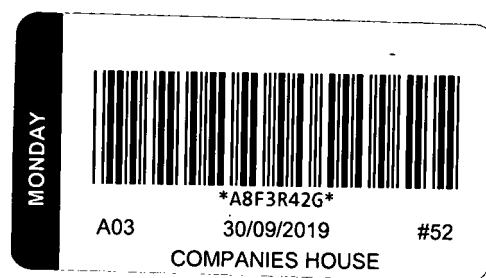


Company Registration No. 05835764 (England and Wales)

PETRICORE LIMITED AND SUBSIDIARIES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



PETRICORE LIMITED AND SUBSIDIARIES

COMPANY INFORMATION

Directors

Mr B E Osthus
Mr J D Lawrence
Mr O S Hjelmeland
Mr R P O Welsvik

Company number

05835764

Registered office

Gable House
239 Regents Park Road
Finchley
London
N3 3LF

Auditor

BoseCo
309 Regents Park Road
London
N3 1DP

PETRICORE LIMITED AND SUBSIDIARIES

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PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

The group saw its sales increase in 2018 by 24% to \$21m, reflecting stable and positive sentiment in the oil industry. The oil price gradually increased and reached its peak price for the year in October 2018 before the sharp fall and stabilizing above \$50 at the year end.

Our financial group results were driven by high levels of activity of International Oil Companies in Mexico. Our Mexico operation is embracing a major change in focus to manoeuvre and to become the major player for that business in this region. However, activity and performance in Houston and Abu Dhabi remained subdued.

The group monitors performance against a set of Key Performance Indicators (KPIs) with the aim of delivering its strategic objectives.

The table below compares the trading year ended 31 December 2018 with that of the previous year showing KPIs for the group and its trading subsidiaries.

Key performance indicators	2018 US \$'000	2017 US \$'000
Group		
Sales	21,001	16,942
Cost of sales	17,720	14,327
Gross margin	3,281	2,615
Gross margin %	10%	15%
Administration expenses	5,008	4,684
EBITDA profit/(loss)	(318)	(493)
Depreciation and amortisation	1,409	1,576
Net (loss) / profit	(4,360)	(4,547)
Drilltek S.A. De C.V.		
Sales	3,612	1,657
Cost of sales	3,099	1,776
Gross margin profit/(loss)	513	(119)
Gross margin %	14%	-
Administration expenses	427	408
EBITDA profit/(loss)	108	(506)
Depreciation and amortisation	22	20
Net (loss)/profit	(60)	(732)

PETRICORE LIMITED AND SUBSIDIARIES

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US \$'000	2017 US \$'000
Drilltek Colombia S.A.S.		
Sales	2,505	1,424
Cost of sales	2,663	980
Gross margin (loss)/profit	(158)	444
Gross margin %	-	31%
Administration expenses	525	526
EBITDA profit/(loss)	(588)	(102)
Depreciation and amortisation	95	86
Net profit / (loss)	(1,328)	(193)
Stratascan Mexico S.A. De C.V.		
Sales	11,788	10,060
Cost of sales	7,670	6,745
Gross margin	4,118	3,315
Gross margin %	35%	33%
Administration expenses	2,022	1,761
EBITDA	2,233	2,610
Depreciation and amortisation	137	222
Net profit	1,381	1,309
DTK Laboratories Inc		
Sales	2,020	1,825
Cost of sales	2,120	2,195
Gross margin (loss)	(100)	(370)
Gross margin %	-	-
Administration expenses	454	455
EBITDA (loss)	(463)	(740)
Depreciation and amortisation	91	85
Net loss	(549)	(824)
Scal Arabia Limited		
Sales	2,103	1,442
Cost of sales	2,872	2,557
Gross margin (loss)	(769)	(1,115)
Administration expenses	898	703
EBITDA (loss)	(901)	(1,057)
Depreciation and amortisation	766	761
Net loss	(2,670)	(2,269)

On behalf of the board



Mr J D Lawrence

Director

23 September 2019

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company and the group in the year under review was that of a holding and investment company undertaking the management of group companies, and the buying and leasing equipment to such companies, and geological laboratory services.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr B E Osthus

Mr J D Lawrence

Mr O S Hjelmeland

Mr R P O Welsvik

Mr S Page

(Resigned 30 April 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary or preference dividends were paid. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

BoseCo were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

PETRICORE LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

On behalf of the board



Mr J D Lawrence

Director

23 September 2019

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Opinion

We have audited the financial statements of Petricore Limited and Subsidiaries (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the group income statement, the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion on financial statements

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The group's and the parent company's tangible fixed assets are stated at cost less depreciation in the balance sheet as at 31 December 2018. We did not carry out physical verification as these assets are located at subsidiaries in Mexico, UAE, Colombia and Texas, USA. Hence, we are unable to satisfy ourselves of the existence and reasonableness of the net tangible assets balance reported as at 31 December 2018.

Also, we have not received returns from the component auditors of the Colombia subsidiary. Hence we are unable to form an opinion on this company.

Material uncertainty related to going concern

We draw attention to note 28 in the financial statements, which indicates that the group incurred a consolidated net loss of \$4,359,569 during the year ended 31 December 2018 and, as of that date, had an accumulated group loss of \$27,225,304 and net liabilities of \$2,475,588. As stated in note 28, these events or conditions, along with other matters as set forth in note 28, indicated that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In respect solely of the limitation of our work relating to fixed assets and the Colombia subsidiary described above:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been maintained.

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

PETRICORE LIMITED AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PETRICORE LIMITED AND SUBSIDIARIES

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Samar Bose (Senior Statutory Auditor)

for and on behalf of BoseCo

Chartered Accountants

Statutory Auditor

309 Regents Park Road

London

N3 1DP

30 September 2019

PETRICORE LIMITED AND SUBSIDIARIES

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	2017 \$
Revenue	3	21,001,470	16,942,199
Cost of sales		(17,719,563)	(14,326,813)
Gross profit		<u>3,281,907</u>	<u>2,615,386</u>
Administrative expenses		(5,007,830)	(4,684,696)
Other operating expenses		(72,766)	(217,807)
Operating loss	4	<u>(1,798,689)</u>	<u>(2,287,117)</u>
Investment income	8	16,987	32,400
Finance costs	9	(691,511)	(1,731,525)
Other gains and losses	10	(814,681)	-
Loss before taxation		<u>(3,287,894)</u>	<u>(3,986,242)</u>
Tax on loss	11	(1,071,675)	(560,692)
Loss for the financial year	26	<u>(4,359,569)</u>	<u>(4,546,934)</u>
Loss for the financial year is attributable to:			
- Owners of the parent company		(3,255,546)	(3,594,985)
- Non-controlling interests		(1,104,023)	(951,949)
		<u>(4,359,569)</u>	<u>(4,546,934)</u>

The income statement has been prepared on the basis that all operations are continuing operations.

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 \$	2017 \$
Loss for the year	(4,359,569)	(4,546,934)
Other comprehensive income		
Currency translation differences	(382,417)	(300,090)
Total comprehensive income for the year	<u>(4,741,986)</u>	<u>(4,847,024)</u>
 Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(3,634,727)	(3,898,474)
- Non-controlling interests	(1,107,259)	(948,550)
	<u>(4,741,986)</u>	<u>(4,847,024)</u>

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 \$	\$	2017 \$	\$
Non-current assets					
Goodwill	12	564,321		644,938	
Other intangible assets	12	702,741		799,511	
Total intangible assets		1,267,062		1,444,449	
Property, plant and equipment	13	6,047,065		7,047,118	
		7,314,127		8,491,567	
Current assets					
Inventories	17	50,464		44,463	
Trade and other receivables	18	15,048,471		8,856,558	
Cash and cash equivalents		909,139		939,342	
		16,008,074		9,840,363	
Current liabilities	19	(13,851,372)		(9,275,787)	
Net current assets		2,156,702		564,576	
Total assets less current liabilities		9,470,829		9,056,143	
Non-current liabilities	20	(11,025,322)		(6,719,561)	
Provisions for liabilities	23	(921,095)		(70,184)	
Net (liabilities)/assets		(2,475,588)		2,266,398	
Equity					
Called up share capital	24	2,005,763		2,005,762	
Share premium account	25	27,754,434		27,754,434	
Retained earnings	26	(27,225,304)		(23,590,576)	
Equity attributable to owners of the parent company		2,534,893		6,169,620	
Non-controlling interests		(5,010,481)		(3,903,222)	
		(2,475,588)		2,266,398	

The financial statements were approved by the board of directors and authorised for issue on 23 September 2019 and are signed on its behalf by:



Mr J D Lawrence
Director

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018		2017	
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	13		35,181		271,791
Investments	14		24,932,583		24,862,583
			<u>24,967,764</u>		<u>25,134,374</u>
Current assets					
Trade and other receivables	18	6,514,522		3,945,331	
Cash and cash equivalents		17,344		34,426	
		<u>6,531,866</u>		<u>3,979,757</u>	
Current liabilities	19	(2,250,298)		(2,874,918)	
Net current assets			<u>4,281,568</u>		<u>1,104,839</u>
Total assets less current liabilities			<u>29,249,332</u>		<u>26,239,213</u>
Non-current liabilities	20		(5,819,016)		(1,735,051)
Net assets			<u><u>23,430,316</u></u>		<u><u>24,504,162</u></u>
Equity					
Called up share capital	24		2,005,763		2,005,763
Share premium account	25		27,754,434		27,754,434
Retained earnings	26		(6,329,881)		(5,256,035)
Total equity			<u><u>23,430,316</u></u>		<u><u>24,504,162</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £1,073,846 (2017 - £1,773,345 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 23 September 2019 and are signed on its behalf by:



Mr J D Lawrence
Director

Company Registration No. 05835764

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital \$	Share premium account \$	Retained earnings \$	Total controlling interest \$	Non-controlling interest \$	Total \$
Balance at 1 January 2017		1,573,188	19,056,762	(19,692,102)	937,848	(2,954,672)	(2,016,824)
Year ended 31 December 2017:							
Loss for the year		-	-	(3,594,985)	(3,594,985)	(951,949)	(4,546,934)
Other comprehensive income:							
Currency translation differences		-	-	(300,090)	(300,090)	-	(300,090)
Amounts attributable to non-controlling interests		-	-	(3,399)	(3,399)	3,399	-
Total comprehensive income for the year		-	-	(3,898,474)	(3,898,474)	(948,550)	(4,847,024)
Issue of share capital	24	638,455	8,697,672	-	9,336,127	-	9,336,127
Other movements		(205,881)	-	-	(205,881)	-	(205,881)
Balance at 31 December 2017		2,005,762	27,754,434	(23,590,576)	6,169,620	(3,903,222)	2,266,398
Year ended 31 December 2018:							
Loss for the year		-	-	(3,255,546)	(3,255,546)	(1,104,023)	(4,359,569)
Other comprehensive income:							
Currency translation differences		-	-	(382,417)	(382,417)	-	(382,417)
Amounts attributable to non-controlling interests		-	-	3,236	3,236	(3,236)	-
Total comprehensive income for the year		-	-	(3,634,727)	(3,634,727)	(1,107,259)	(4,741,986)
Balance at 31 December 2018		2,005,763	27,754,434	(27,225,304)	2,534,893	(5,010,481)	(2,475,588)

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital \$	Share premium account \$	Retained earnings \$	Total \$
Balance at 1 January 2017		1,573,189	19,056,762	(3,482,690)	17,147,261
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		-	-	(1,773,345)	(1,773,345)
Issue of share capital	24	638,455	8,697,672	-	9,336,127
Other movements		(205,881)	-	-	(205,881)
Balance at 31 December 2017		2,005,763	27,754,434	(5,256,035)	24,504,162
Year ended 31 December 2018:					
Loss and total comprehensive income for the year		-	-	(1,073,846)	(1,073,846)
Balance at 31 December 2018		2,005,763	27,754,434	(6,329,881)	23,430,316

PETRICORE LIMITED AND SUBSIDIARIES

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	\$	2017 \$	\$
Cash flows from operating activities					
Cash absorbed by operations	30	(1,688,851)		(1,846,706)	
Interest paid		(691,511)		(1,674,443)	
Income taxes paid		(220,764)		(512,510)	
Net cash outflow from operating activities		(2,601,126)		(4,033,659)	
Investing activities					
Purchase of intangible assets		(237,625)		(226,748)	
Proceeds on disposal of intangibles		-		131,474	
Purchase of property, plant and equipment		(683,362)		(170,786)	
Proceeds on disposal of property, plant and equipment		-		16,446	
Proceeds on disposal of fixed asset investments		(116,812)		-	
Interest received		16,987		32,400	
Net cash used in investing activities		(1,020,812)		(217,214)	
Financing activities					
Proceeds from issue of shares		-		9,291,220	
Redemption of shares		-		(205,881)	
Repayment of borrowings		3,977,777		(7,030,089)	
Repayment of bank loans		(296,079)		2,909,514	
Payment of finance leases obligations		331,227		-	
Net cash generated from financing activities		4,012,925		4,964,764	
Net increase in cash and cash equivalents		390,987		713,891	
Cash and cash equivalents at beginning of year		908,550		494,748	
Effect of foreign exchange rates		(390,398)		(300,089)	
Cash and cash equivalents at end of year		909,139		908,550	
Relating to:					
Cash at bank and in hand		909,139		939,342	
Bank overdrafts included in creditors payable within one year		-		(30,792)	

PETRICORE LIMITED AND SUBSIDIARIES

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 \$	\$	2017 \$	\$
Cash flows from operating activities					
Cash absorbed by operations	31	(3,948,803)		(1,959,048)	
Interest paid		(71,109)		(685,045)	
Income taxes paid		(67,664)		-	
Net cash outflow from operating activities		(4,087,576)		(2,644,093)	
Investing activities					
Loans to subsidiaries		(70,000)		(287,497)	
Interest received		69,965		15,740	
Net cash used in investing activities			(35)		(271,757)
Financing activities					
Proceeds from issue of shares		-		9,291,220	
Redemption of shares		-		(205,881)	
Increase/(repayment) of borrowings		4,070,529		(6,136,808)	
Net cash generated from financing activities		4,070,529		2,948,531	
Net (decrease)/increase in cash and cash equivalents		(17,082)		32,681	
Cash and cash equivalents at beginning of year		34,426		1,745	
Cash and cash equivalents at end of year		17,344		34,426	

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Petricore Limited and Subsidiaries ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Gable House, 239 Regents Park Road, London, N3 3LF.

The group consists of Petricore Limited and Subsidiaries and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in US dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £1,073,846 (2017 - £1,773,345 loss).

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Petricore Limited and Subsidiaries and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2018. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	15% on straight line basis
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1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the period of the lease
Plant and machinery	20% on straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Non-current investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of non-current assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets 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 it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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 immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.10 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of inventories over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.11 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.12 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.13 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net 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 calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Foreign exchange

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in USD.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at an average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise. However, in the consolidated financial statements exchange differences arising on monetary items that form part of the net investment in a foreign operation are recognised in other comprehensive income and are not reclassified to profit or loss.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated from their functional currency to USD (\$) using the closing exchange rate. Income and expenses are translated using the average rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Revenue

An analysis of the group's revenue is as follows:

	2018 \$	2017 \$
Revenue analysed by class of business		
Laboratory services	15,545,285	15,285,201
Wellsite services	5,456,185	1,656,998
	<u>21,001,470</u>	<u>16,942,199</u>
	2018 \$	2017 \$
Other significant revenue		
Interest income	16,987	32,400
	<u>16,987</u>	<u>32,400</u>
	2018 \$	2017 \$
Revenue analysed by geographical market		
Mexico	14,774,787	12,550,897
Colombia	2,469,348	1,333,031
United Arab Emirates	1,943,021	1,442,245
United States of America	1,814,314	1,616,026
	<u>21,001,470</u>	<u>16,942,199</u>

Revenue is recognised when it is determined that the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4 Operating loss

	2018 \$	2017 \$
Operating loss for the year is stated after charging:		
Exchange losses	103,032	115,162
Depreciation of owned property, plant and equipment	1,313,939	1,481,569
Amortisation of intangible assets	94,601	94,842
Cost of inventories recognised as an expense	8,431,473	5,878,794
Operating lease charges	1,149,363	989,850

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £103,032 (2017 - £115,162).

5 Auditor's remuneration

	2018 \$	2017 \$
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	43,000	43,058
Audit of the financial statements of the company's subsidiaries	20,000	20,374
	63,000	63,432

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2018 Number	2017 Number	Company 2018 Number	2017 Number
Management	21	13	5	5
Operations	284	236	-	-
	305	249	5	5

Their aggregate remuneration comprised:

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Wages and salaries	9,462,945	7,408,317	24,544	37,197

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7 Directors' remuneration

2018	2017
\$	\$

Remuneration for qualifying services	24,544	37,197
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8 Investment income

2018	2017
\$	\$

Interest income

Other interest income	16,987	32,400
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9 Finance costs

2018	2017
\$	\$

Interest on financial liabilities measured at amortised cost:

Interest on bank overdrafts and loans	204,077	140,967
Other interest on financial liabilities	487,434	1,529,493
	691,511	1,670,460

Other finance costs:

Finance costs for financial instruments measured at fair value through profit or loss	-	57,082
Other interest	-	3,983

Total finance costs	691,511	1,731,525
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10 Other gains and losses

2018	2017
\$	\$

Amounts written off fixed asset investments	(814,681)	-
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11 Taxation

2018	2017
\$	\$

Current tax

Foreign current tax on profits for the current period	471,175	350,560
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Deferred tax

Origination and reversal of timing differences	600,500	210,132
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Total tax charge	1,071,675	560,692
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PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2018 \$	2017 \$
Loss before taxation	(3,287,894)	(3,986,242)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2017: 20.00%)	(624,700)	(797,248)
Tax effect of expenses that are not deductible in determining taxable profit	338,562	335,947
Unutilised tax losses carried forward	447,924	530,251
Permanent capital allowances in excess of depreciation	(22,661)	(75,520)
Foreign tax	338,128	414,713
Tax adjustments	594,422	152,549
Taxation charge	1,071,675	560,692

No liability to UK corporation tax arose on ordinary activities for the year.

12 Intangible fixed assets

Group	Goodwill \$	Development Costs \$	Total \$
Cost			
At 1 January 2018	806,172	951,962	1,758,134
Additions - internally developed	-	237,625	237,625
Disposals	-	(320,411)	(320,411)
At 31 December 2018	806,172	869,176	1,675,348
Amortisation and impairment			
At 1 January 2018	161,234	152,451	313,685
Amortisation charged for the year	80,617	13,984	94,601
At 31 December 2018	241,851	166,435	408,286
Carrying amount			
At 31 December 2018	564,321	702,741	1,267,062
At 31 December 2017	644,938	799,511	1,444,449

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Intangible fixed assets

(Continued)

Company

Net book value of intangible fixed assets at 31 December 2018 and 31 December 2017 was \$nil.

13 Property, plant and equipment

Group	Leasehold improvements \$	Plant and machinery \$	Total \$
Cost			
At 1 January 2018	2,192,200	13,660,412	15,852,612
Additions	162,451	520,911	683,362
Disposals	-	(691,423)	(691,423)
At 31 December 2018	2,354,651	13,489,900	15,844,551
Depreciation and impairment			
At 1 January 2018	718,498	8,086,996	8,805,494
Depreciation charged in the year	257,109	1,056,830	1,313,939
Eliminated in respect of disposals	-	(321,947)	(321,947)
At 31 December 2018	975,607	8,821,879	9,797,486
Carrying amount			
At 31 December 2018	1,379,044	4,668,021	6,047,065
At 31 December 2017	1,473,702	5,573,416	7,047,118

Company

Plant and machinery

Cost

At 1 January 2018 and 31 December 2018 4,333,743

Depreciation and impairment

At 1 January 2018 4,061,952

Depreciation charged in the year 236,610

At 31 December 2018 4,298,562

Carrying amount

At 31 December 2018 35,181

At 31 December 2017 271,791

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

13 Property, plant and equipment

(Continued)

Group

Plant and machinery with net book value of \$640,232 (2017: \$598,930) is held by the group under finance leases.

Company

No assets are held under finance leases.

14 Fixed asset investments

	Notes	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Investments in subsidiaries	15	-	-	7,291,176	7,291,176
Loans to subsidiaries	15	-	-	17,641,407	17,571,407
		-	-	24,932,583	24,862,583

Movements in non-current investments

Company	Shares in group undertakings \$	Loans to group undertakings \$	Total \$
Cost or valuation			
At 1 January 2018	7,291,176	17,571,407	24,862,583
Additions	-	70,000	70,000
At 31 December 2018	7,291,176	17,641,407	24,932,583
Carrying amount			
At 31 December 2018	7,291,176	17,641,407	24,932,583
At 31 December 2017	7,291,176	17,571,407	24,862,583

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Drilltek Colombia S.A.S.	Colombia	Mud Logging	Ordinary	100.00
Drilltek S.A. de C.V.	Mexico	Mud Logging	Ordinary	95.00
DTK Laboratories Inc.	Texas, USA	Laboratory Services	Ordinary	100.00
SCAL Arabia Limited	England and Wales	Laboratory Services	Ordinary	51.00
Stratascan Mexico S.A. de C.V.	Mexico	Laboratory Services	Ordinary	85.00

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

16 Financial instruments

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Carrying amount of financial assets				
Debt instruments measured at amortised cost	14,894,046	8,658,712	24,144,708	21,505,513
Carrying amount of financial liabilities				
Measured at amortised cost	23,782,025	15,393,070	7,114,897	3,745,639

17 Inventories

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Raw materials and consumables	50,464	44,463	-	-

18 Trade and other receivables

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Amounts falling due within one year:				
Trade receivables	2,620,124	1,537,073	-	-
Unpaid share capital	1,647,505	1,647,505	1,636,917	1,636,917
Amounts owed by group undertakings	-	(1)	3,552,723	2,124,337
Other receivables	10,637,638	5,485,360	1,324,882	184,077
Prepayments and accrued income	143,204	186,621	-	-
	15,048,471	8,856,558	6,514,522	3,945,331

19 Current liabilities

	Notes	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Bank loans and overdrafts	21	2,613,435	2,940,306	-	-
Payments received on account		102,584	8,538	-	-
Trade payables		7,148,408	4,491,398	250,393	118,970
Amounts owed to group undertakings		-	-	1,711,985	2,565,956
Other taxation and social security		1,094,669	602,278	(2,230)	435
Other payables		1,886,747	768,823	104,655	52,297
Accruals and deferred income		1,005,529	464,444	185,495	137,260
		13,851,372	9,275,787	2,250,298	2,874,918

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

20 Non-current liabilities

	Notes	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Obligations under finance leases	22	331,227	-	-	-
Other borrowings	21	9,492,646	5,514,869	5,289,173	1,218,644
Trade payables		252,197	308,414	252,197	308,414
Other payables		836,713	761,532	165,107	96,872
Accruals and deferred income		112,539	134,746	112,539	111,121
		<u>11,025,322</u>	<u>6,719,561</u>	<u>5,819,016</u>	<u>1,735,051</u>

Other borrowings are amounts due to shareholders. Majority of these loans are either for share conversion or were provided in accordance to the Facility Agreement which is only payable at exit.

21 Borrowings

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Bank loans	2,613,435	2,909,514	-	-
Bank overdrafts	-	30,792	-	-
Loans from group undertakings	-	-	956,647	863,895
Other loans	9,492,646	5,514,869	4,332,526	354,749
	<u>12,106,081</u>	<u>8,455,175</u>	<u>5,289,173</u>	<u>1,218,644</u>
Payable within one year	2,613,435	2,940,306	-	-
Payable after one year	9,492,646	5,514,869	5,289,173	1,218,644

22 Finance lease obligations

Certain plant and machinery is held under finance lease arrangements. Finance lease liabilities are secured by the related assets held under finance leases (see note 13). The lease agreements generally include fixed lease payments and a purchase option at the end of the lease term.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 \$	Liabilities 2017 \$
Group		
Other	921,095	70,184
Company		

Deferred tax assets and liabilities amounted to \$nil at 31 December 2018 and 31 December 2017.

24 Share capital

	Group and company 2018 \$	2017 \$
Ordinary share capital		
Issued and not fully paid		
1 Ordinary share of £1 each	1	1
2,005,762 Ordinary shares of £1 each	2,005,762	2,005,762
	<u>2,005,763</u>	<u>2,005,763</u>

Reconciliation of movements during the year:

	Ordinary \$1 Number
At 1 January 2018	2,005,763
At 31 December 2018	<u>2,005,763</u>

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

25 Share premium account

Group and company

	2018 \$	2017 \$
At beginning of year	27,754,434	19,056,762
Issue of new shares	-	8,697,672
At end of year	<u>27,754,434</u>	<u>27,754,434</u>

26 Retained earnings

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
At the beginning of the year	(15,246,075)	(19,692,102)	(5,256,035)	(3,482,690)
Loss for the year	(3,255,546)	(3,594,985)	(1,073,846)	(1,773,345)
Currency translation differences	(382,417)	(300,090)	-	-
Other comprehensive income attributable to non-controlling interests	3,236	(3,399)	-	-
At the end of the year	<u>(27,225,304)</u>	<u>(23,590,576)</u>	<u>(6,329,881)</u>	<u>(5,256,035)</u>

27 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2018 \$	2017 \$	Company 2018 \$	2017 \$
Within one year	141,689	620,622	-	-
Between two and five years	495,913	209,160	-	-
	<u>637,602</u>	<u>829,782</u>	<u>-</u>	<u>-</u>

28 Related party transactions

During the year the company issued ordinary shares to loan holders following conversion of its loans as follows:

	2018 \$	2017 \$
Kuppelvik Advokat AS (8,972 ordinary shares of \$1 each)	-	-

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

28 Related party transactions

(Continued)

StrategiCom AS (528 ordinary shares of \$1 each)	-	528
Tinbuen AS (709 ordinary shares \$1 each)	-	709
Geological Investments Ltd (32,833 ordinary shares \$1 each)	-	2,736
Hauken Consult AS (6,393 ordinary shares of \$1 each)	-	-
Hauken Invest AS (35,321 ordinary shares of \$1 each)	-	4,251
Carlos Alfonso Serrano Marin (7,545 ordinary shares of \$1 each)	-	2,240
Svein Bergset Holdings (625 ordinary shares of \$1 each)	-	625
Pareto Energy Solutions AS (160,967 ordinary shares of \$1 each)	-	-
Pareto Staur SPV1 AS (25,159 ordinary shares of \$1 each)	-	-
Safe Offshore AS (6,048 ordinary shares of \$1 each)	-	-
Staur Private Equity AS (79,165 ordinary shares of \$1 each)	-	-
	-	11,089

At the year end the following amounts were due to shareholders:

	2018	2017
	\$	\$
Geological Investments Ltd	265,107	291,000
Hauken Invest AS	-	742,726
Pareto Energy Solutions AS	-	3,827,618
Staur Private Equity AS	-	1,562,333
Staur Asset Management AS	2,977,206	-
Svein Bergset Holdings	56,250	-
Kuppelvik Advokat AS	-	-
Alf M Andersen AS	166,250	-
Pareto Staur SPV1 AS	693,992	595,495
Carlos Alfonso Serrano Marin	-	129,083
Safe Offshore AS	295,654	-
Hauken Consult AS	295,372	150,118
	4,749,831	7,298,373

29 Going concern

The group made a consolidated loss for the year of \$4,359,569. At the year end the group's accumulated loss was \$27,225,304 and has net liabilities of \$2,475,588. The group meets its day-to-day working capital requirements from existing cash resources, from revenue generated from the services it provides and from taking advantage of support from its shareholders.

The group has received comfort letters that the majority shareholders will provide support to the group in order to enable it to meet its obligations as and when required for a period of at least twelve months from the date of approval of these financial statements.

As a result of the above and after making enquiries, the directors have a reasonable expectation that the group will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

PETRICORE LIMITED AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

30 Cash generated from group operations

	2018 \$	2017 \$
Loss for the year after tax	(4,359,570)	(4,546,937)
Adjustments for:		
Taxation charged	1,071,675	560,692
Finance costs	691,511	1,731,525
Investment income	(16,987)	(32,400)
Amortisation and impairment of intangible assets	94,601	94,842
Depreciation and impairment of property, plant and equipment	1,313,941	1,481,567
Other gains and losses	814,681	-
Movements in working capital:		
(Increase)/decrease in inventories	(6,001)	7,571
(Increase)/decrease in trade and other receivables	(6,191,917)	1,429,461
Increase/(decrease) in trade and other payables	4,899,215	(2,573,027)
Cash absorbed by operations	(1,688,851)	(1,846,706)

31 Cash absorbed by operations - company

	2018 \$	2017 \$
Loss for the year after tax	(1,073,846)	(1,773,347)
Adjustments for:		
Taxation charged	67,664	-
Finance costs	71,109	742,127
Investment income	(69,965)	(15,740)
Depreciation and impairment of property, plant and equipment	236,610	341,462
Movements in working capital:		
(Increase)/decrease in trade and other receivables	(2,569,191)	39,971
Decrease in trade and other payables	(611,184)	(1,293,521)
Cash absorbed by operations	(3,948,803)	(1,959,048)