

REGISTERED NUMBER: 9237123

SANTOS SABAH BLOCK R LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2018

(THIS FINANCIAL REPORT IS PREPARED IN UNITED STATES DOLLARS)

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COMPANIES HOUSE

SANTOS SABAH BLOCK R LIMITED

**REGISTERED NUMBER 9237123
CORPORATE INFORMATION**

Santos Sabah Block R Limited ("the Company") is a wholly-owned subsidiary of Ophir Jaguar 1 Limited, a subsidiary of Salamander Energy Plc and Ophir Energy Limited. Ophir Jaguar 1 Limited was incorporated and domiciled in British Virgin Islands. Salamander Energy Plc and Ophir Energy Limited were incorporated and domiciled in the United Kingdom.

Directors	Ms Krista (appointed 22 May 2019) Roberto Lorato (appointed 31 July 2019) Sanjeev Bansal (appointed 31 July 2019) Anthony John Mulgrove (appointed 4 December 2018) Euphemia Milligan Gilbert (appointed 4 December 2018, resigned 30 September 2019) Oliver Francis Quinn (appointed 4 November 2018, resigned 12 July 2019) John Francis Bell (appointed 4 December 2018, resigned 1 August 2019) Craig Douglas Stewart (appointed 22 May 2019) Kevin Thomas Gallagher (resigned 4 December 2018) Anthony Neilson (resigned 4 December 2018) James Thorne (resigned 4 December 2018)
Company Secretary	Philip Laing (appointed 4 December 2018) Tyrolese (Secretarial) Limited (resigned 4 December 2018)
Auditors	Ernst & Young LLP
Registered Office	3rd Floor, 25 Wilton Road London SW1V 1LW.

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2018.

Principal activities

The principal activity of the Company during the year was the exploration of oil and gas hydrocarbons through its investment in the Block R Production Sharing Contract ("the Block") in the South Sabah region of Malaysia.

Principal risks and uncertainties

The following are some of the key risks that face the Company:

Exploration and development risk

There is no assurance that the Company's exploration activities will be successful and, statistically, few assets that are explored are ultimately developed into producing hydrocarbon fields. The Company's operations may also be curtailed, delayed or cancelled, not only as a result of weather conditions but also as a result of shortage or delays in the delivery of drilling rigs and other equipment which, at times, are in short supply.

Commodity prices, fiscal regimes and currency

Exposure to foreign currency risks arise in the normal course of the Company's business. Derivative financial instruments may be used by Ophir Energy Plc, the Company's ultimate parent entity up till 21 May 2019, to hedge exposure to fluctuations in foreign exchange rates on behalf of the Ophir Group.

Financing

The development of the Company's assets will depend upon the Company's ability to obtain financing through the joint operation of projects, debt and equity financing, farm downs or other means. There is no assurance that the Company will be successful in obtaining the required financing or attracting farm-in partners. If the Company is unable to obtain additional financing as needed through the attraction of suitable farm-in partners, some interests may be relinquished and/or the scope of the operations reduced.

Business review and future developments

The Company holds a 20% interest in the Block R Production Sharing Contract ("PSC") in the South Sabah region of Malaysia.

However, with effect from 1 January 2019, the Company, together with other PSC partners, JX Nippon Oil & Gas Exploration (Deepwater Sabah) Limited and INPEX Offshore South West Sabah Ltd. signed a deed of assignment to transfer all of their participating interest in Deepwater Block R PSC to Petronas Carigali Sdn. Bhd. ("Carigali").

As a result of the exit, the Company impaired the exploration assets in full at the end of 2018. The directors have planned for a voluntary liquidation of the Company within 1 year of signing these financial statements. Accordingly, the directors have prepared the financial statements on a basis other than going concern.

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

STRATEGIC REPORT (CONTINUED)

Key performance indicators

The Company's sole shareholder, Ophir Jaguar 1 Limited is a wholly-owned subsidiary of Salamander Energy Plc and Ophir Energy Limited. Ophir Energy Limited is the ultimate parent entity in the Ophir Group. The Ophir Group has strategic targets for its base business, including exploration and evaluation targets and safety performance levels.

On 21 May 2019, Ophir Energy Plc was acquired by Medco Energi Global PTE Ltd ("Medco").

By order of the Board

A handwritten signature in black ink, appearing to read 'Anthony Mulgrove', followed by a long, sweeping horizontal line that extends to the right.

Anthony Mulgrove
19 December 2019

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Directors' report and financial statements for the year ended 31 December 2018.

Results and dividends

The results for the year ended 31 December 2018 are summarised below:

	2018 US\$000	2017 US\$000
Loss before tax	(78,147)	(2,602)
Income tax (expense)/benefit	-	-
Loss after income tax for the year	(78,147)	(2,602)

No dividends have been distributed during the year and no dividends have been recommended by the Directors.

Going concern

With effect from 1 January 2019, the Malaysian Branch of the Company, exited from Deepwater Block R PSC by transferring all of its participating interest to Petronas Carigali Sdn. Bhd. ("Carigali"). As such, the Branch is no longer involved in the joint operation effective from the abovementioned date.

The directors have planned for a voluntary liquidation of the Company within 1 year of signing these financial statements. Accordingly, the directors have prepared the financial statements on a basis other than going concern - Note 1(b).

Events post balance date

Please see 'Going concern' above

In addition, on 21 May 2019, Ophir Energy Plc was acquired by Medco Energi Global PTE Ltd ("Medco"). Consequently, Ophir Energy Plc was delisted from the London Stock Exchange on 22 May 2019.

Except as mentioned above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may affect the operations of the Company, or the results of those operations.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed below. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Directors and their interests

The names of the Directors in office at the date of this report are:

Ms Krista
Anthony John Mulgrove
Sanjeev Bansal
Roberto Lorato
Craig Douglas Stewart

The above Directors have held their office at all times since their appointment.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and Ernst & Young LLP therefore continue in office.

By order of the Board


Anthony Mulgrove
19 December 2019

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable United Kingdom law and the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The Directors are required to prepare financial statements for each financial period which present fairly the financial position of the Company and the financial performance and cash flows of the Company for that year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance; and
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the *Companies Act 2006*. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANTOS SABAH BLOCK R LIMITED

Opinion

We have audited the financial statements of Santos Sabah Block R Limited for the year ended 31 December 2018 which comprise the income statement, statement of comprehensive income, statement of changes in equity, statement of financial position, statement of cash flows and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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 below. 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.

Emphasis of matter – financial statements prepared on a basis other than going concern

We draw attention to note 1 (b) to the financial statements which explains that the directors intend to liquidate the company and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern as described in note 1 (b). Our opinion is not modified in this respect of this matter.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 6, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANTOS SABAH BLOCK R LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 set out on page 6, 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 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 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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SANTOS SABAH BLOCK R LIMITED
(CONTINUED)**

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.



*Jacqueline Ann Geary (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
19 December 2019*

SANTOS SABAH BLOCK R LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$000	2017 US\$000
Other expenses	2	(78,147)	(2,602)
Loss before tax		(78,147)	(2,602)
Income tax benefit/(expense)	3	-	-
Net loss after income tax attributable to the equity holder of Santos Sabah Block R Limited		(78,147)	(2,602)

The Income Statement is to be read in conjunction with the notes to the financial statements.

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	US\$000	US\$000
Net loss for the year	(78,147)	(2,602)
Other comprehensive loss, net of tax	-	-
Total comprehensive loss	(78,147)	(2,602)

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements.

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Issued capital US\$000	Accumulated losses US\$000	Total equity US\$000
Balance at 1 January 2017		104,751	(39,734)	65,017
Loss for the year		-	(2,602)	(2,602)
Other comprehensive income/(loss) for the year		-	-	-
Total comprehensive loss for the year		-	(2,602)	(2,602)
Transactions with owners in their capacity as owners:				
Shares issued	11	7,499	-	7,499
Balance at 31 December 2017		112,250	(42,336)	69,914
Balance at 1 January 2018		112,250	(42,336)	69,914
Loss for the year		-	(78,147)	(78,147)
Other comprehensive income/(loss) for the year		-	-	-
Total comprehensive loss for the year		-	(78,147)	(78,147)
Transactions with owners in their capacity as owners:				
Shares issued		5,595	-	5,595
Waiver of loan from Santos Group	5	-	3,149	3,149
Balance at 31 December 2018		117,845	(117,334)	511

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 US\$000	2017 US\$000
Non-current assets			
Exploration and evaluation assets	4	-	76,446
Current assets			
Inventories	7	1,721	1,926
Prepayments	8	2,805	2,708
Cash and cash equivalents	9	-	1
Total current assets		4,526	4,635
Total assets		4,526	81,081
Current liabilities			
Trade and other payables	10	4,015	5,573
Amounts owing to a related entity	5	-	5,594
Total liabilities		4,015	11,167
Net assets		511	69,914
Equity			
Issued capital	11	117,845	112,250
Accumulated losses		(117,334)	(42,336)
Total equity attributable to equity holder of Santos Sabah Block R Limited		511	69,914

These financial statements were approved by the Board of Directors on 19 December 2019 and were signed on its behalf by:


 Anthony Mulgrove
 Director

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 US\$000	2017 US\$000
Cash flows from operating activities			
Payments to suppliers		(3,894)	(3,329)
Net cash used in operating activities		(3,894)	(3,329)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,701)	(2,711)
Net cash used in investing activities		(1,701)	(2,711)
Cash flows from financing activities			
Advances from related entity		5,594	5,934
Net cash provided by financing activities		5,594	5,934
Net (decrease)/increase in cash and cash equivalents		(1)	(106)
Cash and cash equivalents at beginning of year		1	107
Cash and cash equivalents at end of the year	9	-	1

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies

Santos Sabah Block R Limited ("the Company") is a company incorporated and domiciled in England and Wales. The Company is wholly-owned by Ophir Jaguar 1 Limited, a subsidiary of Salamander Energy Plc and Ophir Energy Limited. Ophir Jaguar 1 Limited was incorporated and domiciled in British Virgin Islands. Salamander Energy Plc and Ophir Energy Limited were incorporated and domiciled in the United Kingdom.

On 21 May 2019, Ophir Energy Plc was acquired by Medco Energi Global PTE Ltd ("Medco").

The financial report was authorised for issue by the Directors on 19 December 2019.

(a) Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRSs") as they apply to the financial statements of the Company for the period ended 31 December 2018.

(b) Basis of preparation

As set out in the Directors' report, due to the planned liquidation of the Company, the directors have decided to prepare the financial statements on a basis other than going concern. The financial statements are prepared in US\$, which is the functional currency of the entity.

Going concern

The directors have planned for a voluntary liquidation of the Company within 1 year of signing these financial statements. Accordingly, the directors consider it inappropriate to prepare the financial statements on a going concern basis and therefore the directors have prepared these financial statements on a basis other than going concern.

Adoption of New and Revised Accounting Standards

The Company has adopted the following relevant new and amended IFRS and IFRIC interpretations as of 1 January 2018:

- IFRS 9 'Financial Instruments'
- IFRIC 22 'Foreign currency transactions and advanced consideration'
- Annual Improvements to IFRS's 2012-2016 Cycle dealing with matters in IFRS 1 First-time Adoption and IAS 28 Investments in Associates and Joint Ventures

These new and amended standards and interpretations have not materially affected amounts reported or disclosed in the Company's financial statements for the year ended 31 December 2018 except as outlined below.

IFRS 9 'Financial Instruments'

IFRS 9 provides a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Under the new standard the Company's financial assets are classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income. For financial liabilities the existing classification and measurement requirements of IAS 39 are largely retained. Whilst financial assets have been reclassified into the categories required by IFRS 9, the

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

Company has not identified any impacts on the measurement of its financial assets and financial liabilities as a result of the classification and measurement requirements of the new standard. Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company has continued to measure these at amortised cost under IFRS 9.

Under IFRS 9, impairments of financial assets classified as measured at amortised cost are recognised on an expected credit loss (ECL) basis which incorporates forward-looking information when assessing credit risk. Movements in the expected loss reserve are recognised in profit or loss. Due to the short-term nature and high quality of the financial assets, the Company has not recognised any impacts on the adoption of IFRS 9.

Standards and interpretations issued but not yet effective

The following standards and interpretations, relevant to the Company, have been issued by the IASB, but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Company:

	Effective date for periods beginning on or after
• IFRS 16 Leases	1 January 2019
• Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
• IFRIC 23 Uncertainty Over Income Tax Positions	1 January 2019
• Annual Improvements to IFRSs 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs)	1 January 2019

The Company does not currently expect any of these changes to have a material impact on the results.

(c) Joint arrangements

The Company's exploration and production activities are often conducted through joint arrangements governed by joint operating agreements, production sharing contracts or similar contractual relationships.

A joint operation involves the joint control, and often the joint ownership, by the parties to the joint operation, of one or more assets contributed to, or acquired for the purpose of, the joint operation and dedicated to the purposes of the joint operation. The assets are used to obtain benefits for the parties to the joint operation. Each party may take a share of the output from the assets and each bears an agreed share of expenses incurred. Each party has control over its share of future economic benefits through its share of the joint operation.

The interests of the Company in joint operations are brought to account by recognising in the financial statements the Company's share of the joint operation's assets, share of expenses and liabilities incurred, and the income from the sale or use of its share of the production of the joint operation.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost in relation to drilling and maintenance stocks, which include plant spares, consumables and maintenance and drilling tools used for ongoing operations, are valued at weighted average cost.

(e) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short-term deposits that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and have an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(f) Foreign currency

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in US dollars which is the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

(g) Exploration and evaluation expenditure

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of acquiring interests in new exploration and evaluation assets, and the costs of successful wells and appraisal costs relating to determining technical feasibility, which are capitalised as intangible exploration and evaluation assets.

An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual oil or gas field.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

Exploration and evaluation expenditure (continued)

Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

- (i) such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest, or alternatively by its sale; or
- (ii) the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets.

The carrying amounts of the Company's exploration and evaluation assets are reviewed at each reporting date, in conjunction with the impairment review process referred to in note 1(k), to determine, amongst others, whether any of the following indicators of impairment exist:

- (i) tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed;
- (ii) substantive expenditure on further exploration for, and evaluation of, mineral resources in the specific area is not budgeted or planned;
- (iii) exploration for, and evaluation of, resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Company has decided to discontinue activities in the specific area; or
- (iv) sufficient data exists to indicate that, although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists a formal estimate of the recoverable amount is made, and any resultant impairment loss is recognised in the income statement. When approval of commercial development of a discovered oil or gas field occurs, the accumulated exploration and evaluation expenditure is transferred to oil and gas assets – assets in development.

(h) Financial Instruments

Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables, other receivables and receivables from joint arrangements. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of derivatives.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g. derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g. debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e. where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss. A derivative embedded in a hybrid contract with a financial liability or non-financial host is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial Instruments (continued)

months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and other receivables due in less than 12 months, the Company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and loans and borrowings.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income. This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

(i) Impairment

The carrying amounts of the Company's assets are reviewed to determine if there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, an asset's 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.

Reversals of impairment

An impairment loss is reversed if there has been an increase in the estimated recoverable amount of a previously impaired asset. 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 depletion, if no impairment loss had been recognised.

(j) Trade and other payables

Trade and other payables are recognised when the related goods or services are received, at the amount of cash or cash equivalent that will be required to discharge the obligation, gross of any settlement discount offered. Trade payables are non-interest bearing and are settled on normal terms and conditions.

(k) Share capital

Ordinary share capital

Ordinary share capital is classified as equity.

Dividends

Dividends are recognised as a liability at the time the Directors resolve to pay or declare the dividend.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the amount of income tax payable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. Significant Accounting Policies (continued)

(l) Income tax (continued)

Deferred tax is determined using the statement of financial position approach, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the appropriate tax bases. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on management's judgement regarding estimates and assumptions of future events. The reasonableness of 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The key judgments, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

Exploration and evaluation

The Company's policy for exploration and evaluation expenditure is discussed in note 1(g). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Impairment of receivables from related entities

The Company assesses whether receivables from related entities are impaired on an annual basis.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$000	2017 US\$000
2. Other expenses		
Exploration and evaluation expense	<u>78,147</u>	<u>2,602</u>
3. Income tax expense		
Current tax expense		
UK corporation tax	<u>-</u>	<u>-</u>
Deferred tax expense (note 6)	<u>-</u>	<u>-</u>
Total income tax expense	<u>-</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net loss		
Loss before tax	<u>(78,147)</u>	<u>(2,602)</u>
Prima facie income tax benefit at 19% (2017: 19.25%)	<u>14,848</u>	<u>501</u>
Increase in income tax expense due to:		
Current year tax losses not recognised	<u>(14,848)</u>	<u>(501)</u>
Income tax benefit on pre-tax loss	<u>-</u>	<u>-</u>
4. Exploration and evaluation assets		
Balance at beginning of year	<u>76,446</u>	<u>71,651</u>
Additions	<u>1,701</u>	<u>7,397</u>
Exploration and evaluation costs expensed	<u>(78,147)</u>	<u>(2,602)</u>
Balance at end of year	<u>-</u>	<u>76,446</u>
5. Amounts owing to a related entity		
Amounts owing to a related entity	<u>-</u>	<u>5,594</u>
Reconciliation of movements		
Balance at beginning of year	<u>5,594</u>	<u>7,159</u>
Loan (repaid)/drawn down	<u>(2,445)</u>	<u>(1,565)</u>
Waiver of loan	<u>(3,149)</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>5,594</u>

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 US\$000	2017 US\$000
6. Deferred tax assets		
Deferred tax assets not brought to account	<u>8,463</u>	<u>8,463</u>
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	<u>8,463</u>	<u>8,463</u>
7. Inventories		
Drilling and maintenance stocks	<u>1,721</u>	<u>1,926</u>
8. Prepayments		
Deposit and GST refundable	<u>2,805</u>	<u>2,708</u>
9. Cash and cash equivalents		
Cash at bank and in hand	<u>-</u>	<u>1</u>
Bank balances and call deposits earn interest at floating rates based upon market rates. The carrying amounts of cash and cash equivalents represent their fair value.		
10. Trade and other payables		
Accruals	-	5
Amounts due to joint venture partner	<u>4,015</u>	<u>5,568</u>
	<u>4,015</u>	<u>5,573</u>
11. Share capital and other equity		
Share capital - issued and fully paid ordinary shares	<u>117,844</u>	<u>112,250</u>

Movement in fully paid issued ordinary shares

	2018 Number of shares	2017 Number of shares	2018 US\$000	2017 US\$000
Balance at beginning of year	120,084	112,061	112,250	104,751
Issued during the year	5,984	8,023	5,595	7,499
Returned during the year	-	-	-	-
Balance at end of year	<u>126,068</u>	<u>120,084</u>	<u>117,845</u>	<u>112,250</u>

Capital risk management

The Company's objective when managing capital is to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure. In order to maintain or adjust the capital structure the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

12. Commitments for expenditure

Capital commitments

Capital commitments contracted for at reporting date for which no amounts have been provided in the financial statements, payable:

	2018	2017
	US\$000	US\$000
Not later than one year	-	145
Later than one year but not later than five years	-	145
Later than five years	-	-
	-	290

Operating lease commitments

Non-cancellable operating lease payments are payable as follows:

Not later than one year	-	82
Later than one year but not later than five years	-	35
Later than five years	-	-
	-	117

13. Related party disclosures

(a) Parent entities

The Branch's immediate parent entity is Ophir Jaguar 1 Limited. The ultimate parent entity is Ophir Energy Plc. Ophir Jaguar 1 Limited and Ophir Energy Plc are both incorporated and domiciled in United Kingdom. The address of the registered office of Ophir Energy Plc is:

Ophir Energy Plc
123 Victoria Street
Westminster London SW1E6RD
United Kingdom.

The consolidated financial report of the Ophir Group is available to the public and may be obtained from the above address. This is the smallest group into which the result of the Branch is consolidated.

On 21 May 2019, Ophir Energy Plc was acquired by Medco Energi Global PTE Ltd ("Medco"). Consequently, Ophir Energy Plc was delisted from the London Stock Exchange on 22 May 2019.

(b) Amounts owing to related parties

The following related party balance existed at the reporting date:

	2018	2017
	US\$000	US\$000
Amount owing to related entity (note 5)	-	5,594

The amounts owing to related entities are interest-free and unsecured.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

13. Related party disclosures (continued)

(c) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Directors of the Company.

The following were Directors of the Company and therefore key management personnel of the Company for the period:

James Thorne
Kevin Thomas Gallagher
Anthony Neilson

A total of US\$4,252 (2016: US\$3,744) was paid to James Thorne for his services as a Director of the Company for the year. The Company employs no permanent staff. The operational and administrative duties of the Company are undertaken by staff employed by other entities within the Santos Group.

(d) Interests in joint operations

The Company had a 20% interest in the Block R PSC.

However, with effect from 1 January 2019, the Malaysian Branch of the Company, together with other PSC partners, JX Nippon Oil & Gas Exploration (Deepwater Sabah) Limited and INPEX Offshore South West Sabah Ltd. signed a deed of assignment to transfer all of their participating interest in Deepwater Block R PSC to Petronas Carigali Sdn. Bhd. ("Carigali"). As such, the Branch is no longer involved in the joint operation effective from the abovementioned date.

14. Financial risk management

Exposure to foreign currency risk, interest rate risk, commodity price risk, credit risk and liquidity risk arose in the normal course of the Company's business. Derivative financial instruments may be used by Santos Limited, the Company's ultimate parent entity, and Santos Finance Ltd, a subsidiary of Santos Limited, to hedge exposure to fluctuations in foreign exchange rates, interest rates and commodity prices, on behalf of the Company.

(a) Foreign currency risk

There was limited exposure to foreign currency risk as the Company's functional and presentation currency of US dollars was the currency in which most transactions occur.

(b) Interest rate risk

As the Company had no interest-bearing liabilities the Company was not exposed to changes in market interest rates on borrowings.

(c) Commodity price risk

The Company was not exposed to any commodity price risk during the period.

(d) Liquidity risk

The Company aimed to mitigate liquidity risk by maintaining sufficient cash balances to meet ongoing operational requirements and exploration activities, and had additional funding available to it through committed credit facilities held by Santos Finance Ltd, a subsidiary of Santos Limited. Santos Limited, the ultimate parent entity, has fully funded the activities of the Company through the year and had the financial capacity to fund its obligations.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

14. Financial risk management (continued)

(e) Fair values

The financial assets and liabilities of the Company are initially recognised on the statement of financial position at their fair value in accordance with the accounting policies in note 1.

Subsequent to initial recognition, the significant methods and assumptions used in estimating the fair values of financial instruments are:

Trade and other receivables

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade receivables.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where the cash flows are in a foreign currency the present value is converted to US dollars at the foreign exchange rate prevailing at reporting date.

(f) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions, and represents the potential financial loss if counterparties fail to perform as contracted. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The receivables balances are monitored on an ongoing basis and amounts outstanding at reporting date have subsequently been received. The Company does not hold collateral, nor does it securitise its trade and other receivables.

The Company's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised on the statement of financial position. At the reporting date there were no long overdue balances and therefore, there are no significant concentrations of credit risk.

The Santos Group controlled credit risk on derivative financial instruments by setting exposure limits related to the creditworthiness of counterparties, all of which were selected banks or institutions with a Standard & Poor's rating of A or better.

15. Auditor's remuneration

Audit of these financial statements

2018 US\$000	2017 US\$000
6.2	15

The auditor's remuneration is borne by the ultimate parent entity, Ophir Energy Limited.

16. Events post balance date

With effect from 1 January 2019, the Malaysian Branch of the Company, together with other PSC partners, JX Nippon Oil & Gas Exploration (Deepwater Sabah) Limited and INPEX Offshore South West Sabah Ltd. signed a deed of assignment to transfer all of their participating interest in Deepwater Block R PSC to Petronas Carigali Sdn. Bhd. ("Carigali"). As such, the Branch is no longer involved in the joint operation effective from the abovementioned date.

SANTOS SABAH BLOCK R LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

In addition, on 21 May 2019, Ophir Energy Plc was acquired by Medco Energi Global PTE Ltd ("Medco"). Consequently, Ophir Energy Plc was delisted from the London Stock Exchange on 22 May 2019.

Except as mentioned above, in the opinion of the Directors there has not arisen in the interval between the end of the financial year and the date of this report any matter or circumstance that has significantly affected or may affect the operations of the Company, or the results of those operations.