Azinor
Catalyst UK

Azinor Catalyst Ltd

(Incorporated under the laws of England)

Financial Statements
For the year ended 31 December, 2018
(expressed in U.S. dollars)

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COMPANIES HOUSE

COMPANY REGISTRATION NUMBER 04212557

Directors
Nick Terrell
Henry Morris
Anthony Mackewn
Paul Murray
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Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the company financial statements in accordance with International Financial Reporting Standards ("IFRSs") for management purposes.

The directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- stating whether applicable IFRSs as issued by the International Accounting Standards Board (IASB) have been followed, subject to any material departures disclosed and explained in the financial statements;
- making judgements and accounting estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Azinor Catalyst Ltd
Balance Sheet
As at 31 December, 2018

(expressed in U.S. dollars)

	Note	2018 $	2017 $
ASSETS			
Non-current assets			
Property and equipment	6	14,018	48,007
Intangible assets	7	-	56,262
Acquisition, exploration and evaluation costs	8	18,414,305	16,478,768
Total non-current assets		18,428,323	16,583,037
Current assets			
Other receivables	9	1,522,704	545,548
Cash and cash equivalents	10	363,932	25,428
Total current assets		1,886,636	570,976
TOTAL ASSETS		**20,314,959**	**17,154,013**
EQUITY and LIABILITIES			
Equity			
Share capital	11	1,672	1,672
Share premium	11	1,007,035	1,007,035
Accumulated losses		(30,840,151)	(27,322,965)
Total equity		(29,831,444)	(26,314,258)
Liabilities			
Current liabilities			
Other payables	12	50,146,403	43,468,271
Total liabilities		50,146,403	43,468,270
TOTAL EQUITY AND LIABILITIES		**20,314,959**	**17,154,013**

For the year ending 31st December 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements on pages 2 – 27 were approved by the Board of Directors on 30th September, 2019 and signed on its behalf by:

N.Terrell, Director

The accompanying notes are an integral part of these financial statements.

Azinor Catalyst Ltd
Statement of Comprehensive Income
For the year ended 31 December, 2018

(expressed in U.S. dollars)

	Notes	2018 $	2017 $
Income			
Revenue	5	712,981	126,606
Expenses			
Operating expenses	13	(4,262,030)	(9,956,556)
		(4,262,030)	(9,956,556)
Operating loss		**(3,549,049)**	**(9,829,950)**
Finance income/(expenses)	15	31,863	(152,182)
Loss before taxation		**(3,517,186)**	**(9,982,132)**
Tax expense		-	-
Loss and total comprehensive expense for the year		**(3,517,186)**	**(9,982,132)**
Loss attributable to owners of the company		**(3,517,186)**	**(9,982,132)**

The results have been derived wholly from continuing operations.

The accompanying notes are an integral part of these financial statements.

Azinor Catalyst Ltd

Statement of Changes in Equity

For the Year ended 31 December, 2018

(expressed in U.S. dollars)

	Attributable to owners of the parent			
	Share capital $	**Share premium $**	**Accumulated losses $**	**Total Equity $**
Balance at 1 January, 2018	**1,672**	**1,007,035**	**(27,322,965)**	**(26,314,258)**
Comprehensive expense				
Loss for the year	-	-	(3,517,186)	**(3,517,186)**
Total comprehensive expense for the year	-	-	(3,517,186)	**(3,517,186)**
Total transactions with owners of the company, recognised directly in equity				
Balance at 31 December, 2018	**1,672**	**1,007,035**	**(30,840,151)**	**(29,831,444)**

The accompanying notes are an integral part of these financial statements.

Azinor Catalyst Ltd

Statement of Changes in Equity

For the year ended 31 December, 2017

(expressed in U.S. dollars)

	Attributable to owners of the parent			
	Share capital $	Share premium $	Accumulated losses $	Total Equity $
Balance at 1 January, 2017	**1,672**	**1,007,035**	**(17,340,833)**	**(18,349,540)**
Comprehensive expense				
Loss for the year	-	-	(9,982,132)	**(9,982,132)**
Total comprehensive expense for the year	-	-	(9,982,132)	**(9,982,132)**
Total transactions with owners of the company, recognised directly in equity			-	
Balance at 31 December, 2017	**1;672**	**1,007,035**	**(27,322,965)**	**(26,314,258)**

The accompanying notes are an integral part of these financial statements.

Azinor Catalyst Ltd

Statement of Cash Flows

For the year ended 31 December, 2018

(expressed in U.S. dollars)

	2018 $	2017 $
Cash flows from operating activities		
Loss for the year	(3,517,186)	(9,982,132)
Adjustments to reconcile loss for the year:		
Amortisation and depreciation	921,328	1,109,808
Impairment of exploration and evaluation costs	469,324	6,528,137
Add/(deduct) net changes in non-cash items:		
(Increase)/decrease in other receivables	(977,156)	(164,052)
Increase/(decrease) in other payables	6,678,132	7,231,962
Net cash generated from operating activities	3,574,442	4,723,723
Cash flows from investing activities		
Investment in tangible assets	(18,126)	(4,604)
Investment in acquisition, exploration and evaluation costs	(3,217,812)	(4,719,209)
Net cash used in investing activities	(3,235,938)	(4,723,813)
Net increase/(decrease) in cash and cash equivalents	338,504	(90)
Cash and cash equivalents at beginning of year	25,428	25,518
Cash and cash equivalents at end of year	363,932	25,428

The accompanying notes are an integral part of these financial statements.

(expressed in US dollars)

1. General information

Azinor Catalyst Ltd (the "Company") is an oil and gas exploration company, incorporated in England, that acquires interests in prospective acreage, either directly or through acquisitions, in the UK North Sea, developing 'drill-ready' targets through geophysical and commercial analysis and development. The Company's office and registered address is 13 Palace Street, London SW1E 5HX. The Company was previously called Strike Oil Ltd. It commenced material operations in 2014. The name of the Company was changed to Azinor Catalyst Ltd on 4th June 2015.

The Company is a wholly owned subsidiary of Azinor Petroleum UK Ltd, a company incorporated in Bermuda. That entity is joint venture between Azimuth Ltd (referred to as "Azimuth" throughout these financial statements) and Azimuth II Ltd (referred to as "Azimuth II" throughout these financial statements) who are both Bermuda domiciled, exempt companies. The parent and ultimate controlling party of Azimuth is Seacrest Capital Ltd, in its capacity as general partner of Seacrest L.P. (referred to as "Seacrest" throughout these financial statements). The parent and ultimate controlling party of Azimuth II is Seacrest Partners Ltd, in its capacity as general partner of Seacrest Energy Partners II L.P. (referred to as "Seacrest II" throughout these financial statements). Seacrest Partners Ltd and Seacrest Capital Ltd have common directors and the same parent company Seacrest Capital Group Ltd. Azimuth, Azimuth II and their related entities are referred to as the "Azimuth Group" throughout these financial statements.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations adopted by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) of the IASB.

2.2. Basis of preparation

These 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 its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are disclosed in note 4.

a) New and amended standards adopted by the Company

While a number of new or amended IFRS and IFRIC standards have been issued there are no standards issued that have had a material impact on the Company.

b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations that are not yet effective have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into three measurement categories: those measured at fair value through P&L, fair value through OCI and those measured at amortised cost. The determination

(expressed in US dollars)

2. *Significant accounting policies (continued)*

is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. There is a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. IFRS 9 also relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes. The Company has worked towards the implementation of IFRS 9 on 1 January 2018. It anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model however the impact at 1 January 2018 is not material and no material impact is expected.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

2.3. Going concern

The Company's financial statements have been prepared on a going concern basis.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future as the Company has sufficient commitments from its shareholders to fund its working capital needs for the twelve-month period following the date these financial statements were authorised and issued.

Azimuth will most likely not participate in the funding of the Company's commitments during 2019. Azimuth II will fund these commitments, which will dilute Azimuth's shareholding in the Company.

2.4. Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in U.S. dollars, which is also the Company's functional currency.

Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'Finance expenses or income'.

(expressed in US dollars)

2. Significant accounting policies (continued)

2.5. Property and equipment

Property and equipment is stated at cost, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less their residual value of each asset over its estimated useful life. The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates used are as follows:

Furniture and office equipment	20% - 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.6. Intangible assets

Software is stated at cost, net of depreciation and any provision for impairment. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Computer software costs recognised as assets are amortised over their estimated useful lives. The amortisation rates used are as follows:

Software	33% per annum

Assets are tested annually for impairment. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7. Acquisition, exploration and evaluation costs

Oil and gas assets: exploration and evaluation

The Company applies the 'modified' full-cost method of accounting under which all expenditures relating to the acquisition, exploration, appraisal and development of oil and gas interests, including an appropriate share of directly attributable overheads and payments to acquire the legal rights to explore, is capitalised within cash generating units. Cash generating units are determined geographically with reference to the separately identifiable licences or prospects that the Company has rights to develop.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortisation is charged during the exploration and evaluation phase.

The Company reflects exploration and evaluation asset dispositions (farm-out arrangements), when the farminee correspondingly undertakes to fund carried interests as part of the consideration, on a historical cost basis with no gain or loss recognition.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. Exploration costs included in intangible assets relating to exploration licences and prospects are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment on an individual licence basis. If commercial reserves are discovered, the carrying value, after any impairment loss of the relevant assets, is then reclassified as property, plant and equipment under production interests and fields under development. If, however, commercial reserves are not found, the capitalised

(expressed in US dollars)

costs are charged to the statement of comprehensive loss. If there are indications of impairment prior to the conclusion of exploration activities, an impairment test is carried out. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

The Company expenses exploration and evaluation expenditures as incurred for oil and gas prospects not commercially viable and financially feasible.

Data licence rights

The Company has obtained licence rights to the data library of the PGS Group (for the purposes of these financial statements the "PGS Group" is defined as Petroleum Geo-Services ASA and its affiliated companies). The PGS Group provides seismic and electromagnetic services, data acquisition, processing, reservoir analysis/interpretation and multi-client library data to the oil and gas industry. Management have deemed that the licence rights have a finite life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the data licence rights across its estimated useful life of 5 years.

2.8. Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument at trade date.

2.8.1. *Financial assets*

Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables, amounts due from shareholders, and amounts due from related parties.

Prepayments and other assets

Prepayments and other assets are principally amounts paid in advance in the ordinary course of business. Prepayments and other assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value at the balance sheet date. Cash and cash equivalents consist of cash in the bank, petty cash on hand and short-term deposits with original maturities of three months or less.

(expressed in US dollars)

2. *Significant accounting policies (continued)*

Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of any loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

2.8.2. Financial liabilities

Classification as debt or equity

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial liabilities.

The measurement of financial liabilities depends on their classification, as described below:

Accruals and other payables

Accruals and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Accruals and other payables are stated at amortised cost using the effective interest rate method.

(expressed in US dollars)

2. *Significant accounting policies (continued)*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.8.3. De-recognition

Financial assets (or a portion thereof) are de-recognised on trade date when the Company realises the rights to the benefits specified in the contract, the rights expire or the Company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On de-recognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in profit or loss.

Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in profit or loss.

2.8.4. Financial instruments by category

At 31 December, 2018

	Loans and receivables $
Other assets (excluding prepayments)	1,456,948
Cash and cash equivalents	363,9332
Total	**1,820,880**

	Financial liabilities $
Accruals and accounts payables	3,220,299
Due to related parties	46,926,104
Total	**50,146,403**

(expressed in US dollars)

2. Significant accounting policies (continued)

At 31 December, 2017

	Loans and receivables **$**
Other assets (excluding prepayments)	283,315
Due from related parties	226,910
Cash and cash equivalents	25,428
Total	**535,653**

	Financial liabilities **$**
Accruals and other payables	688,624
Due to related parties	42,779,646
Total	**43,468,271**

2.9. Share capital

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

2.10. Provisions and contingencies

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle that obligation at the reporting date, and are discounted to present value when the discount effect is material.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. If the likelihood of an outflow of resources is remote, the possible obligation is neither a provision nor a contingent liability and no disclosure is made.

Contingent assets

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Such contingent assets are only recognised in the financial statements where the realisation of income is virtually certain. If the inflow of economic benefits is only probable, the contingent asset is disclosed as a claim in favour of the Company but not recognised in the balance sheet.

(expressed in US dollars)

2. *Significant accounting policies (continued)*

2.11. Related parties

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions. Key management personnel are also regarded as related parties. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including all executive and non-executive directors.

Related party transactions are those where a transfer of resources or obligations between related parties occur, regardless of whether or not a price is charged.

2.12. Current income tax

The Company is subject to UK taxation.
On the basis of these financial statements no provision has been made for UK Corporation tax.

2.13. Revenue recognition

Oil and gas revenue

Revenue from sales of oil & natural gas and the rights to licences is recognised at the fair value of consideration received or receivable, after deducting sales taxes, excise duties and similar levies, when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer.

Sale of services

The sales of services related to contracts are recorded as income in line with services performed. Income is recorded on the statement of comprehensive income as contracted rates.

2.14. Employee benefits

Salaries and other benefits

Liabilities for salaries, directors fees, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in the balance sheet under 'accruals and other payables', in the statement of comprehensive income under 'operating expenses', and are measured at the amounts expected to be paid when the liabilities are settled.

3. *Financial risk management*

The Company's primary objective in undertaking risk management activity is to manage risk exposures in line with risk appetite, minimising its exposure to unexpected financial loss and limiting the potential deviation from anticipated outcomes. Key management recognises the critical importance of having efficient and effective risk management systems in place. The Company is exposed to market, credit, liquidity and capital risk and operates a formal risk management framework to ensure that all significant risks are identified and managed. Risks are usually grouped by type: financial including credit, liquidity and market. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. The risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

3.1. Capital risk management

The Company's policy is to maintain a strong capital base. The Company manages its capital to ensure its continued ability to provide an adequate return to shareholders, provide flexibility to take advantage of growth opportunities and support the risks associated with the business. The Company's capital base consists of share capital, share premium, accumulated other comprehensive income and retained earnings as presented on the balance sheet.

(expressed in US dollars)

The Company's objectives when managing capital are:

i. to safeguard its ability to continue as a going concern, so that the Company can continue to provide benefits for all stakeholders and;
ii. *to maintain an optimal capital structure to reduce the cost of capital.*

In order to maintain or adjust the capital structure, the Company may adjust the amounts of dividends paid to shareholders, may return capital to shareholders or issue new shares.

3.2. Market risk management

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market factors. Market risk comprises three types of risk: foreign exchange risk (currency risk), market prices (price risk) and market interest rate risk (interest rate risk).

3.2.1. Foreign exchange risk

The Company is exposed to currency risk on payments nominated in currencies other than the functional currency. Currency risk arises when future commercial transactions or recorded assets or liabilities are denominated in a currency that is not the Company's functional currency.

Management has decided not to hedge the currency risk.

At 31 December, 2018, if the U.K. pound had weakened/strengthened by 10% against the U.S. dollar with all other variables held constant, then the total comprehensive income for the year would have been $241,540 (2017: $43,909) lower/higher.

3.2.2. Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes were caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market. The Company's future results are impacted by future changes in the price of oil in US dollars.

3.2.3. Political and legal risk

A downturn in the political or economic situation or of the conditions for obtaining or using licences presents a risk that is difficult to evaluate in terms of its impact. To limit the legal risks linked to the oil sector, the Company seeks to establish adequate relations both with the local authorities and communities and it has an anti-corruption and bribery policy in place.

3.2.4. Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk from any deposits of cash and cash equivalents. However it is not at present exposed to cash flow interest rate risk on borrowings as it has no debt.

3.2.5. Exploration risk

Hydrocarbon exploration requires high levels of investment and is associated with a high risk of loss of the capital invested, due mainly to risks associated with geographic, technological, economic, legal or political factors. There is no assurance that the Company's exploration activities will be successful.

3.3. Credit risk management

Credit risk is the exposure that a counter-party to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Company. The Company performs appropriate due diligence on any party with which it intends to enter into a contractual agreement, and where

(expressed in US dollars)

this involves credit risk, the Company puts in place measures that it has assessed as prudent to mitigate the risk of default by the other party.

The maximum exposure to credit risk at the reporting date is the carrying amount of financial assets, and management does not expect any losses from non-performance by these counterparties.

Credit quality of financial assets

	2018 $	2017 $
Fully performing other receivables		
Group 1	-	226,910
Group 2	1,456,948	195,828
Group 3	-	87,487
Cash and bank balances (Standard & Poor's)		
AA-	363,932	25,428

Group 1 - companies within the group with no defaults in the past
Group 2 - new receivables (less than 6 months)
Group 3 - old receivables (more than 6 months)

None of the loans and receivables from related parties are past due or impaired.

3.4. Liquidity risk management

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows. It monitors its cash position and forecasts to help it determine whether it has sufficient financial resources to fund its short and medium term operations. It currently has sufficient uncalled commitments from its shareholders to continue operations for the forthcoming year, and to meet its remaining financial commitments and has no perceived liquidity risk as long as the shareholders are able to make their capital calls.

Surplus cash is held with HSBC UK Bank plc, which has an AA- rating with Standard and Poor's. There are no undrawn borrowing facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings.

At 31 December, 2018	Less than 6 months $	Between 6 months and 2 years $	Between 2 and 5 years $	Total contractual cash flows $
Accruals and accounts payables	3,220,299	-	-	3,220,299
Due to related parties	-	46,926,104	-	46,926,104
	3,220,299	**46,926,104**	**-**	**50,146,403**

(expressed in US dollars)

At 31 December, 2017	**Less than 6 months $**	**Between 6 months and 2 years $**	**Between 2 and 5 years $**	**Total contractual cash flows $**
Accruals and other payables	688,625	-	-	688,625
Due to related parties	-	42,779,646	-	42,779,646
	688,625	**42,779,646**	**-**	**43,468,271**

3.5. Offsetting financial instruments and financial liabilities

Financial assets and liabilities amongst related parties and shareholders are occasionally offset with the net amount reported in the balance sheet when there is a legally enforceable right and mutual consent to offset the recognised amounts. Refer to note 18 for details.

4. Significant accounting judgements and estimates

The preparation of the financial statements requires the Company's management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions. Actual results could differ from those estimates.

The following accounting policies have been identified as involving particularly complex or subjective decisions or assessments:

Impairment review of assets

The Company accounts for oil and gas and exploration and evaluation costs using IFRS 6 "Exploration for and Evaluation of Mineral Resources". Such costs are initially capitalised as intangible assets and include payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing. Exploration costs are not amortised prior to the conclusion of appraisal activities. Exploration costs included in intangible assets relating to exploration licences and prospects are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment on an individual licence basis. If commercial reserves are discovered, the carrying value, after any impairment loss of the relevant assets, is then reclassified as property, plant and equipment under production interests and fields under development. If, however, commercial reserves are not found, the capitalised costs are charged to the statement of comprehensive loss. If there are indications of impairment prior to the conclusion of exploration activities, an impairment test is carried out. Estimates on impairment are determined by an assessment by the directors of any events or changes in circumstances that would indicate that the carrying value of the asset may not be recoverable.

Estimates on impairment are determined by an assessment by the directors of any events or changes in circumstances that would indicate that the carrying value of the asset may not be recoverable.

Any impairment loss arising from the review is charged to operating expenses whenever the carrying amount of the asset exceeds its recoverable amount.

(expressed in US dollars)

Residual value and useful life

The Company depreciates its assets over their estimated useful lives taking into account residual values, which are re-assessed on an annual basis. The actual useful lives and residual values of these assets can vary depending on a variety of factors. Technological innovation, product life cycles and maintenance programmes all impact the useful lives and residual values of the assets. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Recoverability of intangible assets

Under the 'modified' full cost method of accounting, the Company capitalises exploration costs until it is capable of determining whether its exploration efforts were successful and, if they were successful, whether any impairment charges may be required to bring the net book values of assets in line with their economic values.

Treatment of farm-in transactions

All farm-in transactions are reflected in these financial statements in line with the accounting policy on exploration and evaluation costs. Exploration and evaluation events that arise on farm-in transactions are recognised in the financial statements if they are legally complete during the period under review or if all key commercial terms are agreed and legal completion is only subject to administrative approvals which are obtained within the post balance sheet period or are expected to be obtained within a reasonable timeframe thereafter.

5. *Revenue*

	2018 $	2017 $
Exploration/licence administration	712,981	126,606

6. *Property and equipment*

Furniture and office equipment	**2018** **$**	**2017** **$**
Opening balance	48,007	163,817
Additions	18,126	4,604
Depreciation charge (note 13)	(52,115)	(120,414)
At 31 December	14,018	48,007
Cost	526,285	508,159
Accumulated depreciation	(512,267)	(460,152)
Net book amount at 31 December	14,018	48,007

Depreciation of $52,115 (2017: $120,414) has been taken to the 'amortisation and depreciation expense' line of the statement of comprehensive income for the year ended 31 December, 2018.

(expressed in US dollars)

7. *Intangible assets*

Software	2018 $	2017 $
Opening balance	56,262	242,704
Amortisation charge (note 13)	(56,262)	(176,442)
At 31 December	-	56,262
Cost	742,400	742,400
Accumulated amortisation	(742,400)	(686,138)
Net book amount at 31 December	-	56,262

Amortisation of $56,262 (2017: $176,442) has been taken to the 'operating expense' line of the statement income for the year ended 31 December, 2018.

8. *Acquisition, exploration and evaluation costs*

At 31 December, 2018

	Exploration & evaluation costs $	Seismic data costs $	Total $
Cost	7,838,723	13,327,483	21,166,206
Accumulated amortisation	-	(2,751,901)	(2,751,901)
Closing net book amount at 31 December, 2018	**7,838,723**	**10,575,582**	**18,414,305**

	Exploration & evaluation costs $	Seismic data costs $	Total $
Opening net book value at 1 January 2018	**5,104,478**	**11,374,290**	**16,478,768**
Additions	3,203,569	14,244	3,203,569
Amortisation (note 13)	-	(812,952)	(812,952)
Impairments (note 13)	(469,324)	-	(469,324)
Closing net book amount at 31 December, 2018	**7,838,723**	**10,575,582**	**18,414,305**

(expressed in US dollars)

8. Acquisition, exploration and evaluation costs (continued)

At 31 December, 2017

	Exploration & evaluation costs $	Seismic data costs $	Total $
Cost	5,104,478	13,313,239	18,417,717
Accumulated amortisation	-	(1,938,949)	(1,938,949)
Closing net book amount at 31 December, 2017	**5,104,478**	**11,374,290**	**16,478,768**

	Exploration & evaluation costs $	Seismic data costs $	Total $
Opening net book value at 1 January 2017	**8,246,152**	**10,854,495**	**19,100,647**
Additions	5,911,717	92,265	6,003,982
Accumulated amortisation reclassified to cost [i]	-	7,015,228	7,015,228
Reclassification [i]	2,859,243	(2,859,243)	-
Cost recovery [ii]	(8,300,000)	-	(8,300,000)
Amortisation (note 13)	-	(812,952)	(812,952)
Impairments (note 13)	(3,612,634)	(2,915,503)	(6,528,137)
Closing net book amount at 31 December, 2017	**5,104,478**	**11,374,290**	**16,478,768**

Acquisition, exploration and evaluation costs consist of the Company's exploration licences which are at various stages of determination of technical feasibility, commercial viability and definitions of work programs.

Seismic data costs include direct licence related costs as well as the Company's regional non-licence-specific data library.

Amortisation of $812,952 (2017: $812,952) has been taken to the 'amortisation and depreciation expense' line of the statement of comprehensive income for the year ended 31 December, 2018.

i. In 2017 a portion of the Company's seismic data library was allocated to specific licences and is therefore no longer being amortised. As a result of this change, accumulated amortisation of ($7,015,228) was reclassified from accumulated amortisation to cost. The Company also reclassified $2,859,243 from seismic data costs to exploration and evaluation costs.

ii. In 2017 the Company recovered $8,300,000 per the terms of licence farm-in agreements. The proceeds are recognised as a reduction of 'acquisition, exploration and evaluation' costs in the balance sheet.

(expressed in US dollars)

8. *Acquisition, exploration and evaluation costs (continued)*

The impairment of exploration and evaluation costs of $469,324 (2017: $6,528,137) is comprised of the following:

Licence	Impairment Date	Impairment Explanation	2018 $
P1989	30/06/2018	Relinquished	31,059
P2169	31/12/2018	Relinquished	438,265
			469,324

Licence	Impairment Date	Impairment Explanation	2017 $
P1989	30/09/2017	Partridge - dry well	3,813,806
P2150	31/12/2017	Relinquished	725,645
P2162	31/12/2017	Relinquished	539,332
P2172	31/12/2017	Relinquished	601,133
P2243	31/12/2017	Relinquished	743,233
P2280	31/12/2017	Relinquished	104,988
			6,528,137

At year end, the Company held the following licences offshore UK:

Licence Number	Working interest 2018	Working interest 2017	Operator	Licence expiry
P1763	12.5%	50%	Apache Beryl I Ltd	09/01/2021
P2165	100%	100%	Azinor Catalyst Ltd	31/05/2019
P2179	100%	49%	Azinor Catalyst Ltd	31/05/2019
P2278	100%	100%	Azinor Catalyst Ltd	31/08/2019
P2316	100%	100%	Azinor Catalyst Ltd	14/05/2022
P2317	80%	80%	Azinor Catalyst Ltd	14/05/2022
P2364	50%	-	Azinor Catalyst Ltd	30/09/2023

The licence expiry dates are current term end dates, not licence end dates.

(expressed in US dollars)

9. Other receivables

	2018 $	2017 $
Trade accounts receivable	1,031,035	-
Due from shareholders	-	226,910
Prepayments and other assets	65,756	122,810
VAT Refund	425,913	195,828
At 31 December	**1,522,704**	**545,548**

Prepayment and other assets are denominated in the following currencies:

	2018 $	2017 $
U.S. dollars	-	226,910
U.K. pounds	1,522,704	318,638
At 31 December	**1,522,704**	**545,548**

The receivables from related parties do not contain formal repayment terms and are repayable on demand. Interest is not charged on the outstanding balances. Due to the short-term nature of these receivables, the carrying amounts of the current portion are assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 3 for more information on risk management.

As at 31 December, 2018, there were no receivables past due or impaired.

10. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand at 31 December	**363,932**	**25,428**

The Company's exposure to interest rate risk is discussed in note 3. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents above.

Cash and cash equivalents are denominated in the following currencies:

	2018 $	2017 $
U.S. dollars	24,945	66
U.K. pounds	338,987	25,362
At 31 December	**363,932**	**25,428**

(expressed in US dollars)

11. Share capital and share premium

Issued capital at 31 December, 2018 and 2017 comprised:

	Share capital $	Share premium $	Total $
1,000,000 fully paid ordinary shares	**1,672**	**1,007,035**	**1,008,707**

Ordinary shares

Ordinary shares each have a par value of £0.001 (2017: £0.001). 1,000,000 (2017: 1,000,000) shares have been authorised of which 1,000,000 (2017: 1,000,000) have been issued. Each ordinary share carries one vote.

12. Other payables

	2018 $	2017 $
Accrued expenses and accounts payable	3,030,477	688,625
Taxation & social security	189,822	-
Due to related parties	46,747,654	42,779,646
At 31 December	**50,146,403**	**43,468,271**

Trade and other payables are all denominated as follows:

	2018 $	2017 $
U.S. dollars	46,801,336	42,958,184
U.K. pounds	3,345,067	510,087
At 31 December	**50,146,403**	**43,468,271**

The payables due to related parties do not contain formal repayment terms and are repayable on demand. Interest is not charged on the balances.

(expressed in US dollars)

13. Expenses by nature

Operating expenses consist of:	2018 $	2017 $
Salaries and benefits	1,099,264	-
Group manpower & overhead service charges	1,105,653	2,556,359
Professional, Consultants and Exploration costs	989,379	267,615
Information technology	260,435	320,543
Travel & entertainment	112,690	134,495
Impairment of Acquisition, exploration and evaluation costs	469,324	6,528,137
Amortisation of seismic data costs (note 8)	812,952	812,952
Amortisation of software (note 7)	56,262	176,442
Depreciation (note 6)	52,114	120,414
Other administrative costs	372,153	205,557
Costs reclassified to Acquisition, exploration and evaluation costs	(1,068,196)	(1,165,958)
	4,262,030	**9,956,556**

For a description of the Group manpower and related charges see note 17.
During the year the employment of certain people who had been employed by another Group company and had supplied services to the Company were hired directly by the Company. Similarly certain office costs previously supplied by another Group company are now a direct cost to the Company. The overall staff resources available to the Company in 2017 and 2018 were broadly comparable.

The average number of direct employees during 2018 was 9. During 2017 the company had no direct employees but had access to a similar level of resources.

Other administrative costs are comprised of office costs, subscriptions, exhibitions, advertising, training and miscellaneous administrative expenses.

14. Directors' remuneration

During 2017 the directors neither received nor waived any employment remuneration directly from the Company. The remuneration of the directors was paid at the Azimuth Group level and allocated to the Company as part of an overall management fee (refer to note 17 for detail). Determining the portion of certain directors' remuneration relating solely to the Company cannot be done in a practical manner.

In April 2018 the remuneration of two directors was removed from the above arrangement and paid directly from the Company. In the period from April to December 2018 the following directors received the following remuneration and benefits directly from the Company.

	Base salary	Additional rewards	Pension contribution
Henry Morris	£96,000	£48,000	£4,800
Nick Terrell	£96,000	£48,000	£4,800

(expressed in US dollars)

15. Finance (income)/expense

	2018 $	2017 $
Foreign exchange (gain)/loss	(34,015)	148,850
Bank fees	2,152	3,232
	(31,863)	**152,182**

16. Commitments and contingencies

The Company is committed to meet all of the required work programmes of its licences and farm-in agreements. At 31 December, 2018, the Company had commitments of $302,013 (2017: $237,091) and contingent commitments of $242,576 (2017: nil) in relation to various licence expenses.

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, management expects the risk of loss to be remote.

The Company has remaining commitments related to industry memberships and office rentals for less than 1 year. At 31 December, 2018, this commitment amounted to $48,623 (2017: $34,005).

(expressed in US dollars)

17. Related party transactions

The following transactions were carried out with related parties:

Balances arising from services rendered and expenses incurred	2018 $	2017 $
Current payables to related parties		
- Affiliated companies		
Azinor Petroleum UK Ltd	46,747,654	-
Azinor Petroleum Ltd	-	42,019,526
Azimuth Ltd	-	13,042
Azimuth Group Services Ltd	-	565,783
Azimuth Management Ltd	-	2,845
PGS Group	178,450	178,450
	46,926,104	**42,779,646**

The current receivables and payables arise in the course of the Company's operations and are settled by counterparty agreement. Balances with related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

Under a service agreement between the Company and Azimuth Group Services Ltd, effective 31 January, 2014, the Company is allocated and charged a fee for management services proportional to the costs incurred and time expended on Company affairs that includes salary, consulting fees and related expenses incurred by Azimuth Group Services Ltd that relates to various operational and technical professional services essential to the Company. A total of $1,105,653 (2017: $2,556,359) was charged to the Company by Azimuth Group Services Ltd in the year. A portion of this charge $806,318 (2017: $1,607,617) is recognised within 'operating expenses' in the statement of comprehensive income (see note 13) and the balance of $299,335 (2017: $948,742) is recognised within 'Acquisition, exploration and evaluation' costs in the balance sheet.

The balance due to Azimuth Group Services Ltd of $nil (2017: $565,783) includes fees for management services provided as well as sundry fees that were paid by Azimuth Group Services Ltd on behalf of the Company.

The balance due to Azimuth Group Services Ltd, as at 31 December, 2017, of $565,783 was settled in 2018.

As at 31 December, 2018, the balance due to Azinor Petroleum UK Ltd of $46,747,654 (2017: $nil) is comprised of short term advances provided. The balance also includes sundry fees that were incurred by the Company and reimbursable by Azinor Petroleum UK Ltd.

During 2018, the Company acquired technical services from the PGS Group for $nil (2017: $14,000). This is recorded in acquisition, exploration and evaluation costs within the balance sheet. The remaining balance due to the PGS Group of $178,450 (2017: $178,450) is expected to be paid within the next three months.

18. Subsequent events

There were no events subsequent to the balance sheet date that required disclosure.