

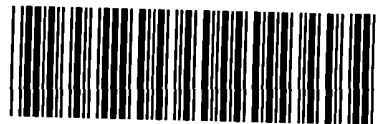
SRUK HOLDINGS LTD.

Company number: 10167018

REPORT AND FINANCIAL STATEMENTS

31 October 2017

TUESDAY



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COMPANIES HOUSE

SRUK HOLDINGS LTD.

COMPANY INFORMATION

Address: Harbour Court
Compass Road
North Harbour
Portsmouth
Hampshire PO6 4ST

Directors: Jacob Ulrich (Appointed 6 May 2016, Resigned 5 July 2016)
Andrew Leaser (Appointed 6 May 2016, Resigned 21 October 2016)
John Rapach (Appointed 6 May 2016, Resigned 18 December 2017)
Christine Shinnie (Appointed 5 July 2016, Resigned 18 December 2017)
Mark McComiskey (Appointed 21 October 2016)
Gregory Smith (Appointed 20 December 2017)
Manuel Pablo Zuniga-Pflucker (Appointed 20 December 2017)

Secretary: Burness Paul LLP (Appointed 6 May 2016, Resigned 5 July 2016, Appointed 20 December 2017)
Christine Shinnie (Appointed 5 July 2016, Resigned 18 December 2017)

Registered office: Harbour Court
Compass Road
North Harbour
Portsmouth
Hampshire PO6 4ST

Registered number: 10167018

SRUK HOLDINGS LTD.

STRATEGIC REPORT

COMPANY NUMBER: 10167018

The Directors present their strategic report on the Company for the 18 month period from Incorporation to 31 October 2017.

PRINCIPAL ACTIVITIES AND STRATEGY

SRUK Holdings Ltd. (the "Company" or "SHL") was registered on 6 May, 2016 and is governed by the laws of England and Wales. The Company is a subsidiary of Sterling Resources Ltd. ("SRL"), a Canadian Company based in Calgary, Canada and listed on the TSX Venture Exchange ("TSXV"). SHL had a subsidiary SRUK Limited ("SRUK") and SRUK has a subsidiary in the Netherlands, Sterling Resources Netherlands B.V. ("SRNBV") which is involved in exploration and appraisal offshore the Netherlands, and these three companies together with SRL were the "Sterling Group".

On 30 May, 2016, SRL transferred the entire share capital of SRUK to SHL in order to provide additional security to Bondholders and lenders under the SSRCF (hereinafter defined) and greater flexibility in any future refinancing of the SSRCF and the Bonds post-Recapitalization.

AGREEMENT TO SELL SRUK TO ORANJE-NASSAU ENERGIE B.V.

On 8 May 2017, at the annual and special meeting of the shareholders of the Company's ultimate parent SRL, the shareholders passed a special resolution approving the sale of all or substantially all, of the assets of the Company resulting from the sale of the entire issued share capital of Sterling Resources (UK) Ltd. (the "Transaction") pursuant to a share purchase agreement dated 3 March, 2017 between the Company, SRL and Oranje-Nassau Energie B.V. ("ONE") (the "Share Purchase Agreement").

On 16 May, 2017 the Transaction was completed ("Completion"), including the redemption of all issued and outstanding bonds issued under the 9 percent SRUK Senior Secured Callable Bond Issue 2013/2019 and the cancellation of the super senior revolving credit facility agreement.

On 30 June, 2017 the Company made a distribution to SRL, an aggregate amount of US\$81 million (the "First Distribution") which was made as a return of capital, with the stated amount of the share premium account being reduced accordingly. Distributions are determined by the board of directors in consultation with the Company's legal and tax advisors to represent a "safe distribution" amount from the immediately available cash resources of the Company after closing of the transactions contemplated by the Share Purchase Agreement while retaining appropriate funds in place:

- i. to satisfy all costs associated with the Share Purchase Agreement;
- ii. to discharge all known liabilities of the Company;
- iii. to pay all estimated costs associated with any winding-up and dissolution of the Company, including estimated costs of third party advisory services.

On 8 January, 2018, the directors approved a further "safe distribution", the second distribution (the "Second Distribution") of \$16.44 million. The Company will look to dissolve in accordance with the articles of the Company, after seeking clearance from Her Majesty's Revenues and Customs to do so during 2018. The quantum of the ultimate

contingencies withheld from the Second Distribution was determined by the board of directors in consultation with the Company's legal and tax advisors.

BUSINESS REVIEW

FINANCING ACTIVITIES

RECAPITALIZATION

On 30 May, 2016 (the "Recap Closing Date"), the Group completed a recapitalization (the "Recapitalization") pursuant to a recapitalization agreement (the "Recapitalization Agreement") involving SRUK, its parent, Sterling Resources Ltd. ("SRL") and Nordic Trustee ASA (the "Bond Trustee") in relation to the senior secured bond (the "Bond") issued by the Company pursuant to a bond agreement originally dated 2 May, 2013, as subsequently amended (the "Bond Agreement"). The Recapitalization was required as a result of SRUK and SRL being unable to implement a financing, asset/corporate sale or merger transaction by 29 February, 2016 as required by the Third Bond Amendments (as defined below). The principal elements of the Recapitalization were a rights offering, a bond exchange, a transfer of SRUK within the Group, further amendments to the terms of the remaining Bonds, provision of new funding via a super senior revolving credit facility and certain other actions all as described below.

- (i) **Rights Offering.** SRL conducted a rights offering (the "Rights Offering") by way of short form prospectus to the holders of its Common Shares on the record date of 27 April, 2016 pursuant to which eligible shareholders received rights entitling them to purchase an aggregate of 14,277,525,577 Common Shares at a subscription price per Common Share of Canadian Dollar ("C\$") 0.015398 (the "Subscription Price"). The Rights Offering closed on 30 May, 2016 and raised proceeds of C\$1,303,647 for the issuance of 84,663,364 Common Shares.

The gross proceeds of the Rights Offering, after such funds were converted to US dollars and less a foreign exchange adjustment, of US\$989,860.65 (the "Rights Offering Proceeds"), were used solely to fund the release and cancellation of a portion of the liabilities of SRUK and SRL under or in connection with the Bonds, comprising principal, redemption premium, accrued (but unpaid) amendment fees and interest (the aggregate of all such liabilities being the "Bond Liabilities" and the amount so released and cancelled with the Rights Offering Proceeds being the "Purchased Liabilities"). The expenses associated with the Rights Offering were paid from the general funds of SRL.

- (ii) **Bond Exchange.** The Bondholders (as defined herein) (directly, or indirectly through an affiliate, or through the Bond Trustee) subscribed for the unsubscribed 14,192,862,213 Common Shares of SRL under the Rights Offering (the "Exchange Shares") at the same price per Common Share as the Rights Offering Subscription Price. The value of the Exchange Shares, converted to US dollars on the date of the final prospectus, amounted to US\$173,088,621 (the "Exchange Amount"). The consideration for the Exchange Shares was, indirectly, the full and final satisfaction of Bond Liabilities equal to the Exchange Amount (the "Exchanged Bond Liabilities").

Immediately prior to the Recap Closing Date, the Bond Liabilities amounted to US\$214,340,000. After the release/cancellation of Purchased Liabilities and the Exchanged Liabilities, the remaining Bond Liabilities immediately after the Recap Closing Date were US\$40,261,519, all in the form of Bond principal (the "Remaining Bonds").

As a result of the Bond Exchange and the issuance of SRL's Common Shares pursuant to the Rights Offering, the aggregate equity held by the holders of SRL's Common Shares prior to the Recapitalization was diluted to approximately 3.58 percent of the total equity of SRL after completion of the Recapitalization. Bondholders acquired Common Shares aggregating to approximately 96.4 percent of SRL's Common Shares after completion of the Recapitalization.

- (iii) **Transfer of SRUK.** On the Recap Closing Date, SRL transferred the entire share capital of SRUK to the Company, in order to provide additional security to Bondholders and lenders under the SSRCF (as defined below) and greater flexibility in any future refinancing of the SSRCF and the Bonds post-Recapitalization.
- (iv) **Remaining Bonds.** On the Recap Closing Date, the SRUK and SRL entered into a further amended and restated Bond Agreement with the Bond Trustee (the "Fourth Bond Amendment Agreement") for the purpose of setting out the revised terms and conditions governing the Remaining Bonds, as described below under "Bond". The amount of the Remaining Bonds was approximately US\$40.3 million as at 30 May, 2016, as described under "Bond Exchange" above.
- (v) **Super senior revolving credit facility.** On the Recap Closing Date, SRUK and SRL entered into an agreement for a new loan with two of the Bondholders or their affiliates (the "Senior Lenders") as described under "Super Senior Revolving Credit Facility" below.
- (vi) **Other actions.** A number of further agreements and actions were provided for in the Recapitalization Agreement. On the Recap Closing Date, the SRUK and SRL also entered into an intercreditor agreement (the "Intercreditor Agreement") with the Senior Lenders and the Bondholders. Each of SRL and its affiliates also executed the guarantees and security documents contemplated in the Fourth Bond Amendment Agreement and the Super Senior Revolving Credit Facility. An Exit Fee (as defined herein) letter entered into between SRL and the Bond Trustee pursuant to the Amendment and Restatement Agreement No. 3 (as described in SRL's news release of 22 October, 2015) was terminated on the Recap Closing Date. Pursuant to the Recapitalization Agreement, shortly after the Recap Closing Date, SRL conducted its annual and special meeting of shareholders held on 5 July, 2016, at which was passed, among other things, a special resolution approving the 100:1 Consolidation of SRL's Common Shares.

SENIOR SECURED BOND

In April 2013, SRUK (the "Issuer") completed the issuance of the Bond, which was listed on the Nordic Alternative Bond Market in Oslo (under the ticker STRE01 PRO) prior to Completion. The Bond Agreement had been amended and restated as a result of four sets of amendments approved by holders of the Bond over its lifetime.

On 16 May, 2017, the transactions contemplated by the Share Purchase Agreement completed, including the repayment in full of the Bond and all associated interest and liabilities of \$43,935,000.

SUPER SENIOR REVOLVING CREDIT FACILITY

On the Recap Closing Date, SRL and SRUK entered into an agreement for a new loan with two of the Bondholders or their affiliates (the "Senior Lenders") in the form of a super senior revolving credit facility (the "SSRCF") of up to US\$40 million. The SSRCF comprised two tranches, A and B, each of US\$20 million and both on a revolving, multi-currency basis. Tranche A was to be used first, up to US\$10 million for general corporate purposes and for capital expenditures in accordance with the relevant annual budget. Tranche B, if required, was for capital expenditures only in accordance with the relevant annual budget. The final maturity date was 24 months after the Recap Closing Date, with an optional extension to 30 April 2019, subject to satisfying certain conditions. There was a 7 percent arrangement fee on each Tranche, for Tranche A paid in cash on the Recap Closing Date and Tranche B was to be paid in cash upon the earlier of the date of first utilization of Tranche B and the date falling 24 months after the Recap Closing Date (provided that no fee shall be payable if the SSRCF is cancelled in full before that date).

On 16 May, 2017, the transactions contemplated by the Share Purchase Agreement completed, including the cancellation of the SSRCF and the payment in full of the commitment fees and all associated costs of \$1,647,000.

OPERATING HIGHLIGHTS

Period from Incorporation to 31 October	2017
\$000s	
General and administration	(1,013)
Loss on disposal	(74,597)
Foreign exchange loss	(5)
Net loss	(75,615)
As at 31 October	2017
\$000s	
Total assets	17,075
Total liabilities	(601)
Shareholder's equity	16,474

For the period from incorporation to 31 October 2017, the Company recorded a net loss of \$75,615,000.

Net loss largely comprises the following elements:

LOSS ON DISPOSAL

The Company incurred a loss on disposal following the Transaction and disposal of SRUK of \$74,597,000.

FOREIGN EXCHANGE

For the period ended 31 October 2017 the Company recorded a foreign exchange loss of \$5,000. The Company maintains its cash balances almost entirely in its functional currency the US dollar.

GENERAL AND ADMINISTRATION EXPENSE

For the period ended 31 October 2017, general and administration ("G&A") expense was \$1,013,000, consisting of legal and professional fees including an estimate for the remaining costs for winding up the Company.

FINANCING, LIQUIDITY AND SOLVENCY**Net Working Capital**

As at	31 October 2017
	\$000s
Cash and cash equivalents	17,075
Amounts due to parent undertaking	(548)
Provisions	(53)
	16,474

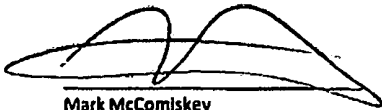
Net working capital, described as current assets less current liabilities, was a surplus of \$16,474,000 at 31 October 2017 and consisted of cash less accrued amounts of professional fees.

RISKS AND UNCERTAINTIES

The following is a summary of some of the significant risks facing our business, some of which are beyond the Company's control, which could cause future results to differ materially from those expressed by the Company, but are not limited to:

- risks and uncertainties associated with the ongoing compliance, winding-up and dissolution process of the Company;
- risk of claims by ONE under the Share Purchase Agreement.

By order of the Board

A handwritten signature in black ink, appearing to read 'Mark McComiskey', is written over a horizontal line.

Mark McComiskey
Director
27 April 2018

DIRECTORS' REPORT

COMPANY NUMBER: 10167018

The directors present their Report on the affairs of the Company, together with the financial statements for the 18 month period from incorporation to 31 October 2017. SRUK Holdings Ltd. was registered as a private limited Company on 6 May 2016.

DIRECTORS OF THE COMPANY

The directors who served during the period from incorporation to 31 October 2017 and to the date of this report are as follows:

Jacob Ulrich (Appointed 6 May 2016, Resigned 5 July 2016)
Andrew Leeson (Appointed 6 May 2016, Resigned 21 October 2016)
John Rapach (Appointed 6 May 2016, Resigned 18 December 2017)
Christine Shinnie (Appointed 5 July 2016, Resigned 18 December 2017)
Mark McComiskey (Appointed 21 October 2016)
Gregory Smith (Appointed 20 December 2017)
Manuel Pablo Zuniga-Pflucker (Appointed 20 December 2017)

None of the above named has any beneficial interests in the shares, option to acquire shares, debentures or loan stock of the Company requiring disclosure under the Companies Act 2006.

The interests of the directors in shares and options of the Ultimate Parent Company are disclosed in the financial statements of Sterling Resources Ltd.

DIRECTORS INDEMNITIES

The Company has not made any qualifying third party indemnity provisions for the directors during the period and to the date of this report.

FUTURE DEVELOPMENTS AND GOING CONCERN

The financial statements have not been prepared on a going concern basis. As the Transaction was completed on 16 May, 2017, the Company no longer continues as a going concern, the Directors have the objective of taking all steps necessary to wind-up and dissolve the Company as economically and quickly as practical, and to deliver the net distributable proceeds into the hands of the shareholders. A Second Distribution of \$16.44 million was approved by the board on 8 January 2018 representing, substantially, the net asset position of the Company at that date.

FINANCIAL INSTRUMENTS

The Company's financial instruments, including cash and cash equivalents, trade and other payables have been categorised as follows:

- Cash and cash equivalents and;
- Trade and other payables – other financial liabilities.

The Company's financial instruments, capital and risk management policy are described further in note 6 to the financial statements.

DIVIDENDS

The directors do not recommend a dividend for the current period.

POLITICAL CONTRIBUTIONS

There were no political contributions made in the period.

SIGNIFICANT JUDGMENTS AND ESTIMATES


The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and are considered to be:

- the application of the going concern basis of accounting; and
- provision for wind-up costs and accruals associated with the ongoing compliance, winding-up and dissolution process of the Company.

POST BALANCE SHEET EVENTS

A Second Distribution was approved on 8 January 2018, as referenced in note 14 of the Financial Statements.

By order of the Board



Mark McComiskey
Director
27 April 2018
SRUK Holdings Ltd.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE COMPANY FINANCIAL STATEMENTS**FOR THE 18 MONTH PERIOD FROM INCORPORATION TO 31 OCTOBER 2017**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

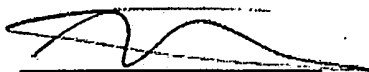
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under Company law the directors 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Mark McComiskey
Director
27 April 2018
SRUK Holdings Ltd.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SRUK HOLDINGS LTD.

We have audited the financial statements of SRUK Holdings Ltd. for the 18 month period from incorporation to 31 October 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the Cash Flow Statement, and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 October 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

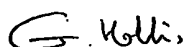
- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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



Graham Hollis ACA, Senior Statutory Auditor
for and on behalf of Deloitte LLP
Aberdeen

27 April 2018

STATEMENT OF COMPREHENSIVE INCOME

Company registration number: 10167018

18 month period from incorporation to 31 October	2017
	\$000s
Expenses	
General and administration	(1,013)
Foreign exchange loss	(5)
Total expenses	(1,018)
Loss on disposal (note 7)	(74,597)
Net loss and total comprehensive loss for the period	(75,615)

The accompanying notes are an integral part of the financial statements for the 18 month period from incorporation to 31 October 2017 (the "Financial Statements").

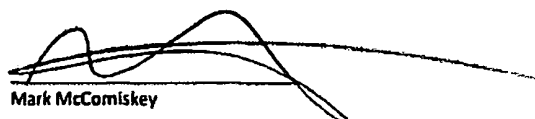
STATEMENT OF FINANCIAL POSITION

Company registration number: 10167018

	31 October 2017 \$000s
ASSETS	
Current assets	
Cash and cash equivalents (note 5)	17,075
	17,075
Non-current assets	
Investments (note 7)	-
	-
	17,075
LIABILITIES AND EQUITY	
Current liabilities	
Amounts due to parent undertaking	548
Provisions (note 8)	53
	601
Equity	
Share capital (note 10)	-
Share premium (note 10)	92,089
Accumulated losses (note 10)	(75,615)
	16,474
	17,075

The accompanying notes are an integral part of the financial statements as at the period ended 31 October 2017 (the "Financial Statements").

These financial statements were approved by the Board of directors on 27 April 2018 and were signed on its behalf by a director.



Mark McComiskey

STATEMENT OF CHANGES IN EQUITY

	Share capital (note 10)	Share premium (note 10)	Accumulated losses (note 10)	Total
	\$000s	\$000s	\$000s	\$000s
Capital introduced at 6 May 2016	-	-	-	-
Investment in Sterling Resources (UK) Ltd. (note 7)	-	173,089	-	173,089
Return of capital (note 10)	-	(81,000)	-	(81,000)
Total comprehensive loss	-	-	(75,615)	(75,615)
Balance at 31 October 2017	-	92,089	(75,615)	16,474

The accompanying notes are an integral part of the financial statements as at the period ended 31 October 2017 (the "Financial Statements").

STATEMENT OF CASH FLOWS

18 month period from incorporation to 31 October	2017
	\$000s
Cash flows from operating activities	
Loss for the period	(75,615)
Adjustments to deduct non-cash items:	
Loss on disposal (note 7)	74,597
Changes in working capital	601
Cash flows used in operating activities	(417)
Cash flows from investing activities	
Proceeds from sale of subsidiary (note 7)	98,492
Cash flows from investing activities	98,492
Cash flows from financing activities	
Return of capital (note 10)	(81,000)
Cash flows used in financing activities	(81,000)
Increase in cash and cash equivalents during the period	17,075
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period	17,075

The accompanying notes are an integral part of the financial statements for the 18 month period from incorporation to 31 October 2017 (the "Financial Statements").

NOTES TO FINANCIAL STATEMENTS

For the 18 month period from incorporation to 31 October 2017

1. CORPORATE INFORMATION

SRUK Holdings Ltd. (the "Company", or "SHL") is a subsidiary undertaking of Sterling Resources Ltd ("SRL"), which is a publicly traded energy Company incorporated and domiciled in Canada, and as such has elected in accordance with paragraph 4(a) of IFRS 10 not to prepare group accounts in the United Kingdom. SHL was registered as a private Company, limited by shares, in May 2016. The Company is a subsidiary of Sterling Resources Ltd. ("SRL"), a Canadian Company based in Calgary, Canada and listed on the TSX Venture Exchange ("TSXV"). SHL had a subsidiary SRUK limited ("SRUK") and SRUK has a subsidiary in the Netherlands, Sterling Resources Netherlands B.V. which is involved in exploration and appraisal offshore the Netherlands, and these three companies together with SRL were the "Sterling Group". A copy of the ultimate parent Company's group financial statements can be obtained by writing to the registered office which is located at 4300 Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta, Canada or via download at www.sedar.com.

2. BASIS OF PREPERATION

STATEMENT OF COMPLIANCE

The Financial Statements for the 18 month period from incorporation to 31 October 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company has no additional operating segments.

The presentation currency of these Financial Statements is the US Dollar (\$), which is also the functional currency of the Company as much of the Company's financing is denominated in US Dollars.

GOING CONCERN

The financial statements are not prepared on a going concern basis. As the Transaction was completed on 16 May, 2017, the Company no longer continues as a going concern, the Directors have the objective of taking all steps necessary to wind-up and dissolve the Company as economically and quickly as practical, and to deliver the net distributable proceeds into the hands of the shareholders. A Second Distribution of \$16.44 million was approved by the board on 8 January 2018 representing, substantially, the net asset position of the Company at that date.

USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGMENTS

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of liabilities, expenses and the application of going concern. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Details of the Company's significant accounting judgements and critical accounting estimates are set out in these financial statements and are considered to be:

- The application of the going concern basis of accounting (section above); and
- Provision for the wind-up costs and accruals associated with the ongoing compliance, winding-up and dissolution process of the Company.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the same period if the revision affects only that period or in the period of the revision and future periods if the revision affects current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

Cash and cash equivalents include term deposits, guaranteed investment certificates and operating bank accounts with maturities from inception or cashable options, if applicable, of 90 days or less.

Investments in Subsidiaries

Investments in subsidiaries are accounted for at cost, less, where appropriate, allowances for impairment.

Equity Instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following pronouncements from the IASB are applicable to the Company and will become effective for future reporting periods, but have not yet been adopted in these financial statements:

<u>New and Amended Standards</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 – Leases	1 January 2019
IFRS 9, IFRS 7, IAS 39 – Financial Instruments: classification and measurement	1 January 2018
Additions to IFRS 9 for financial liability accounting	1 January 2018
IFRS 15 – Revenue from contracts with customers	1 January 2018
Amendments IFRS 2 - Classification and measurement of share based payment transactions	1 January 2018
Amendments to IAS 7 – Statement of cash flows	1 January 2017
Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses	1 January 2017

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted entirely of cash held in single US Dollar denominated bank account with one institution. As at 31 October 2017, cash carried interest rates of 0.00 percent.

6. FINANCIAL INSTRUMENTS

The Company's financial instruments, including cash and cash equivalents and trade and other payables have been categorised as follows:

- Cash and cash equivalents; and
- Trade and other payables – other financial liabilities.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The carrying values of all other financial assets and liabilities approximate their fair values due to their relatively short-term maturities or variable interest rates.

The Company is exposed to various financial risks arising from normal-course business exposure as well as its use of financial instruments. These risks include market risks relating to foreign exchange rate risk as described below.

FOREIGN EXCHANGE RATE RISK

The Company's foreign exchange rate risk has decreased following the disposal of its UK entity. During the period, a foreign exchange loss has been recorded in the income statement as the US dollar has weakened against the British pound. At 31 October 2017 all cash balances are held in US dollar, the functional currency of the Company minimising further exchange rate risk though some professional fees are incurred in GB pounds.

CAPITAL MANAGEMENT

The primary objective of the Company's capital management was to ensure sufficient funds were available for its 100% owned subsidiary's ("SRUK") operational purposes while retaining flexibility to cope with adverse movements in production rates, commodity prices and interest rates. In addition, at all times the Company was required to comply with the terms of SRUK's Bond which included a number of financial covenants (see strategic report). However, following the completion of the Transaction (see strategic report) the Company's capital management focus has moved to make distributions of the net proceeds in the most efficient, timely and cost effective manner. As such, the Company considers working capital as part of its capital management planning.

7. INVESTMENTS

Movements in the Company's investments are:

Subsidiary:	Sterling Resources (UK) Ltd.
County of Incorporation:	United Kingdom
Nature of business:	Exploration, appraisal and exploitation of oil and natural gas projects

	\$000s
On Incorporation	-
Acquisition of Sterling Resources (UK) Ltd.	173,089
Disposal of Sterling Resources (UK) Ltd.	(98,492)
Loss on disposal of Sterling Resources (UK) Ltd.	(74,597)
Closing balance as at 31 October 2017	-

8. PROVISIONS

Provision for wind-up costs associated with the ongoing compliance, winding-up and dissolution process of the Company.

	\$000s
Opening balance	-
Provision	53
Closing balance as at 31 October 2017	53

9. COMMITMENTS AND CONTINGENCIES

At 31 October 2017 the Company had no commitments or contingencies.

10. SHARE CAPITAL, PREMIUM AND RESERVES

Share capital in the table below consists of Ordinary shares of £1 each all authorised and allotted converted to US Dollars at the time of inception.

	\$000s	\$s
	Share premium	Share capital
On Incorporation	-	153
Acquisition of Sterling Resources (UK) Ltd.	173,089	-
Return of capital	(81,000)	-
Closing balance as at 31 October 2017	92,089	153

On 14 June, 2017, the Company made its First Distribution, an aggregate amount of US\$81 million as a return of capital, with the stated capital of the share premium account being reduced accordingly.

The accumulated losses of \$75,615,000 represents the accumulated loss for the period.

11. RELATED PARTY TRANSACTIONS**A) PARENT ENTITIES**

SRUK Holdings Ltd. (the Company) is a 100% subsidiary undertaking of Sterling Resources Ltd. ("SRL") which is a publicly traded energy Company incorporated and domiciled in Canada. A copy of the ultimate parent Company's group financial statements can be obtained by writing to the registered office which is located at 4300 Bankers Hall West, 888 – 3rd Street SW, Calgary, Alberta, Canada or via download at www.sedar.com.

B) KEY MANAGEMENT PERSONNEL AND EMPLOYEE EXPENSES

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the directors of the Company. One of the directors serving at period end, Mark McComiskey, is also a director of SRL. Key management personnel received no remuneration for their services to the Company in the period.

The Company had no employees during the period.

C) TRANSACTIONS WITH RELATED ENTITIES

During the period presented the Company entered into transactions, in the ordinary course of business, with other related parties. There were no trading balances outstanding at 31 October with other related parties.

The Company had no off-balance sheet transactions in the period ended 31 October 2017.

D) INTEREST IN JOINT OPERATIONS

The Company has no interests in joint operations.

12. CURRENT AND DEFERRED TAX

No current tax has been recognised for the 18 month period ending 31 October 2017 as the Company made a loss in the period.

No deferred tax asset has been recognized in relation to \$45,519 of taxable losses due to there being no future taxable profits against which such losses can be offset.

13. AUDITOR REMUNERATION

18 month period from Incorporation to 31 October	2017
	\$000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13

14. SUBSEQUENT EVENTS

A Second Distribution of \$16.44 million was approved by the board on 8 January 2018. This was made as a return of capital on 26 January 2018, with the stated amount of the share premium being reduced accordingly.