

Phoenix Global Resources plc

INTERIM ACCOUNTS

FOR THE PERIOD ENDED 14 DECEMBER 2017

(Company No. 05083946)

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Phoenix Global Resources plc

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Phoenix Global Resources plc

INCOME STATEMENT

FOR THE PERIOD ENDED

	Note	14 Dec 17	31 Dec 16
		US\$'000	US\$'000
Other operating income		-	331
Impairment charge		(152,688)	-
Administrative expenses		(31,288)	(1,728)
Operating loss		(183,976)	(1,397)
Finance income	3	9,690	7,499
Finance costs	4	(13,129)	(19,711)
Loss before taxation		(187,415)	(13,609)
Taxation		-	-
Loss for the period		(187,415)	(13,609)

The notes on pages 7 to 15 are an integral part of these financial statements.

Phoenix Global Resources plc
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED

	14 Dec 17	31 Dec 16
	US\$'000	US\$'000
Loss for the period	(187,415)	(13,609)
Translation differences	63,318	(40,319)
Total comprehensive loss for the period	<u>(124,097)</u>	<u>(53,928)</u>

The above items will not be subsequently reclassified to profit and loss.

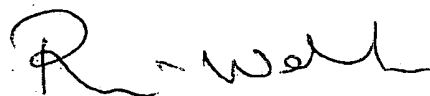
The notes on pages 7 to 15 are an integral part of these financial statements.

Phoenix Global Resources plc
STATEMENT OF FINANCIAL POSITION
AS AT

	Note	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Non-current assets			
Property, plant and equipment		212	-
Investments in subsidiaries	6	1,349,513	234,134
Total non-current assets		1,349,725	234,134
Current assets			
Available for sale financial assets	5	124	110
Trade and other receivables	7	104,965	26,925
Restricted cash	8	6,441	5,442
Cash at bank and in hand	8	12,805	1,438
Total current assets		124,335	33,915
Non-current liabilities			
Trade and other payables	9	19,976	23,270
Financial liabilities	10	160,000	40,704
Total non-current liabilities		179,976	63,974
Current liabilities			
Trade and other payables	9	14,593	1,420
Financial liabilities	10	1,466	10,064
Total current liabilities		16,059	11,484
Net assets		1,278,025	192,591
Capital and reserves			
Called up share capital	11	347,600	98,414
Share premium account		-	52,468
Other reserves	12	612,210	16,584
Retained earnings		318,215	25,125
Total equity		1,278,025	192,591

The notes on pages 7 to 15 are an integral part of these financial statements.

The financial statements on pages 3 to 15 were approved by the board of directors and authorised for issue on 18 December 2017 and were signed on its behalf by:



Philip Wolfe, Director

Company No 05083946

Phoenix Global Resources plc

STATEMENT OF CHANGES IN EQUITY

Capital and reserves

	Called up share capital	*Share premium account	Retained earnings	Other reserves	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2016	98,414	52,468	38,439	56,903	246,224
Loss for the year	-	-	(13,609)	-	(13,609)
Translation differences	-	-	-	(40,319)	(40,319)
Total comprehensive loss for the year	-	-	(13,609)	(40,319)	(53,928)
Fair value of share based payments	-	-	295	-	295
At 31 December 2016	98,414	52,468	25,125	16,584	192,591
Loss for the period	-	-	(187,415)	-	(187,415)
Translation differences	-	-	-	63,318	63,318
Total comprehensive loss for the period	-	-	(187,415)	63,318	(124,097)
Issue of ordinary shares	249,186	7,058	-	952,996	1,209,240
Fair value of share based payments	-	-	291	-	291
Bonus issue of deferred share	268,000	-	-	(268,000)	-
Reserves transfer	-	-	152,688	(152,688)	-
Capital reduction	(268,000)	(59,526)	327,526	-	-
At 14 December 2017	347,600	-	318,215	612,210	1,278,025

Other reserves

	Merger reserve	Warrant reserve	Translation reserve	Deferred consideration reserve	Total other reserves
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2016	89,884	2,105	(39,559)	4,473	56,903
Translation differences	-	-	(40,319)	-	(40,319)
Total comprehensive loss for the year	-	-	(40,319)	-	(40,319)
At 31 December 2016	89,884	2,105	(79,878)	4,473	16,584
Translation differences	-	-	63,318	-	63,318
Total comprehensive loss for the period	-	-	63,318	-	63,318
Issue of ordinary shares	957,469	-	-	(4,473)	952,996
Bonus issue of deferred share	(268,000)	-	-	-	(268,000)
Reserves transfer	(152,688)	-	-	-	(152,688)
At 14 December 2017	626,665	2,105	(16,560)	-	612,210

* After restatement

The notes on pages 7 to 15 are an integral part of these financial statements.

Phoenix Global Resources plc

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is incorporated in England and Wales and domiciled in the United Kingdom and is listed on the AIM Market of the London Stock Exchange. The Registered Office address is King's House, 6th Floor, 10 Haymarket, London SW1Y 4BP. The Company's registered number is 05083946.

2. ACCOUNTING POLICIES

2.1 Going concern

The directors have reviewed the cash position of the Company as at the period end against expected operational income and expected expenditure for the 12 month period from the date of this report. The directors consider that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") as adopted by the European Union ("IFRSs as adopted by the EU") and as applied in accordance with section 838 of the Companies Act 2006.

The financial statements are presented in thousands (US\$'000) of US Dollars and all values are rounded to the nearest thousand (US\$'000), except in the footnotes and where otherwise indicated.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below; these policies have been consistently applied to all periods presented, unless otherwise stated.

2.3 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

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.

Investments in subsidiaries

Fixed asset investments are valued at cost less impairment provisions. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

2.4 Adoption of new and revised International Financial Reporting Standards

(i) New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- *IFRS 9 Financial Instruments*
- *IFRS 15 Revenue from Contracts with Customers*
- *IFRS 16 Leases*

Management is still evaluating the potential impact of these new pronouncements on the Company's financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.5 Finance costs and income

Interest expense and interest income are accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

2.6 Foreign currency

The individual financial statements of the Company are maintained in the currency of the primary economic environment in which it operates (its functional currency), which in the case of the Company is Pounds Sterling. The results and financial position of the Company is expressed in US Dollars, which is the presentation currency for the financial statements, comparable with other oil and gas companies.

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising are included in finance income and finance costs in the profit and loss for the period. Gains and losses arising on the translation of the opening net assets of the company at prevailing exchange rates, are transferred to the translation reserve. For the purposes of preparing the financial statements, the assets and liabilities of the Company are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation are classified as equity and transferred to the Company's translation reserve.

The financial statements are presented in US\$ and the average rate used was US\$ 1.29 to £ 1 and the closing rate used was US\$ 1.34 to £ 1 (2016: average rate US\$ 1.36 to £ 1 and closing rate US\$ 1.23 to £ 1).

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less subsequent depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items, including provisions for asset retirement obligations.

Depreciation of property, plant and equipment assets has been calculated by means of the straight line method by applying such annual rates as required to write-off their value at the end of their estimated useful lives, as follows:

Other assets - Furniture and fixtures	2 to 9 years
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Depreciation is allocated in the income statement as production or administrative expenses, based on the nature of the associated asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

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.

Impairment on non-current assets

The carrying amounts of assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount.

An impairment review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level. If the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset or cash-generating unit at the lower amount. Impairment losses are recognised in the income statement.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Phoenix Global Resources plc

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets

Classification of Financial Assets

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.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) 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' and 'financial liabilities' in the balance sheet.

(c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other operating (expense)/income' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other operating (expense)/income'.

Interest on available for sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available for sale equity instruments are recognised in the income statement as part of other income when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

Recognition and measurement (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Impairment of financial assets

(a) 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 the 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 consolidated income statement. 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 consolidated income statement.

(b) Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement on equity instruments are not reversed through the separate consolidated income statement.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Phoenix Global Resources plc

NOTES TO THE FINANCIAL STATEMENTS

2.9 Trade and other receivables (continued)

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account and the amount of the loss is recognised in the income statement.

When a trade receivable is uncollectable, it is written off against the provision for impairment. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include call deposits held with banks and other short-term highly liquid investments with original maturities of 3 months or less. Restricted cash includes cash used as security for guarantees provided under certain licences.

2.11 Trade and other payables

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

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

2.12 Financial liabilities

Bank loans and other borrowings are initially recognised at net proceeds of issue and subsequently measured at amortised cost.

3. FINANCE INCOME

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Interest receivable and exchange gains	9,690	7,499
	<u>9,690</u>	<u>7,499</u>

4. FINANCE COSTS

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Interest costs and exchange losses	(13,129)	(19,711)
	<u>(13,129)</u>	<u>(19,711)</u>

5. AVAILABLE FOR SALE FINANCIAL ASSETS

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Current assets		
Unlisted equity securities	124	110
	<u>124</u>	<u>110</u>

Phoenix Global Resource plc

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENTS IN SUBSIDIARIES

	2017 US\$'000	2016 US\$'000
Non-current assets		
As at 1 January	234,134	275,898
Additions	1,200,595	5,289
Impairment	(152,688)	-
Foreign exchange movements	67,472	(47,053)
As at 14 December	<u>1,349,513</u>	<u>234,134</u>

On 10 August 2017 the Company announced the completion of the business combination with Trefoil Holdings BV ("Trefoil") that indirectly owns 99.99% of Petrolera El Trebl SA. The combination was effected through the acquisition of the entire issued share capital of Trefoil in consideration for the issue of 1,899,106,385 ordinary shares. In accordance with IFRS the acquisition was recorded using the share price of 49 pence, the share price prevailing at the date of completion.

In preparing these interim accounts the Board has considered whether any circumstances indicate that the carrying amount of investments may not be recoverable. After due consideration, the Board is of the opinion that an impairment of US\$ 152,688 thousand against the investment in Trefoil should be recognised based on information currently available and taking into account the current share price and share trading activity. This provision is the Board's best estimate at the date of approving these interim accounts and a purchase price allocation fair value exercise is currently ongoing, which the Board will consider along with other factors when undertaking its impairment review at the end of the year and, therefore, to the extent necessary, will adjust such provision in the 2017 annual accounts.

7. TRADE AND OTHER RECEIVABLES

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Current		
Trade receivables	2,988	2,696
Less: provision for impairment	<u>(2,987)</u>	<u>-</u>
	1	2,696
Prepayments and accrued income	164	30
Loans to subsidiaries	101,907	22,831
Other taxes and social security	-	-
Other receivables	<u>2,893</u>	<u>1,368</u>
	<u>104,965</u>	<u>26,925</u>

Trade receivables are non-interest bearing and generally have a 40 to 60 day term. Due to their short maturities, the fair value of trade receivables approximates to their book value. A provision for impairment of trade receivables is established when there is no objective evidence that the Company will be able to collect all amounts due according to the original terms. The Company considers factors such as default or delinquency in payment, significant financial difficulties of the debtor and the probability that the debtor will enter bankruptcy in deciding whether the trade receivable is impaired. The directors consider that the carrying amount of other receivables approximates to their fair value. The loans to subsidiaries have no fixed repayment terms and do not incur interest.

	2017 US\$'000	2016 US\$'000
Provision for impairment of trade receivables		
As at 1 January	-	-
Provisions	(2,987)	-
Foreign exchange movements	-	-
As at 14 December	<u>(2,987)</u>	<u>-</u>

As at 14 December 2017, US\$ 3 million receivables were impaired (2016: US\$ nil). The ageing analysis of these trade receivables is as follows:

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NOTES TO THE FINANCIAL STATEMENTS

7. TRADE AND OTHER RECEIVABLES (continued)

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Ageing of past due but not impaired		
Up to 3 months past due	-	-
3 to 6 months past due	-	-
Over 6 months past due	-	2,696
	<u>-</u>	<u>2,696</u>

8. CASH AND CASH EQUIVALENTS

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Cash at bank and in hand	12,805	1,438
Restricted cash at bank and in hand	6,441	5,442
Total cash and cash equivalents	<u>19,246</u>	<u>6,880</u>

The directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. US\$ 6.4 million (2016: US\$ 5.4 million) of restricted cash is a security for a standby letter of credit and overdraft facilities provided by the Company's bank. The bank has a charge over this amount.

9. TRADE AND OTHER PAYABLES

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Current		
Trade payables	12,092	850
Other taxes	1,667	-
Other payables	834	570
	<u>14,593</u>	<u>1,420</u>
Non-current		
Social security and other taxes	40	37
Other payables	1,370	1,370
Loans from subsidiaries	18,566	21,863
	<u>19,976</u>	<u>23,270</u>
Total trade and other payables	<u>34,569</u>	<u>24,690</u>

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

In 2017 loans from subsidiaries include; a US\$ 4 million Euros denominated loan that carries interest at a rate of 12%; and a US\$ 13.4 million loan with no interest. This debt is classified as non-current since it has no fixed repayment term.

In 2016 loans from subsidiaries include; a US\$ 2 million loan that carries interest at a rate of 9%; a US\$ 4 million Euros denominated loan that carries interest at a rate of 12%; and a US\$ 13.4 million loan with no interest. This debt is classified as non-current since it has no fixed repayment term.

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NOTES TO THE FINANCIAL STATEMENTS

10. FINANCIAL LIABILITIES

	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Current		
Other borrowings	-	9,158
Accrued financial interest	1,466	906
	<u>1,466</u>	<u>10,064</u>
	14 Dec 17 US\$'000	31 Dec 16 US\$'000
Non-current		
Other borrowings	160,000	31,697
Accrued financial interest	-	9,007
	<u>160,000</u>	<u>40,704</u>
Total financial liabilities	<u>161,466</u>	<u>50,768</u>

In 2017 financial liabilities include a US\$ 160 million unsecured loan that carries interest at variable rates from LIBOR plus a margin ranging from 7% to 13% over the term of the loan, which is due for repayment in January 2020.

The 2016 financial liabilities were all repaid in 2017.

11. CALLED UP SHARE CAPITAL

	14 Dec 17 No'000	14 Dec 17 US\$'000	14 Dec 17 No'000	31 Dec 16 US\$'000
Allotted, called up and fully paid				
Ordinary shares of 10 pence	2,537,178	347,600	605,505	98,414

The issued share capital is reconciled as follows:

	2017 No'000	2017 US\$'000	2016 No'000	2016 US\$'000
Balance at beginning of year	605,505	98,414	605,505	98,414
Warrants exercise	17,800	2,296	-	-
Vendor consideration	1,913,873	246,890	-	-
Balance at end of period	<u>2,537,178</u>	<u>347,600</u>	<u>605,505</u>	<u>98,414</u>

All shares carry the same rights.

To facilitate the demerger of the Company's investment in InterOil Exploration & Production ASA, through a distribution in specie, the Company capitalised US\$268,000,000 (being the US\$ equivalent of £200,000,000) of the amount standing to the credit of the Merger Reserve and applied that amount in paying up in full 1 new deferred share. The deferred share was allotted and issued by way of a bonus issue and was subsequently cancelled together with the existing share premium account in its entirety to create realised profits.

Phoenix Global Resources plc

NOTES TO THE FINANCIAL STATEMENTS

12. OTHER RESERVES

Merger reserve

The merger reserve is a non-distributable reserve arising from the issue and allotment of shares at a price higher than the nominal value of the shares and issued to satisfy purchase considerations where section 612 of the Companies Act 2006 "Merger Relief" was applicable.

Translation reserve

The translation reserve results from exchange differences arising from the translation of the assets and liabilities of the Company's operations into the presentation currency at exchange rates prevailing on the balance sheet date and income and expense items at the average exchange rates for the period.

Warrant reserve

The warrant reserve results from the valuation attributed to warrants granted.

Deferred consideration reserve

This reserve results from the deferred contingent considerations shares to be issued in relation to the acquisition of CHPPC Andes S.L.R.