

REGISTERED NUMBER: 9237123

SANTOS SABAH BLOCK R LIMITED

ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2019

(THIS FINANCIAL REPORT IS PREPARED IN UNITED STATES DOLLARS)

TUESDAY



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COMPANIES HOUSE

Registered Office Green Place, Rotherfield Greys,
Henley on Thames, Oxfordshire RG9 4PH.

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities

The principal activity of the Company 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:

Reporting

Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Compliance and Control Risks

Ethical misconduct or breaches of applicable laws by the company's businesses or its employee could be damaging to its reputation. Failure to report accurately the company's data could lead to regulatory action, legal liability and reputational damage.

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 Medco Energi Group, the Company's ultimate parent entity, to hedge exposure to fluctuations in foreign exchange rates on behalf of the Medco Group.

Business review and future developments

The Company used to hold 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 in 2021 upon receiving all the input Goods and Services Tax ("GST") credit by the end of 2020. 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 key performance indicators for Santos Sabah Block R are aligned with the Medco Group, which has strategic targets for its base business, including exploration and evaluation targets and safety performance levels.

By order of the Board

A handwritten signature in black ink, appearing to read 'Krista' with a stylized flourish underneath.

Krista
29 September 2020

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their Directors' report and financial statements for the year ended 31 December 2019.

Results and dividends

The results for the year ended 31 December 2019 are summarised below:

	2019 US\$000	2018 US\$000
Profit/(Loss) before tax	1,669	(78,147)
Income tax (expense)/benefit	-	-
Profit/(Loss) after income tax for the year	<u>1,669</u>	<u>(78,147)</u>

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 in 2021 upon receiving all the input Goods and Services Tax ("GST") credit by the end of 2020. Accordingly, the directors have prepared the financial statements on a basis other than going concern - Note 1(b).

Events post balance sheet date

Aside from the outbreak of COVID-19 disclosed in detail in Note 17 'Events After The Reporting Period', in the opinion of the Directors no other events have occurred in the period between the end of the financial year and the date of this report that have significantly affected or may affect the Company.

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 2019

Directors and their interests

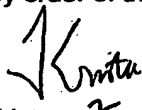
The following Directors have held office during the year and up to the date of these financial statements unless otherwise indicated:

Ms Krista (appointed 22 May 2019)
Craig Douglas Stewart (appointed 22 May 2019)
Roberto Lorato (appointed 31 July 2019)
Sanjeev Bansal (appointed 31 July 2019)
Anthony John Mulgrove (resigned 31 January 2020)
Euphemia Milligan Gilbert (resigned 30 September 2019)
Oliver Francis Quinn (resigned 12 July 2019)
John Francis Bell (resigned 1 August 2019)

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



Krista
29 September 2020

SANTOS SABAH BLOCK R LIMITED

REGISTERED NUMBER 9237123

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019 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 17, 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 2019 and of its profit 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 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.

Ernst & Young LLP

*Jacqueline Ann Geary (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 September 2020*

SANTOS SABAH BLOCK R LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 US\$000	2018 US\$000
Other income	2	1,831	-
Other expenses	3	(162)	(78,147)
Profit/(loss) before tax		1,669	(78,147)
Income tax benefit/(expense)	4	-	-
Profit/(loss) after income tax attributable to the equity holder of Santos Sabah Block R Limited		1,669	(78,147)

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US\$000	2018 US\$000
Profit/(loss) for the year	1,669	(78,147)
Other comprehensive income/(loss), net of tax	-	-
Total comprehensive income/(loss)	1,669	(78,147)

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

SANTOS SABAH BLOCK R LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Issued capital US\$000	Accumulated losses US\$000	Total equity US\$000
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	13	5,595	-	5,595
Waiver of loan from Santos Group	6	-	3,149	3,149
Balance at 31 December 2018		117,845	(117,334)	511
Balance at 1 January 2019		117,845	(117,334)	511
Profit for the year		-	1,669	1,669
Other comprehensive income/(loss) for the year		-	-	-
Total comprehensive income for the year		-	1,669	1,669
Transactions with owners in their capacity as owners:				
Return of shares	13	(363)	-	(363)
Balance at 31 December 2019		117,482	(115,665)	1,817

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 2019

	Note	2019 US\$000	2018 US\$000
Non-current assets			
Exploration and evaluation assets	5	-	-
Current assets			
Inventories	8	-	1,721
Prepayments	9	395	2,805
Amount owing from a related entity	10	1,648	-
Cash and cash equivalents	11	-	-
Total current assets		2,043	4,526
Total assets		2,043	4,526
Current liabilities			
Trade and other payables	12	226	4,015
Amounts owing to a related entity	6	-	-
Total liabilities		226	4,015
Net assets		1,817	511
Equity			
Issued capital	13	117,482	117,845
Accumulated losses		(115,665)	(117,334)
Total equity attributable to equity holder of Santos Sabah Block R Limited		1,817	511

These financial statements were approved by the Board of Directors on 29 September 2020 and were signed on its behalf by:



Krista
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 2019

	Note	2019 US\$000	2018 US\$000
Cash flows from operating activities			
Payments to suppliers		(363)	(3,894)
Net cash used in operating activities		(363)	(3,894)
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		-	(1,701)
Net cash used in investing activities		-	(1,701)
Cash flows from financing activities			
Advances from related entity		363	5,594
Net cash provided by financing activities		363	5,594
Net (decrease) in cash and cash equivalents		-	(1)
Cash and cash equivalents at beginning of year		-	1
Cash and cash equivalents at end of the year	11	-	-

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 2019

1. Significant Accounting Policies

Santos Sabah Block R Limited ("the Company") is a company incorporated and domiciled in England and Wales. Prior to 21 May 2019, the Company was 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.

Since then, Ophir Energy Limited became a wholly-owned subsidiary of Medco Energi Global Pte Ltd, Medco Strait Services Pte Ltd and PT Medco Energi Internasional Tbk. PT Medco Energi Internasional Tbk is the ultimate parent entity in the Medco Group. Medco Energi Global Pte Ltd and Medco Strait Services Pte Ltd were incorporated and domiciled in Singapore. PT Medco Energi Internasional Tbk was incorporated and domiciled in Indonesia.

The financial report was authorised for issue by the Directors on 29 September 2020.

(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 2019.

(b) Basis of preparation

The directors have planned for a voluntary liquidation of the Company in 2021 upon receiving all the input Goods and Services Tax ("GST") credit by the end of 2020. Accordingly, the directors have prepared the financial statements on a basis other than going concern.

Financial Statements are prepared on a basis other than going concern, when it is determined that the going concern basis of accounting is not appropriate. In this case, the going concern basis of accounting is not appropriate because the Company has ceased operations, and the Directors intend to liquidate the Company within 12 months.

The financial statements are prepared in US\$, which is the functional currency of the entity.

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 2019:

- IFRS 16 'Leases'
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- IFRIC 23 'Uncertainty Over Income Tax Positions'
- Annual Improvements to IFRS's 2015-2017 Cycle (IFRS 3 Business Combinations and IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs)

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 2019.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

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 2019 and have not been early adopted by the Company:

	Effective date for periods beginning on or after
• Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020
• Amendments to IFRS 3 Business Combinations: Definition of a Business	1 January 2020*
• Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
• Amendments to IFRS 9, IAS 37 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
• IFRS 17 Insurance contracts	1 January 2021*
• Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022*

* Standards / amendments not yet endorsed

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.

(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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(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 profit or loss. 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.

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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(g) Exploration and evaluation expenditure (continued)

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(i), 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.

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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

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.

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

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

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

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.

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 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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(h) Financial instruments (continued)

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 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 2019

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:

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 profit or loss 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 difference in the respective carrying amounts is recognised in profit or loss.

(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 profit or loss 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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(i) Impairment (continued)

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.

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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. Significant Accounting Policies (continued)

(m) Significant accounting judgements, estimates and assumptions (continued)

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 2019

	2019 US\$000	2018 US\$000
2. Other income		
Inventory & exploration and evaluation assets disposal	<u>1,831</u>	<u>-</u>
3. Other expenses		
Exploration and evaluation expense	<u>162</u>	<u>78,147</u>
4. Income tax expense		
Current tax expense		
UK corporation tax	<u>-</u>	<u>-</u>
Deferred tax expense (note 7)	<u>-</u>	<u>-</u>
Total income tax expense	<u>-</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax profit/(loss)		
Profit/(loss) before tax	<u>1,669</u>	<u>(78,147)</u>
Prima facie income tax impact at 19% (2018: 19%)	<u>(401)</u>	<u>14,848</u>
(Decrease)/increase in income tax expense due to:		
Tax profit/(loss) carried forward	<u>401</u>	<u>(14,848)</u>
Income tax impact on pre-tax profit/(loss)	<u>-</u>	<u>-</u>
5. Exploration and evaluation assets		
Balance at beginning of year	-	76,446
Additions	-	1,701
Exploration and evaluation costs expensed	<u>-</u>	<u>(78,147)</u>
Balance at end of year	<u>-</u>	<u>-</u>
6. Amounts owing to a related entity		
Amounts owing to a related entity	<u>-</u>	<u>-</u>
Reconciliation of movements		
Balance at beginning of year	-	5,594
Loan (epaid)	-	(2,445)
Waiver of loan	<u>-</u>	<u>(3,149)</u>
Balance at end of year	<u>-</u>	<u>-</u>

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 US\$000	2018 US\$000
7. 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>
8. Inventories		
Drilling and maintenance stocks	<u>-</u>	<u>1,721</u>
9. Prepayments		
Deposit and GST refundable	<u>395</u>	<u>2,805</u>
10. Amount owing from a related entity		
Amount owing from a related entity	<u>1,648</u>	<u>-</u>
The amount owing from a related entity is unsecured, non-interest bearing and repayable on demand.		
11. Cash and cash equivalents		
Cash at bank and in hand	<u>-</u>	<u>-</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.		
12. Trade and other payables		
Amounts due to joint venture partner	<u>226</u>	<u>4,015</u>
	<u>226</u>	<u>4,015</u>
13. Share capital and other equity		
Share capital - issued and fully paid ordinary shares	<u>117,844</u>	<u>117,844</u>

Movement in fully paid issued ordinary shares

	2019 Number of shares	2018 Number of shares	2019 US\$000	2018 US\$000
Balance at beginning of year	126,068	120,084	117,845	112,250
Issued during the year	-	5,984	-	5,595
Returned during the year	-	-	(363)	-
Balance at end of year	126,068	126,068	117,482	117,845

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

14. Related party disclosures

(a) Parent entities

The Company's immediate parent entity is Ophir Jaguar 1 Limited. The ultimate parent entity is PT Medco Energi Internasional Tbk.

The Company is consolidated by PT Medco Energi Internasional Tbk who prepares publicly available consolidated financial statements. PT Medco Energi Internasional Tbk is the largest and smallest Group to consolidate the Company's financial statements, its registered office is 53rd Floor, The Energy Building, SCBD lot 11A, Jl. Jenderal Sudirman, Jakarta 12190.

(b) Amounts owing to/(from) related parties

The following related party balance existed at the reporting date:

	2019	2018
	US\$000	US\$000
Amount owing to related entity (notes 6 and 10)	1,648	-

The amounts owing from related entity is interest-free and unsecured.

(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:

Ms Krista
Sanjeev Bansal
Roberto Lorato
Craig Douglas Stewart

The Company employs no permanent staff. The operational and administrative duties of the Company are undertaken by staff employed by other entities within the Medco 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.

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. 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 Medco, the Company's ultimate parent entity, 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 the Medco Group. Medco, the ultimate parent entity, has fully funded the activities of the Company through the year and had the financial capacity to fund its obligations.

(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

SANTOS SABAH BLOCK R LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. Financial risk management (continued)

reporting date there were no long overdue balances and therefore, there are no significant concentrations of credit risk.

The Medco 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.

16. Auditor's remuneration

Audit of these financial statements

2019	2018
US\$000	US\$000
10	6

17. Events after the reporting period

A new coronavirus, now known as COVID-19, was identified in January 2020. Since then it has spread rapidly around the world and was declared a pandemic by the World Health Organization on 11 March 2020. Governments' responses to this has included severe restrictions on movement of people as well as goods.

The COVID-19 outbreak is a non-adjusting post balance sheet event, however the impact will need to be considered in the 2020 Financial Statements. Taking into consideration the fact that the interest in the Sabah Block R asset was relinquished and operations have ceased, management do not anticipate an operational impact or a material financial impact.