been created based on internal and third party estimates. Assumptions based on the current economic environment have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices which are inherently uncertain.

The present value of decommissioning costs has been revalued at the financial year-end rate.

## 23 TRADE AND OTHER PAYABLES

	2018 USD '000	2017 USD '000
Trade payables	9,644	1,160
Other payables and accruals	9,871	5,556
	<b>19,515</b>	<b>6,716</b>

Trade and other payables are current with credit terms of 30 days.

## 24 FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial risk management policy seek to ensure that adequate financial resources are available for carrying on the Company's operations while managing its foreign currency exchange risk, interest rate risk, liquidity risk and credit risk. The Company operate within clearly defined guidelines that are approved by the Company's policy which is not to engage in speculative transactions. The Company's policies in respect of the major areas of operating activities are as follows:

(a) Market risk

(i) Foreign currency exchange risk

The Company are exposed to fluctuations in foreign currencies for transactions entered into its currencies other than the USD.

The currency giving rise to this risk is primarily Great Britain Pound. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level. The Company's exposure to foreign currency is as follows:

	United States Dollar USD '000	Great Britain Pound USD '000	Total USD '000
<b>2018</b>			
<b>Financial assets</b>			
Trade receivables and other receivables	8,386	245	8,631
Cash and cash equivalents	11,782	12,700	24,482
	20,168	12,945	33,113
<b>Financial liabilities</b>			
Trade and other payables	19,427	88	19,515
Deferred consideration	-	-	-
Contingent consideration	451	-	451
Amount owing to Parent company	12,666	-	12,666
	32,543	88	32,631
<b>Net financial assets/(liabilities)</b>	<b>52,711</b>	<b>13,033</b>	<b>65,744</b>
<b>2017</b>			
<b>Financial assets</b>			
Trade receivables and other receivables	10,000	260	10,260
Cash and cash equivalents	11,627	11,316	22,943
	21,627	11,576	33,203
<b>Financial liabilities</b>			
Trade and other payables	6,678	38	6,716
Deferred consideration	7,315	-	7,315
Contingent consideration	408	-	408
Amount owing to Parent company	13,129	-	13,129
	27,530	38	27,568
<b>Net financial assets/(liabilities)</b>	<b>(5,903)</b>	<b>11,538</b>	<b>5,635</b>

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial period, with all other variables held constant:

	2018 USD '000	2017 USD '000
<b>Effects on profit after taxation/equity:</b>		
5 percent increase GBP	652	577
5 percent decrease GBP	(652)	(577)

(ii) Interest rate risk

At 30 June 2018, the Company does not have any interest-bearing borrowing and hence is not exposed to interest rate risk.

(iii) Liquidity risk

As part of the Company's prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

The undiscounted cash flow contractually payable under financial instruments are as follows:

	Less than 1 year USD '000	Between 2 to 5 years USD '000	More than 5 years USD '000	Total USD '000
<b>2018</b>				
Trade and other payables	19,515	-	-	19,515
Deferred consideration	-	-	-	-
Contingent consideration	-	451	-	451
Amount owing to Parent company	12,666	-	-	12,666
	<b>32,180</b>	<b>451</b>	<b>-</b>	<b>32,631</b>
<b>2017</b>				
Trade and other payables	6,716	-	-	6,716
Deferred consideration	7,315	-	-	7,315
Contingent consideration	-	408	-	408
Amount owing to Parent company	13,129	-	-	13,129
	<b>27,345</b>	<b>408</b>	<b>-</b>	<b>27,753</b>

(iv) Credit risk

Credit risk arises from deposits with financial institutions and trade and other receivables. The Company seeks to invest the cash assets safely and profitably. Deposits are placed only with financial institutions with strong long-term credit ratings based on independently rated parties. The maximum credit exposure associated with financial assets is equal to the carrying amount.

The credit quality of financial assets that are neither past due nor impaired as at the end of reporting period can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2018 USD '000	2017 USD '000
<b>Cash and cash equivalents</b>		
Counterparties with external credit rating ("RAM")***		
AAA	24,482	22,943
<b>Trade and other receivables</b>		
Counterparties without external credit rating		
Group 2	19,515	10,260

The Company classify their receivables into the following groups:

- Group 1 New customers/related parties (less than six (6) months).
- Group 2 Existing customers/related parties (more than six (6) months) with no defaults in the past.
- Group 3 Existing customers/related parties (more than six (6) months) with some defaults in the past. All defaults were fully recovered.

\*\*\* RAM represents Rating Agency Malaysia.



Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the financial period.

(b) Capital risk management

The Company manages its capital by maintaining an optimal capital structure so as to support its business and maximise shareholders value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The capital structure for the Company consists of borrowings, cash and cash equivalents and total equity as follows:

	2018 USD '000	2017 USD '000
Cash and cash equivalents	24,482	22,943
Total borrowing	-	-
Net cash	24,482	22,943
Total equity	116,428	111,626
<b>Total capital</b>	<b>140,911</b>	<b>134,569</b>

(c) Classification of financial instruments

	2018 USD '000	2017 USD '000
<b>Financial assets</b>		
Trade and other receivables	8,631	10,260
Cash and cash equivalents	24,482	22,943
	<b>33,113</b>	<b>33,203</b>
<b>Financial liabilities</b>		
Trade and other payables	19,515	6,716
Deferred consideration	-	7,315
Contingent consideration	451	408
	<b>19,965</b>	<b>14,439</b>

(d) Fair value of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments other than those carried at fair value

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments by valuation technique:

Level 1	Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2	Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (i.e. from prices) or indirectly (i.e. derived from prices).
Level 3	Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below analyses financial instruments carried at fair value, by valuation method.

	Level 1 USD '000	Level 2 USD '000	Level 3 USD '000	Total USD '000
<b>Liability</b>				
<u>Financial liabilities at fair value through profit or loss:</u>				
At 1 July 2017	-	-	7,315	7,315
Payments	-	-	(7,495)	(7,495)
Unwinding of discount	-	-	180	180
<b>At 30 June 2018</b>	-	-	-	-

25 CONTROLLING PARTIES

The immediate and ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Ping Petroleum Limited. Copies of Ping Petroleum Limited's consolidated financial statements can be obtained from the Company Secretary at:

Conyers Corporate Services (Bermuda) Limited  
Clarendon House  
2 Church Street  
PO Box HM 1022  
Hamilton  
HM DX  
Bermuda

26 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 11 December 2018.