Sunny Hill Energy Limited

Directors' report and
consolidated financial statements

Year ended 31 December 2019

Registered number: 09728547

Sunny Hill Energy Limited

Directors' report and consolidated financial statements

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Sunny Hill Energy Limited

Directors and other information

Directors	Angelo Moskov Denis Ischenko
Secretary	Peter G Wilson
Registered office	5th Floor 10 Finsbury Square London EC2A 1AF
Auditor	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Bankers	Barclays 1 Churchill Place London E14 5HP
Solicitors	Baker & McKenzie LLP 100 New Bridge Street London EC4V 6JA
Company registration number	09728547

Sunny Hill Energy Limited

Strategic report

The directors present the strategic report of Sunny Hill Energy Limited (the "Company") and its subsidiaries (collectively the "Group"), for the year ended 31 December 2019.

The Company is registered in England and Wales and is wholly-owned by Sunny Hill Limited, a company incorporated in the Cayman Islands, which is majority-owned and controlled by investment funds managed by Worldview International Management Limited SEZC ("Worldview").

The Company changed its name from Petroceltic Holdings Limited to Sunny Hill Energy Limited on 30 April 2019.

Group activities and results

The Group is involved in international oil and gas exploration and production and during the year had a portfolio of exploration, producing and development assets in Europe and North Africa. During the course of the year, the Group's Bulgarian production operations were sold and the Italian exploration licences were relinquished; Subsequent to the year end, agreement in principle was reached to divest the Group's Egyptian production operations, with an effective date of 1 Jan 2019.

On a Group basis, a loss of $43.6m was recorded for the year *(2018: loss of $39.8m)*. The higher loss in 2019 was primarily as a result of (amounts noted below include both continuing and discontinued operations unless otherwise stated):

- lower revenue of $1.3m *(2018: $22.8m);*
- impairment of $2.7m of expired warrants capitalised under assets under development (2018: $nil);
- impairment and loss on sale of discontinued operations of $28.5m (2018: impairment of oil & gas assets of $1.1m);
- a nil reduction of decommissioning provisions *(2018: $8.7m).*

partially offset by:

- a nil exploration cost write-off *(2018: $21.9m)*
- lower cost of sales of $0.6m *(2018: $12.5m);*
- a nil depletion charge *(2018: $10.8m)* and
- a net tax credit of $1.6m (*2018: net charge of $5.7m*)

The Group's revenue from continuing operations in 2019 of $0.2m *(2018: $0.4m)* is solely comprised of royalties arising from gas production in Ireland. In July 2020, the Group was advised that this income would cease. No revenue was recorded in Egypt as the effective date of the expected sale is 1 January 2019 (*2018: $21.2m*).

Group net assets at the end of 2019 amounted to $82.1m *(2018: $125.8m)*. The decrease is principally a result of a reduction in the value of current assets arising from impairments and the sale of the Bulgarian business as described above together with a decrease in cash and cash equivalents to $0.7m (*2018: $15.6m*). The reduction in trade and other receivables at the end of 2019 was largely a result of a decrease in the trade receivable from EGPC (the Egyptian state oil & gas company).

Operational activities

The principal focus of the Group's operational activities during the financial year was the Ain Tsila gas and condensate development field in the Isarene permit in southern Algeria (the Group interest is 38.25%). An Engineering, Procurement and Construction ("EPC") contract for the field's development was signed in March 2019 with Petrofac, for a value of approximately $1 billion (for 100% of the contract) on a fixed price turnkey basis. Enel Global Trading S.p.A exited the permit in late 2019 by transferring its interest to Sonatrach (which consequently now owns the remaining 61.75%). Field development progressed during the year but subsequent to the year end, activities were disrupted by the impact of the COVID-19 pandemic and completion of the development may be delayed as a result.

Operational activities *(continued)*

The Group produced gas in Bulgaria until this business was sold in May 2019. A total sales volume of 160 million cubic feet of gas was produced up to the effective date of the sale (28 thousand barrels of oil equivalent, "boe", using a conversion factor of 1 boe = 5.8 thousand cubic feet of gas), compared to a total of 32 thousand boe for 2018.

Subsequent to the year end, the Group reached agreement in principle with EGPC as a result of which EGPC will acquire all of the Group's Egyptian operations. As this transaction was being considered during 2019, the Egyptian assets have been treated as Held for Sale as at 31 December 2019. Due to their significance, they have been treated as a discontinued operation. When completed, the sale will have an effective date of 1 January 2019. Agreement in principle has also been reached to settle the Group's legal dispute with EGPC and the Egyptian government regarding outstanding revenue payments. The El Qa'a Plain concession (operated by Dana Petroleum, the Company 37.5%) was relinquished early in 2019.

The Group's exploration licences in Italy were relinquished during the year.

Financing activities

During the year, the remaining funding available from Sonatrach for development of the Ain Tsila field, provided as part of the consideration for its farm-in to the Group's interest in the field in 2014, was exhausted. From this point on, the Group funded its share of development costs from the issuance of additional Junior Notes to investment funds managed by Worldview. Redemptions of Junior Notes during the year amounted to $15.6m including payment of accrued interest. At the end of 2019, $152.9 million of Junior Notes were outstanding.

Subsequent to the year end, in March 2020 the Company and the Junior Noteholders agreed to a number of amendments to the terms of the Junior Notes, reflecting the Company's intention to arrange external senior debt financing in due course to fund the remainder of the Ain Tsila development costs (the "Senior Debt"). The amendments included (i) an extension in the maturity date to 29 March 2028, (ii) a reduction in the interest rate as from 29 March 2021 to maturity, (iii) for all interest payable as from 29 March 2020 to be added to the principal amount rather than paid in cash, but for such amounts not to count against the maximum amount of Junior Notes to be issued, and (iv) certain minor changes to the security arrangements.

Principal risks and uncertainties

The following is a summary of the significant risks facing the Group's business, some of which are beyond the Group's control, which could cause future results to differ materially from those expected by the Company:

a) Operational risks

- The international spread of the COVID-19 coronavirus disease and any preventative or protective actions that governments, our contractors and suppliers, and the Group itself may take in respect of this, and any future, outbreak, could materially disrupt supply chains for the Ain Tsila field development and could significantly impact staff and contractors working on the development;
- The estimates of recoverable reserves and resources may prove incorrect;
- Development activities may be delayed or suffer cost increases;
- Infrastructure needed to explore for, develop, produce and transport hydrocarbons may be disrupted;
- Partners in the Group's licences, concessions and joint ventures may not support the Group's objectives and may take actions which are detrimental to the Group's prospects;
- Access to goods and services is subject to market conditions and may be limited;
- Significant competition exists in attracting and retaining skilled personnel.

Sunny Hill Energy Limited

Strategic report *(continued)*

Principal risks and uncertainties *(continued)*

(b) Financial, political and legal risks

- Financing for projects may be challenging or not possible, or may involve onerous terms, especially if financial markets and/or individual lenders are disrupted by COVID-19;
- Capital and operating costs are difficult to predict, and cost increases may arise under the Group's fixed price EPC contract if variation orders are required;
- Fluctuations in foreign exchange rates, interest rates and inflation may cause financial harm to the Group;
- Prices achievable for selling future gas and hydrocarbon liquids production from Algeria are uncertain and oil prices (which are linked to gas prices in Algeria) may remain depressed because of the impact of COVID-19 on demand;
- Regulatory and tax treatment in some jurisdictions may be less predictable than in the UK;
- Insurance and indemnities may not be sufficient to cover the full extent of all liabilities;
- The ability to repay and/or refinance the Group's existing debts may be uncertain;
- Political or governmental changes in legislation or policy in the countries in which the Group operates may have a negative impact on those operations;
- Legal systems in jurisdictions in which the Group operates can be uncertain;
- Permits, approvals, authorisations, consents and licences may be difficult to obtain, sustain or renew; and
- Changes in environmental legislation may have a negative impact on the Group's operations.

The directors believe that the frequency of board meetings and the level of detail discussed at these meetings provide the appropriate control environment to identify, evaluate and manage these risks on an on-going basis.

Controls and procedures

The Group has in place detailed operating and financial controls and procedures. The key points of the internal financial controls are the imposition of authority limits, division of responsibility, regular reporting of transactions and balances and review procedures. The operation of the Group's finance and administrative teams is closely supervised by the directors.

On behalf of the board

Angelo Moskov
Director

17 July 2020

Sunny Hill Energy Limited

Directors' report

The directors present their directors' report of the Company and its subsidiaries for the year ended 31 December 2019.

Directors and secretary

The directors who held office during the year were:

- Angelo Moskov
- Denis Ischenko

The Company had in place qualifying third-party indemnity provisions for all directors throughout the current financial year and at the date of this report.

None of the directors who held office at 31 December 2019 had any beneficial interest in the share capital of the Company other than indirectly through investments in the Worldview funds indirectly controlling the Company.

Dividend

The directors do not propose to pay a dividend for the current financial year *(2018: $Nil)*.

Political contributions

No political contributions were made by the Group during the year *(2018: $Nil)*.

Going concern and post balance sheet events

The directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

In June 2020 the Company reached agreement in principle with the Government of Egypt and EGPC to sell the Group's production assets to EGPC and to discontinue the arbitration proceedings commenced by the Group against EGPC and the Government of Egypt regarding outstanding revenue payments due to the Group for past production. The Company expects the requisite legal documentation to sell the Group's Egyptian production assets to EGPC (resulting in a payment from EGPC), and to discontinue the arbitration proceedings, to be completed in the 3rd quarter of 2020.

In March 2020 the Company and the Junior Noteholders agreed to a number of amendments to the terms of the Junior Notes, reflecting the intention to arrange external senior debt financing in due course to fund the remainder of the Ain Tsila development costs (the "Senior Debt"). The amendments included (i) an extension in the maturity date to 29 March 2028, (ii) a reduction in the interest rate as from 29 March

Going concern and post balance sheet events *(continued)*

2021 to maturity, (iii) for all interest payable as from 29 March 2020 to be added to the principal amount rather than paid in cash ("PIK Notes"), but for such amounts not to count against the maximum amount of Junior Notes to be issued, and (iv) certain minor changes to the security arrangements.

The Company issued a total of $44.3 million of Junior Notes from January 2020 to the date of this report, including $14.3m in PIK Notes. A total of $51.3m of Junior Notes were settled, comprising $12m of notes issued in 2019 and $39.3m of notes issued in 2020.

Future developments

The Group is focused on proceeding with the Ain Tsila development in Algeria.

Modern Slavery Statement

Our Group procurement templates require that suppliers of goods and service to the Group follow the provisions of our Modern Slavery Statement.

Disclosure of auditor information

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

KPMG will continue in office pursuant to Section 487 of the Companies Act 2006.

On behalf of the board

Angelo Moskov
Director
5th Floor, 10 Finsbury Square, London EC2A 1AF

17 July 2020

Sunny Hill Energy Limited

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Company financial statements in accordance with FRS 101 *Reduced Disclosure Framework* and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company and to prevent and detect fraud and other irregularities.

On behalf of the board

Angelo Moskov
Director

KPMG

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Independent auditor's report to the members of Sunny Hill Energy Limited

1 Our opinion is unmodified

We have audited the financial statements of Sunny Hill Energy Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2019 which comprise the consolidated income statement and statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, the Company balance sheet, the Company statement of changes in equity and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company financial statements, UK Law and FRS 101 *Reduced Disclosure Framework*.

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its loss for the year then ended;
- the Company statement of financial position gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with FRS 101 Reduced Disclosure Framework issued by the UK's Financial Reporting Council;
- the Group and Company financial statements 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 are further described in the *Auditor's Responsibilities* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report to the members of Sunny Hill Energy Limited
(continued)

2 Key audit matters: our assessment of risks of material misstatement *(continued)*

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group audit matters

Valuation of Assets Under Development

Refer to pages 23 - 25 (accounting policy) and page 33 (financial disclosure)

The key audit matter	**How the matter was addressed in our audit**
The carrying value of Assets Under Development as at 31 December 2019 amounted to $219.9m *(2018: $176.6m)*. The assessment of the carrying value of Assets Under Development requires management to exercise judgement and this judgement requires consideration of a number of factors, including but not limited to, the Group's intention to proceed with a future work programme for the prospect, the success of drilling and geological analysis to date, and the ability of the Group to fund future capital expenditure that will be required to develop the asset and bring it to commercial production.	The procedures we undertook included but were not limited to: Documenting our understanding of the process and testing the design and implementation of controls over valuation of Assets Under Development. Evaluating management's assessment of Assets Under Development with reference to the criteria of IFRS 6: Exploration for and Evaluation of Mineral Resources and the Group's accounting policy. Obtaining an understanding of the Group's ongoing Assets Under Development activity by enquiry of operational and finance staff, and obtaining supporting evidence to assess the value of assets carried forward. This included approved project budgets, and confirmations of ongoing activity. Based on the evidence obtained, we concluded that management's process in relation to the capitalisation of costs and consideration of impairment triggers was appropriate and that the resulting valuation of Assets Under Development was reasonable.

KPMG

Independent auditor's report to the members of Sunny Hill Energy Limited
(continued)

2 Key audit matters: our assessment of risks of material misstatement *(continued)*

Group audit matters *(continued)*

Disposal Group held for sale and discontinued operations

Refer to page 28 (accounting policy) and pages 36 - 38 (financial disclosures)

The key audit matter	How the matter was addressed in our audit
During the year, the Group disposed of its Bulgarian business. In addition, the Group has agreed to sell its entire Egyptian business. The financial risks relating to the transaction include the incorrect measurement and presentation of results, relation to the following: - Impairment of assets held for sale of \$6.2m - Loss on disposal of subsidiary of \$5.9m - Gain on discontinued operations of \$1.2m - Assets held for sale (\$23.2m) and associated liabilities (\$1.2m).	The procedures we undertook included but were not limited to: Obtaining and documenting our understanding of the process management undertook to present the results and assets and liabilities of the Bulgarian and Egyptian businesses as discontinued operations. In addition, we identified relevant controls in this process and tested their design and implementation. Inspecting management's assessment of how the transaction complies with the requirements of IFRS 5. Testing the reclassification of the Bulgarian and Egyptian businesses from continuing to discontinued operations for the current and prior year. Testing the reclassification of the assets held for sale and liabilities held for sale of the Egyptian business in the Group Balance Sheet. Assessing the disclosures in relation to the assets and liabilities held for sale and the results from discontinued operations in the Annual Report and Financial Statements were in line with IFRS 5. Assessing if assets and liabilities have been held at the lower of carrying value or fair value less costs to sell. As a result of our work, we determined that the transactions has been appropriately presented and disclosed in accordance with the IFRS 5 criteria for assets held for sale and discontinued operations.

Independent auditor's report to the members of Sunny Hill Energy Limited
(continued)

2 Key audit matters: our assessment of risks of material misstatement *(continued)*

Company audit matter

Recoverability of intercompany receivables

The key audit matter

The carrying values of intercompany receivables as at 31 December 2019 are $53.3m *(2018: $24.0m)*.

The recoverability of intercompany receivables is considered to be a significant risk given the magnitude of the balance in the context of the Company's financial statements and the inherent judgement involved in the assessment of recoverability of the balance.

How the matter was addressed in our audit

The procedures we undertook included but were not limited to:

Documenting our understanding of the process and testing the design and implementation of controls in place relating to the monitoring of recoverability of intercompany receivables.

Inspecting the ageing of receivables disaggregated at a subsidiary level.

Challenging management regarding the level and ageing of receivables.

Considering the consistency of judgements regarding recoverability of intercompany receivables made year on year and obtaining corroborating evidence of recoverability to support management's assessment of judgemental areas on a sample basis.

Based on the evidence obtained, we concluded that management's assessment of the recoverability of the intercompany receivables to be reasonable.

3 Our application of materiality and an overview of the scope of our audit

The materiality that we used in the current year was $1.0m *(2018: $1.3m)*. This has been calculated using a benchmark of Group total assets (of which it represents 0.5%) *(2018: 0.5% of total assets)* which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the Company in assessing financial performance.

Materiality for the Company financial statements as a whole was set at $1m *(2018: $1.0m)*, determined with reference to a benchmark of the Company's total assets of which it represents 0.5% *(2018: 0.5%)*.

We report to the board of directors all corrected and uncorrected misstatements identified through our audit in excess of $50,000 *(2018: $66,000)*, in addition to other audit misstatements below that threshold that in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit scope included a full audit of all components which account for 100 per cent of the Group's total revenue, profit before tax and net assets.

KPMG

Independent auditor's report to the members of Sunny Hill Energy Limited
(continued)

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the annual report

The directors are responsible for the other information presented in the annual report together with the financial statements. The other information comprises the information included in the strategic and directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information

Strategic report and directors' report

- we have not identified material misstatements in the strategic report and the directors' report reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report on these matters.

KPMG

Independent auditor's report to the members of Sunny Hill Energy Limited
(continued)

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The purpose of our audit work and to whom we owe our responsibilities

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.

David Meagher

17 July 2020

David Meagher
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Sunny Hill Energy Limited

Consolidated income statement and statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Revenue	2	**155**	385
Other cost of sales		**-**	(24)
Gross profit		**155**	361
Administrative expenses		**(3,058)**	(7,525)
Impairment of oil and gas assets	9	**(16,384)**	(1,095)
Impairment of assets held for sale	10	**(6,182)**	-
Impairment of assets under development	8	**(2,712)**	-
Loss from operating activities before exploration costs		**(28,181)**	(8,259)
Exploration costs written off	7	**-**	(12,146)
Loss on disposal of subsidiary	10	**(5,915)**	-
Results from operating activities		**(34,096)**	(20,405)
Finance expense	3	**(12,022)**	(9,448)
Loss before tax		**(46,118)**	(29,853)
Income tax credit	5	**1,313**	-
Loss from continuing operations		**(44,805)**	(29,853)
Profit/(loss) from discontinued operations	10	**1,181**	(9,939)
Loss for the year		**(43,624)**	(39,792)
Other comprehensive income		**-**	-
Total comprehensive expense for the year		**(43,624)**	(39,792)

The loss for the year is derived from continuing and discontinued operations and is wholly attributable to the equity shareholders of the Company.

The accompanying notes on pages 21 to 48 form an integral part of these financial statements.

Sunny Hill Energy Limited

Consolidated balance sheet
as at 31 December 2019

	Note	**2019 $'000**	2018 $'000
Non-current assets			
Exploration and evaluation	*7*	**-**	11,407
Assets under development	*8*	**219,926**	176,594
Property, plant and equipment	*9*	**-**	18,063
Right of use assets	*11*	**287**	-
Other receivables	*14*	**-**	3,083
Deferred tax assets	*19*	**-**	3,826
Total non-current assets		**220,213**	212,973
Current assets			
Inventories	*13*	**325**	26,308
Trade and other receivables	*14*	**16,658**	33,277
Cash and cash equivalents	*15*	**742**	15,577
Assets held for sale	*10*	**22,000**	-
Total current assets		**39,725**	75,162
Total assets		**259,938**	288,135
Current liabilities			
Trade and other payables	*16*	**(4,150)**	(7,707)
Loans and borrowings	*17*	**-**	(9,733)
Lease liabilities		**(302)**	-
Total current liabilities		**(4,452)**	(17,440)
Non-current liabilities			
Loans and borrowings	*17*	**(169,543)**	(125,834)
Provisions	*18*	**(3,818)**	(19,112)
Total non-current liabilities		**(173,361)**	(144,946)
Total liabilities		**(177,813)**	(162,386)
Net assets		**82,125**	125,749

Sunny Hill Energy Limited

Consolidated balance sheet *(continued)*

	Note	**2019** **$'000**	2018 $'000
Equity			
Share capital	*20*	-	-
Other capital reserves		**110,562**	110,562
Profit and loss account		**(28,437)**	15,187
Total equity		**82,125**	125,749

On behalf of the board

17 July 2020

Angelo Moskov
Director

Sunny Hill Energy Limited

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Share capital $'000	Share premium $'000	Other capital reserves $'000	Retained (deficit)/ surplus $'000	Total equity $'000
Balance at 1 January 2018	-	-	110,562	54,979	166,541
Total comprehensive income					
Loss for the financial year	-	-	-	(39,792)	(39,792)
Balance at 31 December 2018	**-**	**-**	**110,562**	**15,187**	**125,749**
Balance at 1 January 2019	-	-	110,562	15,187	125,749
Total comprehensive income					
Loss for the financial year	-	-	-	(43,624)	(43,624)
Balance at 31 December 2019	**-**	**-**	**110,562**	**(28,437)**	**82,125**

Sunny Hill Energy Limited

Consolidated cash flow statement
for the year ended 31 December 2019

	2019 $'000	2018 $'000
Cash flows from operating activities		
Loss for the year	**(43,624)**	(39,792)
Adjusted for:		
Finance income	**(214)**	(1,192)
Finance expense	**11,691**	9,401
Depletion	**-**	10,772
Impairment of oil and gas assets	**16,384**	1,095
Impairment of assets under development	**2,712**	-
Impairment of assets held for sale	**6,182**	-
Loss on disposal of Bulgarian business	**5,915**	-
Reinstatement of inventory	**(325)**	-
Exploration costs written off	**-**	21,861
Revision of decommissioning provision	**-**	(8,736)
Tax adjustment	**(1,591)**	1,546
Cash flows from operations before changes in working capital	**(2,870)**	(5,045)
Decrease / (increase) in inventory	**442**	(1,791)
Decrease in trade and other receivables	**13,310**	34,668
(Decrease) in trade and other payables	**(2,492)**	(257)
Income taxes refund	**45**	(570)
Net cash from operating activities	**8,435**	27,005
Cash flows from investing activities		
Proceeds from disposal of business	**5,612**	-
Expenditure on intangible exploration and evaluation assets	**-**	(1,756)
Expenditure on assets under development	**(56,102)**	(16,624)
Share of cash calls funded by joint venture partners	**5,142**	17,318
Expenditure on producing assets	**(799)**	(5,683)
Interest received	**214**	450
Net cash from investing activities	**(45,933)**	(6,295)
Cash flows from financing activities		
Borrowing fees paid	**(17)**	(35)
Net drawdown / (repayment) of borrowings	**22,702**	(10,804)
Net cash from financing activities	**22,685**	(10,839)
Net decrease in cash and cash equivalents	**(14,813)**	9,871
Effect of foreign exchange fluctuation on cash and cash equivalents	**(22)**	770
Cash and cash equivalents at start of year	**15,577**	4,936
Cash and cash equivalents at end of year	**742**	15,577

Sunny Hill Energy Limited

Company balance sheet
as at 31 December 2019

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant and equipment		**93**	7
Right of use asset	11	**250**	-
Investments in subsidiaries	12	**6,800**	6,800
Total non-current assets		**7,143**	6,807
Trade and other receivables	14	**511**	332
Other receivables – intercompany		**53,273**	24,034
Cash and cash equivalents		**521**	7,823
Total current assets		**54,305**	32,189
Total assets		**61,448**	38,996
Current liabilities			
Trade and other payables	16	**(1,432)**	(499)
Other payables – intercompany		**(58,315)**	(56,092)
Loans and borrowings	17	**-**	(9,733)
Lease liabilities		**(269)**	-
Current liabilities		**(60,016)**	(66,324)
Non-current liabilities			
Loans and borrowings	17	**(169,543)**	(125,834)
Total non-current liabilities		**(168,543)**	(125,834)
Total liabilities		**(229,559)**	(192,158)
Net liabilities		**(168,111)**	(153,162)
Equity			
Share capital	20	**-**	-
Profit and loss account		**(168,111)**	(153,162)
Total equity		**(168,111)**	(153,162)

On behalf of the board

Angelo Moskov
Director

17 July 2020

Sunny Hill Energy Limited

Company statement of changes in equity
for the year ended 31 December 2019

	Share capital $'000	Profit and loss account $'000	Total equity $'000
Balance at 1 January 2018	-	**(144,052)**	**(144,052)**
Total comprehensive income			
Loss for the financial year	-	(9,110)	(9,110)
Balance at 31 December 2018	-	**(153,162)**	**(153,162)**
Balance at 1 January 2019	-	(153,162)	(153,162)
Total comprehensive income			
Loss for the financial year	-	(14,949)	(14,949)
Balance at 31 December 2019	-	**(168,111)**	**(168,111)**

The accompanying notes on pages 21 to 48 form an integral part of these financial statements.

Sunny Hill Energy Limited

Notes

forming part of the financial statements

1 Statement of accounting policies

The Company is a company incorporated, domiciled and registered in England and Wales under the Companies Act 2006. The address of the registered office is 5th Floor, 10 Finsbury Square, London, EC2A 1AF and the registered number is 09728547. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as "the Group").

The Group and Company financial statements were authorised for issue by the directors on 17 July 2020. The accounting policies have been applied consistently for all periods presented in these financial statements on a Group consolidated basis as set out below.

a) Statement of compliance

The Group financial statements have been prepared in accordance with IFRS as adopted by the EU. The individual financial statements of the Company (Company financial statements) have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing the Company financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries;

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The IFRSs adopted by the EU as applied by the Company and Group in the preparation of these financial statements are those that were effective for accounting periods ending on or before 31 December 2019 or which were early adopted as indicated below.

b) Basis of preparation

The Group and Company financial statements are prepared on the historical cost basis, except for assets acquired under business combinations which are measured at grant date fair value. The accounting policies have been applied consistently by all Group entities. The financial statements are presented in US dollars, rounded to the nearest thousand.

c) Going concern

The directors have prepared cash flow forecasts for the Group and Company for a period covering 12 months from the date of authorisation of these financial statements. The Group's forecasts and projections reflect the directors' plans for that period and include capital expenditure on general and administrative costs, loan facilities currently available and expected to become available to fund the Ain Tsila development project in Algeria, and expected receipts from third parties.

1 Statement of accounting policies *(continued)*

c) Going concern *(continued)*

The Group's cash flow forecasts demonstrate that it should be able to operate within the level of its current loan facilities, as provided by certain funds managed by Worldview International Capital Management SEZC ("Worldview") and reflecting a commitment of the Worldview funds made in December 2019 to purchase additional junior notes for the purpose of funding the Group's share of development costs for the Ain Tsila field in Algeria. When performing sensitivities on these projections the directors have taken account of reasonable increases in development costs and other corporate costs, and removed cash inflows from sources which are not yet contractually binding.

The directors acknowledge the Company is in a net liability position but believe that after considering the cash flow forecasts, sensitivities and the available financing facilities, there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

d) Accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are set out as follows:

Item:	Refer to note
Carrying value of exploration assets, assets under development and producing assets	7, 8, 9
Recoverability of receivables	14
Decommissioning estimates	18
Recoverability of deferred tax assets	19

e) Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2019.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements.

1 Statement of accounting policies *(continued)*

f) Business combinations

Business combinations are accounted for using the acquisition method on the date on which control is transferred to the Group.

g) Oil and gas assets

The Group's oil and gas exploration, development and production assets are classified within the Group balance sheet as follows:

- Exploration and evaluation assets related to the Group's interests in assets located in Bulgaria until May 2019.
- Assets under development relate to the Group's interests in Algeria.
- Production assets were located in Bulgaria until May 2019.
- The Group also has a royalty right over certain Kinsale Head gas fields offshore Ireland.

Exploration and evaluation assets
Exploration and evaluation assets are accounted for in accordance with IFRS 6, 'Exploration for and Evaluation of Mineral Resources'. Expenditure incurred prior to obtaining the legal rights to explore an area is written off immediately to the consolidated income statement. Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis based on the fair value of the consideration paid. Exploration and evaluation expenditure incurred, including directly attributable borrowing costs, in the process of determining exploration targets on each license is also capitalised. This expenditure is held undepleted within the exploration license asset until such time as the exploration phase on the license area is complete or commercial reserves have been recognised, subject to any impairment losses recognised.

Exploration and evaluation drilling costs are capitalised on a well by well basis within each license until the success or otherwise of the well has been established. Unless further exploration and evaluation expenditure in the area of the well has been planned and agreed or unless the drilling results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial, drilling costs are written off on completion of a well.

Assets under development
All field development costs associated with assets under development are capitalised, subject to impairment consideration. No depletion or amortisation charge is applied until the field enters production.

Production assets
All costs associated with the further development of production fields are capitalised as property, plant and equipment. Property, plant and equipment related to production activities is amortised in accordance with the Group's depletion and amortisation accounting policy as set out below.

1 Statement of accounting policies *(continued)*

g) Oil and gas assets *(continued)*

Impairment and ceiling test of oil and gas assets
Exploration and evaluation expenditures which are held as intangible assets under IFRS 6 are reviewed at each reporting date for indicators of impairment. If such indicators exist then the assets are tested for impairment by allocating the relevant item to a Cash Generating Unit ('CGU') or a group of CGUs. An impairment test is also carried out before the transfer of costs related to assets which are being transferred to development and production assets following a declaration of commercial reserves. This impairment test is carried out in accordance with IAS 36, 'Impairment of Assets', which requires that the impairment be calculated on the basis of a CGU, which in the Group's case is defined to be a field or a concession, as appropriate.

A review for impairment indicators is also carried out at least annually on the capitalised costs in the assets under development and production assets categories. This is carried out on a field or a concession basis, as appropriate. Under oil industry standard practice this impairment test is calculated on a value in use basis by comparing the net capitalised cost with the net present value of future pre-tax cash flows which are expected to be derived from the field or concession. Key assumptions and estimates in the impairment models relate to commodity prices which are based on commercial reserves and the related cost policies. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Joint arrangements
The Group is engaged in oil and gas exploration, development and production which are generally undertaken through unincorporated joint arrangements; where control is established by contractual agreement including production sharing agreements and farm-in or farm-out arrangements. These are classified as joint operations in accordance with IFRS 11. The Group accounts for its share of the results and net assets of these joint operations. In addition, where the Group acts as Operator to the joint operation, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint operation are included in the Group's balance sheet.

Cash calls funded by joint venture partners
The Group cash calls its joint venture partner each month for their share of expenditure, based on forecasted amounts for the subsequent month with an adjustment for actual expenditure. At each period, the balance between the Group and its partner can be a payable or receivable depending on whether there was a surplus of cash called over billed or vice versa.

Farm-out arrangements
Farm-outs generally occur in the exploration or development phase and are characterised by the transferor giving up future economic benefits, in the form of reserves, in exchange for reduced future funding obligations. In the exploration and evaluation phase, the Company accounts for farm-outs on a historical cost basis. As such, no gain or loss is recognised; any consideration received is credited against the carrying value of the related asset.

1 Statement of accounting policies *(continued)*

g) Oil and gas assets *(continued)*

Non-oil and gas assets
Plant and equipment is stated at cost less accumulated depreciation. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group. Non-oil and gas plant and equipment is depreciated over its expected useful economic life on a straight-line basis at the following rates:

- IT infrastructure: 33.3%
- Furniture and equipment: 10% to 33%

The residual value and useful lives of plant and equipment are reviewed annually and adjusted if appropriate at each reporting date.

On disposal of property, plant and equipment the cost and related accumulated depreciation are removed from the financial statements and the net amount, less any proceeds, is taken to the consolidated income statement.

Royalty asset
The royalty asset is carried at cost, net of accumulated amortisation. Amortisation is charged in the proportion that the current year's production bears to the total anticipated production from the start of the financial year to the end of the gas field's life. Changes in estimated production are accounted for prospectively.

h) Inventories

Inventories are valued at lower of cost and net realisable value. Cost is calculated based on first-in first-out or weighted average as appropriate. Cost includes raw materials, direct labour expenses and related production and other overheads. Net realisable value is the estimated selling price, in the ordinary course of business, less costs to completion and appropriate selling and distribution expenses.

i) Investment in subsidiaries

Financial fixed assets in the Company Statement of Financial Position consist of investments in subsidiary undertakings and are stated at cost less provision for impairment where applicable.

j) Decommissioning provisions

Provisions are made for the decommissioning or abandonment of oil and gas wells and associated infrastructure. A provision is recognised when the Group has an obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. The amount recognised as a provision is the estimated cost of decommissioning and a corresponding amount is added to the carrying value of the related asset. Changes in the decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to the related asset. The decommissioning provision is reviewed annually.

1 Statement of accounting policies *(continued)*

k) Revenue recognition

For the year ended 31 December 2019 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue. Other revenue represents royalty income from the Kinsale Head gas fields offshore Ireland.

l) Foreign currency

The directors have determined that, in accordance with IAS 21, the functional currency of the Company and its subsidiaries is the US dollar. The Group and Company financial statements are presented in dollars and accordingly no foreign currency translation reserve arises.

Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions. For practical reasons, this is taken as the monthly average exchange rate where these rates are a reasonable approximation of actual rates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date of the transaction. Ordinary share capital denominated in Euro is translated to the functional currency at the date of issue and is not remeasured thereafter.

m) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income 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 recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: those arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1 Statement of accounting policies *(continued)*

n) Retirement benefit obligations

The Group contributes to defined contribution pension schemes for certain members of staff. Pension scheme costs are accounted for on an accruals basis.

o) Operating leases

Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term.

p) Financial instruments

i) Non-derivative financial assets

Cash and cash equivalents
Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Restricted cash
Restricted cash comprises cash held by the Group but which is ring fenced or used as security for specific financing arrangements, and to which the Group does not have unfettered access. Restricted cash is carried at amortised cost.

Trade and other receivables
Trade and other receivables are stated at amortised cost less impairment.

ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends to settle on a net basis. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

iii) Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently at the higher of cost or payment or settlement amounts. Where the time value of money is material, payables are initially recorded at fair value and subsequently carried at amortised cost.

1 Statement of accounting policies *(continued)*

p) Financial instruments *(continued)*

iv) Loans and borrowings

All loans and borrowings are initially recognised at fair value less any directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the settlement or cancellation of liabilities are recognised in finance income and finance costs as appropriate.

q) Finance income and costs

Finance income comprises interest income on funds invested and net foreign currency gains. Interest income is recognised as it accrues, using the effective interest rate method.

Finance expense comprises interest arising on borrowings calculated using the effective interest rate method, net foreign currency losses and unwinding of the discount on provisions. Borrowing costs, which include all directly attributable costs and fees that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the costs of the asset, in accordance with IAS 23 'Borrowing Costs'. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale, such as intangible assets during the development period.

r) Impairment of non-financial assets

At the end of each reporting period, non financial assets are assessed for any indication of impairment. Management are satisfied that there are no instances whereby the carrying amount of non financial assets exceed the recoverable amount.

s) Discontinued operations and disposal Group held for sale

Discontinued operations and disposal group held for sale is a component of the Group's business, the operations and cashflows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operation; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal, abandonment or when the operations meet the criteria to be classified as held for sale. This condition is regarded as satisfied only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year of the date of classification. Property, plant and equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

Disposal groups classified as held for sale are measured at the lower of the carrying value and the fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than continued use.
When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year. When the Group ceases to have control of an undertaking (disposal group), it is at this point that the Group ceases to consolidate the operations and any gain or loss on disposal is recognised in the Group Income statement.

1 Statement of accounting policies *(continued)*

t) Changes to significant accounting policies

A number of new standards and amendments to standards and interpretations are effective for annual reporting periods beginning from 1 January 2019 and have been applied in preparing these Group Financial Statements.

i) IFRS 16: Leases

The Group has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single on balance sheet accounting model for lessees. As a result, the Group as a lessee has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial recognition is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented as reported under IAS 17 and related interpretations.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right of use asset is initially measured at deemed cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. It is subsequently measured at cost less accumulated depreciation and impairment in accordance with the Group's accounting policies. It is depreciated over the shorter of the lease term and the useful life of the right-of-use asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. To determine the Incremental borrowing rate, the Group, where possible, used recent third party borrowings as a benchmark.

On transition to IFRS 16, the Group recognised right of use assets at 1 January 2019 of \$0.7m and \$0.5m for the Company. The Group recognised lease liabilities at 1 January 2019 of \$0.7m and \$0.5m for the Company.

2 Revenue

	2019 $'000	2018 $'000
Other income	**155**	385
Total revenue	**155**	385

Other income relates to royalties arising from gas production in Ireland.

3 Finance expense

	2019 $'000	2018 $'000
Interest expense	**(11,273)**	(9,366)
Foreign currency losses, net	**(532)**	(47)
Finance and arrangement fees	**(200)**	-
Other finance expense	**(17)**	(35)
Total finance expense for the year	**(12,022)**	(9,448)

4 Statutory information

	2019 $'000	2018 $'000
The loss for the financial year is stated after charging:		
Auditors' remuneration		
- audit services	**95**	90
- taxation services	**-**	-
- other non-audit services	**15**	18

Key management personnel have been defined as the directors of the Company. Compensation paid to key management personnel has been disclosed in note 6.

Sunny Hill Energy Limited

Notes *(continued)*

5 Income tax credit

	2019 $'000	2018 $'000
Current tax (credit)/expense		
Current year	-	4,430
Adjustments in respect of prior years	(278)	-
Current tax (credit)/expense	(278)	4,430
Deferred tax (credit)/expense		
Origination and reversal of temporary differences	-	(445)
Benefit of tax losses recognised	-	(189)
Adjustments in respect of prior years	(1,313)	1,947
Deferred tax (credit)/expense	(1,313)	1,313
Income tax (credit)/expense	(1,591)	5,743
Continuing operations	(1,313)	-
Discontinued operations (see note 10)	(278)	5,743
Income tax (credit)/expense	(1,591)	5,743

5 Income tax credit *(continued)*

The difference between the total tax shown above and the amount calculated by applying the standard rate of corporation tax to the loss before tax is as follows:

	2019 $'000	2018 $'000
Loss for the financial year adjusted for:	**(46,118)**	-
Discontinuing operations (see note 10)	**903**	-
Loss before tax	**(45,215)**	(34,049)
Tax charge on Group loss	**(8,591)**	(6,469)
Effects of:		
Non-deductible expenses	**36,581**	41,263
Non-chargeable income	**(45,062)**	(33,066)
Differing tax rates in foreign jurisdictions	**11,247**	(214)
Losses utilised	**-**	(106)
Deferred tax asset not recognised	**5,949**	3,048
Adjustments in respect of prior years	**(1,591)**	1,947
Other temporary differences	**(124)**	(660)
Income tax (credit)/expense	**(1,591)**	5,743

The tax (credit)/expense on the Group loss is calculated at the standard UK corporation tax rate applicable to the Group of 19% in 2019 *(2018: 19%).*

6 Employee data

	2019 $'000	2018 $'000
Employee costs included within the income statement during the year:		
Salaries and bonuses	**3,070**	3,450
Social insurance costs	**76**	66
Pension contributions to defined contribution schemes	**100**	128
	3,246	3,644
Additional employee costs capitalised during the year:		
Salaries and bonuses	**3,802**	3,744
Social insurance costs	**3,234**	2,001
	7,036	5,745

6 Employee data *(continued)*

Average number of Group employees during the year:	**2019 Number**	2018 Number
Operations and exploration	**57**	43
Finance and administration	**27**	38
	84	81

The total remuneration paid to directors was $195,000 *(2018: $138,500)*. This amount was paid in 2019, relating to services provided in 2018. The amount relating to the highest paid director was $195,000 *(2018: $75,000)*.

7 Exploration and evaluation assets

	Total $'000
Group	
At 1 January 2018	31,707
Additions	1,561
Exploration costs written off	(21,861)
At 31 December 2018	**11,407**
Disposal	**(11,407)**
At 31 December 2019	**-**

Included in discontinued operations is exploration costs written off amounting to $11.4m (2018: $9.7m). See note 10.

8 Assets under development

	Algerian oil and gas assets under development	
	2019 $'000	2018 $'000
At 1 January	**176,594**	171,488
Impairment of warrants[1]	**(2,712)**	-
Expenditure capitalised in the year[2]	**46,044**	5,106
At 31 December	**219,926**	176,594

[1] Warrants issued to Macquarie bank as part of a $30m bridging loan in 2011, in lieu of fees. The warrants have expired and hence are fully impaired.
[2] Credits set against expenditure capitalised in the year includes $66m *(2018: $50.7m)* relating to Algerian cash calls funded by joint venture partners.

The Group is proceeding with the development of the large Ain Tsila gas/condensate field (Group interest 38.25%) in the Isarene PSC in Algeria.

Sunny Hill Energy Limited

Notes *(continued)*

9 Property, plant and equipment

Group	*Oil and gas production assets* Egypt $'000	Bulgaria $'000	Italy $'000	Non-oil and gas assets $'000	Total $'000
Cost					
At 1 January 2018	428,261	200,172	376	3,273	632,082
Additions	4,176	323	-	215	4,714
Disposal	-	-	-	(54)	(54)
At 31 December 2018	**432,437**	**200,495**	**376**	**3,434**	**636,742**
Depletion and depreciation					
At 1 January 2018	405,885	198,712	223	1,992	606,812
Depletion	10,570	202	-	-	10,772
Impairment	-	-	153	942	1,095
At 31 December 2018	**416,455**	**198,914**	**376**	**2,934**	**618,679**
Net Book Value					
At 31 December 2018	**15,982**	**1,581**	**-**	**500**	**18,063**

Sunny Hill Energy Limited

Notes *(continued)*

9 Property, plant and equipment *(continued)*

Group	*Oil and gas production assets* Egypt $'000	Bulgaria $'000	Italy $'000	Non-oil and gas assets $'000	Total $'000
Cost					
At 1 January 2019	432,437	200,495	376	3,434	636,742
Additions	218	115	-	179	512
Disposal	-	(1,696)	-	(495)	(2,191)
At 31 December 2019	**432,655**	**198,914**	**376**	**3,118**	**635,733**
Depletion, depreciation and impairment					
At 1 January 2019	416,455	198,914	376	2,934	618,679
Impairment	16,200	-	-	184	16,384
Depletion	-	-	-	-	-
At 31 December 2019	**432,655**	**198,914**	**376**	**3,118**	**635,733**
Net Book Value					
At 31 December 2019	-	-	-	-	-

10 Discontinued operations and disposal Group held for sale

Bulgarian operations

On 28 May 2019, the Group sold its Bulgarian business which is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented below are for the five months ended 28 May 2019 and year ended 31 Dec 2018.

Egyptian operations

The Group's Egyptian operations are treated as a held for sale asset as at year end and as a discontinued operation in the current period.

The following assets and liabilities have been classified as held for sale, meeting the criteria under IFRS 5 Non-current assets held for sale and discontinued operations.

The financial performance and cash flow information presented below are for the years ended 31 December 2019 and 2018.

Sunny Hill Energy Limited

Notes *(continued)*

10 Discontinued operations and disposal Group held for sale *(continued)*

	Bulgaria 2019 $'000	Bulgaria 2018 $'000	Egypt 2019 $'000	Egypt 2018 $'000	Total 2019 $'000	Total 2018 $'000
Revenue	1,138	1,242	-	21,158	1,138	22,400
Depletion	-	(202)	-	(10,570)	-	(10,772)
Other cost of sales	(649)	(2017)	-	(10,481)	(649)	(12,498)
Gross profit	**489**	**(977)**	**-**	**107**	**489**	**(870)**
Administrative (expenses) / profit	(399)	(1,047)	500	(2,539)	101	(3,586)
Exploration costs written off	-	(9,715)	-	-	-	(9,715)
Revision of decommissioning provision	-	-	-	8,737	-	8,737
Finance income	-	100	345	1,172	345	1,272
Finance expense	(32)	(27)	-	(7)	(32)	(34)
Profit/(loss) before tax	**58**	**(11,666)**	**845**	**7,470**	**903**	**(4,196)**
Taxation	278	(1,546)	-	(4,197)	278	(5,743)
Profit/(loss) on discontinued operations	**336**	**(13,212)**	**845**	**3,273**	**1,181**	**(9,939)**

10 Discontinued operations and disposal Group held for sale *(continued)*

Assets held for sale at 31 December 2019, all of which relate to the Group's Egyptian operations, are as follows:

	2019 $'000
Inventory	**18,574**
Trade and other receivables	**4,613**
Trade and other payables	**(1,187)**
	22,000

11 Leases – right of use assets

The Group leases two buildings for office purposes. The leases typically run for a period of one year with an option to renew the lease at the end of that date.

	2019 $'000 Group	2019 $'000 Company
Balance at the beginning of the year	**670**	**531**
Depreciation charge	**(383)**	**(281)**
Balance at the end of the year	**287**	**250**

12 Investment in subsidiaries

Company

	2019 $'000	2018 $'000
Balance at beginning of year	**6,800**	50
Transfer	**-**	(50)
Acquisition	**-**	6,800
Balance at end of year	**6,800**	6,800

Details of principal subsidiaries are set out in note 23.

13 Inventories

	2019 $'000	2018 $'000
Oil and gas equipment	**325**	26,308

14 Trade and other receivables

Group

	2019 $'000	2018 $'000
Amounts falling due within one year		
Trade receivables[1]	**14,076**	29,735
Prepayments and accrued income	**1,975**	1,930
Other receivables	**607**	1,612
Balance at 31 December	**16,658**	33,277
Amounts falling due after one year		
Other receivables	**-**	3,083
Balance at 31 December	**-**	3,083

[1] 2019 balance comprises ongoing financing of Groupement Isarene development activities including provision of secondees and funding of Groupement working capital.

The Group's exposure to credit and currency risks related to trade and other receivables is set out in note 22.

14 Trade and other receivables *(continued)*

Company	**2019**	2018
	$'000	$'000
Amounts falling due within one year		
Prepayments and accrued income	**22**	20
Other receivables	**478**	28
VAT	**11**	284
Balance at 31 December	**511**	332

15 Cash and cash equivalents

Group	**2019**	2018
	$'000	$'000
Cash at bank and at hand	**742**	15,577

16 Trade and other payables

Group	**2019**	2018
	$'000	$'000
Amounts falling due within one year		
Trade payables	**1,899**	3,088
Other payables	**330**	777
Accruals	**1,921**	3,743
Corporation tax payable	**-**	99
Balance at 31 December	**4,150**	7,707

The Group's exposure to currency and liquidity risks related to trade and other payables is set out in note 22.

Company	**2019**	2018
	$'000	$'000
Amounts falling due within one year		
Trade payables	**1,282**	-
Other payables	**150**	173
Accruals	**-**	326
Balance at 31 December	**1,432**	499

17 Loans and borrowings

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Amounts falling due within one year				
Loans from related party of major shareholder	-	9,733	-	9,733
Amounts falling due after one year				
Loans from related party of major shareholder	**169,543**	125,834	**169,543**	125,834

In May 2019, the remaining funding available from Sonatrach for the development of Ain Tsila, provided as part of the consideration for its farm-in to the Group's interest in the field in 2014, was exhausted. From this point on, the Group funded its share of development costs from issuance of additional Junior Notes to the Worldview funds. Redemptions of Junior Notes during the year amounted to $15.6m including payment of accrued interest. At the end of 2019, $152.9 million of loan notes were outstanding.

Subsequent to the year end, in March 2020 the Company and the Junior Noteholders agreed to a set of amendments to the terms of the Junior Notes, reflecting the intention to arrange external senior debt financing later in the year to fund the remainder of the Ain Tsila development costs (the "Senior Debt"). The amendments included:

(i) an extension in the maturity date to 29 March 2028;
(ii) a reduction in the interest rate as from 29 March 2021 to maturity;
(iii) for all interest payable as from 29 March 2020 to be added to the principal amount rather than paid in cash, but for such amounts not to count against the maximum amount of Junior Notes to be issued; and
(iv) certain minor changes to the security arrangements.

18 Provisions

	Bulgaria $'000	Algeria $'000	Total $'000
Non-current			
At 1 January 2019	15,294	3,818	**19,112**
Disposal of Bulgarian business	(15,294)	-	**(15,294)**
As at 31 December 2019	-	3,818	**3,818**

The provision relates to the best estimates of costs expected to be incurred on the decommissioning of Algeria wells and is expected to be incurred between 2022 and 2030 *(2018: 2019 and 2030).*

19 Deferred tax

	2019	2018
	$'000	$'000
Deferred tax assets are attributable to the following:		
Property, plant and equipment	-	783
Provisions	-	1,278
Tax losses carried forward	-	1,765
Net deferred tax assets	-	3,826

Movement in deferred tax during the year

	1 January 2018 $'000	**Recognised in income $'000**	**31 December 2018 $'000**	**Recognised in income $'000**	**31 December 2019 $'000**
Group					
Property, plant and equipment	359	424	783	**(783)**	-
Provisions	354	924	1,278	**(1,278)**	-
Tax losses carried forward	4,089	(2,324)	1,765	**(1,765)**	-
Net deferred tax assets	4,802	(976)	3,826	**(3,826)**	-

Unrecognised deferred tax assets and liabilities

Group

Deferred tax assets not recognised in the Group, all of which relate to unrecognised tax losses, amounted to $36.2m *(2018: $36.4m)*.

20 Share capital

	2019	2018
	£	£
Authorised, allotted, called up and fully paid		
100 ordinary shares of £1	**100**	100

21 Related party transactions – Group and Company

Identity of related parties

The Company has a related party relationship with (i) subsidiaries, (ii) key management and (iii) Worldview and funds controlled by Worldview. Related party transactions in the Group or Company during the year were the provision of senior and junior loans to the Company by certain funds controlled by Worldview (see note 17). The ultimate controlling party of the Group is Sunny Hill Limited, a Cayman Islands company, majority-owned and controlled by investment funds managed by Worldview.

22 Financial instruments

Group and Company

(a) Overview of risk exposures and risk management strategy

The Group and Company can be exposed to various financial risks in the ordinary course of business that include credit, liquidity, currency and interest rate risk. The Group's financial exposures are predominantly related to changes in commodity price and foreign exchange rates as well as the creditworthiness of counterparties which impact on financial assets and liabilities.

This note presents information about the Group and Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing the risk, and the management of liquid resources. Further quantitative disclosures are included throughout the notes to the accounts.

The directors believe that the frequency of Board meetings and the level of detail discussed at these meetings provide the appropriate process to identify, evaluate and manage these risks on an on-going basis.

(b) Financial assets and liabilities – fair values

(i) Measurement of financial assets and liabilities

The Group and Company financial assets and liabilities comprise:

Financial assets and liabilities	*Note*
Trade and other receivables	*14*
Cash and cash equivalents	*15*
Loans and borrowings	*17*
Trade and other payables	*16*

The fair values of the Group and Company loans and borrowings at 31 December 2019 was $170m (2018: $136m). For financial assets and liabilities, the carrying amount is considered equal to fair value.

The fair value of the Group and Company loans and derivative instruments have been determined using the following hierarchy:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

There were no transfers between Levels 1, 2 or 3 categories in the reporting period.

(ii) Interest bearing loans and borrowings
For interest bearing loans and borrowings, the fair value of the amount drawn at the reporting date has been calculated based on the present value of the expected future principal and interest cash flows discounted at appropriate interest rates. The directors believe that the existing loan facilities are on par with current credit spreads and therefore the fair value is not materially different from the carrying value.

22 Financial instruments *(continued)*

(iii) Trade receivables and trade payables
All receivables and payables have a remaining maturity of less than 12 months or are on-demand balances, and therefore the carrying value is deemed to reflect fair value.

(c) Credit risk
Credit risk arises from the exposure on receivables from various counterparties together with cash held by various financial institutions. Wherever possible, the Group seeks to transact with counterparties of proven credit quality and on defined payment terms. The Group's maximum exposure to credit risk at the reporting date arising from financial assets is the carrying value of cash and cash equivalents and trade and other receivables.

Receivables
The Group's most material receivable balance relates to its Algerian business where regular payments are being made.

The Group undertakes continued and active monitoring of all its credit risk exposures to ensure all amounts due are received in accordance with the terms and that cash balances are held with counterparties who satisfy credit rating and other criteria.

Cash and cash equivalents
The Group and Company enter into transactions with financial institutions for the purposes of placing deposits. From a credit risk management perspective, it is the Group's policy to enter into such transactions only with well capitalised financial institutions.

Details of these deposits, which are all for terms of three months or less, are as follows:

	Group		Company	
	Balance invested $'000	Weighted average interest rate %	Balance invested $'000	Weighted average interest rate %
At 31 December 2019				
US Dollar	**608**	**0.0%**	**486**	**0.0%**
Euro	**61**	**0.0%**	**12**	**0.0%**
Sterling	**25**	**0.0%**	**23**	**0.0%**
Egyptian Pounds	**48**	**5.0%**	**-**	**0.0%**
	742	**5.0%**	**521**	**0.0%**
At 31 December 2018				
US Dollar	**9,558**	0.0%	**7,575**	0.0%
Euro	**63**	0.0%	**39**	0.0%
Sterling	**214**	0.0%	**209**	0.0%
Bulgarian Leva	**484**	0.3%	-	0.0%
Egyptian Pounds	**5,258**	5.0%	-	0.0%
	15,577	5.3%	**7,823**	0.0%

22 Financial instruments *(continued)*

(d) Liquidity risk

The Group and Company have adequate cash resources and an available loan facility providing sufficient liquidity to fulfil current operational expenses and capital plans and therefore limited liquidity risk exists at present.

At 31 December 2019, the Group's most significant financial commitments are its loan facilities on which the aggregate outstanding liabilities at that date were $170m *(2018: $136m)*.

The projected contractual cash flows outlined in respect of these facilities are shown in the table below.

All cash and cash equivalent amounts are on demand in their respective currencies (See (f) currency risk), and all trade and other receivables and trade and other payables are due within three months of the reporting date.

The Board monitors the availability of and requirements for funds in the Group. Surplus cash within the Group is used to reduce the loans drawn or put on deposit in accordance with limits and counterparties agreed by the Board, the objective being to maximise return on funds whilst ensuring that the short-term cashflow requirements of the Group are met. The table below sets out the contractual maturities of the financial liabilities, including estimated contracted interest payments based on the contractual terms of all agreements and excluding the impact of netting agreements.

	Carrying value $'000	Contractual cashflow $'000	Within one year $'000	Due after one year $'000
Group				
At 31 December 2019				
Junior notes	155,143	160,152	-	169,543
Trade and other payables	4,452	4,452	4,452	-
	159,595	**164,604**	**4,452**	**169,543**
Company				
At 31 December 2019				
Junior notes	155,143	160,152	-	169,543
Trade and other payables	1,701	1,701	1,701	-
	156,844	**161,853**	**1,701**	**169,543**

(e) Interest rate risk

Cash and loan amounts are denominated primarily in dollars. Exposure to interest rate risk on cash and loan balances are actively monitored and managed.

22 Financial instruments *(continued)*

(f) Currency risk

The US dollar (USD) is the primary currency in which the Group and Company conduct business. The dollar is used for planning and budgetary purposes and as the presentation currency for financial reporting. The Group and Company also have some costs, assets and liabilities, denominated in Algerian dinars (DZD), Euros (EUR) and pounds sterling. The principal currency risk faced by the Group and the Company in the future arises from the currency split of the costs of the Engineering, Procurement and Construction ("EPC") contract for the development of the Ain Tsila field in Algeria (the Company 38.25%), which was signed in March 2019. The 100% contract value is approximately $1 billion. The majority of the costs are expected to be denominated in USD, but material amounts are also expected to be denominated in EUR and DZD. The Group does not intend to manage such currency exposure as it believes the USD/EUR rate to be relatively stable and it is impractical to hedge USD/DZD exposure. The EGPC receivable is denominated in USD and the Company intends to accept payments only in that currency.

The Group may, from time to time, with the approval of the Board, use derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates. No such instruments were in use during the current or prior year. The Group does not undertake any trading activity in financial instruments.

At year end, the Group's foreign currency balances were as follows:

	Denominated in Algerian Dinars $'000	Denominated in Euro $'000	Denominated in sterling $'000	Denominated in Bulgarian Leva $'000	Denominated in Egyptian Pounds $'000	Other $'000
At 31 December 2019						
Trade and other receivables	**(6,376)**	**110**	**564**	**-**	**2,381**	**-**
Trade and other payables	**(255)**	**(438)**	**(1,923)**	**-**	**(5,582)**	**(8)**
Cash and cash equivalents	**-**	**65**	**21**	**-**	**46**	**-**
	(6,631)	**(263)**	**(1,338)**	**-**	**(3,155)**	**(8)**
At 31 December 2018						
Trade and other receivables	(6,376)	(116)	617	1,032	2,381	-
Trade and other payables	16	(146)	(337)	510	(5,582)	-
Cash and cash equivalents	-	62	213	484	5,258	3
	(6,360)	(200)	493	2,026	2,057	3

22 Financial instruments *(continued)*

(f) Currency risk (continued)

The exchange rates used in the preparation of the financial statements were as follows:

	2019	**2019**	2018	2018
	$ per foreign currency		$ per foreign currency	
	Average	**Year end**	Average	Year end
Euro	**1.1**	**1.1**	1.1	1.1
Sterling	**1.3**	**1.3**	1.3	1.3
Algerian Dinars	**0.01**	**0.01**	0.01	0.01
Bulgarian Leva	**0.57**	**0.56**	0.58	0.58
Egyptian Pounds	**0.06**	**0.06**	0.06	0.06

(g) Capital management

The Board's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitor the allocation of operating cash flow against projects to maximise the return on asset value within the Group.

23 Subsidiary undertakings

The Company's principal subsidiary undertakings at 31 December 2019, all of which are wholly owned, are listed below.

Name	**Place of incorporation**	**Place of operation**
Petroceltic International Limited	Ireland	England
Petroceltic International Limited	England	England
Petroceltic Investments Limited	Ireland	England
Petroceltic Ain Tsila Limited	Jersey	Algeria
Petroceltic Resources Limited	England	England
Melrose Mediterranean Limited	England	France
Petroceltic El Mansoura Company	Cayman Islands	Egypt
Petroceltic Qantara Company	Cayman Islands	Egypt
Petroceltic South East El Mansoura Company	Cayman Islands	Egypt
Petroceltic Company of Egypt	Cayman Islands	Egypt
Petroceltic Odyssey El Mansoura Limited	Bermuda	Egypt
Petroceltic Odyssey Qantara Limited	Bermuda	Egypt
Petroceltic International Petroleum Limited	Bermuda	Egypt

All shareholdings are of ordinary shares.
A full list of subsidiary companies is filed with the relevant company registry in each jurisdiction.

24 Commitments

(a) Capital commitments

The Group had no capital commitments at 31 December 2019 *(2018: $3.2m)*. Capital commitments in relation to the Ain Tsila project are made by Groupement Isarene (a joint venture operating entity set up by the Company and Sonatrach) and not by the Group.

(b) Operating lease commitments

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Group's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 **$'000**
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	695
Interest on lease liabilities	(25)
Lease liabilities recognised at 1 January 2019	**670**

25 Subsequent events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty coupled with more volatile asset prices and currency exchange rates.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future.

Subsequent to the year end, the Group reached agreement in principle to settle a dispute about outstanding revenue payments with the Egyptian government and EGPC, and to dispose of its Egyptian production assets to EGPC. The transaction is expected to complete in the third quarter of 2020 and will result in the Group receiving a net cash consideration.

In March 2020 the Company and the Junior Noteholders agreed to a set of amendments to the terms of the Junior Notes, reflecting the intention to arrange external senior debt financing in the next 1-2 years to fund the remainder of the Ain Tsila development costs (the "Senior Debt"). The amendments included (i) an extension in the maturity date to 29 March 2028, (ii) a reduction in the interest rate as from 29 March 2021 to maturity, (iii) for all interest payable as from 29 March 2020 to be added to the principal amount rather than paid in cash ("PIK Notes"), but for such amounts not to count against the maximum amount of Junior Notes to be issued, and (iv) certain minor changes to the security arrangements.

The Company issued a total of $44.3 million of Junior Notes from January 2020 to the date of authorisation of these financial statements, of which $14.3m was PIK Notes. A total of $51.3m of Junior Notes were settled, comprising $12.0m from issuance in 2019 and $39.3m from issuance in 2020.