Surestream
PETROLEUM

**Surestream Petroleum Limited**

**REPORT AND FINANCIAL STATEMENTS**
**for the year ended**
**31 December 2018**

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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 ("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 activity of Surestream Petroleum Limited and its subsidiaries (the "Group") are holding non-operated oil and gas licences in the Democratic Republic of the Congo ("DRC") and Tanzania.

## REVIEW OF THE BUSINESS

### Democratic Republic of the Congo

During 2018, the Group maintained its representative office in Kinshasa with one full time staff at minimal cost and incurred US$182,640 in administrative costs and legal fees for the DRC assets (2017: US$267,504).

On 18 December 2018, the Group entered into an agreement with a buyer in DRC to sell 72% of the outstanding shares of its DRC subsidiary for a total consideration of US$500,000. As a result of this transaction, the net carrying value of the DRC assets were reduced to US$700,000 from US$8.8 million.

### Yema and Matamba-Makanzi ("YMM") Production Sharing Agreement ("PSA")

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

### Ndunda PSA

Following ENI announcement of their voluntary withdrawal from the operatorship of the Ndunda licence on 25 March 2015, the Company engaged in discussions with ENI and the DRC Administration to take back ENI's participating interest and the operatorship. These discussions have still not resulted and the DRC Government's approval to commence the second exploration period is still pending.

### 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 followed by the transfer of a further 29% 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.

### Zambia

The Group was awarded the Block 42 Petroleum Exploration Licence on 2 December 2013. 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.

### 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 2018, the Group could not receive (2017: US$2.87 million) any cash payments from the Kiliwani North gas production.

**FINANCING**

The Group's operations in 2018 were funded by the disposal of the Malawi assets and shareholder loans.

**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. However, the Board do not believe it is viable to continue trying to develop new opportunities without firm financing in place and it is considered highly unlikely that sufficient funds can raised through equity issuance to settle the company's outstanding creditors and continue in business. In addition, the reduction in operating costs has resulted in a severe reduction in the Group's capabilities to continue in business. Therefore, the directors will focus on either identifying opportunities to merge with other complimentary businesses or continue to divest of the current interests to raise funds to both settle the creditors and return remaining funds to shareholders.

**EVENTS AFTER THE REPORTING PERIOD**

On 18 December 2018, the Group entered into an agreement with a buyer in DRC to sell 72% of the outstanding shares of its DRC subsidiary in exchange of US$500,000. Last payment in respect of this transaction was received on 8 June 2019 and the transfer of shares are pending to be registered.

**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.

**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

11th November 2019

The directors submit their report and the consolidated financial statements of Surestream Petroleum Limited ("the Company") for the year ended 31 December 2018.

**PRINCIPAL ACTIVITY**

The principal activity of Surestream Petroleum Limited and its subsidiaries (the "Group") are holding non-operated oil and gas licences in the Democratic Republic of the Congo ("DRC") and Tanzania.

**GOING CONCERN**

The Company has continued to suffer recurring losses from operations and as a result, substantial doubt exists about the company's ability to continue as a going concern as noted in the preceding section under 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 until either a merger and restructuring of the business is completed. The management are also addressing other opportunities for value realisation through a break-up of the Group.

As part of their review of the business, the directors examined a quarter forward looking cash flow forecast of the Group, based on the most likely schedule of work needed to achieve a restructuring which will allow settlement of outstanding creditors with the possible exception of the long term shareholder loans held by Petrolin Group and several individual shareholders and part of the long term outstanding salary payments due to the Chief Executive under the conditions of his employment agreement. It is proposed that the settlement of these long term loans and outstanding emoluments will occur through a debt equity exchange at the time of either a merger or divestment of the holding entity.

Since May 2019, the directors receive weekly detailed updates on the ongoing identified corporate liquidation options to ensure full compliance under the UK Insolvency Act. No new financial obligations have been assumed since this period. In September 2019, the Group received a $100,000 loan from four shareholder. This loan, together with expected payment of an outstanding legal invoice by RAK Gas of $41,000, allows the Group to close negotiations with regard to either liquidating the assets or undertaking a corporate merger. To comply with the Insolvency Act, these proceeds enable reimbursement of the daily running costs and those associated with the closure of a transaction to liquidate sufficient funds to repay the Group's creditors. The directors believe that these funds are sufficient to formalise the a transaction by January 2020 providing there are no unforeseen events or repayment demands leading to the directors having to take formal insolvency measures.

On 7th August 2019, the Group executed a Non-Disclosure Agreement with a publicly listed company with interests in Africa. As at the 11th November 2019, there has been no formal offer or any identified transaction, although due diligence and technical evaluation by the potential acquirer are ongoing. Additionally the Company has also received verbal interest from businesses interested in acquiring the remaining shares in its DRC subsidiary – Surestream Petroleum RDC and also for its Kiliwani Interest Economic Interest Agreement. As at the 11th November 2019, no formal offers have been received. In the event of a corporate merger not proceeding, funds derived from the sale of these interests could be used to repay the outstanding creditors. The remaining company with its tax losses position has potential value for any cash generative petroleum companies seeking tax shelter. The directors have had discussions with bankers to identify possible candidate companies domiciled in England and Wales.

The directors have concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the company's ability to trade as a going concern and that, therefore the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, considering the uncertainties described above, the directors have a reasonable expectation that Group has adequate resources to allow for either an asset divestment or corporate transaction as a going concern. For these reasons, the directors continue to

adopt the going concern basis of accounting in preparing the annual financial statements of this accounting period but do not include any adjustments that might result from the outcome of this uncertainty.

**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.

**AUDIT**

For the year ended 31 December 2018, 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

11th November 2019

# Surestream Petroleum Limited
## CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

| | *Notes* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| Revenue | 4 | 20 | 2,689 |
| Cost of sales | 4 | (858) | (1,997) |
| GROSS PROFIT | | (838) | 692 |
| Operating expenses – pre-licensing costs | 5 | (194) | (308) |
| Administrative expenses | 6 | (1,441) | (1,666) |
| Impairment of exploration assets – intangible | 14 | (8,080) | (1,118) |
| Other income | 8 | 721 | 29 |
| OPERATING (LOSS)/PROFIT | | (9,833) | (2,371) |
| Finance costs | 9 | (552) | (524) |
| LOSS BEFORE TAXATION | | (10,385) | (2,896) |
| Taxation | 10 | - | - |
| LOSS FOR THE FINANCIAL YEAR | 24 | (10,385) | (2,896) |

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 14 to 40 are an integral part of these financial statements.

# Surestream Petroleum Limited

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018 Company Registration No. 5238607

| | *Notes* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 14 | 11,157 | 19,296 |
| Investments in associates | 12 | 1,331 | 1,397 |
| Property, plant and equipment | 15 | 4 | 8 |
| TOTAL NON-CURRENT ASSETS | | 12,492 | 20,701 |
| CURRENT ASSETS | | | |
| Assets held for sale | 16 | - | 80 |
| Trade and other receivables | 17 | 1,407 | 1,322 |
| Cash and cash equivalents | 18 | 6 | 61 |
| TOTAL CURRENT ASSETS | | 1,413 | 1,463 |
| TOTAL ASSETS | | 13,905 | 22,164 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 22 | 21 | 20 |
| Share premium | 23 | 55,763 | 55,206 |
| Shares to be issued | 22 | - | 545 |
| Accumulated deficit | 24 | (53,153) | (42,769) |
| TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT | | 2,631 | 13,002 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Decommissioning provision | 21 | 257 | 256 |
| TOTAL NON-CURRENT LIABILITIES | | 257 | 256 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 4,453 | 3,036 |
| Short-term financial liabilities | 20 | 6,564 | 5,870 |
| TOTAL CURRENT LIABILITIES | | 11,017 | 8,906 |
| TOTAL LIABILITIES | | 11,274 | 9,162 |
| TOTAL EQUITY AND LIABILITIES | | 13,905 | 22,164 |

For the year ended 31 December 2018, 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 14 to 40 are an integral part of these financial statements. The financial statements on pages 7 to 40 were approved and authorised for issue by the Board on 11th November 2019 and were signed on its behalf by

Christopher N. Pitman
Chief Executive Officer

# Surestream Petroleum Limited

## COMPANY STATEMENT OF FINANCIAL POSITION

31 December 2018 Company Registration No. 5238607

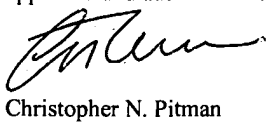
| | *Notes* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 15 | 4 | 8 |
| Investments | 12 | 13,032 | 23,274 |
| TOTAL NON-CURRENT ASSETS | | 13,036 | 23,282 |
| CURRENT ASSETS | | | |
| Assets held for sale | 16 | - | 80 |
| Trade and other receivables | 17 | 191 | 152 |
| Cash and cash equivalents | 18 | 6 | 59 |
| TOTAL CURRENT ASSETS | | 197 | 291 |
| TOTAL ASSETS | | 13,233 | 23,573 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 22 | 21 | 20 |
| Share premium | 23 | 55,763 | 55,206 |
| Shares to be issued | 22 | - | 545 |
| Accumulated deficit | 24 | (51,179) | (53,948) |
| TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT | | 4,605 | 1,823 |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Amounts due to subsidiaries | 13 | - | 14,415 |
| TOTAL NON-CURRENT LIABILITIES | | - | 14,415 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 19 | 2,064 | 1,465 |
| Short-term financial liabilities | 20 | 6,564 | 5,870 |
| TOTAL CURRENT LIABILITIES | | 8,628 | 7,335 |
| TOTAL LIABILITIES | | 8,628 | 21,750 |
| TOTAL EQUITY AND LIABILITIES | | 13,233 | 23,573 |

The Company's profit for the year to 31 December 2018 is US$2.77 million (2017: loss US$2.33 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 2018, 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 14 to 40 are an integral part of these financial statements. The financial statements on pages 7 to 40 were approved and authorised for issue by the Board on 11th November 2019 and were signed on its behalf by



Christopher N. Pitman
Chief Executive Officer

# Surestream Petroleum Limited
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

| | Notes | Attributable to owners of the parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | 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 2017 | | 20 | 55,206 | 545 | - | (39,873) | 15,898 |
| *Comprehensive income* | | | | | | | |
| Loss for the year | | - | - | - | - | (2,896) | (2,896) |
| **Total comprehensive income** | | - | - | - | - | (2,896) | (2,896) |
| *Transactions with owners* | | | | | | | |
| 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 |
| *Comprehensive income* | | | | | | | |
| Loss for the year | | - | - | - | - | (10,384) | (10,384) |
| **Total comprehensive income** | | - | - | - | - | (10,384) | (10,384) |
| *Transactions with owners* | | | | | | | |
| Proceeds of share issues (net of costs) | 22,23 | 1 | 557 | - | - | - | 558 |
| Shares to be issued | | - | - | (545) | - | - | (545) |
| **Total transactions with owners** | | 1 | 557 | (545) | - | - | 13 |
| BALANCE AT 31 DECEMBER 2018 | | 21 | 55,763 | - | - | (53,153) | 2,631 |

The notes on pages 14 to 40 are an integral part of these financial statements.

# Surestream Petroleum Limited

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

| | 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 2017 | | 20 | 55,206 | 545 | - | (51,616) | 4,155 |
| *Comprehensive income* | | | | | | | |
| Loss for the year | | - | - | - | - | (2,332) | (2,332) |
| **Total comprehensive income** | | - | - | - | - | (2,332) | (2,332) |
| *Transactions with owners* | | | | | | | |
| 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 |
| *Comprehensive income* | | | | | | | |
| Loss for the year | | - | - | - | - | 2,769 | 2,769 |
| **Total comprehensive income** | | - | - | - | - | 2,769 | 2,769 |
| *Transactions with owners* | | | | | | | |
| Proceeds of share issues (net of costs) | 22,23 | 1 | 557 | - | - | - | 558 |
| Shares to be issued | | - | - | (545) | - | - | (545) |
| **Total transactions with owners** | | 1 | 557 | (545) | - | - | 13 |
| BALANCE AT 31 DECEMBER 2018 | | 20 | 55,206 | - | - | (51,179) | 4,605 |

The notes on pages 14 to 40 are an integral part of these financial statements.

# Surestream Petroleum Limited
## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

| | *Notes* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before taxation | | (10,385) | (2,896) |
| Adjustments for: | | | |
| Finance expense | | 694 | 524 |
| Depreciation | | 4 | 1 |
| Amortisation | | 13 | 1,742 |
| Impairment of assets – intangible | | 8,080 | 1,118 |
| Fair value adjustments of assets – investments | | 67 | - |
| Gain on disposal of intangible assets | | (773) | - |
| Effects of exchange rate changes | | 23 | - |
| Decrease/(increase) in receivables | | (108) | 1,460 |
| (Decrease)/increase in payables | | 1,275 | (668) |
| Increase in provisions | | 143 | - |
| Decrease in fixed assets held for sale | | 80 | - |
| Net cash used in operating activities | | (885) | 1,282 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 15 | (0) | (6) |
| Purchase of intangible assets | 14 | (183) | (1,219) |
| Proceeds from sale of intangible assets | 14 | 1,000 | - |
| Net cash generated from investing activities | | 817 | (1,225) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | 22 | 558 | - |
| Loan repayments | 22 | (545) | - |
| Net cash generated from financing activities | | 13 | - |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (55) | 58 |
| Cash and cash equivalents at beginning of year | | 61 | 3 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 18 | 6 | 61 |

The notes on pages 14 to 40 are an integral part of these financial statements.

# Surestream Petroleum Limited
## COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

| | *Notes* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(loss) before taxation | | 2,769 | (2,332) |
| Adjustments for: | | | |
| Finance expense | | 694 | 524 |
| Depreciation | | 4 | 1 |
| Effects of exchange rate changes | | 23 | - |
| Decrease/(increase) in receivables | | (39) | 1,324 |
| (Decrease)/increase in payables | | 576 | (423) |
| Decrease in fixed assets held for sale | | 80 | - |
| Net cash used in operating activities | | 4,107 | (906) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Advances (to)/from subsidiaries | 12,13 | (4,173) | 2,366 |
| Purchase of property, plant and equipment | 15 | - | (6) |
| Purchase of shares in associates | 12 | - | (1,398) |
| Net cash generated from investing activities | | (4,173) | 962 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 558 | |
| Proceeds from issue of debt | 20 | (545) | - |
| Net cash generated from financing activities | | 13 | - |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (53) | 56 |
| Cash and cash equivalents at beginning of year | | 59 | 3 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 18 | 6 | 59 |

The notes on pages 14 to 40 are an integral part of these financial statements.

## 1 GENERAL INFORMATION

Surestream Petroleum Limited and its subsidiaries ("the Group") hold non-operated interests in oil and gas licences exploration and production in Democratic Republic of the Congo and 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

These consolidated financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB). The following standards and amendments are effective for the first time from the current period, however they do not apply to the Group or do not have any material impact on the Group's financial statements as they merely clarify the existing requirements and do not affect the Group's accounting policies or any other disclosures.

- Recognition of Deferred Tax Assets for Unrealized Losses - Amendments to IAS 12.
- Disclosure Initiative - Amendments to IAS 7.
- Annual Improvements 2014-2016 cycle: Amendments to IFRS 12 - The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarized financial information.

### 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 |
| IFRS 17 | 1 January 2021 | Insurance contracts |

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 two wholly owned subsidiaries as at the end of the reporting period;

1. Surestream RDC Sarl, a company incorporated in the Democratic Republic of Congo, whose principal activity is oil exploration.

2. Surestream Petroleum (Tanzania) Limited, a company incorporated in the British Virgin Islands, whose principal activity is oil exploration and production.

### 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 was 0.7837 (2017: 0.7406). The average rate during the year was 0.7515 (2017: 0.7686).

### 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.

**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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

### 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 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.

## 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.

### 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.

The total carrying amount of exploration and evaluation assets at the reporting date was US$9.75 million (2017: US$19.30 million) and US$8.08 million of impairment loss was recognised in the year (2017: US$1.18 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
- Malawi
- Tanzania
- Zambia

## 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.

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Revenues from Tanzania gas sales | 20 | 2,525 |
| Production costs | (843) | (98) |
| Amortisation | (15) | (1,970) |
| Total cost of sales | (858) | (2,068) |
| Gross profit/(loss) | (838) | 457 |

**Segment results**
The following is an analysis of the Group's results by reportable segment.

Segment results:

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Democratic Republic of Congo | (8,084) | (93) |
| Malawi | 769 | (13) |
| Tanzania | (851) | 667 |
| Zambia | - | (1,123) |
| Income/(expenses) allocated to segments | (8,068) | 564 |
| Administrative expenses – central overheads | (2,025) | (2,024) |
| Pre-licensing costs not allocated to existing segments | (194) | (308) |
| Loss for the year | (10,385) | (2,896) |

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:

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Democratic Republic of Congo | 712 | 8,614 |
| Malawi | - | 227 |
| Tanzania | 11,647 | 11,641 |
| Total segment assets | 12,359 | 20,482 |
| Unallocated | 1,546 | 1,682 |
| Consolidated assets | 13,905 | 22,164 |

## 4 SEGMENT INFORMATION (continued)

| Segment liabilities: | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Democratic Republic of Congo | (1,361) | (1,343) |
| Tanzania | (1,271) | (424) |
| Zambia | - | (51) |
| Total segment liabilities | (2,632) | (1,817) |
| Unallocated | (8,642) | (7,345) |
| Consolidated liabilities | (11,274) | (9,162) |

| Change in non-current assets: | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Democratic Republic of Congo | (7,898) | (232) |
| Malawi | (227) | 3 |
| Tanzania | (13) | (1,742) |
| Zambia | - | (1,068) |
| Unallocated | (71) | 1,402 |
| | (8,209) | (1,637) |

No further segmental information is deemed necessary.

## 5 OPERATING EXPENSES

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Pre-licensing costs | 194 | 308 |

## 6 ADMINISTRATIVE EXPENSES AND AUDITOR'S REMUNERATION

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Depreciation and amounts written off property, plant and equipment: | | |
| Charge for the period – owned assets | 4 | 3 |
| Employee salary and benefits expense | 1,079 | 909 |
| Foreign exchange (gains) / losses | (72) | 81 |
| Auditor's remuneration – audit services | 43 | 46 |
| Auditor's remuneration – tax services | 8 | 8 |
| Operating lease rentals – office rent | 20 | 22 |
| Contractors | 14 | 36 |
| Legal fees | 7 | 87 |
| Business travel expenses | 96 | 227 |
| Other expenses / (recharges) | 242 | 247 |
| | 1,441 | 1,666 |

## 7 EMPLOYEE BENEFIT EXPENSE AND KEY MANAGEMENT EMPLOYMENT COSTS

| | 2018 No. | 2017 No. |
|---|---|---|
| The average monthly number of persons (including directors) employed by the Group during the year was: | | |
| Office and management | 4 | 5 |
| Technical | 1 | 1 |
| Field operations | 2 | 2 |
| | 7 | 8 |

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Staff costs for the above persons: | | |
| Wages and salaries (including all benefits except pension) | 960 | 769 |
| Pension costs | 122 | 121 |
| Social security costs | 90 | 69 |
| | 1,172 | 962 |

| KEY MANAGEMENT EMPLOYEES | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| In respect of the key management employees (excluding directors) of Surestream Petroleum Limited: | | |
| Emoluments and other benefits | 367 | 274 |
| Pension costs | 40 | 39 |
| | 407 | 313 |

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 | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| In respect of the directors of Surestream Petroleum Limited: | | |
| Emoluments and other benefits | 505 | 373 |
| Pension costs | 80 | 78 |
| | 585 | 451 |

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.

| Directors emoluments disclosed above include the following payments in respect of the highest paid director: | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Emoluments and other benefits | 505 | 373 |
| Pension | 80 | 78 |
| | 585 | 451 |

## 8 OTHER (EXPENSE) / INCOME

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Loss on disposal of tangible assets | (9) | - |
| Gain on disposal of intangible assets | 797 | - |
| (Loss)/gain on revaluation of investment in associates | (67) | 29 |
| | 721 | 29 |

## 9 FINANCE COSTS

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Interest accrued on short term borrowings | 552 | 524 |

## 10 TAXATION

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax for the year | - | - |

| Factors affecting tax charge for the year: | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| The tax assessed for the year is higher than the standard rate of corporation tax in the UK 19% (2017: 19.25%). The differences are explained below: | | |
| Profit/(loss) before tax | (10,885) | (2,896) |
| Profit/(loss) multiplied by standard rate of corporation tax in the UK | (1,973) | (557) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,541 | 1,186 |
| Income not taxable | - | - |
| Transfer pricing adjustments | - | 23 |
| Tax losses not recognised in deferred tax | 394 | 1,687 |
| Adjustments to deferred tax to average rate | 38 | 551 |
| Tax charge for year | - | - |

The Group has approximately US$29.48 million of tax losses carried forward (2017: US$27.41 million). A deferred tax asset of US$5.01 million at 17% (2017: US$4.66 million) in respect of these losses has not been recognised due to uncertainty as to the recoverability of these losses.

## 11 PERIOD RESULT OF THE PARENT COMPANY

The parent Company's profit for the year to 31 December 2018 amounted to US$2.77 million (2017: US$2.33 million loss). 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 2017 | 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 |
| Advances and net recharges to subsidiaries | 176 |
| Disposals | (1,206) |
| Fair value adjustments | (67) |
| At 31 December 2018 | 32,177 |
| PROVISION FOR IMPAIRMENT | |
| At 1 January 2017 | (10,000) |
| Disposals | - |
| At 31 December 2017 | (10,000) |
| Disposals | (9,145) |
| At 31 December 2017 | (19,645) |
| NET BOOK VALUE | |
| At 31 December 2018 | 13,032 |
| At 31 December 2017 | 23,274 |
| At 1 January 2017 | 24,260 |

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.

## 12 INVESTMENTS (continued)

Details of the Company's existing subsidiaries at 31 December 2018 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 (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 |

Wholly owned subsidiaries that are sold or dissolved during 2018 are as follows;

| Name of subsidiary | Place of incorporation | Registered office address | Status | Principal activity |
|---|---|---|---|---|
| Surestream Petroleum (Malawi Holding) Limited | British Virgin Islands | Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola | Sold | Oil exploration |
| Surestream Technical Services Limited | British Virgin Islands | Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola | Dissolved | Technical services |
| Surestream Petroleum Limited | British Virgin Islands | Mill Mall, Suite 6 Wickhams Cay 1 P.O Box 3085 Road Town, Tortola | Dissolved | Oil exploration |

## 13 AMOUNTS DUE TO SUBSIDIARIES

| COMPANY | US$'000 |
|---|---|
| At 31 December 2016 | 14,433 |
| Advances and recharges to subsidiaries | (18) |
| At 31 December 2017 | 14,415 |
| Written off due to dissolution of subsidiary | (2,136) |
| Written off due to disposal of subsidiary | (12,279) |
| At 31 December 2018 | - |

On 29 July 2018, the Group sold Surestream Petroleum (Malawi Holding) Limited to Hamra Oil Holdings Limited for a cash consideration of US$1 million and exited Malawi. As part of the sale transaction US$12.28 million of intercompany payable to the subsidiary were recorded as income in the Company books.

## 13 AMOUNTS DUE TO SUBSIDIARIES (continued)

On 27 November 2018, the Group wound down the Surestream Technical Services Limited, a subsidiary which was created to run engineering projects but remained dormant following abandonment of the Group's Burundi project. As part of this transaction US$2.14 million of intercompany payable to the subsidiary were written off.

## 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 2017 | 12,213 | 20,121 | 32,334 |
| Additions | - | 321 | 321 |
| Disposals | - | (500) | (500) |
| Reclassifications | (9,550) | 9,550 | - |
| Depletion of producing asset | (1,742) | - | (1,742) |
| At 31 December 2017 | 921 | 29,492 | 30,413 |
| Additions | - | 183 | 183 |
| Disposals | - | (1,345) | (1,345) |
| Depletion of producing asset | (14) | - | (14) |
| At 31 December 2018 | 907 | 28,330 | 29,237 |
| PROVISION FOR IMPAIRMENT | | | |
| At 1 January 2017 | - | (9,999) | (9,999) |
| Provisions | - | (1,118) | (1,118) |
| At 31 December 2017 | - | (11,117) | (11,117) |
| Provisions | - | (8,080) | (8,080) |
| Reversal of provisions | - | 1,119 | 1,119 |
| At 31 December 2018 | - | 18,080 | 18,080 |
| NET BOOK VALUE | | | |
| At 31 December 2018 | 907 | 10,250 | 11,157 |
| At 31 December 2017 | 921 | 18,375 | 19,296 |
| At 1 January 2017 | 12,213 | 10,122 | 22,335 |

**Impairment test for exploration and evaluation assets**
On 18 December 2018, the Group entered into an agreement with a buyer in DRC to sell 72% of the outstanding shares of its DRC subsidiary in exchange of US$500,000. As a result of this transaction, the net carrying value of the DRC assets were reduced to US$700,000 from US$8.8 million.

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.

## 14 INTANGIBLE ASSETS (continued)

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 27 November 2018, the Group wound down the Surestream Petroleum Limited, a BVI subsidiary, which was created to hold the Block 42 licence.

## 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 2017 | 424 | 200 | 183 | 807 |
| Additions | - | 6 | 2 | 8 |
| Disposals | - | (2) | - | (2) |
| At 31 December 2017 | 424 | 204 | 185 | 814 |
| Additions | - | - | - | - |
| Disposals | - | - | - | - |
| At 31 December 2018 | 424 | 204 | 185 | 814 |
| DEPRECIATION | | | | |
| At 1 January 2017 | 424 | 196 | 183 | 803 |
| Charged in the year | - | 3 | - | 3 |
| Disposals | - | (2) | - | (2) |
| At 31 December 2017 | 424 | 198 | 183 | 805 |
| Charged in the year | - | 3 | 1 | 4 |
| Disposals | - | - | - | - |
| At 31 December 2018 | 424 | 201 | 184 | 810 |
| NET BOOK VALUE | | | | |
| At 31 December 2018 | - | 3 | 1 | 4 |
| At 31 December 2017 | - | 6 | 2 | 8 |
| At 1 January 2017 | - | 4 | - | 4 |

## 15 PROPERTY, PLANT AND EQUIPMENT (continued)

| COMPANY | Furniture, fixtures and equipment US$'000 | Computer software US$'000 | Total US$'000 |
|---|---|---|---|
| COST | | | |
| At 1 January 2017 | 200 | 183 | 383 |
| Additions | 6 | 2 | 8 |
| Disposals | (2) | - | (2) |
| At 31 December 2017 | 204 | 185 | 389 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 December 2018 | 204 | 185 | 389 |
| DEPRECIATION | | | |
| At 1 January 2017 | 196 | 183 | 379 |
| Charged in the year | 3 | - | 3 |
| Disposals | (2) | - | (2) |
| At 31 December 2017 | 198 | 183 | 381 |
| Charged in the year | 3 | 1 | 4 |
| Disposals | - | - | - |
| At 31 December 2018 | 201 | 184 | 385 |
| NET BOOK VALUE | | | |
| At 31 December 2018 | 3 | 1 | 4 |
| At 31 December 2017 | 6 | 2 | 8 |
| At 1 January 2017 | 4 | - | 4 |

## 16 ASSETS HELD FOR SALE

| GROUP AND COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Material and equipment | - | 80 |

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

## 17 TRADE AND OTHER RECEIVABLES

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Due within one year: | | |
| Trade and other receivables | 1,190 | 1,172 |
| Prepayments | 11 | 31 |
| Receivables in respect of other tax and social security | 24 | 25 |
| Other receivables | 182 | 94 |
| | 1,407 | 1,322 |

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

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Prepayments | 11 | 31 |
| Receivables in respect of other tax and social security | 24 | 25 |
| Other receivables | 156 | 96 |
| | 191 | 152 |

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:

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| United Arab Emirates Dirham | 3 | 19 |
| GB Pound | 190 | 99 |
| | 193 | 118 |

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| United Arab Emirates Dirham | 3 | 19 |
| GB Pound | 175 | 99 |
| | 178 | 118 |

## 18 CASH AND CASH EQUIVALENTS

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Cash at bank and in hand | 6 | 61 |

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Cash at bank and on hand | 6 | 59 |

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 2018 are held in United States Dollars except for US$2,591 (2017: US$23,717) held in United Arab Emirates Dirhams.

## 19 TRADE AND OTHER PAYABLES

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Trade payables | 2,779 | 2,012 |
| Other tax and social security | 27 | 73 |
| Other payables | 73 | 40 |
| Accruals | 1,574 | 911 |
| | 4,453 | 3,036 |

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Trade payables | 681 | 673 |
| Other tax and social security | 20 | 72 |
| Other payables | 58 | 40 |
| Accruals | 1,305 | 680 |
| | 2,064 | 1,465 |

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:

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| United Arab Emirates Dirham | 5 | 3 |
| Euro | 124 | 131 |
| GB Pound | 1,755 | 1,269 |
| | 1,884 | 1,403 |

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| United Arab Emirates Dirham | 5 | 3 |
| Euro | 124 | 131 |
| GB Pound | 1,741 | 1,269 |
| | 1,870 | 1,403 |

## 20 SHORT-TERM FINANCIAL LIABILITIES

| GROUP AND COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Loans from related parties | 6,564 | 5,870 |
| | 6,564 | 5,870 |

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 2018, the amount due on this loan was US$596,541 (2017: US$552,354) including US$272,506 (2017: US$184,133) of interest.

## 20 SHORT-TERM FINANCIAL LIABILITIES (continued)

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. At 31 December 2018, the amount due on this loan was US$5,797,503 (2017: US$5,317,503) including US$1,797,503 of interest (2017: US$1,317,503).

On 26 March 2018, the Company raised US$200,000 from an unsecured loan placement subscribed by Petrolin and T H Holm AS, for a three-month term at 1.9% interest per month and 2.5% default interest beyond final repayment date of 30 June 2018. The Company paid US$157,980 against this loan. At 31 December 2018, the amount due on this loan was US$68,980 including US$18,980 of interest.

On 5 December 2018, the Company raised US$99,899 from an unsecured loan placement subscribed by five lenders, who are existing shareholders, for a five-month term at 1% interest per month and 1.5% default interest beyond final repayment date of 30 April 2019. At 31 December 2018, the amount due on this loan was US$100,563 including US$664 of interest.

## 21 DECOMMISSIONING PROVISION

| GROUP | |
|---|---|
| At 1 January 2017 | 99 |
| Additions | 157 |
| At 31 December 2017 | 256 |
| Additions | 1 |
| At 31 December 2018 | 257 |

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.

## 22 SHARE CAPITAL

| GROUP AND COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Authorised: | | |
| 118,200,000 (2017: 107,600,000) ordinary shares of 0.01p each | 21 | 20 |
| 13,000,000 (2017: 13,000,000) preference shares of 0.01p each | 3 | 3 |
| | 24 | 23 |
| Allotted, issued and fully paid: | | |
| 112,208,870 (2017: 106,710,201) ordinary shares of 0.01p each | 20 | 19 |
| 6,000,000 (2017: 6,000,000) preference shares of 0.01p each | 1 | 1 |
| | 21 | 20 |
| Allotted, fully paid but not issued: | | |
| Nil (2017: 5,446,465) ordinary shares of 0.01p each to be issued | - | 545 |
| | 0 | 545 |

## 22 SHARE CAPITAL (continued)

**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 | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| At 1 January | 55,206 | 55,206 |
| Issue of new shares | 557 | - |
| At 1 January and 31 December | 55,763 | 55,206 |

## 24 ACCUMULATED DEFICIT

| GROUP | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| At 1 January | (42,769) | (39,873) |
| Loss for the year | (10,883) | (2,896) |
| At 31 December | (53,653) | (42,769) |

| COMPANY | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| At 1 January | (53,948) | (51,616) |
| Profit / (Loss) for the year | 2,269 | (2,332) |
| At 31 December | (51,679) | (53,948) |

## 25 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.

**Categories of financial instrument**

| | Loans and receivables | |
|---|---|---|
| | 2018 | 2017 |
| | US$'000 | US$'000 |
| **Assets as per statement of financial position** | | |
| Other receivables (excluding prepayments) | 1,396 | 1,292 |
| Cash and cash equivalents | 6 | 61 |
| | 1,402 | 1,353 |

| | Liabilities at amortised cost | |
|---|---|---|
| | 2018 | 2017 |
| | US$'000 | US$'000 |
| **Liabilities as per statement of financial position** | | |
| Trade and other payables (excluding statutory liabilities) | 4,426 | 2,963 |
| Short-term financial liabilities | 6,564 | 5,870 |
| | 10,990 | 8,833 |

**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 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.

**25 FINANCIAL INSTRUMENTS (continued)**

At 31 December 2018, 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$168,894 higher (2017: US$125,727 higher), as a result of foreign exchange gains/losses on translation of GB Pound, Euro and United Arab Emirates Dirham 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 2018 was 0.01% (2017: 0.01%).

At 31 December 2018, 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 (2017: US$1,052 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.

All of the Group's cash is held with National Bank of Fujairah in the United Arab Emirates. National Bank of Fujairah has a credit rating of BAA1. As at 31 December 2018, the concentration of credit risk held in the United Arab Emirates with National Bank of Fujairah was US$5,697 (2017: US$46,536). 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 2018, the Group has short-term loans of US$6,563,586 (2017: US$5,869,857) accruing 1% simple interest per month (12% per annum).

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.

## 25 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.

**Categories of financial instrument**

| | Loans and receivables | |
|---|---|---|
| | 2018 | 2017 |
| | US$'000 | US$'000 |
| **Assets as per statement of financial position** | | |
| Other receivables (excluding prepayments) | 180 | 121 |
| Cash and cash equivalents | 6 | 59 |
| | 186 | 180 |

| | Liabilities at amortised cost | |
|---|---|---|
| | 2018 | 2017 |
| | US$'000 | US$'000 |
| **Liabilities as per statement of financial position** | | |
| Trade and other payables (excluding statutory liabilities) | 2,044 | 1,393 |
| Short-term financial liabilities | 6,564 | 5,870 |
| | 8,608 | 7,263 |

**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 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.

## 25 FINANCIAL INSTRUMENTS (continued)

At 31 December 2018, 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$168,894 higher (2017: US$125,772 higher), as a result of foreign exchange gains/losses on translation of GB Pound, Euro and United Arab Emirates Dirham 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 2018 was 0.01% (2017: 0.01%).

At 31 December 2018, 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 (2017: US$1,052 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.

All of the Company's cash is held with National Bank of Fujairah in the United Arab Emirates. National Bank of Fujairah has a credit rating of BAA1. As at 31 December 2018, the concentration of credit risk held in the United Arab Emirates with National Bank of Fujairah was US$5,642 (2017: US$46,536). 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 2018, the Company has short term loans of US$6,563,586 (2017: US$5,869,857) accruing 1% simple interest per month (12% per annum).

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.

## 26 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 and also the Farm-out and Economic Interest Agreements is has entered into with its partner in Tanzania. A summary of the Group's estimated net outstanding commitments as at 31 December 2018, based on minimum work programmes agreed with the partner and host governments is provided below:

| GROUP | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| No later than 1 year | 1,180 | 1,180 |
| No later than 5 years | 17,820 | 17,820 |
| | 19,000 | 19,000 |

## 27 OPERATING LEASE COMMITMENTS

As at 31 December 2018 the future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| GROUP | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| No later than 1 year | 3 | 38 |
| No later than 5 years | - | 4 |
| | 3 | 42 |

| COMPANY | 2018<br>US$'000 | 2017<br>US$'000 |
|---|---|---|
| No later than 1 year | 2 | 22 |

During the year, US$ 6,780 was capitalised under oil and gas exploration assets in relation to operating lease rentals (2017: US$18,870).

## 28 ULTIMATE CONTROLLING PARTY

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

## 29 RELATED PARTY TRANSACTIONS

GROUP AND COMPANY

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

| ***Christopher Pitman**, a shareholder and director of the Company* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| *in respect of the business related advance and expenses* | | |
| Amounts claimed for expenses | 327 | 336 |
| Amounts outstanding at the year end | (6) | 38 |
| *in respect of interest-free loans owed to Company* | | |
| Amounts outstanding at the year end | 84 | 70 |

| ***Reidar Michaelsen**, a director of the Company* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Amounts paid for expenses | 0 | 1 |
| Amounts outstanding at the year end | 2 | - |

| ***Geary LSF Group, Inc.** a company in which Pierre Achach, a resigned director of the Company has an interest* | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Amounts billed for office lease and other service fees | - | - |
| Amounts outstanding at the year end | 124 | 125 |

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

COMPANY

Receivables due from / (payables due to) subsidiaries:

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| Surestream RDC Sarl | 19,845 | 19,682 |
| Surestream Technical Services Limited | - | (2,136) |
| Surestream Petroleum (Malawi Holding) Limited | - | (12,278) |
| Surestream Petroleum Limited (BVI) | - | 1,030 |
| Surestream Petroleum (Tanzania) Limited | 11,001 | 10,991 |
| Surestream Petroleum Limited | 17 | - |
| Surestream Petroleum (Dubai) Limited | 176 | - |
| | 31,039 | 17,289 |

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.

## 29 RELATED PARTY TRANSACTIONS (continued)

Movement of impairment provisions against receivable from subsidiaries:

| | 2018 US$'000 | 2017 US$'000 |
|---|---|---|
| At 1 January | (10,000) | (10,000) |
| Surestream RDC Sarl | (9,667) | - |
| Surestream Petroleum (Burundi) Limited | - | - |
| At 31 December | (19,667) | (10,000) |

## 30 EVENTS AFTER THE REPORTING PERIOD

On 18 December 2018, the Group entered into an agreement with a buyer in DRC to sell 72% of the outstanding shares of its DRC subsidiary in exchange of US$500,000. Last payment in respect of this transaction was received on 8 June 2019 and the transfer of shares are pending to be registered.