



Surestream

PETROLEUM

Surestream Petroleum Limited

REPORT AND FINANCIAL STATEMENTS
for the year ended
31 December 2017



Company Registration No. 5238607

Surestream Petroleum Limited

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Surestream Petroleum Limited

DIRECTORS, OFFICERS AND ADVISORS

DIRECTORS

Christopher N. Pitman
Ahmed Khelif
Reidar Michaelsen
Antoine Antoun

SECRETARY

Collyer Bristow Secretaries Limited

REGISTERED OFFICE

4 Bedford Row
London
WC1R 4TF
United Kingdom

Surestream Petroleum Limited

STRATEGIC REPORT

Surestream Petroleum Limited (“Surestream” or “the Company”) is a privately owned petroleum company focused on Africa. Since its incorporation in 2004, the Company has had a strategic focus on the onshore rift basins of Africa, which are often remote and difficult places to operate, with little in the way of oil and gas infrastructure.

BUSINESS MODEL AND STRATEGY

Surestream’s business model is structured on generating growth for shareholders by building a diversified hydrocarbon assets portfolio, balanced between production and exploration assets.

The Company’s strategy is to acquire significant equity stakes in prospective developing areas primarily in Africa where there are proven petroleum systems. The Company follows this strategy by:

- Utilising the experience and networks of its management and shareholders.
- Developing regional concepts to define petroleum systems and prospects with low exploration risk.
- Identifying positive opportunities with governments, state oil companies and potential industry farm-ins.
- Negotiating directly with governments to secure transparent terms with high equity stakes.

PRINCIPAL ACTIVITY

The principal activities of Surestream Petroleum Limited and its subsidiaries (the “Group”) are oil and gas exploration in the Democratic Republic of the Congo (“DRC”), Malawi and Zambia and production in Tanzania.

REVIEW OF THE BUSINESS

Democratic Republic of the Congo

During 2017, the Group maintained its representative office in Kinshasa with one full time staff at minimal cost and incurred US\$267,504 in administrative costs and legal fees for the DRC assets (2016: US\$500,600).

Yema and Matamba-Makanzi (“YMM”) Production Sharing Agreement (“PSA”)

During 2017, the Group looked for farm-in partners to share the risk in the YMM PSA. On 10 May 2018, the Group transferred 50% of participating interest in the YMM PSA to the National Oil Company of DRC, Sonahydroc SA, reducing its stake to 35%, for a consideration of US\$900,000. Payment was made by Sonahydroc SA to the DRC Ministry of Hydrocarbons against the overdue statutory licence fees for the past three years.

Ndunda PSA

On 25 March 2015, ENI announced their voluntary withdrawal from the operatorship of the Ndunda licence. Following this, the Company engaged in discussions with ENI and the DRC Administration to take back ENI’s participating interest and the operatorship. As of the date of this report, discussions have still not resulted and the DRC Government’s approval to commence the second exploration period is still pending.

At the end of 2012, the Group had recorded an impairment provision of US\$10 million based on the increasing level of uncertainty over the renewal of YMM and Ndunda licences. Technical studies have indicated substantial potential for pre-salt oil discoveries similar to the YMM-1 well drilled in 2010. The directors believe that the recent farm-out to Sonahydroc is an evidence to the prospectivity of the YMM licence area. The directors consider the remaining carrying value of US\$8.6 million (2016: US\$ 8.8 million) to be recoverable based on the current 35% interest held in the YMM PSA and possible return of the 55% interest over the Ndunda PSA from ENI.

Malawi

The Group had transferred 51% of its participating interest and operatorship of both of the Malawi blocks to Hamra Oil Holdings Limited (“Hamra”) on 19 February 2014. Subsequently, the Group had transferred a further 29% of the Malawi blocks to Hamra on 31 May 2015 reducing its stake to 20%. On 29 July 2018, the Group sold its remaining stake to Hamra for a cash consideration of US\$1 million and exited Malawi.

During 2017, the Group spent only \$3,419 for its Malawi assets (2016: US\$82,164) and followed up the Operator’s activities.

Surestream Petroleum Limited

STRATEGIC REPORT (continued)

Zambia

The Group was awarded Block 42 by the Ministry of Mines and Mineral Development of Zambia on 2 December 2013. On 15 April 2016, the Ministry of Mines and Mineral Development approved the Group's application to move the commencement date of the licence to 15 December 2015. Following this approval by the Ministry the end of the initial period moved to 14 December 2019. However as the Group could not commence the exploration activities as expected by the Ministry, on 8 June 2018, the Ministry of Mines and Mineral Development revoked the licence. Given its high capital requirements and difficulties with the access to the licence acreage, the Group decided not to contend the Ministry's decision and exit Zambia.

During 2017, the Group recorded US\$50,321 in administrative costs for its Zambia activities (2016: US\$317,277).

Tanzania

On 31 May 2015, the Group had acquired 25% working interest in the Kiliwani North gas field in Tanzania from Hamra. The Kiliwani North-1 well continued to produce in the first half of 2017 at approximately 15 MMcfd, however during the second half it experienced decline. Aminex plc (the operator) reported that options are being explored to maximise production and thereby gas recovered from the in-place resources. Later in their annual report dated 27 April 2017, the operator reduced the estimated recoverable reserve from the Kiliwani North gas field from 21.60 BCF to 1.94 BCF. During 2017, the Group received US\$2.87 million in cash payments from the Kiliwani North gas production.

During 2017, the Group recorded US\$98,331 in operating costs in Tanzania (2016: US\$156,991).

FINANCING

The Group's operations in 2017 were funded by gas sales income from its economic interest in the Tanzania asset.

FUTURE DEVELOPMENTS

The Group plans to continue holding its non-operating licences in the DRC and Tanzania, maintain the general and administrative costs at its minimal level and identify marginal producing assets to enhance recovery with minimal investment. The Board also plans to seek asset swap deals that are likely to bring production revenue to the Group to help with the working capital requirements. The main activities on the existing assets in 2018 are planned to be the following:

1. YMM PSA (DRC): The Group will follow the activities of Sonahydroc to commercialize the asset.
2. Ndunda PSA (DRC): The Group will pursue the reassignment of the 55% back to itself and renewal of the exploration licence with the DRC Government. The Group will then seek to find a farm-in partner.
3. Tanzania Licence: The Group will seek to receive the final regulatory approval for the transfer of the asset and maintain its position in the Tanzania licence.

RISK MANAGEMENT

The business of exploring for oil and gas involves a high degree of technical, political and regulatory risk. In addition, the Group is exposed to a number of financial risks, which the Board seeks to minimise by adopting a prudent approach which is consistent with the corporate objectives of the Group. These risks are summarised below:

Technical Risk

Substantial expenditure is required to establish reserves and to conduct feasibility studies. Although substantial benefits may be derived from the discovery of significant oil and gas reserves, geographical location can present logistical difficulties and no assurance can be given that reserves will be discovered in sufficient quantities or having sufficient grade to justify commercial operations, or that funds required for development can be obtained on a timely basis.

Surestream Petroleum Limited

STRATEGIC REPORT (continued)

Political and Regulatory Risk

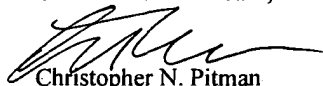
The Group is currently holding interests in the Democratic Republic of Congo and Tanzania. The Board believes that the Governments of these countries support the development and exploitation of natural resources. However, there is no assurance that future political and economic conditions in these countries will not result in the Governments changing their political attitudes towards oil and gas investments and adopting different policies in respect of the exploration, development, production and ownership of resources.

Any such changes in policy may result in changes in laws affecting ownership of assets, land tenure and licences, taxation, environmental protection and repatriation of income and capital, which may adversely impact the Group's ability to carry out its activities. The jurisdictions in which the Group operates and might operate in the future may have less developed legal systems than more established economies, which could result in risks such as (i) effective legal redress in the courts being more difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations.

Financial Risk

The Group's exposure to financial risks and the risk management policies that the Group has adopted are described in note 26 of the financial statements.

On behalf of the Board,



Christopher N. Pitman
Chief Executive Officer

23 November 2018

Surestream Petroleum Limited

DIRECTORS' REPORT

The directors submit their report and the consolidated financial statements of Surestream Petroleum Limited ("the Company") for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activities of Surestream Petroleum Limited and its subsidiaries (the "Group") are oil and gas exploration in the Democratic Republic of the Congo ("DRC"), Malawi and Zambia and production in Tanzania.

GOING CONCERN

As part of their review of the business, the directors examined a 12-month forward looking cash flow forecast of the Group, based on the most likely work programme, to be able to assess the required funding to continue in operational existence including the firm and contingent commitments.

The forecasts indicate that the trade receivables from the Operator in respect of the 25% revenue interest in the North Kiliwani gas field in Tanzania, will allow the Company to meet its ongoing working capital requirements. However, the directors are aware that at the date of signature of the financial statements, Ndovu Resources cannot provide a firm date for the collection of the receivables from the buyer, Tanzania Petroleum Development Corporation ("TPDC"), who have already registered a dispute in the calculation of royalties. Due to this reason, although Ndovu Resources remain confident of their position in the dispute with TPDC, there is a risk that the collection of payments totalling US\$1.19 million may be further delayed. The directors acknowledge that the delay in receipt of this US\$1.19 million is putting great stress over the Company's treasury.

The Company is actively engaged in discussions with a local industrial group in DRC to sell a certain stake in its DRC subsidiary for a cash consideration of US\$500,000, out of which US\$200,000 represents an up-front deposit payment with balance to be paid at the closing after 2 to 3 months. The Company is also in discussions with its shareholders to raise a bridge loan secured against assets while it is continuing discussions with interested companies to either sell some of the assets or enter into a merger transaction. A secured bridge loan facility from a merger candidate is also expected to alleviate the Company's cash position.

On 27 September 2018, Petrolin Trading Limited ("Petrolin"), the largest creditor of the Company, demanded an immediate payment of US\$417,000 against its outstanding loans, to which the Company could only respond by a US\$50,000 repayment. The directors expect that following a second payment of US\$67,000 sourced from the incoming funds from either the DRC disposal or a bridge loan facility, explained above, Petrolin will withdraw their demand and allow time to the directors for restructuring of the business. After this second payment, the directors are confident that Petrolin, being controlled by a major shareholder in the Company, will lead to discussions that may result in either further deferral of the loan repayments or conversion of the loan facility to shares in the Company, in case of a merger transaction. The directors also believe that the Norwegian loan-holders along with the staff and Chief Executive who are all owed amounts would follow Petrolin in converting their dues to equity in that case.

The cash-flow forecasts include non-payment of certain trade payables, following a review by the directors, which concluded that of the US\$2.3 million of trade payables outstanding as at the date this report is written, US\$2.0 million will not be payable at least for the following 12 months as they include disputed amounts.

The Group's fixed office and personnel costs is approximately US\$138,000 per month with a cash outlay of approximately US\$100,000 since the majority of the Chief Executive's remuneration is being deferred at his choice. The directors believe there is further leeway to reduce the monthly cash outlay.

Taking into consideration all of the above facts, the directors have a reasonable expectation that the Group will have sufficient funds available to it to meet planned expenditures when they fall due for the foreseeable future. However, to ensure this, the Directors have agreed to put in strict controls over the Company by monitoring the liabilities closely and allowing undertaking of new obligations on a case-by-case basis only if they are backed by the assets. Such controls involve a strict allocation of any funds raised by the secured loans. All proposed payments for the next three months have been reviewed and approved by the directors in advance since their primary purpose is to progress a transaction or undertaking a restructuring programme.

Surestream Petroleum Limited

DIRECTORS' REPORT (continued)

Based on the above, the directors have decided to adopt the going concern basis for the preparation of the financial statements. The financial statements do not include any adjustments that would result if the Group or Company was unable to continue as a going concern.

DIVIDENDS

The directors are unable to recommend the payment of a dividend (2016: US \$Nil).

DIRECTORS

The following directors have held office during the year and since the reporting date:

Christopher N. Pitman
Ahmed Khelif
Reidar Michaelsen
Antoine Antoun

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements of the Group and the Company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRS adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Surestream Petroleum Limited website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with section 414 c (ii) of the Companies Act 2006, included in the Strategic report is the review of the business, principal risks and uncertainties and key performance indicators of the business.

Surestream Petroleum Limited

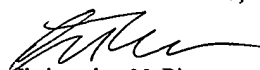
DIRECTORS' REPORT (continued)

AUDIT

For the year ended 31 December 2017, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

On behalf of the Board,



Christopher N. Pitman
Chief Executive Officer

23 November 2018

Surestream Petroleum Limited
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	<i>Notes</i>	2017 US\$'000	2016 US\$'000
Revenue	4	2,689	1,890
Cost of sales	4	(1,997)	(1,605)
GROSS PROFIT		692	285
Operating expenses – pre-licensing costs	5	(308)	(20)
Operating expenses – other	5	-	(225)
Administrative expenses	6	(1,666)	(2,432)
Impairment of exploration assets – intangible	14	(1,118)	-
Gain on disposal of exploration assets	8	-	1,435
Other income	8	29	1,189
OPERATING (LOSS)/PROFIT		(2,371)	232
Finance costs	9	(524)	(555)
LOSS BEFORE TAXATION		(2,896)	(323)
Taxation	10	-	-
LOSS FOR THE FINANCIAL YEAR	24	(2,896)	(323)

The loss for the year arises from the Group's continuing operations.

No separate statement of comprehensive income has been presented as all such losses have been dealt with in the income statement.

The notes on pages 15 to 45 are an integral part of these financial statements.

Surestream Petroleum Limited
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

Company Registration No. 5238607

	Notes	2017 US\$'000	2016 US\$'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	14	19,296	22,335
Investments in associates	12	1,397	-
Property, plant and equipment	15	8	4
TOTAL NON-CURRENT ASSETS		20,701	22,339
CURRENT ASSETS			
Assets held for sale	16	80	80
Trade and other receivables	17	1,322	2,782
Cash and cash equivalents	18	61	3
TOTAL CURRENT ASSETS		1,463	2,865
TOTAL ASSETS		22,164	25,204
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	20	20
Share premium	23	55,206	55,206
Shares to be issued	22	545	545
Accumulated deficit	24	(42,769)	(39,873)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		13,002	15,898
LIABILITIES			
NON-CURRENT LIABILITIES			
Decommissioning provision	21	256	99
TOTAL NON-CURRENT LIABILITIES		256	99
CURRENT LIABILITIES			
Trade and other payables	19	3,036	3,861
Short-term financial liabilities	20	5,870	5,346
TOTAL CURRENT LIABILITIES		8,906	9,207
TOTAL LIABILITIES		9,162	9,306
TOTAL EQUITY AND LIABILITIES		22,164	25,204

For the year ended 31 December 2017, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The notes on pages 15 to 45 are an integral part of these financial statements. The financial statements on pages 8 to 45 were approved and authorised for issue by the Board on 23 November 2018 and were signed on its behalf by


Christopher N. Pitman
Chief Executive Officer

Surestream Petroleum Limited
COMPANY STATEMENT OF FINANCIAL POSITION
31 December 2017

Company Registration No. 5238607

	<i>Notes</i>	2017 US\$'000	2016 US\$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	8	4
Investments	12	23,274	24,260
TOTAL NON-CURRENT ASSETS		23,282	24,264
CURRENT ASSETS			
Assets held for sale	16	80	80
Trade and other receivables	17	152	1,475
Cash and cash equivalents	18	59	3
TOTAL CURRENT ASSETS		291	1,558
TOTAL ASSETS		23,573	25,822
EQUITY AND LIABILITIES			
EQUITY			
Share capital	22	20	20
Share premium	23	55,206	55,206
Shares to be issued	22	545	545
Accumulated deficit	24	(53,948)	(51,616)
TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		1,823	4,155
LIABILITIES			
NON-CURRENT LIABILITIES			
Amounts due to subsidiaries	13	14,415	14,433
TOTAL NON-CURRENT LIABILITIES		14,415	14,433
CURRENT LIABILITIES			
Trade and other payables	19	1,465	1,888
Short-term financial liabilities	20	5,870	5,346
TOTAL CURRENT LIABILITIES		7,335	7,234
TOTAL LIABILITIES		21,750	21,667
TOTAL EQUITY AND LIABILITIES		23,573	25,822

The Company's loss for the year to 31 December 2017 is US\$2.33 million (2016: US\$1.33 million). The Company has taken advantage of the exemption available under the Companies Act from publishing a Company income statement.

For the year ended 31 December 2017, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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Christopher N. Pitman
Chief Executive Officer

Surestream Petroleum Limited
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

		Attributable to owners of the parent					
	Notes	Share capital	Share premium	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
BALANCE AT 1 JANUARY 2016		20	55,206	-	-	(39,550)	15,676
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(323)	(323)
Total comprehensive income		-	-	-	-	(323)	(323)
<i>Transactions with owners</i>							
Proceeds of share issues (net of costs) 22,23		-	-	-	-	-	-
Shares to be issued		-	-	545	-	-	545
Total transactions with owners		-	-	545	-	-	545
BALANCE AT 31 DECEMBER 2016		20	55,206	545	-	(39,873)	15,898
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(2,896)	(2,896)
Total comprehensive income		-	-	-	-	(2,896)	(2,896)
<i>Transactions with owners</i>							
Proceeds of share issues (net of costs) 22,23		-	-	-	-	-	-
Shares to be issued		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2017		20	55,206	545	-	(42,769)	13,002

The notes on pages 15 to 45 are an integral part of these financial statements.

Surestream Petroleum Limited
COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2017

	Notes	Attributable to owners of the company					
		Share capital	Share premium	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
BALANCE AT 1 JANUARY 2016		20	55,206	-	-	(50,283)	4,943
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(1,333)	(1,333)
Total comprehensive income		-	-	-	-	(1,333)	(1,333)
<i>Transactions with owners</i>							
Proceeds of share issues (net of costs) 22,23		-	-	-	-	-	-
Shares to be issued		-	-	545	-	-	545
Total transactions with owners		-	-	545	-	-	545
BALANCE AT 31 DECEMBER 2016		20	55,206	545	-	(51,616)	4,155
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(2,332)	(2,332)
Total comprehensive income		-	-	-	-	(2,332)	(2,332)
<i>Transactions with owners</i>							
Proceeds of share issues (net of costs) 22,23		-	-	-	-	-	-
Shares to be issued		-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
BALANCE AT 31 DECEMBER 2017		20	55,206	545	-	(53,948)	1,823

The notes on pages 15 to 45 are an integral part of these financial statements.

Surestream Petroleum Limited
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	<i>Notes</i>	2017 US\$'000	2016 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	<u>1,282</u>	<u>(1,983)</u>
Net cash used in operating activities		1,282	(1,983)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(6)	(921)
Purchase of intangible assets	14	(1,219)	-
Proceeds from farm-out disposal	14	-	1,368
Proceeds from sale of property, plant and equipment	15	<u>-</u>	<u>89</u>
Net cash generated from investing activities		(1,225)	536
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debt	22	<u>-</u>	<u>514</u>
Net cash generated from financing activities		-	514
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>58</u>	<u>(933)</u>
Cash and cash equivalents at beginning of year		<u>3</u>	<u>936</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>61</u>	<u>3</u>

The notes on pages 15 to 45 are an integral part of these financial statements.

Surestream Petroleum Limited
COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	<i>Notes</i>	2017 US\$'000	2016 US\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash used in operations	25	<u>(906)</u>	<u>(2,640)</u>
Net cash used in operating activities		(906)	(2,640)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances (to)/from subsidiaries	12,13	2,366	(165)
Purchase of property, plant and equipment	15	(6)	-
Purchase of shares in associates	12	(1,398)	-
Proceeds from disposal of investments	14	<u>-</u>	<u>1,368</u>
Net cash generated from investing activities		962	1,203
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debt	20	<u>-</u>	<u>514</u>
Net cash generated from financing activities		-	514
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>56</u>	<u>(923)</u>
Cash and cash equivalents at beginning of year		<u>3</u>	<u>926</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>59</u>	<u>3</u>

The notes on pages 15 to 45 are an integral part of these financial statements.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 GENERAL INFORMATION

Surestream Petroleum Limited and its subsidiaries ("the Group") conduct oil and gas exploration in Malawi, Zambia and Democratic Republic of the Congo and production in Tanzania. The Company is incorporated and domiciled in England and Wales with registered office of 4 Bedford Row, WC1R 4TF, London.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

2.1 BASIS OF PREPARATION

The consolidated financial statements of Surestream Petroleum Limited have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity and areas where assumptions and estimates are significant to the consolidated financial statements are discussed in note 3.

2.1.1 AMENDMENTS TO IFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2017.

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 20). A reconciliation between the opening and closing balances of these items is provided in note 20. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.1.2).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests. The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.1.2 NEW AND REVISED IFRSs IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following standards, amendments to existing standards and interpretations relevant to the Group were in issue but not yet effective.

Standard	Date of adoption	Standard description
IFRS 9	1 January 2018	Financial Instruments
IFRS 15	1 January 2018	Revenue from Contracts with Customers (and the related Clarifications)
Amendments to IFRS 2	1 January 2018	Classification and measurement of share-based payment transactions
Amendments to IFRS 10 and IAS 28	To be determined	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IAS 40	1 January 2018	Transfer of Investment Property
Amendments to IFRSs	1 January 2018	Annual improvements to IFRS Standards 2014-2016 Cycle
IFRIC 22	1 January 2018	Foreign currency transactions and advance consideration
IFRS 16	1 January 2019	Leases

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements.

2.2 BUSINESS COMBINATIONS

Subsidiaries are entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The consolidated financial statements incorporate those of Surestream Petroleum Limited and its subsidiary undertakings for the year using the acquisition method of accounting. The results of subsidiaries formed or acquired during the year are included from the date that Surestream Petroleum Limited obtained control. Acquisition costs are written-off to the income statement as incurred.

Transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The Company's principal investments are in five wholly owned subsidiaries;

1. Surestream RDC Sarl, a company incorporated in the Democratic Republic of Congo, whose principal activity is oil exploration.
2. Surestream Technical Services Limited, a company incorporated in the British Virgin Islands, whose principal activity is provision of services for oil exploration.
3. Surestream Petroleum (Malawi Holding) Limited, a company incorporated in the British Virgin Islands, whose principal activity is oil exploration. (Divested at reporting date)
4. Surestream Petroleum Limited, a company incorporated in the British Virgin Islands, whose principal activity is oil exploration.
5. Surestream Petroleum (Tanzania) Limited, a company incorporated in the British Virgin Islands, whose principal activity is oil exploration and production.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2.3 INVESTMENTS

Investments in subsidiaries are initially recorded at cost in the Company's statement of financial position. Amounts advanced to subsidiaries are capitalised as part of the investment cost when they form part of the long-term net investment in the subsidiary. Investments are tested for impairment when there is objective evidence of impairment. Any impairment losses are recognised in the income statement in the period they occur.

Equity investments in listed entities are initially recorded at the fair market value based on their trading price in the open market. At each period end their fair value is re-measured based on their market price and the difference in fair value is recognised in the income statement in the period it occurs.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

2.5 FOREIGN CURRENCY TRANSLATION

a) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the parent company and subsidiaries is United States Dollars. The consolidated statements are presented in United States Dollars, which is the Group's presentational currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

The United States Dollar: Pounds Sterling exchange rate at 31 December 2017 was 0.7406 (2016: 0.8109). The average rate during the year was 0.7686 (2016: 0.7438).

2.6 PROPERTY, PLANT AND EQUIPMENT

a) Capitalisation

Property, plant and equipment is stated at historical cost less depreciation less any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery	33⅓% per annum
Furniture, fixtures and equipment	33⅓% per annum
Computer software	33⅓% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

To the extent that a tangible asset is consumed in the development of an intangible asset, the amount reflecting the consumption is capitalised as part of the cost of the related intangible asset.

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment

At each reporting date, the carrying amounts of property, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

c) Assets under construction

The cost of tangible assets under construction includes expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring the asset into use, the overheads attributable to the asset are also capitalised and included in the cost of the asset. No depreciation is charged on assets under construction.

2.7 INTANGIBLE ASSETS – ECONOMIC INTERESTS IN PRODUCING ASSETS

a) Capitalisation

Economic interests (including farm-in agreements) in producing gas fields not operated by the Group are capitalized as intangible assets at fair value at the date of acquisition.

b) Impairment

At each reporting date, the carrying amounts of producing assets are reviewed in line with the remaining reserves and market prices of products to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

c) Amortisation

Amortisation is charged to reduce the carrying value of the asset to its estimated residual value in line with the expected total revenues generated by the asset.

2.8 INTANGIBLE EXPLORATION AND EVALUATION ASSETS

a) Capitalisation

Expenditure which is directly attributable to the exploration and evaluation of oil and gas resources and can be reliably measured is capitalised as intangible exploration and evaluation assets. Capitalised expenditure includes overheads that are directly attributable to exploration and evaluation activities.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capitalised expenditure is allocated to cash generating units on the basis of geographic area. If an exploration project is successful and it is brought into production, the related expenditures are transferred to property, plant and equipment as an oil and gas asset and depleted on a unit of production basis from the date of commencement of commercial production.

Expenditure incurred before the Group has obtained the legal rights to explore a specific area ("pre-licensing costs") are expensed in the year that they are incurred.

b) Impairment

Exploration and evaluation assets are tested for impairment when reclassified to property, plant and equipment or whenever facts and circumstances indicate impairment. An impairment review is undertaken when indicators of impairment arise but typically when one of the following circumstances applies:

- unexpected geological occurrences or negative seismic or drilling results render the resource uneconomic
- title to the asset is compromised
- variations in commodity prices or exchange rates render the project uneconomic
- the Group determines that it no longer wishes to continue to evaluate or develop the property

An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amounts exceed their recoverable amount. The recoverable amount is the higher of the exploration and evaluations assets' fair value less costs to sell and their value in use. Any impairment loss is immediately recognised within the income statement.

The Group's intangible exploration and evaluation assets are currently held in the seven blocks which are classified as separate cash generating units ("CGUs"). Impairment tests are carried out separately on each CGU.

2.9 JOINT VENTURES AND PSAs

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. The Group is engaged in oil and gas exploration through unincorporated joint ventures called Production Sharing Agreements (PSAs).

Since the Group is still in the exploration phase of its operations and has not yet made any commercial discovery, it accounts for its share of assets, liabilities, income and expenditure under PSAs in which it holds an interest, classified under the appropriate headings in the statement of financial position and income statement.

2.10 FINANCIAL ASSETS

The Group classifies its financial assets other than instruments in listed shares as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Group's loans and receivables comprise 'receivables from farm-out partners', 'receivables from related parties', 'other receivables' and 'cash and cash equivalents' included within current assets in the statement of financial position.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks with maturities of less than 3 months.

2.12 SHARE CAPITAL

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

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 TRADE PAYABLES

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 BORROWINGS

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

2.15 TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax relates to income tax levied by the same tax authorities on either:

- the same taxable entity or;
- different taxable entities which intend to settle current tax assets and liabilities on a net basis or to realise and settle them simultaneously in each future period when the significant deferred tax assets and liabilities are expected to be realised or settled.

2.16 OPERATING LEASES

Payments made under operating leases in respect of oil and gas exploration activities are capitalised as intangible exploration and evaluation assets. Payments made under operating leases in respect of corporate and administrative activities are charged to the income statement on a straight-line basis over the period of the lease.

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 PENSION COSTS

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.18 REVENUE

Revenue from gas sales in the year represents the Group's share of oil and gas production sold in the year, net of sales taxes and is recognised when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

2.19 DECOMMISSIONING PROVISION

Provision is made at the start of the life of the producing asset for the decommissioning of oil and gas wells and other oilfield facilities at the end of the life of the asset. The cost of decommissioning is determined at the date the provision is recorded and is reassessed at each balance sheet date. This amount is included within the developed and producing assets by field and the liability is included in provisions. Such cost is depleted over the life of the field on a unit of production basis and charged to the income statement. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated asset.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 GOING CONCERN

An assessment of going concern is made by the directors at the date the directors approve the annual financial statements, taking into account the relevant facts and circumstances at that date including:

- Review of cashflow forecasts for at least one year from approval of these financial statements
- Availability and timing of financing
- Financial and operational risks

As part of their review of the business, the directors examined a 12-month forward looking cash flow forecast of the Group, based on the most likely work programme, to be able to assess the required funding to continue in operational existence including the firm and contingent commitments.

The forecasts indicate that the trade receivables from the Operator in respect of the 25% revenue interest in the North Kiliwani gas field in Tanzania, will allow the Company to meet its ongoing working capital requirements. However, the directors are aware that at the date of signature of the financial statements, Ndovu Resources cannot provide a firm date for the collection of the receivables from the buyer, Tanzania Petroleum Development Corporation ("TPDC"), who have already registered a dispute in the calculation of royalties. Due to this reason, although Ndovu Resources remain confident of their position in the dispute with TPDC, there is a risk that the collection of payments totalling US\$1.19 million may be further delayed. The directors acknowledge that the delay in receipt of this US\$1.19 million is putting great stress over the Company's treasury.

The Company is actively engaged in discussions with a local industrial group in DRC to sell a certain stake in its DRC subsidiary for a cash consideration of US\$500,000, out of which US\$200,000 represents an up-front deposit payment with balance to be paid at the closing after 2 to 3 months. The Company is also in discussions with its shareholders to raise a bridge loan secured against assets while it is continuing discussions with interested companies to either sell some of the assets or enter into a merger transaction. A secured bridge loan facility from a merger candidate is also expected to alleviate the Company's cash position.

On 27 September 2018, Petrolin Trading Limited ("Petrolin"), the largest creditor of the Company, demanded an immediate payment of US\$417,000 against its outstanding loans, to which the Company could only respond by a US\$50,000 repayment. The directors expect that following a second payment of US\$67,000 sourced from the incoming funds from either the DRC disposal or a bridge loan facility, explained above, Petrolin will withdraw their demand and allow time to the directors for restructuring of the business. After this second payment, the directors are confident that Petrolin, being controlled by a major shareholder in the Company, will lead to discussions that may result in either further deferral of the loan repayments or conversion of the loan facility to shares in the Company, in case of a merger transaction. The directors also believe that the Norwegian loan-holders along with the staff and Chief Executive who are all owed amounts would follow Petrolin in converting their dues to equity in that case.

The cash-flow forecasts include non-payment of certain trade payables, following a review by the directors, which concluded that of the US\$2.3 million of trade payables outstanding as at the date this report is written, US\$2.0 million will not be payable at least for the following 12 months as they include disputed amounts.

The Group's fixed office and personnel costs is approximately US\$138,000 per month with a cash outlay of approximately US\$100,000 since the majority of the Chief Executive's remuneration is being deferred at his choice. The directors believe there is further leeway to reduce the monthly cash outlay.

Taking into consideration all of the above facts, the directors have a reasonable expectation that the Group will have sufficient funds available to it to meet planned expenditures when they fall due for the foreseeable future. However, to ensure this, the Directors have agreed to put in strict controls over the Company by monitoring the liabilities closely and allowing undertaking of new obligations on a case-by-case basis only if they are backed by

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

the assets. Such controls involve a strict allocation of any funds raised by the secured loans. All proposed payments for the next three months have been reviewed and approved by the directors in advance since their primary purpose is to progress a transaction or undertaking a restructuring programme.

Based on the above, the directors have decided to adopt the going concern basis for the preparation of the financial statements. The financial statements do not include any adjustments that would result if the Group or Company was unable to continue as a going concern.

3.2 RECOVERABILITY OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

Determining whether an exploration and evaluation asset is impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6 Exploration for and Evaluation of Mineral Resources. If there is any indication of potential impairment, an impairment test is required comparing carrying value to the higher of the exploration and evaluations assets' fair value less costs to sell and their value in use.

The directors' estimates of fair value less costs to sell are based on a number of assumptions and judgements, over which there can be no certainty. These include the ability to attract farm-in partners to the licences based on expressions of interest with third parties and the successful renewal of exploration licenses by local authorities.

In particular, the directors discussed the future plans for the Ndunda licence and decided the total carrying value of US\$3.37 million to be fair based on potential farm-in opportunities still available and their expectations in getting the licence renewal following the conclusion of ENI's reassignment of their participating interest back to Surestream.

The total carrying amount of exploration and evaluation assets at the reporting date was US\$19.30 million (2016: US\$10.12 million) and US\$1.18 million of impairment loss was recognised in the year (2016: no impairment loss).

3.3 FAIR VALUE OF INTANGIBLE ASSETS ACQUIRED

Fair value of the 25% of North Kiliwani gas field, which was acquired through an asset swap transaction that concluded on 9 December 2015, was determined based on an indicative arms length sales transaction announced by Aminex plc (the operator of the field) on 4 April 2016. According to that sales transaction the North Kiliwani gas field was valued at US\$54.2 million, with Surestream's share valued at US\$13.5 million.

4 SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Information is reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segmental performance specifically focussed on geographical segment. As is common in the oil and gas sector, assets and licences and associated costs are maintained in separate ledgers based on geographical location.

The Group's reportable segments under IFRS 8 are therefore as follows;

- Democratic Republic of Congo
- Burundi
- Malawi
- Tanzania
- Zambia

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

4 SEGMENT INFORMATION (continued)

Segment revenues and gross profits

The following is an analysis of the Group's revenues and gross profits from continuing operations by reportable segment. The only revenue generating segment of the Group in 2017 has been Tanzania.

	2017 US\$'000	2016 US\$'000
Revenues from Tanzania gas sales	2,525	1,890
Production costs	(98)	(157)
Amortisation	(1,970)	(1,448)
Total cost of sales	(2,068)	(1,605)
Gross profit	457	285

Segment results

The following is an analysis of the Group's results from continuing operations by reportable segment.

Segment results:

	2017 US\$'000	2016 US\$'000
Democratic Republic of Congo	(93)	(313)
Burundi	-	1,030
Malawi	(13)	100
Tanzania	667	198
Zambia	(1,123)	(5)
Income/(expenses) allocated to segments	564	1,010
Administrative expenses – central overheads	(2,024)	(1,313)
Pre-licensing costs not allocated to existing segments	(308)	(20)
Loss for the year	(2,896)	(323)

Segment results represent the result of each segment without allocation of central administrative costs, investment revenues, finance costs and income tax. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment reporting.

Segment assets and liabilities

Segment assets:

	2017 US\$'000	2016 US\$'000
Democratic Republic of Congo	8,614	8,846
Malawi	227	224
Tanzania	11,641	13,521
Zambia	-	1,065
Total segment assets	20,482	23,656
Unallocated	1,682	1,548
Consolidated assets	22,164	25,204

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4 SEGMENT INFORMATION (continued)

	2017 US\$'000	2016 US\$'000
Segment liabilities:		
Democratic Republic of Congo	(1,343)	(1,846)
Burundi	-	(24)
Malawi	-	-
Tanzania	(424)	(166)
Zambia	(51)	(50)
Total segment liabilities	<u>(1,817)</u>	<u>(2,086)</u>
Unallocated	<u>(7,345)</u>	<u>(7,220)</u>
Consolidated liabilities	<u>(9,162)</u>	<u>(9,306)</u>
Change in non-current assets:		
	2017 US\$'000	2016 US\$'000
Democratic Republic of Congo	(232)	501
Burundi	-	(50)
Malawi	3	54
Tanzania	(1,742)	(1,327)
Zambia	(1,068)	317
Unallocated	<u>1,402</u>	<u>1,364</u>
	<u>1,637</u>	<u>859</u>

No further segmental information is deemed necessary.

5 OPERATING EXPENSES

	2017 US\$'000	2016 US\$'000
Field office costs	-	225
Pre-licensing costs	<u>308</u>	<u>20</u>
	<u>308</u>	<u>245</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
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6 ADMINISTRATIVE EXPENSES AND AUDITOR'S REMUNERATION

	2017 US\$'000	Re-stated 2016 US\$'000
Depreciation and amounts written off property, plant and equipment:		
Charge for the period – owned assets	3	3
Employee salary and benefits expense	909	1,280
Foreign exchange (gains) / losses	81	(131)
Auditor's remuneration – audit services	46	54
Auditor's remuneration – tax services	8	11
Operating lease rentals – office rent	22	77
Contractors	36	44
Legal fees	87	543
Company owned or leased vehicle costs	-	14
Business travel expenses	227	273
Corporate social responsibility projects	-	171
Profit on disposal of tangible assets	-	(11)
Other expenses / (recharges)	247	104
	<u>1,666</u>	<u>2,432</u>

7 EMPLOYEE BENEFIT EXPENSE AND KEY MANAGEMENT EMPLOYMENT COSTS

	2017 No.	2016 No.
The average monthly number of persons (including directors) employed by the Group during the year was:		
Office and management	5	5
Technical	1	1
Field operations	2	2
Corporate social responsibility projects	-	4
	<u>8</u>	<u>12</u>
	2017	2016
Staff costs for the above persons:	US\$'000	US\$'000
Wages and salaries (including all benefits except pension)	769	1,580
Pension costs	121	194
Social security costs	69	154
	<u>962</u>	<u>1,928</u>

The above costs include US\$52,647 (2016: US\$572,906) of wages, salaries and social security costs which were capitalised as additions to intangible exploration and evaluation assets in the year.

KEY MANAGEMENT EMPLOYEES

	2017 US\$'000	2016 US\$'000
In respect of the key management employees (excluding directors) of Surestream Petroleum Limited:		
Emoluments and other benefits	274	649
Pension costs	39	42
	<u>313</u>	<u>691</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
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7 EMPLOYEE BENEFIT EXPENSE AND KEY MANAGEMENT EMPLOYMENT COSTS
(continued)

Key management employees are provided with a severance benefit equal to two years of pay that only becomes due under certain conditions subsequent to a change in control of the Company.

DIRECTORS	2017 US\$'000	2016 US\$'000
In respect of the directors of Surestream Petroleum Limited:		
Emoluments and other benefits	373	729
Pension costs	78	146
Sums paid to third parties for the directors' services	-	16
	<u>451</u>	<u>891</u>

Executive directors are provided with a severance benefit equal to two years of pay that only becomes due under certain conditions subsequent to a change in control of the Company.

Included in the above are fees payable in respect of directors' services provided in the year to companies controlled by or related to directors, as set out in note 30.

Directors emoluments disclosed above include the following payments in respect of the highest paid director:	2017 US\$'000	2016 US\$'000
Emoluments and other benefits	373	693
Pension	78	146
	<u>451</u>	<u>839</u>

The above costs include US\$45,962.63 (2016: US\$458,224) of wages, salaries, pension and social security costs which were accrued but not paid to the highest paid director.

8 OTHER (EXPENSE) / INCOME

	2017 US\$'000	2016 US\$'000
Gain on disposal of intangible asset	-	1,435
Sponsorship income	-	1,189
Gain on revaluation of investment in associates	29	-
	<u>29</u>	<u>2,624</u>

Other income is recorded in respect of the disposal of the Burundi subsidiary and sponsorship income generated for the football academy CSR project in Malawi.

9 FINANCE COSTS

	2017 US\$'000	2016 US\$'000
Interest accrued on short term borrowings	<u>524</u>	<u>555</u>

Surestream Petroleum Limited
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For the year ended 31 December 2017

10 TAXATION

	2017 US\$'000	2016 US\$'000
Current tax:		
UK corporation tax for the year	-	-
Factors affecting tax charge for the year:	2017 US\$'000	2016 US\$'000
The tax assessed for the year is higher than the standard rate of corporation tax in the UK 19.25% (2016: 20%). The differences are explained below:		
Profit/(loss) before tax	(2,896)	(323)
Profit/(loss) multiplied by standard rate of corporation tax in the UK	(557)	(65)
Effects of:		
Expenses not deductible for tax purposes	1,186	34
Income not taxable	-	(2,500)
Transfer pricing adjustments	23	6
Tax losses not recognised in deferred tax	1,687	2,239
Adjustments to deferred tax to average rate	551	286
Tax charge for year	-	-

The Group has approximately US\$27.41 million of tax losses carried forward (2016: US\$25.72 million). A deferred tax asset of US\$5.28 million at 19.25% (2016: US\$4.4 million) in respect of these losses has not been recognised due to uncertainty as to the recoverability of these losses.

11 LOSS OF THE PARENT COMPANY

The parent Company's loss for the year to 31 December 2017 amounted to US\$2.33 million (2016: US\$1.33 million). The Company has taken advantage of the exemption available under the Companies Act from publishing a Company income statement.

12 INVESTMENTS

COMPANY	US\$'000
COST	
At 1 January 2016	43,637
Advances and net recharges to subsidiaries	3,309
Disposals	(12,181)
Cash recovery from subsidiaries	(505)
At 31 December 2016	34,260
Advances and net recharges to subsidiaries	453
Additions	1,397
Disposals	-
Cash recovery from subsidiaries	(2,837)
At 31 December 2017	33,274

Surestream Petroleum Limited
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For the year ended 31 December 2017

12 INVESTMENTS (continued)

PROVISION FOR IMPAIRMENT

At 1 January 2016	(20,993)
Disposals	<u>10,993</u>
At 31 December 2016	<u>(10,000)</u>

Disposals	<u>-</u>
At 31 December 2017	<u>(10,000)</u>

NET BOOK VALUE

At 31 December 2017	<u>23,274</u>
At 31 December 2016	<u>24,260</u>
At 1 January 2016	<u>22,644</u>

Additions to Investments include the fair market value of the 6,247,154 Swala Oil & Gas plc ("Swala") shares, the Group have acquired on 23 October 2016. This transaction was closed on 7 February 2017. Swala Oil & Gas (Tanzania) plc is a public company listed in Dar Es Salaam Stock Exchange under the symbol SWALA.

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name of subsidiary	Place of incorporation	Registered office address	Ownership interest	Voting power	Principal activity
Surestream RDC Sarl	Democratic Republic of Congo	Boulevard du 30 Juin BCDC Building 12th Floor, No 2 Gombe, Kinshasa	99.99%	100%	Oil exploration
Surestream Petroleum (Malawi Holding) Limited	British Virgin Islands	Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola	100%	100%	Oil exploration
Surestream Technical Services Limited	British Virgin Islands	Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola	100%	100%	Technical services
Surestream Petroleum Limited	British Virgin Islands	Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola	100%	100%	Oil exploration
Surestream Football Academy Limited	Republic of Malawi	Plot No. 43/2/1 Lilongwe	100%	100%	Corporate social responsibility project
Surestream Petroleum (Tanzania) Limited	British Virgin Islands	Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola	100%	100%	Oil exploration and production

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
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13 AMOUNTS DUE TO SUBSIDIARIES

COMPANY	US\$'000
At 31 December 2015	12,982
Advances and recharges to subsidiaries	(1,116)
Cash recovery and recharges from subsidiaries	2,567
At 31 December 2016	<u>14,433</u>
Advances and recharges to subsidiaries	(18)
At 31 December 2017	<u>14,415</u>

14 INTANGIBLE ASSETS

GROUP	Economic interest in producing assets US\$'000	Oil and gas exploration and evaluation assets US\$'000	Total US\$'000
COST			
At 1 January 2016	13,540	28,321	41,861
Additions	21	900	921
Disposals	-	(9,100)	(9,100)
Depletion of producing asset	(1,348)	-	(1,348)
At 31 December 2016	<u>12,213</u>	<u>20,121</u>	<u>32,334</u>
Additions	-	321	321
Disposals	-	(500)	(500)
Reclassifications	(9,550)	9,550	-
Depletion of producing asset	(1,742)	-	(1,742)
At 31 December 2017	<u>921</u>	<u>29,492</u>	<u>30,413</u>
PROVISION FOR IMPAIRMENT			
At 1 January 2016	-	(19,099)	(19,099)
Reversal of provisions	-	9,100	9,100
At 31 December 2016	-	(9,999)	(9,999)
Provisions	-	(1,118)	(1,118)
At 31 December 2017	-	<u>(11,117)</u>	<u>(11,117)</u>
NET BOOK VALUE			
At 31 December 2017	<u>921</u>	<u>18,375</u>	<u>19,296</u>
At 31 December 2016	<u>12,213</u>	<u>10,122</u>	<u>22,335</u>
At 1 January 2016	<u>13,540</u>	<u>9,221</u>	<u>22,761</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

14 INTANGIBLE ASSETS (continued)

Impairment test for exploration and evaluation assets

Each year the Group undertakes a review of the carrying value of exploration and evaluation assets to determine if there are any indications of triggers that may have led to these assets suffering an impairment loss. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist, for example, based on the results of geological and geophysical studies, aerial and surface seismic data interpretation, drilling, change in oil prices and a review of political risk. The cash generating units (CGUs) on which impairment is tested are the Group's petroleum exploration licences, namely, Yema and Matamba-Makanzi ("YMM") and Ndunda in DRC, Block 2 and Block 3 in Malawi and Block 42 in Zambia.

The total carrying value of intangible assets at year-end includes US\$3.13 million in respect of the Ndunda Production Sharing Agreement ("PSA"), which is pending for renewal for a new 5-year term by the DRC Government since 29 June 2011. Management considers the total carrying value of US\$8.6 million to be the fair value of the DRC assets after deduction of the costs of disposal based on potential farm-in opportunities and their expectations in respect of the likelihood of receiving the Ndunda licence renewal in the short term following the withdrawal of ENI.

On 23 October 2016 the Group agreed to sell the Burundi assets to Swala Oil & Gas plc ("Swala") in exchange of 6,247,154 fully paid ordinary shares of Swala, representing 6.25% of its issued share capital. The transaction was closed on 7 February 2017. Swala Oil & Gas (Tanzania) plc is a public company listed in Dar Es Salaam Stock Exchange under the symbol SWALA.

Operator of the Kiliwani North gas field reported a reclassification from plant, property and equipment to exploration and evaluation assets due to downgrade of the reserves. In line with this, the Group also reclassified costs of US\$9.55 million from plant, property and equipment to exploration and evaluation assets.

On 8 June 2018, the Ministry of Mines and Mineral Development revoked the Block 42 exploration licence due to the Group not commencing the exploration activities. Given the high capital requirements and difficulties with access to the licence acreage, the Group decided not to contend the Ministry's decision and exit Zambia. Accordingly, an impairment provision of US\$1.18 million was recorded as the reporting date.

Surestream Petroleum Limited
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For the year ended 31 December 2017

15 PROPERTY, PLANT AND EQUIPMENT

GROUP	Plant and machinery	Furniture, fixtures and equipment	Computer software	Total
	US\$'000	US\$'000	US\$'000	US\$'000
COST				
At 1 January 2016	2,734	239	183	3,156
Additions	-	-	-	-
Disposals	(2,310)	(39)	-	(2,349)
At 31 December 2016	424	200	183	807
Additions	-	6	2	8
Disposals	-	(2)	-	(2)
At 31 December 2017	424	204	185	814
DEPRECIATION				
At 1 January 2016	493	203	183	879
Charged in the year	-	4	-	4
Disposals	(69)	(11)	-	(80)
At 31 December 2016	424	196	183	803
Charged in the year	-	3	0	3
Disposals	-	(2)	-	(2)
At 31 December 2017	424	198	183	805
PROVISIONS FOR IMPAIRMENT				
At 1 January 2016	(2,191)	-	-	(2,191)
Provisions reversal	2,191	-	-	2,191
At 31 December 2016	-	-	-	-
Provisions reversal	-	-	-	-
At 31 December 2017	-	-	-	-
NET BOOK VALUE				
At 31 December 2017	-	6	2	8
At 31 December 2016	-	4	-	4
At 1 January 2016	50	36	-	86

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Plant and machinery included the cost of refurbishing a chartered research vessel (R/V Tanganyika Explorer) to make it fit for acquisition of marine seismic data over the Burundi exploration licences of the Group and included a support boat, which was fabricated in the United Kingdom. On 27 February 2016, the Group transferred out of Burundi, a significant portion of the plant and machinery that was purchased for the refurbishment project of the Tanganyika Explorer research vessel. Net realisable value of the plant and machinery was determined to be US\$80,000 and this value was reclassified to fixed assets held for sale.

COMPANY	Furniture, fixtures and equipment US\$'000	Computer software US\$'000	Total US\$'000
COST			
At 1 January 2016	200	183	383
Additions	-	-	-
Disposals	-	-	-
At 31 December 2016	200	183	383
Additions	6	2	8
Disposals	(2)	-	(2)
At 31 December 2017	204	185	389
DEPRECIATION			
At 1 January 2016	193	183	376
Charged in the year	3	-	3
Disposals	-	-	-
At 31 December 2016	196	183	379
Charged in the year	3	0	3
Disposals	(2)	-	(2)
At 31 December 2017	198	183	381
NET BOOK VALUE			
At 31 December 2017	6	2	8
At 31 December 2016	4	-	4
At 1 January 2016	7	-	7

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
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16 ASSETS HELD FOR SALE

	2017 US\$'000	2016 US\$'000
GROUP AND COMPANY		
Material and equipment	<u>80</u>	<u>80</u>

Assets held for sale include the material and equipment that were purchased for the Burundi seismic project and now held for sale following the abandonment of the project. The amount reflects the net realizable value of the items.

17 TRADE AND OTHER RECEIVABLES

	2017 US\$'000	2016 US\$'000
GROUP		
Due within one year:		
Trade and other receivables	1,172	1,311
Prepayments	31	38
Receivables in respect of other tax and social security	25	20
Other receivables	<u>94</u>	<u>1,413</u>
	<u>1,322</u>	<u>2,782</u>

The carrying amount of receivables is deemed equal to their fair value due to their short term nature.

	2017 US\$'000	2016 US\$'000
COMPANY		
Prepayments	31	38
Receivables in respect of other tax and social security	25	20
Other receivables	<u>96</u>	<u>1,417</u>
	<u>152</u>	<u>1,475</u>

The carrying amount of receivables is deemed equal to their fair value due to their short term nature.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable. The Group does not hold any collateral as security.

The carrying amounts of receivables (excluding amounts held in USD) are denominated in the following currencies:

	2017 US\$'000	2016 US\$'000
GROUP		
United Arab Emirates Dirham	19	19
GB Pound	<u>99</u>	<u>21</u>
	<u>118</u>	<u>40</u>

	2017 US\$'000	2016 US\$'000
COMPANY		
United Arab Emirates Dirham	19	19
GB Pound	<u>99</u>	<u>21</u>
	<u>118</u>	<u>40</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

18 CASH AND CASH EQUIVALENTS

	2017 US\$'000	2016 US\$'000
GROUP		
Cash at bank and in hand	<u>61</u>	<u>3</u>
	2017 US\$'000	2016 US\$'000
COMPANY		
Cash at bank and on hand	<u>59</u>	<u>3</u>

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

The Group has no amounts pledged as security in support of bank guarantees.

All of the Group's cash and cash equivalents at 31 December 2017 are held in United States Dollars except for US\$23,717, US\$3,712 and US\$64 (2016: US\$402, US\$142 and US\$64) held in United Arab Emirates Dirhams, GB Pounds and Malawi Kwachas respectively.

All of the Company's cash and cash equivalents at 31 December 2017 are held in United States Dollars except for US\$23,717 and US\$3,712 (2016: US\$402 and US\$142) held in United Arab Emirates Dirhams and GB Pounds respectively.

19 TRADE AND OTHER PAYABLES

	2017 US\$'000	2016 US\$'000
GROUP		
Trade payables	2,012	2,259
Other tax and social security	73	24
Other payables	40	95
Accruals	<u>911</u>	<u>1,483</u>
	<u>3,036</u>	<u>3,861</u>
	2017 US\$'000	2016 US\$'000
COMPANY		
Trade payables	673	1,062
Other tax and social security	72	23
Other payables	40	92
Accruals	<u>680</u>	<u>711</u>
	<u>1,465</u>	<u>1,888</u>

The carrying amounts of trade and other payables are deemed equal to their fair value due to their short term nature.

Within trade payables there are amounts due to related parties as disclosed in note 30.

The carrying amounts of trade and other payables (excluding USD) are denominated in the following currencies:

	2017 US\$'000	2016 US\$'000
GROUP		
United Arab Emirates Dirham	3	6
Euro	131	232
GB Pound	<u>1,269</u>	<u>1,491</u>
	<u>1,403</u>	<u>1,729</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

19 TRADE AND OTHER PAYABLES (continued)

	2017 US\$'000	2016 US\$'000
COMPANY		
United Arab Emirates Dirham	3	6
Euro	131	232
GB Pound	1,269	1,491
	<u>1,403</u>	<u>1,729</u>

20 SHORT-TERM FINANCIAL LIABILITIES

	2017 US\$'000	2016 US\$'000
GROUP AND COMPANY		
Loans from related parties	5,870	5,346
	<u>5,870</u>	<u>5,346</u>

On 30 October 2013, the Company raised US\$368,221 from an unsecured loan placement subscribed by seven lenders, who are existing shareholders, for a two-month term at 1% interest per month and 1.5% default interest beyond final repayment date of 5 December 2013. At 31 December 2017, the amount due on this loan was US\$552,354 (2016: US\$508,167) including US\$184,133 (2016: US\$139,946) of interest.

On 26 September 2014, the Company entered into a Line of Credit Agreement with one of its shareholders, Petrolin Trading Limited ("Petrolin"), by which Petrolin agreed to provide unsecured loans to the Company up to an aggregate amount of US\$4 million, repayable within 1 year and bearing 1% interest per month. The amounts drawn down from the loan facility in 2014 and 2015 were US\$ 2.95 million and US\$1.05 million respectively. During the months of November and December 2015, the Company repaid US\$180,000 against the accrued interest of the loan based on the agreement the Company reached with Petrolin on 28 October 2015. At 31 December 2017, the amount due on this loan was US\$5,317,503 (2016: US\$4,837,503) including US\$1,317,503 of interest (2016: US\$837,503).

21 DECOMMISSIONING PROVISION

GROUP	
At 1 January 2016	-
Additions	99
At 31 December 2016	<u>99</u>
Additions	157
At 31 December 2017	<u>256</u>

Decommissioning costs are expected to be incurred over the remaining life of the producing well in Tanzania, which is estimated to be between 2021 and 2025. The provision for decommissioning is reviewed annually.

Surestream Petroleum Limited
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22 SHARE CAPITAL

GROUP AND COMPANY	2017 US\$'000	2016 US\$'000
Authorised:		
107,600,000 (2016: 107,600,000) ordinary shares of 0.01p each	20	20
13,000,000 (2016: 13,000,000) preference shares of 0.01p each	3	3
	<u>23</u>	<u>23</u>
Allotted, issued and fully paid:		
106,710,201 (2016: 106,710,201) ordinary shares of 0.01p each	19	19
6,000,000 (2016: 6,000,000) preference shares of 0.01p each	1	1
	<u>20</u>	<u>20</u>
Allotted, fully paid but not issued:		
5,446,465 (2016: nil) ordinary shares of 0.01p each to be issued	545	545
	<u>545</u>	<u>545</u>

Movements in share capital

Shares to be issued

Between June and November 2016, the Company raised US\$514,278 from unsecured loan placements subscribed by a group of existing shareholders. The loans were raised as bearing 1% interest per month until 31 December 2016. The Company had the option to either settle the loans by 31 December 2016 or convert them to ordinary shares at 10 cents per share on 1 January 2018. At the maturity date the Company decided to convert the loans to ordinary shares on 1 January 2018. At 31 December 2016, the amount due on the loans were US\$544,647 including US\$30,369 of interest resulting in 5,446,465 ordinary shares to be issued to loan holders on 1 January 2018. These loans were converted to shares and new share certificates were issued to loan holders on 30 January 2018.

Preference share capital

The preference shares vote together with the ordinary shares on an as-converted basis, and not as a separate class.

The preference shares do not confer on the holders any further rights to participate in the profits or assets of the Company that are superior to the rights of the ordinary shares.

In the event of any liquidation, dissolution or winding up of the Company, the proceeds first are paid to the holders of the preference shares in an amount equal to the subscription price originally paid with respect to such preference shares, plus any accrued dividends thereon. Thereafter, the proceeds which remain after the payment to the preference shares as described above, are paid to the holders of the ordinary shares in full.

23 SHARE PREMIUM ACCOUNT

GROUP AND COMPANY	2017 US\$'000	2016 US\$'000
At 1 January and 31 December	<u>55,206</u>	<u>55,206</u>

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
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24 ACCUMULATED DEFICIT

	2017 US\$'000	2016 US\$'000
GROUP		
At 1 January	(39,873)	(39,550)
Loss for the year	(2,896)	(323)
At 31 December	<u>(42,769)</u>	<u>(39,873)</u>

	2017 US\$'000	2016 US\$'000
COMPANY		
At 1 January	(51,616)	(50,283)
Loss for the year	(2,332)	(1,333)
At 31 December	<u>(53,948)</u>	<u>(51,616)</u>

25 CASH FLOWS FROM OPERATING ACTIVITIES

	2017 US\$'000	2016 US\$'000
GROUP		
Loss before taxation	(2,896)	(323)
Adjustments for:		
Finance expense	524	555
Depreciation	1	3
Amortisation	1,742	1,447
Impairment of assets – intangible	1,118	-
Gain on disposal of intangible assets	-	(1,368)
Gain on disposal of property, plant and equipment	-	(10)
Effects of exchange rate changes	-	(113)
Decrease/(increase) in receivables	1,460	(2,578)
(Decrease)/increase in payables	(668)	484
(Increase) in fixed assets held for sale	-	(80)
CASH USED IN OPERATIONS	<u>1,282</u>	<u>(1,983)</u>

	2017 US\$'000	2016 US\$'000
COMPANY		
Loss before taxation	(2,332)	(1,333)
Adjustments for:		
Finance expense	524	555
Depreciation	1	3
Effects of exchange rate changes	-	(114)
Gain on disposal of investments	-	(1,368)
Decrease/(increase) in receivables	1,324	(1,356)
(Decrease)/increase in payables	(423)	1,053
(Increase) in fixed assets held for sale	-	(80)
CASH USED IN OPERATIONS	<u>(906)</u>	<u>(2,640)</u>

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 FINANCIAL INSTRUMENTS

GROUP

The Group's activities expose it to a variety of financial risks, including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Capital risk management

The objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Group's capital comprises of cash and equity attributable to owners of the parent (share capital, share premium, share based payment reserve and retained earnings). In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Group plans to monitor capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. At 31 December 2017, gearing ratio of the Group was 55% (2016: 40%).

Categories of financial instrument

	Loans and receivables	
	2017 US\$'000	2016 US\$'000
Assets as per statement of financial position		
Other receivables (excluding prepayments)	1,292	2,744
Cash and cash equivalents	61	3
	<u>1,353</u>	<u>2,747</u>
	Liabilities at amortised cost	
	2017 US\$'000	2016 US\$'000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	2,963	3,838
Short-term financial liabilities	5,870	5,346
	<u>8,833</u>	<u>9,184</u>

Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, with respect to the GB Pound, the Euro, the Malawian Kwacha, and the United Arab Emirates Dirham. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Currencies are purchased at the prevailing exchange rate on the day the foreign currency is required. The Company funds are not switched between currencies for speculative reasons unless the directors request this due to their expectations of foreign exchange rate movements. The Group does not currently hedge its cash flows as the directors do not believe this to be appropriate given the amounts involved, but this is continually under review and may change depending on the Group's currency exposure and economic conditions.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 FINANCIAL INSTRUMENTS (continued)

At 31 December 2017, if the US Dollar had strengthened by 10% against the Group's foreign currencies with all other variables held constant, post-tax profit for the year would have been US\$125,727 higher (2016: US\$168,747 higher), as a result of foreign exchange gains/losses on translation of GB Pound, Euro, United Arab Emirates Dirham and Malawi Kwacha denominated payables and receivables.

The directors believe net foreign currency risk is at an acceptable level.

Interest rate risk

Interest rate risk is not considered significant, as the Group currently does not have any significant liabilities other than its short term loan that accrue interest at fixed rate. There is very insignificant exposure to cash flow interest rate risk on the funds held in variable interest rate bank accounts. The average variable interest rate during 2017 was 0.01% (2016: 0.01%).

At 31 December 2017, if interests rates had been 0.5% higher with all other variables held constant, post-tax profit for the year would have been US\$1,052 higher (2016: US\$930 higher).

The directors believe cash flow and interest rate risk is at an acceptable level.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation, resulting in a financial loss to the Group. Credit risk is considered by geography, counterparty and currency, and arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables relating to services paid in advance. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The majority of the Group's cash is held with National Bank of Fujairah in the United Arab Emirates and HSBC Bank in the United Kingdom. National Bank of Fujairah has a credit rating of BAA1 and HSBC UK has a credit rating of AA2. As at 31 December 2017, the concentration of credit risk held in the United Arab Emirates with National Bank of Fujairah was US\$46,536 (2016: US\$2,465) and with HSBC Bank UK was US\$5,677 (2016: US\$142). There are no other significant concentrations of credit risk at the reporting date.

The directors believe credit risk is at an acceptable level.

Liquidity risk

The Group's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations without the need to carry significant net debt. At 31 December 2017, the Group has short term loans of US\$5,869,857 (2016: US\$5,890,317) accruing 1% simple interest per month (12% per annum).

Cash flow forecasting is undertaken on a weekly basis and the weekly forecast is circulated to the key management including two directors. Any free funds identified are invested in short-term deposits.

All financial liabilities are contracted to mature within one year.

The directors believe liquidity risk is at an acceptable level.

Fair value estimation

The carrying value of assets and liabilities is considered equal to their fair value due to their short term nature.

Maturity of financial assets and liabilities

All of the Group's financial liabilities and financial assets are either payable or receivable within one year.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

26 FINANCIAL INSTRUMENTS (continued)

COMPANY

The Company's activities expose it to a variety of financial risks, including market risk (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Capital risk management

The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital.

The Company's capital comprises cash and equity attributable to owners of the parent (share capital, share premium, share based payment reserve and retained earnings). In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

Consistent with others in the industry, the Company plans to monitor capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. At 31 December 2017, gearing ratio of the Company was 376% (2016: 137%).

Categories of financial instrument

	Loans and receivables	
	2017	2016
	US\$'000	US\$'000
Assets as per statement of financial position		
Other receivables (excluding prepayments)	121	1,437
Cash and cash equivalents	59	3
	<u>180</u>	<u>1,440</u>
	Liabilities at amortised cost	
	2017	2016
	US\$'000	US\$'000
Liabilities as per statement of financial position		
Trade and other payables (excluding statutory liabilities)	1,393	1,865
Short-term financial liabilities	5,870	5,346
	<u>7,263</u>	<u>7,211</u>

Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, with respect to the GB Pound, the Euro, the Malawi Kwacha, and the United Arab Emirates Dirham. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Currencies are purchased at the prevailing exchange rate on the day the foreign currency is required. The Company funds are not switched between currencies for speculative reasons unless the directors request this due to their expectations of foreign exchange rate movements. The Company does not currently hedge its cash flows as the directors do not believe this to be appropriate given the amounts involved, but this is continually under review and may change depending on the Company's currency exposure and economic conditions.

Surestream Petroleum Limited

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL INSTRUMENTS (continued)

At 31 December 2017, if the US Dollar had strengthened by 10% against the Company's foreign currencies with all other variables held constant, post-tax profit for the year would have been US\$125,772 higher (2016: US\$168,792 higher), as a result of foreign exchange gains/losses on translation of GB Pound, Euro, United Arab Emirates Dirham, and Malawi Kwacha denominated payables and receivables.

The directors believe net foreign currency risk is at an acceptable level.

Interest rate risk

Interest rate risk is not considered significant, as the Company currently does not have any significant liabilities other than its short term loan that accrue interest. There is some insignificant exposure to cash flow interest rate risk on the funds held in variable interest rate bank accounts. The average variable interest rate during 2017 was 0.01% (2016: 0.01%).

At 31 December 2017, if interests rates had been 0.5% higher with all other variables held constant, post-tax profit for the year and equity would have been US\$1,052 higher (2016: US\$930 higher).

The directors believe cash flow and interest rate risk is at an acceptable level.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation, resulting in a financial loss to the Group. Credit risk is considered by geography, counterparty and currency, and arises from cash and cash equivalents, deposits with banks and financial institutions, as well as outstanding receivables relating to services paid in advance. The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The majority of the Company's cash is held with National Bank of Fujairah in the United Arab Emirates and HSBC Bank in the United Kingdom. National Bank of Fujairah has a credit rating of BAA1 and HSBC UK has a credit rating of AA2. As at 31 December 2017, the concentration of credit risk held in the United Arab Emirates with National Bank of Fujairah was US\$46,536 (2016: US\$2,465) and with HSBC Bank UK was US\$5,677 (2016: US\$142). There are no other significant concentrations of credit risk at the reporting date.

The directors believe credit risk is at an acceptable level.

Liquidity risk

The Company's policy on liquidity risk is to ensure that sufficient cash is available to fund on-going operations without the need to carry significant net debt. At 31 December 2017, the Company has short term loans of US\$5,869,857 (2016: US\$5,890,317) accruing 1% simple interest per month (12% per annum).

Cash flow forecasting is undertaken on a weekly basis and the weekly forecast is circulated to the key management including two directors. Any free funds identified are invested in short-term deposits.

All financial liabilities are contracted to mature within one year.

The directors believe liquidity risk is at an acceptable level.

Fair value estimation

The carrying value of assets and liabilities is considered equal to their fair value due to their short term nature.

Maturity of financial assets and liabilities

All of the Company's financial liabilities and financial assets are either payable or receivable within one year, apart from amounts due from subsidiaries.

Surestream Petroleum Limited
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27 FINANCIAL COMMITMENTS AND CONTINGENCIES

The Group's financial commitments are in respect of the petroleum exploration agreements it has entered into with the Governments of the Democratic Republic of Congo, Malawi, Zambia and also the Farm-out and Economic Interest Agreements it has entered into with its partner in Tanzania. A summary of the Group's estimated net outstanding commitments as at 31 December 2016, based on minimum work programmes agreed with the partner and host governments is provided below:

GROUP	2017 US\$'000	2016 US\$'000
No later than 1 year	1,180	1,030
No later than 5 years	<u>17,820</u>	<u>23,970</u>
	<u>19,000</u>	<u>25,000</u>

28 OPERATING LEASE COMMITMENTS

The Group leases land and buildings under operating lease agreements. As at 31 December 2017 the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

GROUP	2017 US\$'000	2016 US\$'000
No later than 1 year	38	38
No later than 5 years	<u>4</u>	<u>20</u>
	<u>42</u>	<u>58</u>
COMPANY	2017 US\$'000	2016 US\$'000
No later than 1 year	<u>22</u>	<u>22</u>

During the year, US\$18,780 was capitalised under oil and gas exploration assets in relation to operating lease rentals (2016: US\$8,769).

29 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party due to the company's shareholding structure.

Surestream Petroleum Limited
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30 RELATED PARTY TRANSACTIONS

GROUP AND COMPANY

Remuneration of directors and key management personnel is disclosed in note 7.

<i>Tanganyika Invest s.u. a shareholder of the Company, a company in which Pierre Achach, a resigned director of the Company has an interest</i>	2017 US\$'000	2016 US\$'000
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Amounts billed for service fees	-	16
Amounts claimed for expenses	-	1
Amounts outstanding at the year end	<u>-</u>	<u>-</u>

<i>Christopher Pitman, a shareholder and director of the Company</i>	2017 US\$'000	2016 US\$'000
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in respect of the business related advance and expenses

Amounts claimed for expenses	336	234
Amounts outstanding at the year end	<u>38</u>	<u>40</u>

in respect of interest-free loans owed to Company

Amounts outstanding at the year end	<u>70</u>	<u>-</u>
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<i>Reidar Michaelsen, a director of the Company</i>	2017 US\$'000	2016 US\$'000
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Amounts paid for expenses	1	3
Amounts outstanding at the year end	<u>-</u>	<u>1</u>

<i>Geary LSF Group, Inc. a company in which Pierre Achach, a resigned director of the Company has an interest</i>	2017 US\$'000	2016 US\$'000
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Amounts billed for office lease and other service fees	-	56
Amounts outstanding at the year end	<u>125</u>	<u>125</u>

No interest has been applied to the advances given to the directors related to business expenses.

COMPANY

Receivables due from / (payables due to) subsidiaries:

	2017 US\$'000	2016 US\$'000
Surestream RDC Sarl	19,682	19,317
Surestream Technical Services Limited	(2,136)	(2,138)
Surestream Petroleum (Malawi Holding) Limited	(12,278)	(12,294)
Surestream Petroleum Limited (BVI)	1,030	973
Surestream Petroleum (Tanzania) Limited	10,991	13,797
	<u>17,289</u>	<u>19,655</u>

The amounts receivable from subsidiaries are capitalised as part of the investment in the subsidiaries. During the year the Company provided funding and recharged costs to the subsidiaries.

Surestream Petroleum Limited
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

30 RELATED PARTY TRANSACTIONS (continued)

Movement of impairment provisions against receivable from subsidiaries:

	2017 US\$'000	2016 US\$'000
At 1 January	(10,000)	(20,993)
Surestream RDC Sarl	-	-
Surestream Petroleum (Burundi) Limited	-	10,993
At 31 December	<u>(10,000)</u>	<u>(10,000)</u>

31 EVENTS AFTER THE REPORTING PERIOD

On 8 June 2018, the Ministry of Mines and Mineral Development revoked the Block 42 exploration licence due to the Group not commencing the exploration activities. Given the high capital requirements and difficulties with access to the licence acreage, the Group decided not to contend the Ministry's decision and exit Zambia. Accordingly, an impairment provision of US\$1.18 million was recorded as the reporting date.

On 22 July 2018, the Group entered into an agreement with Hamra Oil Holdings Limited to sell its Malawi subsidiary holding 20% participating interest in the Malawi Block 2 and Block 3 Prospecting Licences for a cash consideration of US\$1 million. Consequently, the Group exited Malawi.