Company registration number: 09847538

TECHNOLOGY ENHANCED OIL PLC

ANNUAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2017

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COMPANY INFORMATION

Country of incorporation	England and Wales
Legal form	Public Limited Company
Directors	M. C. Samuel R. C. A. Leon S. Lamoine P. Levin D. N. Greenwood L. Desforges (appointed 1 February 2018)
Company secretary	D. Smith
Registered number	09847538
Registered office	Salisbury House London Wall London EC2M 5PS
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Union Bancaire Privee, UBP SA Rue du Rhone 96-98 CP1320 1211 Geneva 1 Switzerland Wells Fargo Bank, N.A. PO Box 63020 San Francisco, CA 94163
Solicitors	Druces LLP Salisbury House London Wall London EC2M 5PS

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The Directors of the Company and its subsidiary undertakings (together, "the Group") present their Strategic Report for the year ended 31 December 2017.

Principal activities

The Group's principal activity is the acquisition, operation and development of conventional mature oil producing properties. Its main area of operational activity is in the United States of America.

Organisation Overview

The Board of Directors has the ultimate responsibility for the administration of the Group's affairs. The Board of Directors currently has six members including three independent non-executive Directors of which one is non-executive vice chairman.

The Directors are of the view that the Group should keep to a minimum its own overhead structure and, wherever possible and economic to do so, will look to outsource its personnel requirements. The Group will also make direct outsourcing arrangements with local oil services businesses in the regions in which its acquisitions operate, including key players selected for their track record, their capability to deliver, their ability to source potential neighbouring oil assets and their local footprint.

The services of the executive Directors are provided by the Group's parent company, Iskandia Energy Ltd.

Services provided by Iskandia Energy Ltd

To ensure that the cost of operating the Group's business is kept tightly under control the services of the executive Directors, and other management and administrative services, are provided by Iskandia Energy Ltd under the terms of a Services Agreement.

The services provided include:

- Identification and prioritisation of acquisition targets.
- Conducting due diligence.
- Conducting negotiations with potential sellers.
- Selection of appropriate Enhanced Oil Recovery technologies.
- Selection of third party service providers.
- Management of operations of the acquired assets.
- Monitoring the performance of the Company's subsidiary companies.

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Organisation Overview (continued)

Services provided by Iskandia Energy Operating, Inc.

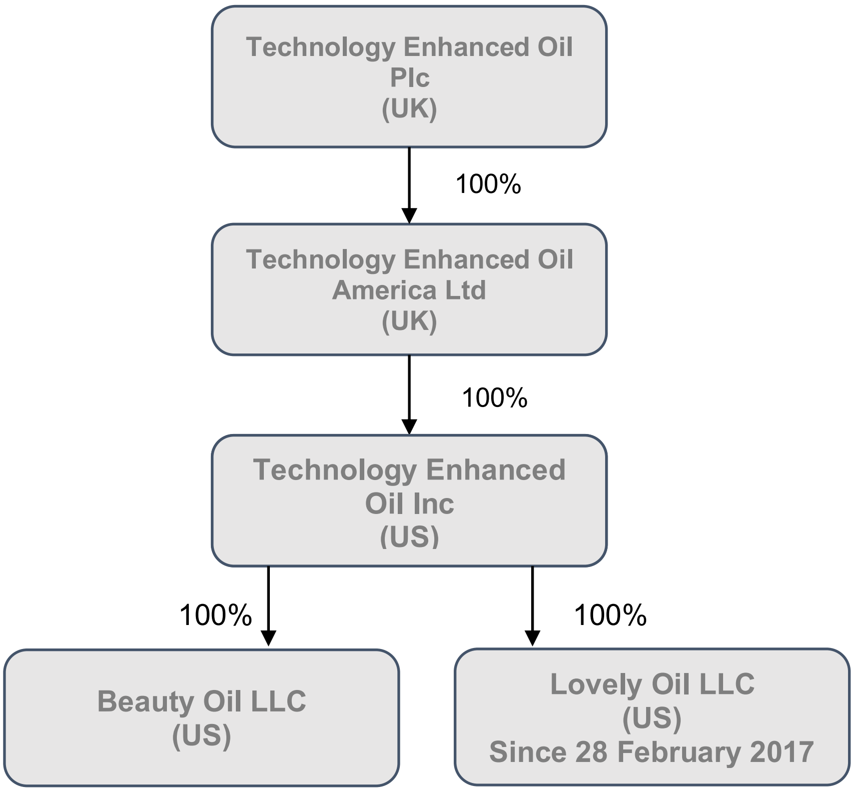
The Group's oil properties have been operated by Iskandia Energy Operating, Inc., since 1 August, 2016 for the East Texas basin and since 1 March, 2017 for the Delaware basin. Iskandia Energy Operating, Inc is a wholly owned subsidiary of Iskandia Energy Limited, the Group's parent company. Iskandia Energy Operating, Inc. was incorporated to operate the Group's oil properties and to apply the appropriate sophisticated enhanced oil recovery technologies.

As at 31 December 2017 Iskandia Energy Operating, Inc. employed 28 (2016: 7) professionals dedicated to the Group's services including experienced petroleum engineers, an environment, health and safety expert, seasoned field superintendents, production foremen and pumpers.

All leases are publicly available on the RailRoad Commission of Texas website (www.rrc.state.tx.us) under Iskandia Energy Operating, Inc. (Operator number 426961).

Corporate structure

The corporate structure of the Group, which is set out below, reflects the pattern of acquisition by the Group, to the date of approval of the financial statements, and the need, where appropriate, for operational and other reasons, to have incorporated entities in particular territories. In addition to the UK holding company, the Group has operating subsidiaries in the US.



GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Aim, Strategy and Business Plan

The Group's aim is to enhance shareholder value by identifying and acquiring producing on-shore conventional oil field assets in North America and to improve the production levels of those assets by the application of a range of sophisticated enhanced oil recovery technologies.

The selected technologies are already field-proven and offer an optimal combination of low implementation cost and outstanding results when correctly applied to specific situations and circumstances. Indeed, a meaningful part of the projected return stream of the strategy relies upon the ability to fine-tune the criteria selection process by marrying the knowledge of the available oil technologies with precisely which oil assets to acquire in order to maximise the upside and returns potential.

The advanced technologies contemplated by the Group include:

- Non-chemical stimulation technologies such as plasma pulse, ultrasonic or seismic stimulation;
- Water management technologies such as advanced chemical water-control, nanosilicones surfactants, downhole water separation pumps, uphole water management or surface water treatment;
- Logging-data collection technologies such as advanced logging, downhole camera or sonic-based event identification; and
- Other technologies such as radial drilling, field modelisation or paraffin remediation.

The Group's objective is to acquire quality producing North American assets and apply technological enhancements, in order to generate cash flows and attractive returns despite the current oil price environment.

Business review

In this financial year the Group has continued its funding and acquisition activities. The Group reported a loss for the period of US$2,096,719 (2016: restated profit of US$2,097,862). The results for 2017 and 2016 include the impacts of 'bargain purchases' of US$9,181,057 and US$5,090,462 respectively. The losses reported for the periods ignoring these 'bargain purchases' were 2017 – US$11,277,776 and 2016 – US$2,992,600. The increase in the loss for 2017 over 2016 reflects the acquisition and operating costs of the Delaware properties. During the period the Group has incurred significant expenditure in improving the quality of a number of the wells purchased (both in 2017 and 2016) to increase the quantity of oil that can be extracted. Whilst for the wells concerned, these costs are expected to be one-off, the Group expects to incur costs at a similar level to improve further wells over the next few years. In order to operate and manage the Delaware properties, the Group has also increased the level of operation support provided by Iskandia Energy Operating Inc. which now provides 28 (2016: 7) dedicated professional staff to the Group.

Funding
US$ 80,620,000 of mandatorily convertible bonds have been issued in six successive tranches (see further detail in Note 22 to the Consolidated Financial Statements).

Oil and Gas Properties
The first acquisition was completed on 15 June 2016 in the East Texas basin located in Navarro County. The properties acquired comprise 52 wells. Since acquisition 26 of these wells have been producing. The wells are located eight miles southeast of the city of Corsicana, TX, on a total of 14 leases, covering an area of approximately 2,500 acres.

This oilfield was discovered in 1895 with shallow production generally less than 1,250 feet from the surface. There were several development periods that were significant, including the shallow gas zones after 1900, the Woodbine formation in 1923, and the Austin Chalk in the early 2000's. The oilfield covers a total area of 9,900 acres.

Business review (continued)

The second acquisition was completed on 28 February 2017 in the Delaware basin, located in Loving, Pecos, Ector, Winkler, Crane and Reeves Counties. The properties gather around two main oilfields, Dimmitt and Brooklaw, comprise 257 wells, of which 98 are currently producing. The productive formations in the leases are mainly Delaware and Clear Fork formations, with overall production being 55% oil and 45% gas, with a water cut rate under 95%. The wells are split across 6 oilfields, in a range of 50 miles West and South of the city of Monahans, Texas, on a total of 91 leases, covering an area of approximately 13,200 acres.

The Delaware basin is part of the Permian basin, the highest oil producing area in the US, producing 2.4 million bopd and accounting for 26% of total US oil production in 2017 (source US Energy Information Administration). The area has been drilled since the 1920s, with production peaking in the early 1970s.

Since acquisition of these properties the Group has been focused on implementing its enhancement program and in particular intends to design and implement a waterflood project. The project includes a ‘proof-of-concept’ waterflood and infill pilot. In addition to the waterflooding, the assets present a number of other value-add opportunities, including recompletions, stimulations, reactivations, water shut-offs and low-risk infill drilling. The cost of this program is shown as additions to oil and gas assets in Note 16 to Consolidated Financial Statements.

The acquisitions of the above properties have been accounted for under the acquisition method as in the opinion of the directors the acquired assets and liabilities assumed constituted businesses. As required under IFRS 3 the directors are required to complete the accounting for these acquisitions and determine the fair values of the assets as acquired and liabilities assumed within 1 year of the acquisition. Accordingly, the directors engaged an appropriately qualified consultancy to provide a report on the Group’s commercially exploitable oil and gas reserves as at the acquisition dates. Based on this report the directors have determined the fair values of the oil and gas properties acquired to be US$9,826,598 and US$50,585,862 for the 2016 and 2017 acquisitions respectively. This represents an increase of US$21,956,183 over the consideration paid for the properties, which increase has resulted in the recognition of a bargain purchase of $14,271,519, after taking account of deferred taxation. The full impact on the results of the Group and its statement of financial position of recognising the fair value of the oil and gas reserves acquired is set out in Notes 27 and 28 to the financial statements. During the year, the Directors have finalised the acquisition accounting for the 2016 acquisition. Further details of the prior period restatement in respect of the 2016 acquisition are set out in Note 33 to the consolidated financial statements.

At 31 December 2017, reserves of the Group’s properties amounted to 2.2 million boe for a value of US$19.8 million (Proved, 1P), 9.6 million boe for a value of US$54.6 million (Proved and Probable, 2P) and 22.2 million boe for a value of US$138.8 million (Proved, Probable and Possible, 3P).

Future developments

The Group continues to seek suitable acquisitions of additional properties in Texas, USA and neighbouring states. The Directors remain confident that the current economic and political climate will offer further opportunities to acquire assets with the potential for improved performance in accordance with the Group’s overall strategy.

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

Key Performance Indicators ("KPI's")

The Board regularly reviews the KPI's of the business and the Group's progress towards achieving its objectives. KPI's dashboard aims as well to provide a set of oil & gas market standard metrics to compare the Company with peers.

The key performance indicators monitored by the Board and senior management in 2017 included:

- Gross barrels produced reported internally and sales on a monthly basis;
- West Texas Intermediate and realised oil prices monitored on a regular basis;
- Performance of wells against operating costs;
- Recurring operating result after recurring Lease operating expense (recurring LOE) and standard General and administrative expense (G&A) as per the Council of petroleum accountants societies (COPAS);
- Actual capital expenditures including acquisitions against budget;
- Funds raised through the issue of Convertible Bonds;
- Cash balances and management thereof;
- Minimising the effect of the Group's activities on the environment;
- Maintaining high health and safety standards.

During the year ended 31 December 2017, the KPI's were as follows:

Oil assets' key production:

Oil assets (Gross figures)	East Texas basin Properties		Delaware basin Properties	
	2017	2016	2017	2016
Production (Boe)	24,210	13,688	201,237	-
Oil vs Gas (%)	100/0	100/0	51/49	-
Oil vs Water (%)	1/99	1/99	11/89	-
Average sale (US$/Boe)	48.6	45.1	30.8	-

In 2017 the average Lease operating expenses (LOE) was US$15.3 per Boe while the 2017 General & administration expenses were US$5.8 per Boe, as compared to respectively US$44.4 and US$7.2 in 2016 and before the purchase of the Delaware basin properties on 28 February 2017.

Group's key management figures:

TEO (US$)	2017	2016	Variation
Net Production Revenues	4,981,287	398,957	+ 4,582,330
Recurrent LOE and G&A	(4,433,215)	(625,897)	- 3,807,318
Recurring operating result	548,072	(226 940)	+ 775,012
Overhead and Corporate costs	(2,959,665)	(1,741,688)	- 1,217,977
Acquisition all-in	24,751,913	1,547,039	+ 23,204,874
Capex deployed	9,387,483	824,746	+ 8,562,737
Cash in bank	33,498,596	28,898,175	+ 4,600,421
Net proceeds of issue of Convertible Bonds	43,611,950	33,672,822	+ 9,939,128

Key Performance Indicators ("KPI's") (continued)

Key management figures are derived from the Group's financial statements. However financial aggregates are provided either to reflect the economic nature of the spending, as for instance the acquisition cost or issuing cost which are added to Acquisition all-in and Net proceeds of issue of Convertible Bonds respectively, or to tie with the US oil & gas standard to report the split between operating expenses to operate oilfields (Recurrent LOE and G&A) and capital invested into the properties (Capex deployed).

Responsible Investment Policy

The Group has entered into an Environmental, Social and Governance (ESG) policy.

The Directors consider that the Group is part of a new generation of E&P companies within the oil sector that are both sensitive and sympathetically disposed towards ensuring all environmental, social and sustainability issues are effectively managed and their impact minimized as much as is practicable. Bridging the gap within the gradual transition phase from fossil fuels and renewable energies means operating in a responsible manner and giving preference towards strategies and techniques which more efficiently exploit the existing reservoirs and oilfields versus focusing upon deeper offshore oilfields and reserves or else deploying and implementing destructive fracking techniques.

The Group sees itself as something of a pioneer in revising the traditional business model of oil production, by acquiring controlling interests in conventional onshore oilfields of requisite quality from (financially) distressed oil companies; and thereafter in having them operated to deploy selective innovative technologies and thereby improving output and extending the life expectancy of these oilfields.

The Group's ESG policy includes guidelines and commitments to sustainable development, a focus on health and safety and transparent corporate governance.

Carbon and environmental footprint

The Group assesses its carbon and environmental footprint.
During the period ended 31 December 2017 Greenhouse Gas Emissions have been:

- Scope 1: 10,018 Metric tons CO_2e (33.6% of total)
- Scope 2: 5,712 Metric tons CO_2e (19.1% of total)
- Scope 3: 14,123 Metric tons CO_2e (47.3% of total)

It was noticed that no external water has been used to operate the oilfields.
The Net energy ratio (NER) has been 51. The NER is a ratio expressing the relationship between electric power (megajoule equivalent) required to produce Boe (megajoule equivalent).

Financial Risk Management and Objectives

The Group uses various financial instruments including cash, equity shares, convertible bonds, intercompany loan notes, and items such as receivables and payables that arise directly from its operations. The existence of these financial instruments may expose the Group to financial risks, which are described in Note 26 to the Consolidated Financial Statements.

Principal Risks and Uncertainties

The Directors are responsible for the effectiveness of the Company's risk management activities and internal control processes. As a participant in the oil and gas production industry, the Group is exposed to a wide range of risks and uncertainties in the conduct of its operations. Set out below are the principal risks and uncertainties that may affect performance. Such risks and uncertainties are not intended to be presented in any order of priority. In addition, the risks set out below are not exhaustive and additional risks and uncertainties, not presently known to the Directors, or which the Directors currently deem immaterial, may arise or become material in the future. The Directors and senior management have significant experience and continually take steps to mitigate and review risks where possible and reasonably practicable. Any of the risks set out below, as well as any other risks and uncertainties referred to in this annual report, could have a material adverse effect on business performance.

Financial risks
- Oil price movements
- Cost inflation
- Inadequate capital expenditure estimates
- Adverse taxation legislative changes
- Third party counterparty credit risk
- Adverse foreign exchange movements
- Insurance may not cover all liabilities
- Contractual exposure

Operational risks
- Failure to identify and acquire producing on-shore conventional oil field assets
- Failure of the Group's technology to improve the production levels of oil field assets acquired
- Production decline
- Loss of key personnel
- Delay and cost overrun on work programs
- Health, Safety and Environmental incidents
- Poor or sub-commercial reservoir performance
- Failure of equipment or third-party services
- Leasehold expiries or failure to meet terms and conditions for maintenance of leases
- Failure to keep pace with technological advances
- Failure to comply fully with local, state and federal industry regulations
- Availability of drilling and production equipment

Strategic, industry and external risks
- Availability of capital to fund future acquisitions
- A material decline in oil price
- Highly competitive industry with numerous significant, financially-strong participants
- Legislation and regulation may increase industry operating costs and/or reduce demand for hydrocarbons,

Of these identified risks, the primary risks and actions taken to mitigate such risks are summarised in more detail below:

A significant or sustained reduction in oil prices – The Board and management monitor oil prices and analyse events of a business, political or environmental nature that might affect future prices. Whilst the Board and management consider that based on current production levels the cost of hedging this risk would outweigh the benefits they continue to monitor production levels and will at the appropriate time take steps to mitigate this risk by executing oil derivative contracts.

Principal Risks and Uncertainties (continued)

Failure of the Group's enhancement technologies – The Board and management consider that the use of innovative technologies is a key driver of the development and the performance of the Group. Therefore, a great deal of attention is deployed to secure capacity and pricing to both conventional and disruptive technologies and to identify competitors for each of the technologies types used to maintain and enhance the production. The Group may consider mitigating the risk by developing its own tools to secure the access to top disruptive technologies.

***Production is not sustainable* –** Production by well is monitored on a daily basis. The majority of the Group's wells have oil reserve potential in a number of different zones and at different depths. If production from a particular formation falls below commercially acceptable levels, the Group has two primary options: workover or further stimulation of the formation to re-establish oil-flow, or to close the non-producing formation and come up the well-bore to test another zone. Once a well is no longer commercially viable in any form the well is plugged and abandoned.

***Failure to identify and acquire producing on-shore conventional oil field assets* -** As noted above the Group has now successfully completed two acquisitions. The Group continues to seek suitable acquisitions of additional properties in Texas, USA and neighbouring states. The Directors remain confident that the current economic and political climate will offer further opportunities to acquire assets with the potential for improved performance in accordance with the Group's overall strategy.

This report was approved by the board on 29 June 2018 and signed on its behalf by:

Marc Samuel
Chairman

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

During the year the Group reported a loss for the year of US$2,096,719 (2016: restated profit of US$2,097,862).

No dividend is proposed for the year ended 31 December 2017 or the period ended 31 December 2016.

Directors

The Directors who served during the year were:

M. C. Samuel
R. C. A. Leon
S. Lamoine
P. Levin
D. N. Greenwood
L. Desforges (appointed 1 February 2018)

Qualifying third party indemnity provisions

The Group has purchased Directors' and Officers' liability insurance which provides cover against liabilities arising against them in that capacity.

Board memberships and executive positions outside of the Group as of 31 December 2017

Marc Samuel

- *Board of directors*
  Cogifrance SA (France)
  1066 Advisor SA (Luxembourg)

- *Advisory Committee*
  Nuclear Commitments Financial Committee of EDF (France)
  Advisory and Decision Committee of UAE Innovative Fund (UAE)

Robert Leon

- *Executive position*
  Chief Operating Officer of Talis SA (France)
  Managing Director of Korreden SA (France)
  Chief Operating Officer of Videlio (France)
  Chief Operating Officer of Aedificia SAS (France)
  Chief Operating Officer of Aedificia Participations SAS (France)
  Chief Operating Officer of Argelès Participations SAS (France)
  Chief Operating Officer of Hunow SAS (France)
  Chief Operating Officer of Luxeuil Finance SAS (France)
  Chief Operating Officer of Largentière Holding SAS (France)
  Managing Partner of Isis Sarl (France)
  Managing Partner of Castellane Investissement Sarl (France)
  Managing Partner of Linden Holding Sarl (France)
  Managing Partner of Kelt International Sarl (France)

Board memberships and executive positions outside of the Group as of 31 December 2017 (continued)

Robert Leon (continued)

- *Board of directors*
  Craft.AI SAS (France)
  Spileco 3 SA (France)
  MASA Group SA (France)
  Fineurocave SA (France)
  Fin Qual I SA (France)
  Crozaloc SA (France)
  Valbonne II SICAV (Luxemburg)
  Arbiom Inc (Delaware, USA)
  Genoway SA (France)
  Théséis SAS (France)
  MAuB Pty Ltd (Australia)

Stephane Lamoine

- *Board of directors*
  RKO SA (France)
  Vatecure Ltd (UK)

Pierre Levin

- *Board of directors*
  Red Beryl Consulting Ltd (UK)
  Artario Advisor SA (Switzerland)

David Nicholas Greenwood

- *Executive position*
  Pension Fund Manager at The Royal Borough of Windsor and Maidenhead (UK)

- *Board of directors*
  Berkshire Shared Equity Ltd (UK)
  Attomarker Ltd (UK)
  MAI New Zealand General Partnership (New Zealand)
  MillTrust Agricultural Investments Ltd (Ireland)

Linda Desforges

- *Executive position*
  Investment Manager at Merseyside Pension Fund (UK)

- *Advisory Committee*
  Limited Partner Advisory Committee of Standard Life (UK)
  Limited Partner Advisory Committee of BMO Global Asset Management (UK)
  Limited Partner Advisory Committee of BBH Capital Partners (USA)
  Limited Partner Advisory Committee of GCM Grosvenor (USA)

Subsequent events

There were no significant subsequent events.

Website publication

The financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group financial statements, state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- for the Parent Company financial statements, state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report was approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Matters covered in the Strategic Report

The Strategic Report on pages 2 to 9 contains details of the principal activities of the Group and includes a business review which provides information on the development of the Group's business during the period, together with details of the risks and uncertainties that affect the Group's business and future developments.

Auditors

A resolution to re-appoint BDO LLP as auditor for the ensuing period will be proposed at the Annual General Meeting.

This report was approved by the board on 29 June 2018 and signed on its behalf by:

Marc Samuel
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TECHNOLOGY ENHANCED OIL PLC

Opinion

We have audited the financial statements of Technology Enhanced Oil Plc (the “parent company”) and its subsidiaries (the “Group”) for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s affairs as at 31 December 2017 and of the Group’s loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 Group and parent 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 as applied to listed entities, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group’s or the Parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF TECHNOLOGY ENHANCED OIL PLC

<table>
<tr><th>Matter identified</th><th>How we addressed the matter</th></tr>
<tr><td colspan="2">Carrying value of oil and gas assets</td></tr>
<tr><td>The Group’s oil and gas assets represent its most significant assets and total US$39.5 million as at 31 December 2017.

As set out in note 4.2 the assessment of the carrying value of the Group’s oil and gas assets requires significant judgements and estimates to be made by Management.

Management have not identified any indicators of impairment.

The carrying value of the Group’s oil and gas assets is considered to be a significant audit risk given the significant judgements required in the estimation relating to model inputs such as discount rate, future oil and gas prices, reservoir performance and production profiles.</td><td>We evaluated Management’s and the Board’s impairment review for the Group’s oil and gas assets. We critically challenged the considerations made of whether or not there were any indicators of impairment identified by Management. Our specific testing included:

• Performing our own additional assessment of potential indicators of impairment relating to the Group’s oil and gas assets. Our work supported management’s assessment and did not identify any indicators of impairment which would require a further detailed impairment test over the carrying value of oil and gas assets;

• Checking the licence validity and the ownership interests for the Group’s assets included within Management’s model;

• Reviewing reserve reports for the Group’s oil and gas assets prepared by third parties. The assumptions used in these reports were assessed by reference to publically available information and market data. The key inputs assessed were oil and gas prices, discount rate, production decline rates and operating expenses. In addition, we considered the reliance that could be placed on these reports prepared by a management’s expert for the purpose of the audit by examining the qualifications and competence of the expert, their independence to management and BDO, and obtaining a full understanding of the work they performed;

• Reviewing Management’s sensitivity analysis and performing additional sensitivity analysis on key model inputs; and

• Reviewing Management’s plans and forecast spend on the assets.</td></tr>
</table>

Accounting for business combinations	
In June 2016 the Group acquired working interests in oil and gas properties known as the Powell Corsicana Workings in Texas, USA for consideration of US$1.24m. These assets are held by Beauty Oil, LLC ("Beauty assets"). As per note 27, in February 2017 the Group acquired working capital interests in the oil and gas properties known as 'The Sheridan Property Workings' in Texas, USA for consideration of US$22.1m. These assets are held by Lovely Oil, LLC. ("Lovely assets"). Both transactions have been determined to be business combinations which require the assets, liabilities and contingent liabilities to be fair valued for the purpose of recognising the transactions in the financial statements. The Beauty assets were recognised at provisional fair values in the year end 31 December 2016 financial statements. The Group were required to finalise these provisional fair values during the current accounting period, as per note 28. The accounting for the business combinations and consideration of fair values require judgement and estimates and therefore are considered to be a significant audit risk.	We evaluated Management's and the Board's conclusion that the Beauty asset and the Lovely asset transaction were appropriately accounted for as business combinations. In respect of the Lovely assets our specific testing included: • Reviewing the sale and purchase agreement for the Lovely asset transaction and verifying the key terms such as the consideration settled, and the determination of acquisition date; • Confirming the working interest acquired and checking this was appropriately reflected in the financial statements; • Making an assessment of Management's determined fair values for the assets, liabilities and contingent liabilities acquired. Our work focussed on the fair values attributed to the oil and gas assets acquired and the reliance which could be placed on Management's expert (which involved scrutiny over the experts' competence and independence for the purposes of the audit); • We re-performed the underlying calculations for the business combination; • We tested a sample of acquisition costs to ensure correctly stated and classified in the financial statements; • We critically assessed whether the negative goodwill recognised was correctly reflected by retrospective analysis of the performance of the oil and gas assets acquired; and • We reviewed the disclosure included within the financial statements in respect of the transaction. In respect of the Beauty assets our specific procedures included:

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TECHNOLOGY ENHANCED OIL PLC

	• Making an assessment of Management's final determined fair values for the assets, liabilities and contingent liabilities acquired. Our work focussed on the fair values attributed to the oil and gas assets acquired and the reliance which could be placed on Management's expert (which involved scrutiny over the experts' competence and independence for the purposes of the audit); • We re-performed the final underlying calculations for the business combination; • We critically assessed whether the negative goodwill recognised was correctly reflected by retrospective analysis of the performance of the oil and gas assets acquired; and • We reviewed the disclosure included within the financial statements in respect of the transaction.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at US$1.48 million. This was determined with reference to 2% of total assets. We consider the asset value to be the most significant determinant of the Group's financial performance used by shareholders given the strategy of the business to acquire transformational oil and gas assets. In performing the audit, we applied a lower level of performance materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds financial statement materiality. Performance materiality was set at 65% of the above materiality levels (2016: 65%).

Whilst materiality for the financial statements as a whole was US$1.48 million (2016: US$0.6 million), the significant components of the Group were audited to a lower materiality. The parent company materiality was also based on 2% of total assets as the value of intercompany balances and investments is considered the key driver of performance in the parent company which does not directly hold the oil and gas assets. The materiality used for the parent company financial statements was US$1.46m. The materiality of the other significant components ranged from US$16,000 to US$200,000. Such materialities are used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes tested during the audit. We agree with those charged with governance that we would report all individual audit differences during the course of our audit in excess of US$58,000. There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

Our Group audit scope focussed on the identification of significant components. These were determined to be the sub-consolidated Group headed by Technology Enhanced Oil, Inc (incorporating the subsidiaries Lovely Oil, LLC, Beauty Oil, LLC) and the parent company. Other entities within the Group required a statutory audit for corporate law compliance purposes.

The audit work on Technology Enhanced Oil, Inc was performed by a component auditor (BDO USA, LLP). BDO LLP ensured that control of the component audit was retained through ensuring sufficient direction, supervision and review of the component auditors' work was undertaken through the issuance of Group instructions, participation in key meetings, detailed review of work-papers and discussion with the component auditor. All work on the parent company, non-significant UK subsidiaries, key audit issues and the consolidated financial statements was performed by BDO LLP.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TECHNOLOGY ENHANCED OIL PLC

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Anne Sayers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
29 June 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**Year ended 31 December 2017**	Period from 29 October 2015 to 31 December 2016 *As restated*
		US$	US$
Revenue	6	**5,260,796**	434,619
Cost of sales	15	**(11,549,691)**	(939,872)
Gross loss		**(6,288,895)**	(505,253)
Acquisition costs	27	**(182,257)**	(182,528)
Bargain purchases	27	**9,181,057**	5,090,462
Recurring administrative expenses		**(6,433,357)**	(1,741,688)
Total administrative expenses		**2,565,443**	3,166,246
Operating (loss)/profit	7	**(3,723,452)**	2,660,993
Finance income	11	**187,979**	56,014
Finance cost	12	**(2,079,602)**	(672,101)
(Loss)/profit before tax		**(5,615,075)**	2,044,906
Tax	13	**3,518,356**	52,956
(Loss)/profit for the year		**(2,096,719)**	2,097,862
Other comprehensive income		**-**	-
Total comprehensive (loss)/profit for the year		**(2,096,719)**	2,097,862
Total comprehensive (loss)/profit attributable to:			
Owners of the parent company		**(2,096,719)**	2,097,862
Basic and diluted (loss)/profit per share (US$ per share)	14	**(8.39)**	10.21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

Assets	Note	2017 US$	2016 As restated US$
Non-current assets			
Oil and gas assets	16	**62,838,509**	10,500,042
Other receivables	17	**987,133**	356,240
		63,825,642	10,856,282
Current assets			
Trade and other receivables	17	**93,098**	305,941
Cash and cash equivalents	18	**33,498,596**	28,898,175
		33,591,694	29,204,116
Total assets		**97,417,336**	40,060,398
Equity and Liabilities			
Equity			
Share capital	19	**76,585**	76,585
Capital contribution	21	**13,892**	4,542
Accumulated deficit	21	**1,143**	2,097,862
Convertible debt reserve	21	**60,626,976**	26,132,173
Total equity attributable to owners of the parent company		**60,718,596**	28,311,162
Non-current liabilities			
Long-term borrowings	22	**10,668,160**	5,409,050
Deferred tax liabilities	13	**4,113,352**	2,688,062
Provisions	23	**15,652,299**	771,768
Total non-current liabilities		**30,433,811**	8,868,880
Current liabilities			
Trade and other payables	24	**1,138,176**	743,156
Short-term borrowings	22	**4,837,200**	2,137,200
Derivative financial liabilities	25	**289,553**	-
Total current liabilities		**6,264,929**	2,880,356
Total liabilities		**36,698,740**	11,749,236
Total equity and liabilities		**97,417,336**	40,060,398

The financial statements were approved and authorised for issue by the board on 29 June 2018 and were signed on its behalf by:

Marc Samuel
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital US$	Capital contribution US$	Convertible debt reserve US$	Retained profit US$	Total equity US$
On incorporation	-	-	-	-	-
Comprehensive profit for the period	-	-	-	(3,025,924)	(3,025,924)
Total comprehensive profit for period	-	-	-	(3,025,924)	(3,025,924)
Issue of share capital	76,585	-	-	-	76,585
Issue of convertible debt	-	-	26,132,173	-	26,132,173
Recognition of share based payments awarded by parent company	-	4,542	-	-	4,542
At 1 January 2017 (as previously stated)	**76,585**	**4,542**	**26,132,173**	**(3,025,924)**	**23,187,376**
Prior period adjustment to comprehensive income	-	-	-	5,123,786	5,123,786
At 1 January 2017 (as restated)	**76,585**	**4,542**	**26,132,173**	**2,097,862**	**28,311,162**
Comprehensive loss for the period	-	-	-	(2,096,719)	(2,096,719)
Total comprehensive loss for period	**-**	**-**	**-**	**(2,096,719)**	**(2,096,719)**
Issue of convertible debt	-	-	34,494,803	-	34,494,803
Recognition of share based payments awarded by parent company	-	9,350	-	-	9,350
At 31 December 2017	**76,585**	**13,892**	**60,626,976**	**1,143**	**60,718,596**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**Year ended 31 December 2017 US$**	Period from 26 October 2015 to 31 December 2016 *As restated* US$
Cash flows from operating activities			
(Loss)/profit before income tax for the year		**(5,615,075)**	2,044,906
Adjustments to reconcile* (loss)/profit *before tax to net			
Depreciation of tangible assets	7	**2,217,490**	151,302
Finance income	11	**(187,979)**	(56,014)
Finance cost	12	**2,079,602**	672,101
Unrealised foreign exchange gain		**(270,630)**	-
Bargain purchase	27	**(9,181,057)**	(5,090,462)
Fair value adjustment to derivative	25	**289,553**	-
Equity settled share based payments	20	**9,350**	4,542
Acquisition costs	27	**182,257**	182,528
Increase in trade and other receivables		**(4,097)**	(95,806)
Increase in trade and other payables		**14,292**	144,215
Increase in net amount owed to affiliated company		**590,863**	388,806
Net cash flows from operating activities		**(9,875,431)**	(1,653,882)
Cash flows from investing activities			
Acquisition of oil and gas business	27	**(22,061,937)**	(1,237,500)
Acquisition costs	27	**(182,257)**	(182,528)
Expenditures on oil and gas assets		**(3,820,672)**	(824,746)
Long-term advances to affiliated company		**(605,058)**	(356,240)
Interest received	11	**168,949**	56,014
Net cash used in investing activities		**(26,500,975)**	(2,545,000)
Cash flows from financing activities			
Proceeds from the issue of share capital	19	**-**	76,585
Proceeds from long-term borrowing (net of issue costs)	32	**43,611,950**	33,672,822
Interest paid	32	**(2,905,753)**	(652,350)
Net cash from financing activities		**40,706,197**	33,097,057
Currency translation differences relating to cash		**270,630**	-
Net increase in cash and cash equivalents		**4,600,421**	28,898,175
Cash and cash equivalents at beginning of year		**28,898,175**	-
Cash and cash equivalents at the end of year	18	**33,498,596**	28,898,175

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

	Year ended 31 December 2017 US$	Period from 26 October 2015 to 31 December 2016 US$
Comprising:		
Cash at bank and in hand	**33,498,596**	3,893,057
Short-term deposits	**-**	25,005,118
	33,498,596	28,898,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Corporate information

The consolidated financial statements of the Group, which comprise Technology Enhanced Oil Plc and all its subsidiaries, for the year ended 31 December 2017, were authorised for issue in accordance with a resolution of the Directors dated 29 June 2018. Technology Enhanced Oil Plc is a public limited company incorporated and domiciled in England and Wales. The registered office address is located at Salisbury House, London Wall, London, EC2M 5PS.

The Group's principal activity is the acquisition, operation and development of conventional mature oil producing properties. Its main area of operational activity is in the United States of America.

2. Basis of preparation

The consolidated financial statements, which are presented in US Dollars, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and endorsed by the European Union (EU), and the Companies Act 2006 applicable to companies reporting under IFRS. These comprise standards and interpretations approved by the International Accounting Standards Board (IASB) that remain in effect and to the extent that they have been adopted by the EU.

The consolidated financial statements have been prepared on the historical cost basis, unless accounting standards require an alternative measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in either the relevant accounting policy or in the notes to the financial statements.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in the most appropriate application in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 4.

3. Going concern

The Directors have considered the factors relevant to support a statement of going concern.

In assessing whether the going concern assumption is appropriate, the Directors considered the Group cash flow forecasts under various scenarios, identifying risks and mitigating factors and ensuring the Group has sufficient funding to meet its current commitments as and when they fall due.

The Directors have a reasonable expectation that the Group will continue in operational existence for a period of 12 months from the date of signing these financial statements and have therefore used the going concern basis in preparing the financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with International Financial Reporting Standards requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were:

4.1 Reserve estimates

Reserves are estimates of the amount of hydrocarbons that can be economically and legally extracted from the Group's oil and gas properties. The Group estimates its commercial reserves and resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future commodity prices, the latter having an impact on the total amount of recoverable reserves. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs. The current long-term price assumption used in the estimation of commercial reserves is US$51.34/bbl for oil and US$2.94/Mcf for gas (2016: US$40.93/bbl for oil). The carrying amount of oil and gas development and production assets at 31 December 2017 is shown in Note 16.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. Changes in reported reserves may affect the Group's reported financial position and result in a number of ways including:

- Asset carrying values, detailed in Note 16, may be affected by possible impairment due to adverse changes in estimated future cash flows and the commercial viability of reserves.

- Depreciation, depletion and amortisation, detailed in Note 7, that is charged in the Statement of Comprehensive Income may change where such charges are determined by the unit of production basis, or where the useful economic life of asset changes.

- Provisions for decommissioning a well may change as a result of revisions to the timing of such decommissioning.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Impairment

The Group assesses each asset at each reporting period to determine whether any indication of impairment exists.

Oil and gas assets

Where an indicator of impairment to an oil and gas asset exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and value in use (VIU). The assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves (and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets.

Other assets

Other assets are considered for impairment where such indicators exist using value in use calculations or fair value and recoverability estimates. The use of these methods similarly requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows.

4.3 Business combinations

In determining the fair values of certain assets/liabilities acquired/assumed in business combinations management uses estimates that rely on information compiled by appropriately qualified persons. These estimates include assumptions as to:

- Expected future oil prices;
- Expected future operating costs;
- The amount of hydrocarbons that can be economically and legally extracted;
- The expected operating lives of the assets acquired;
- The expected costs to cap and plug a well at the end of its operating life.

Further details of business combinations in the year are set out in Note 27.

5. Summary of significant accounting policies

5.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each period. Control is achieved when a company is exposed, 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 results of subsidiaries acquired or disposed of during the period are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

5. Summary of significant accounting policies (continued)

5.2 Segmental reporting

The Group's operating segments are established on the basis of those components of the Group that are evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. The Chief Operating Decision Maker is the Board of Directors.

IFRS requires that the measure of profit or loss disclosed for each operating segment is the measure that is provided regularly to the Chief Operating Decision Maker. The Chief Operating Decision Maker is the Board of Directors. The segmental reporting provided to the Chief Operating Decision Maker is produced under US GAAP with a reconciliation to the results reported under IFRS. Only the information presented under IFRS is included within these IFRS financial statements. Transactions between segments are determined on an arm's length basis.

The segments are based on the geographical location of the Group's oil fields in the United States of America. Corporate includes both USA and UK activities and provides funding, administrative and consultancy services for the Group.

In the prior year management considered there to only be one operating segment and consequently the comparative information equates to the information provided in other areas of the financial statements.

5.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of discounts, rebates and sales related taxes. Where a third party has an interest in an oil and gas property the Group only recognises its own share in revenue. The following criteria must also be met before revenue is recognised:

Revenue from crude oil sales

The Group recognises oil and gas sales when delivery to the purchaser has occurred and title has transferred. This occurs when production has been delivered to a pipeline or a transport vehicle.

5.4 Interest income

Interest income is recognised as it accrues using the effective interest method.

5.5 Foreign currency translation

Functional and presentation currency

The functional and presentational currency of the Company and all its subsidiaries in the Group are US Dollars.

5. Summary of significant accounting policies (continued)

5.5 Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Transactions and balances

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income under the heading to which they relate.

The exchange rate to US$1 for Sterling at 31 December 2017 was 0.740 (2016: 0.813) and the average rate during the period was 0.776 (2016: 0.739).

5.6 Share based payments

In accordance with IFRS 2 “Share-based Payments”, the Group measures the fair value of equity settled transactions with employees and Directors at the grant date of the equity instruments. The fair value is calculated using an appropriate valuation model and requires assumptions regarding dividend yields, risk-free interest rates, share price volatility and expected life of an employee or Director share warrant. Further details can be found in Note 20. The arising expense is charged to the Statement of Comprehensive Income on a straight-line basis over the expected vesting period.

Share warrants granted to employees and Directors of the Group by the Group’s ultimate parent company, Iskandia Energy Limited, are valued at the date of grant using the Black-Scholes option pricing model and are charged to the Statement of Comprehensive Income over the vesting period of the warrant. The corresponding credit is recognised in equity as a capital contribution from the parent company.

5. Summary of significant accounting policies (continued)

.5.7 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Statement of Comprehensive Income.

Current tax

Current tax is the amount of tax payable in respect of the taxable profit for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences that exist only where it is probable that taxable profits will be generated against which the carrying value of the deferred tax asset can be recovered.

Deferred tax liabilities are recognised for all taxable temporary differences except in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint operations where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset or liability is not recognised if a temporary difference arises on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Revenue-based taxes

The Group’s subsidiaries are subject to revenue-based taxes such as the Texas Gross Margin Tax and production tax. These taxes are based on physical quantities produced or on a percentage of revenue. As such these taxes do not meet the characteristics of an income tax as set out in IAS 12 and are considered to be a tax on extractive activities and so have been deducted from revenue.

5. Summary of significant accounting policies (continued)

5.8 Oil and gas assets

Oil and gas properties

The Group uses the successful efforts method of accounting for oil and gas properties. Costs to acquire mineral interests in oil and gas properties are capitalised, where the properties are considered to be economically viable.

Capitalised costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of production method.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Statement of Comprehensive Income in the period in which they are incurred.

On the sale or retirement of a complete unit of proved property, the cost and related accumulated depreciation, depletion and amortisation are eliminated from the accounts, and the resultant gain or loss is recognised.

Depreciation of producing assets

The net book values of producing assets are depreciated on a field-by-field basis using the unit-of-production method by reference to the ratio of production in the year and the related commercial (proved and probable) reserves of the field, taking into account future development expenditures necessary to bring those reserves into production.

Producing assets are generally grouped with other assets that are dedicated to serving the same reserves for depreciation purposes.

Impairment of development and production assets

An impairment test is performed whenever events and circumstances arising during the development or production phase indicate that the carrying value of a development or production asset may exceed its recoverable amount, i.e. the value in use.

The carrying value is compared against the expected recoverable amount of the asset, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. The cash-generating unit applied for impairment test purposes is generally the field, except that a number of field interests may be grouped as a single cash-generating unit where the cash inflows of each field are interdependent.

Any impairment identified is charged to the Statement of Comprehensive Income. Where conditions giving rise to impairment subsequently reverse, the effect of the impairment charge is also reversed as a credit to the Statement of Comprehensive Income, net of any depreciation that would have been charged since the impairment.

5 Summary of significant accounting policies (continued)

5.8 Oil and gas assets (continued)

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the acquisition method when the assets acquired and liabilities assumed constitute a business.

Transactions involving the purchase of an individual field interest, or a group of field interests, that do not constitute a business, are treated as asset purchases irrespective of whether the specific transactions involve the transfer of the field interests directly or the transfer of an incorporated entity. Accordingly, no goodwill and no deferred tax gross up arises, and the consideration is allocated to the assets and liabilities purchased on an appropriate basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Statement of Comprehensive Income.

5.9 Business combinations

Business combinations are accounted for using the acquisition method. The consideration paid in a business combination is measured at the fair value of all elements of the consideration. Acquisition-related costs are recognised in the Statement of Comprehensive Income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value. Where applicable deferred tax is provided on changes made to the fair values of assets acquired and liabilities assumed.

A bargain purchase gain is measured as the excess of the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed over the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any). This bargain purchase gain is recognised immediately in the Statement of Comprehensive Income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Organisation and start-up costs are expensed as incurred. Organisational expenses include costs incurred to establish the Group’s subsidiaries as legal entities.

5 Summary of significant accounting policies (continued)

5.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments in debt securities with original maturities of three months or less.

5.11 Financial instruments

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

Financial instruments are classified into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity, available for sale or at fair value through profit or loss.

Financial assets and liabilities are offset and the net amount reported in the financial statements if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The accounting policy for each category is as follows:

Financial assets

Financial assets comprise cash and cash equivalents, loans and receivables.

Receivables primarily consist of loans to affiliates under a revolving credit agreement providing 3-month revolving facilities at Libor 3-month plus 1% margin and trade receivables.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is primarily derecognised when either the rights to receive cash flows from the asset have expired or the Group has transferred the financial asset and substantially the risks and rewards of ownership of the asset to another party.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

Financial liabilities

Financial liabilities include borrowings, derivatives, trade and other payables.

Borrowings

Borrowings consist of mandatorily convertible bonds. The bonds consist of multiple tranches under one bond arrangement. Each tranche of the bond issued constitutes direct, unconditional, unsubordinated obligations of the Company and rank pari passu and rateably, without preference amongst themselves and equally with all other existing and future obligations of the Company. The withstanding bond agreement based on the most recent tranche determines a fixed share conversion price for all bondholders and therefore determines the number of shares each bondholder is entitled to. The total equity interest in the Company the bondholders are entitled to is capped at 80% of the Company's equity. As such the number of shares the bondholder group is entitled to is fixed and as there is a fixed share conversion ratio within the withstanding bond agreement the bond is therefore treated as a mandatorily convertible compound financial instrument.

The net proceeds received from the issue of convertible bonds are split between a liability element and an equity component at the date of issue. The fair value of the liability component is estimated by discounting the interest payments using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded value of the equity of the Group after conversion of the liability, is included in equity and is not re-measured. The liability component is carried at amortised cost.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate, at the time of issue, for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

Derivatives

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates. The Group's derivatives are classified as held for trading and measured at fair value through profit or loss with gains or losses recognised in the Statement of Comprehensive Income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Fair value is determined by reference to quoted forward exchange rates at the reporting date. Gains and losses with regard to derivative financial instruments are included in administrative expenses.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

5 Summary of significant accounting policies (continued)

5.11 Financial instruments (continued)

Derecognition

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

Classification of financial instruments issued by the Company

Under IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements as share capital and share premium account exclude amounts in relation to those shares.

5 Summary of significant accounting policies (continued)

5.12 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the Statement of Comprehensive Income.

Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is acquired, installed or the ground/environment is disturbed at the field location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to oil and gas assets.

Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the Statement of Comprehensive Income.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature fields, the estimate for the revised value of oil and gas assets net of decommissioning provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the Statement of Comprehensive Income as a finance cost.

5 Summary of significant accounting policies (continued)

5.13 Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Transactions of a similar nature are aggregated unless, in the opinion of the Directors separate disclosure is necessary to understand the effect of the transactions on the financial statements.

5.14 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, the following Standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and, in some cases, had not yet been adopted by the European Union) (standards not expected to have any impact on the Group or Company are not included):

IFRS 9 - Financial Instruments: Classification and Measurement (effective 1 January 2018)
IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16 Leases (effective 1 January 2019)

IFRS 15 is intended to introduce a single framework for revenue recognition and clarify principles of revenue recognition. This standard modifies the determination of when to recognise revenue and how much revenue to recognise. The core principle is that an entity recognises revenue to depict the transfer of promised goods and services to the customer of an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The transfer of control of oil and natural gas sold by the Group usually coincides with the title passing and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time. The accounting for revenue under IFRS 15, does not, therefore, represent a substantive change from the Group’s current practice for recognising revenue from sales to customers.

IFRS 15 requires the disclosure of revenue from contracts with customers disaggregated into categories that depict how the nature, amount, timing and uncertainty of cash flows are affected by economic factors. It is the Group’s intention to provide additional disclosure of revenue from contracts with customers disaggregated by product grouping.

5 Summary of significant accounting policies (continued)

5.14 Standards, Amendments and Interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9 addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting treatment for financial liabilities that are designated at fair value through the Income Statement as the Group does not have any such liabilities.

There is a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. The Group intends to adopt the general expected credit loss model for debt instruments carried at amortised cost. As at 31 December 2017 the Group's principal debt instrument was a loan to an affiliated company that also supplies services to the Group. Due to the close co-operation between the affiliated company and the Group, management consider that the debt instrument has a low credit risk and do not therefore expect the adoption of the standard to have a significant impact.

IFRS 16 introduces a single lease accounting model and is required to be adopted by 2019. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term and separately present the principal amount of cash paid and interest in the cash flow statement.

It is expected that the Group will apply the modified retrospective approach, which would mean that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. The Group will not early adopt IFRS 16. The impact of the adoption of the new standard at 1 January 2019 will be dependent on factors such as the Group's lease contracts at that date and the discount rate to be applied in accordance with the standard, and therefore the impact cannot currently be determined. A review of lease contracts, other than those for oil and gas properties which are exempt from the requirements of the standard, and contracts for services, such as those with an affiliated company, is currently under way to determine the impact of the new standard.

6. Analysis of revenue

Analysis of revenue by category:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Revenue from crude oil sales	**5,260,796**	434,619
	5,260,796	434,619

Analysis of revenue by geography:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
United States of America	**5,260,796**	434,619
	5,260,796	434,619

7. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 *As restated* US$
Depreciation of oil and gas properties	**2,217,490**	151,302
Acquisition costs (see Note 27)	**182,257**	182,528
Bargain purchases (see Note 27)	**(9,181,057)**	(5,090,462)
Fair value adjustment of derivative financial instruments	**289,553**	-
Share based payment expense	**9,350**	4,542
Net (gain)/loss on foreign currency translation	**(270,914)**	7,605

8 Auditor's remuneration

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Fees payable to the Group's auditor in respect of:		
Audit of the Parent Company	**55,391**	39,114
Audit of the Company's subsidiaries	**37,500**	-
Taxation advisory services	**7,215**	50,971
Other non-audit services	**16,318**	-

9. Employees

Staff costs, including Directors' remuneration, were as follows:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Fees paid to Directors	**756,033**	535,594
Wages and salaries	**-**	82,094
Social security costs	**-**	1,412
	756,033	619,100

The average number of employees, including the Directors, during the year was as follows:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Directors	**5**	4
Administration	**-**	1
	5	5

10. Directors' remuneration

The Directors' aggregate remuneration in respect of qualifying services were:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Fees paid to Directors	**756,033**	535,594
	756,033	535,594

The remuneration of the highest paid director was US$235,179 (2016: US$261,167).

Included in the fees due to Directors disclosed above is US$602,831 (2016: US$535,594) that was paid by the Group's parent company, Iskandia Energy Limited and US$100,000 (2016: US$ nil) that was paid by an affiliate company, Iskandia Energy Operating Inc. Both these companies recharge these fees plus an agreed mark up to the Group which is not included in the figures given above.

Key management compensation

Key management includes the Directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Share based payments	**9,350**	4,542
Fees paid to key management personnel	**971,868**	719,555
	981,218	724,097

Fees due to key management personnel includes US$602,831 (2016: US$535,594) paid by the Group's parent company, Iskandia Energy Limited and US$315,835 (US$ nil) that was paid by an affiliate company, Iskandia Energy Operating Inc. Both these companies recharge these fees plus an agreed mark up to the Group which is not included in the figures given above.

11. Finance income

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Bank interest receivable	**168,949**	56,014
Interest from affiliated entity	**19,030**	-
	187,979	56,014

12. Finance costs

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Interest on convertible bond	**1,729,163**	657,951
Bank interest	**18,553**	-
Unwinding of discount	**331,886**	14,150
	2,079,602	672,101

13. Tax

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 US$
Current tax charge		
UK Corporation tax	**-**	
Overseas tax	**-**	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	**(776,121)**	(52,956)
Change in tax rate	**(2,742,235)**	-
Total deferred tax	**(3,518,356)**	(52,956)
Income tax credit	**(3,518,356)**	(52,956)

13. Tax (continued)

Factors affecting tax charge for the year

The tax charge for the year can be reconciled to the (loss)/profit per the consolidated Statement of Comprehensive Income as follows:

	Year ended 31 December 2017	Period from 29 October 2015 to 31 December 2016 *As restated*
	US$	US$
(Loss)/profit before income tax	**(5,615,075)**	2,044,906
(Loss)/profit before income tax multiplied by the weighted average rate of corporate tax in the Group of 32.27% (2016: 27%)	**(1,811,985)**	552,125
Effects of:		
Amounts not deductible for tax purposes	**453,127**	1,518
State income taxes (net of federal benefit)	**6,579**	-
Change in tax rates	**1,773,219**	-
Change in valuation allowance	**2,102,014**	-
Bargain purchase not chargeable for tax purposes	**(2,962,727)**	(1,374,425)
Origination and reversal of timing difference	**(776,121)**	(52,956)
Adjustments to deferred tax relating to change in tax rates	**(2,742,235)**	-
Losses carried forward	**439,773**	820,782
Total tax charge for year	**(3,518,356)**	(52,956)

Deferred tax

Tax losses carried forward have not been recognised at 31 December 2017. Whilst management forecast that taxable profits will be generated in the near future, there is a lack of evidenced profitability to date. Therefore no deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The estimated unrecognised deferred tax asset is US$571,891 (2016: US$830,271).

13. Tax (continued)

Deferred tax (continued)

The following deferred tax liabilities have been recognised:

	Note	Fair value uplift US$
On acquisition of East Texas basin properties	28	2,741,018
Credited to Comprehensive Income		(52,956)
At 31 December 2016 (as restated)		**2,688,062**
On acquisition of Delaware basin properties	27	4,943,646
Credited to Comprehensive Income		(3,518,356)
At 31 December 2017		**4,113,352**

The above deferred tax liabilities arose upon the acquisitions described in Notes 27 and 28. In December 2017, the US president announced that the federal tax rate in the USA would decrease to 21%.

The following table provides analysis of deferred tax in the balance sheet by category of temporary difference:

	2017 **US$**	2016 *As restated* US$
Deferred tax liabilities		
Temporary differences on acquisitions	**4,113,352**	2,688,062

14. (Loss)/profit per share

Basic (loss)/profit per share is calculated by dividing the (loss)/profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year together with the potential number of ordinary shares to be issued on conversion of the mandatorily convertible bonds. The basic and the diluted (loss)/profit per share are the same as there are no instruments that have a dilutive effect on (losses)/profits.

	Year ended 31 December 2017 US$	Period from 29 October 2015 to 31 December 2016 *As restated* US$
Net (loss)/profit attributable to ordinary shareholders	**(2,096,719)**	2,097,862
Weighted average number of ordinary shares	**250,000**	205,357
Basic and diluted (loss)/profit per share (US$ per share)	**(8.39)**	10.21

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

15. Segment information

Year ended 31 December 2017

During the current year, the Group organised its business into three reportable operating segments as follows:

- 'East Texas basin properties'
- 'Delaware basin properties'
- 'Corporate'

	East Texas Basin Properties US$	Delaware Basin Properties US$	Corporate US$	Total US$
Revenue	**832,030**	**4,428,766**	**-**	**5,260,796**
Depreciation and depletion	(279,709)	(1,937,781)	-	(2,217,490)
Other cost of sales	(1,736,118)	(7,583,240)	(12,843)	(9,332,201)
Gross loss	**(1,183,797)**	**(5,092,255)**	**(12,843)**	**(6,288,895)**
Administrative expenses	(139,394)	(3,337,918)	(2,666,492)	(6,143,804)
Fair value adjustment	-	-	(289,553)	(289,553)
Bargain purchase	-	9,181,057	-	9,181,057
Acquisition costs	-	(182,257)	-	(182,257)
Unwinding of discounting	(23,768)	(308,118)	-	(331,886)
Other finance costs	-	-	(1,747,716)	(1,747,716)
Finance income	-	-	187,979	187,979
Taxation	1,133,964	2,384,392	-	3,518,356
Segment profit/(loss) for year	**(212,995)**	**2,644,901**	**(4,528,625)**	**(2,096,719)**

Other cost of sales and Administrative expenses for East Texas Basin Properties and Delaware Basin Properties include spending that, according to the Directors' Strategic Report, are either deducted from Revenues like US severance tax or are considered as Capex deployed into the properties for the purpose of remediation, maintenance of the facilities of enhancement of the production. Therefore, financial aggregates viewed as Management economic KPI's could be compared as follows:

- Net production revenues KPI amounts to US$4.981.287 as compared to Revenue of US$5,250,796;
- Recurring operating result KPI amounts to US$548,072 as compared to Gross loss of (US$5,132,533);
- Overhead and Corporate cost KPI amount to (US$2,959,665) as compared to Administrative expenses of (US$6,143,804).

15. Segment information (continued)

Year ended 31 December 2017 (continued)

	East Texas Basin Properties US$	Delaware Basin Properties US$	Corporate US$	Total US$
Other disclosures				
Non-current assets	11,024,286	51,815,223	986,133	63,825,642
Total Assets	11,032,815	52,133,569	34,250,952	97,417,336
Total liabilities	(2,894,509)	(17,804,976)	(15,999,255)	(36,698,740)

Other information reported to the Chief Operating Decision Maker:

	East Texas Basin Properties US$	Delaware Basin Properties US$	Corporate US$	Total US$
Other disclosures				
Production (Boe)	24,210	201,237	-	225,447
Oil vs Gas (%)	100/0	51/49	-	N/A
Oil vs Water (%)	1/99	11/89	-	N/A
Average sale (US$/Boe)	48.6	30.8	-	N/A
Funding proceeds	-	-	43,611,950	43,611,950

Period from 29 October 2015 to 31 December 2016

During the previous period, the Group organised its business into two reportable operating segments as follows:

- 'East Texas basin properties'
- 'Corporate'

15. Segment information (continued)

Period from 29 October 2015 to 31 December 2016 as restated (continued)

	East Texas Basin Properties US$	Corporate US$	Total US$
Revenue	**434,619**	**-**	**434,619**
Depreciation and depletion	(151,302)	-	(151,302)
Other cost of sales	(788,570)	-	(788,570)
Gross loss	**(505,253)**	**-**	**(505,253)**
Administrative expenses	(457,140)	(1,284,548)	(1,741,688)
Bargain purchase	5,090,462	-	5,090,462
Acquisition costs	(182,528)	-	(182,528)
Unwinding of discounting	(14,150)	-	(14,150)
Other finance costs	-	(657,951)	(657,951)
Finance income	-	56,014	56,014
Taxation	52,956	-	52,956
Segment profit/(loss) for year	**3,984,347**	**(1,886,485)**	**2,097,862**

Other disclosures	East Texas Basin Properties US$	Corporate US$	Total US$
Non-current assets	10,500,042	356,240	10,856,282
Total Assets	10,563,437	29,496,961	40,060,398
Total liabilities	3,459,830	8,289,406	11,749,236

15. Segment information (continued)

Period from 29 October 2015 to 31 December 2016 (continued)

Other information reported to the Chief Operating Decision Maker:

	East Texas Basin Properties US$	Corporate US$	Total US$
Other disclosures			
Production (Boe)	13,398	-	13,398
Oil vs Gas (%)	100/0	-	N/A
Oil vs Water (%)	1/99	-	N/A
Average sale (US$/Boe)	45	-	N/A
Funding proceeds	-	33,672,822	33,672,822

16. Oil and gas assets

Cost	**Note**	**Oil and gas Assets US$**
At 1 January 2017 (as restated)		10,651,344
On acquisition of oil and gas business	27	50,585,862
Additions		3,820,672
Decommissioning provision adjustment		149,423
At 31 December 2017		**65,207,301**
Depreciation, depletion and amortisation		
At 1 January 2017 (as restated)		151,302
Charge for year		2,217,490
At 31 December 2017		**2,368,792**
Net book value		
At 31 December 2017		**62,838,509**
At 31 December 2016 (as restated)		**10,500,042**

16. Oil and gas assets (continued)

Prior year comparative (as restated)	Oil and gas Assets *As restated* US$
Cost	
On acquisition of oil and gas business	**9,826,598**
Additions	**824,746**
At 31 December 2016	**10,651,344**
Depreciation, depletion and amortisation	
Charge for period	**151,302**
At 31 December 2016	**151,302**
Net book value	
At 31 December 2016	**10,500,042**

Impairment testing was performed across the Group's oil and gas assets and was calculated by comparing the future discounted cash flows expected to be derived from production of commercial reserves (the value in use being the recoverable amount) against the carrying value of the asset. The future cash flows were estimated using future oil prices and were discounted using a post-tax rate of 12%. Assumptions involved in the impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices and the level and timing of expenditures, all of which are inherently uncertain. No impairment losses have been recognised in the year ended 31 December 2017 or period ended 31 December 2016.

17. Trade and other receivables

	2017 US$	2016 US$
Non – current		
Amounts owed by affiliated company	**980,328**	356,240
Other long-term receivables	**6,805**	-
	987,133	356,240
Current		
Trade receivables	**-**	54,609
Other receivables	**-**	20,000
Amounts owed by affiliated company	**-**	210,135
Amounts owed by parent company	**93,098**	21,197
	93,098	305,941

Trade receivables are considered to be impaired if they are more than three months overdue at the date of approval of the financial statements. No allowance for doubtful debts was considered necessary at 31 December 2017.

The amounts owed by the affiliated company are subject to a revolving credit agreement at an interest rate of LIBOR plus 1% per annum and a maturity date of 31 December 2018.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

18. Cash and cash equivalents

	2017 US$	2016 US$
Cash at bank and on hand	**33,498,596**	3,893,057
Short-term deposits	**-**	25,005,118
	33,498,596	28,898,175

Cash at bank earns interest at floating rates based on daily bank interest rates. Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

19. Issued Capital

	2017	2016
Allotted, called up and fully paid	**US$**	US$
50,000 ordinary shares of £1 each	**76,585**	76,585

Upon incorporation 50,000 ordinary £1 shares were issued at par for cash to provide the Group's initial working capital.

Fully paid ordinary shares carry one vote per share and the right to dividends and to distributions on winding up.

20. Equity share based payments

The Group bears the expense of share warrants granted by its ultimate parent company, Iskandia Energy Limited, to employees of the Group. All warrants vest immediately. Upon exercise, warrant holders will be issued with shares in Iskandia Energy Limited.

The movements of warrants during the year was as follows:

	2017		2016	
	Weighted average exercise price (cents)	**Number**	Weighted average exercise price (cents)	Number
At beginning of year/period	**1**	**5,812**	-	-
Granted in year/period	**-**	-	1	5,812
At end of the year/period	**1**	**5,812**	1	5,812

At 31 December 2017, the weighted average remaining contractual life of warrants exercisable was 4 years. The weighted average fair value of warrants granted was US$7.84, which was estimated using the Black-Scholes option-pricing model in the prior period. The estimated fair values of warrants granted during the prior period are based on the following weighted average assumptions:

Warrant pricing model	**Share warrants Black Scholes 2016**
Weighted average share price at date of grant	US$7.84
Weighted average exercise price	US$0.01
Expected life	5.6 years
Expected volatility	23%
Expected dividend yield	0%
Risk free interest rate	1%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of financial market indices. The charge for equity settled share based payments in the year ended 31 December 2017 was US$9,350 (2016: US$4,542). The total charged to the Statement of Comprehensive Income since the grant date was US$13,982 (2016: US$4,542).

5,812 Warrants with an exercise price US$0.01 were outstanding at 31 December 2017.

21. Reserves

Capital contribution

The capital contribution arises on warrants issued by the Group's parent company to Directors and employees of the Group.

Accumulated deficit

The accumulated deficit represents losses recognised in the consolidated statement of comprehensive income.

Convertible debt reserve

The reserve represents the equity component of convertible bonds.

22. Borrowings - Convertible bonds

The Group's borrowings consist of 6.00% mandatorily convertible bonds with a mandatory conversion date of 15 January 2022.

The bonds have a coupon rate of 6 per cent per annum. The bonds are mandatorily convertible into ordinary shares of the Company on 15 January 2022. On conversion in full the bondholders will receive 200,000 ordinary shares of the Company, being 80% of the fully diluted capital. Under the terms of the bonds there are early conversion options under certain circumstances (qualifying IPO, change of control or default event) and the conversion price is to be adjusted on the occurrence of certain events in order to maintain the interest that the bondholders have in 80% of the fully diluted share capital of the Company.

The fixed share conversion price at 31 December 2017 was US$403.10 per share. The total number of ordinary shares to be issued, if all bonds are converted at this adjusted conversion price, is 200,000. If the bonds have not been previously purchased and cancelled, redeemed or converted, they will be converted into ordinary shares on 15 January 2022. Interest of 6 per cent per annum will be paid quarterly in arrears to the mandatory conversion date, being 15 January 2022.

There are covenants attached to the loan which seek to protect the bondholders interests in their entitlement to the share capital of the Company on mandatory conversion of the bond.

22. Convertible bonds (continued)

The convertible bonds were issued in 6 tranches as follows:

Tranche	Issue date	Nominal Value US$
Tranche 1	15 January 2016	6,020,000
Tranche 2	15 April 2016	1,850,000
Tranche 3	15 July 2016	25,000,000
Tranche 4	1 September 2016	2,750,000
Nominal value as at 31 December 2016		**35,620,000**
Tranche 5	18 April 2017	25,000,000
Tranche 6	7 November 2017	20,000,000
Nominal value as at 31 December 2017		**80,620,000**

The equity component and liability proportion of the bonds have been determined based on the effective yield of a similar maturity corporate bond as set out below. Issue costs of US$3,054,644 (2016: US$1,593,261) have been apportioned between the liability and equity components based on their relative carrying amounts at the respective dates of issue. The proportion relating to equity has been charged directly to equity.

	2017 US$	2016 US$
Gross proceeds	**43,611,950**	33,672,822

	2017 US$	2016 US$
Nominal value of bonds issued	**80,620,000**	35,620,000
Discount on issue	**(375,000)**	(375,000)
Issue costs	**(3,054,644)**	(1,593,261)
Accrued interest	**94,416**	21,083
Net proceeds	**77,284,772**	33,672,822
Cash proceeds of issues	**77,284,772**	33,672,822
Liability component at dates of issue	**(16,657,796)**	(7,540,649)
Equity component	**60,626,976**	26,132,173
As at beginning of period	**7,546,250**	-
Liability component of issued bond in year	**9,117,146**	7,540,649
Interest at effective interest rate of 18.408%	**1,164,430**	657,951
Interest at effective interest rate of 13.591%	**465,195**	-
Interest at effective interest rate of 13.858%	**99,539**	-
Interest paid	**(2,887,200)**	(652,350)
Liability component at 31 December 2017	**15,505,360**	7,546,250

22. Convertible bonds (continued)

The carrying value as at 31 December 2017 comprised:

	2017 US$	2016 US$
Current	**4,837,200**	2,137,200
Non - current	**10,668,160**	5,409,050
	15,505,360	7,546,250

23. Provisions

	Note	**Decommissioning US$**
Acquisition of business		757,618
Unwinding of discount		14,150
At 31 December 2016		**771,768**
Acquisition of business	27	14,399,222
Other changes in provision		149,423
Unwinding of discount		331,886
At 31 December 2017		**15,652,299**

The Group makes full provision for the future cost of decommissioning oil production facilities on a discounted basis on the acquisition and installation of those facilities.

The decommissioning provision represents the present value of decommissioning costs relating to oil and gas properties, which are expected to be incurred up to 2037 which is when the last of the producing oil and gas properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This, in turn, will depend upon future oil and gas prices, which are inherently uncertain.

The net present value of current decommissioning provision estimates have been discounted to their present value at 2.58% per annum (2016: 2.79% per annum) , being the prevailing risk free interest rate based on US long-term government bonds.

A 1% increase or decrease in the discount rate on the group's decommissioning provision would result in a US$2.663 million increase or US$3.349 million decrease in costs in the statement of comprehensive income respectively over the expected 20 year operating lives of the oil and gas assets.

24. Trade and other payables

	2017 US$	2016 US$
Current		
Trade payables	**60,943**	81,836
Other payables	**97,564**	62,379
Amounts owed to affiliated company	**979,669**	598,941
	1,138,176	743,156

The carrying values of the trade and other payables approximate to their fair value as at the year-end date.

25. Derivative financial liabilities

	2017 US$	2016 US$
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	**289,553**	-
	289,553	-

The forward foreign exchange contract is a short-term contract that is not designated as a hedging instrument. Fair value is determined by reference to quoted forward exchange rates at the reporting date.

Gains and losses with regard to the forward foreign exchange contract are included in administrative expenses.

The fair values of the derivative financial instrument is based on estimates from observable inputs which are all level 2 inputs in the IAS 39 hierarchy.

26. Financial instruments

The Group's treasury policy is to avoid transactions of a speculative nature. In the course of trade the Group is exposed to a number of financial risks that can be categorised as market, credit and liquidity risks. The Board has identified the risks within each category and considers the impact on the activities of the Group as part of their regular meeting routine.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

Trade and other receivables
Cash and cash equivalents
Trade and other payables
Amounts owed by/to affiliated entities
Mandatorily convertible bond
Derivative financial instruments

A summary of the financial instruments held by category is provided below:

	2017 US$	2016 US$
Financial assets		
Cash and cash equivalents	**33,498,596**	28,898,175
Trade and other receivables	**99,903**	95,806
Amounts owed by affiliated company	**980,328**	566,375
Total financial assets	**34,578,827**	29,560,356
Financial liabilities at amortised cost		
Trade and other payables	**158,507**	144,215
Amounts owed to affiliated company	**979,669**	598,941
Mandatorily convertible bond	**15,505,360**	7,546,250
Financial liabilities at fair value		
Derivative financial liabilities	**289,553**	-
Total financial liabilities	**16,933,089**	8,289,406

The fair value of the mandatorily convertible bond above based on quoted prices in active markets is $80,620,000. The Directors consider that the carrying amounts of all other financial assets and financial liabilities recognised in the financial statements approximate their fair values (due to their nature and short times to maturity).

26. Financial instruments (continued)

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the Directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so.

The fair value of short-term deposits and other financial assets approximates to the carrying amount.

The carrying amounts as at 31 December 2017 of the Group's trade, loans to affiliated entities and other receivables denominated in currencies other than US Dollars are:

	2017 US$	2016 US$
UK Pounds	**93,098**	21,197

The carrying amounts as at 31 December 2017 of the Group's cash and cash equivalents denominated in currencies other than US Dollars are:

	2017 US$	**2016 US$**
Swiss Francs	**30,270,630**	**-**

The carrying amounts of the Group's trade, intercompany, other payables and borrowings denominated in currencies other than US Dollars are:

	2017 US$	2016 US$
UK Pounds	**96,089**	62,304
Euros	**1,475**	-

Interest rate risk

The Group finances its operations through loans. The Group's exposure to interest rate fluctuations on its borrowings has been limited by the terms of the mandatorily convertible bond described in Note 22.

The Group has provided a revolving loan facility bearing interest at Libor Plus 1% to an affiliated company. A 1% change in Libor rates would increase or decrease the Group's annual interest receivable by US$9,803 (2016: US$5,000).

The Directors do not, therefore, consider the Group to be materially sensitive to interest rate risk.

26. Financial instruments (continued)

Commodity risk

Whilst the Group is currently exposed to the risk of fluctuations in prevailing market commodity prices on the mix of oil and gas, the Group is not yet producing sufficient quantities of oil and gas to make the cost of hedging worthwhile.

Credit risk

Operational risk

In the prior period the Group sold substantially all its oil and gas to one purchaser. For the year ended 31 December 2017, four purchasers accounted for approximately 76% of the Group's oil and gas revenue. Based on the adequate number of potential other purchasers of its oil and gas production, the Group does not believe the loss of this major customer would have a significant effect on its results of operations or financial position.

Financial risk

The Group is subject to concentrations of credit risk from cash deposits in excess of insured limits. The Group places their cash in financial institutions which are considered high quality financial institutions by management. At times, such cash deposits may be in excess of insured limits. The Group does not enter into any derivatives to manage credit risk. Further information on Trade and other receivables is presented in Note 17.

Liquidity risk

The Group is exposed to liquidity risk as part of its normal trading cycle. The Group's policies ensure sufficient liquidity is available to meet foreseeable needs through the preparation of short and long-term forecasts. With the exception of acquisitions, the Group's requirements are constant throughout the year and relate largely to working capital which is managed through the use of surplus cash.

The Group had no bank loans, overdrafts or invoice finance facilities at 31 December 2017 or 31 December 2016 and no debentures or personal guarantees were in place in either year. The convertible bonds are mandatorily convertible and thus do not affect liquidity.

26. Financial instruments (continued)

Liquidity risk (continued)

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2017 on the basis of their earliest possible contractual maturity.

At 31 December 2017	**Total**	**0-180 days**	**181-365 days**	**1-2 years**	**2-5 years**	**More than 5 years**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
Trade payables	**60,943**	**60,943**	**-**	**-**	**-**	**-**
Accruals	**97,564**	**97,564**	**-**	**-**	**-**	**-**
Affiliated company	**979,669**	**979,669**	**-**	**-**	**-**	**-**
Interest on convertible bonds	**24,186,000**	**2,418,600**	**2,418,600**	**4,837,200**	**14,511,600**	**-**
	25,324,176	**3,556,776**	**2,418,600**	**4,837,200**	**14,511,600**	**-**

At 31 December 2016	Total	0-180 days	181-365 days	1-2 years	2-5 years	More than 5 years
	US$	US$	US$	US$	US$	US$
Trade payables	81,836	81,836	-	-	-	-
Accruals	62,379	62,379	-	-	-	-
Affiliated company	598,941	598,941	-	-	-	-
Interest on convertible bonds	11,220,300	1,068,600	1,068,600	2,137,200	6,411,600	534,300
	11,963,456	1,811,756	1,068,600	2,137,200	6,411,600	534,300

Capital risk

The primary objective of the Group's capital management is to establish and maintain a capital structure that safeguards the Group as a going concern and to maintain healthy credit ratios in order to support its business and then provide a return to shareholders and protect the interests of the bondholders. For the purposes of the Group's capital management, capital includes share capital and all other equity reserves attributable to equity holders. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and in order to make further acquisitions as the opportunities arise.

If the Group breaches the terms of the convertible bond and an event of default occurs, including non-payment of the coupons, breach of obligations, cross-default, insolvency, winding-up, ceasing to carry on business, judgement, illegality or analogous events, then the entire amount would immediately become due and payable. There have been no defaults or breaches of terms of the convertible bond in the current year.

27. Acquisitions during the current year

On 28 February 2017 (effective 1 October 2016), the Group purchased a working interest in certain oil and gas properties "The Sheridan Property Workings" for US$22,061,937. The Sheridan Property Workings in Texas, USA, are mature production assets and in the opinion of the Directors constitute a business. The acquisition has therefore been accounted for as a business combination. The Sheridan Property Workings oil and gas assets are held by a newly created wholly owned subsidiary, Lovely Oil, LLC. The purchase was funded by cash.

At acquisition, one percent of the interest acquired in the property was assigned to a fellow subsidiary at fair value. The Group retained 99% of the interest acquired.

The Directors' fair value determination of its 99% interest of the assets and liabilities acquired is set out in the table below:

	Fair Values US$
Oil and gas properties	50,351,011
Oil inventories	234,851
Total oil and gas properties at acquisition	**50,585,862**
Decommissioning provision assumed	(14,399,222)
Deferred tax liability	(4,943,646)
	31,242,994

Fair value of the consideration paid

	US$
Consideration settled by:	
Cash	**22,061,937**

	US$
Bargain purchase arising on acquisition	**(9,181,057)**

As the Group's innovative technologies enable enhanced oil extraction, the fair value of the reserves that can be extracted is greater than if the oil wells were operated using conventional methods, due to the improved output and extended life expectancy of these oilfields. Therefore, as shown above, the fair value of the net assets acquired exceeds the purchase price, thereby leading to recognition of a bargain purchase. The fair values of the oil and gas properties were determined by independent valuation of the acquired commercial oil reserves.

The bargain purchase shown above was immediately recognised in the Statement of Comprehensive Income in accordance with IFRS 3 and will not be chargeable for income tax.

Acquisition costs of US$182,257 have been recognised within administrative expenses in the Statement of Comprehensive Income.

27. Acquisitions during the current year (continued)

Under the purchase agreement, the Group was entitled to receive revenue less costs for the period from 1 October 2016 until 28 February 2017. Revenue net of costs of US$299,414 for the period before control was achieved has been treated as a deduction from the purchase price. Although the effective date of the acquisition was 1 October 2016, the Group did not obtain control over the oil properties until 28 February 2017, the date on which completion took place and the consideration was paid.

From the date of acquisition (28 February 2017) the Sheridan Property Workings have contributed US$4,428,766 of revenue and US$1,260,942 of profit before interest and tax to the Group.

28. Acquisitions during the prior period

The fair value of Beauty Oil LLC's tangible assets (Oil & Gas assets) were reassessed in 2017, to reflect the additional information which has become available concerning conditions that existed at the date of acquisition, in accordance with the provisions of IFRS 3 – Business Combinations. As the Group's innovative technologies enable enhanced oil extraction, the fair value of the reserves that can be extracted is greater than if the oil wells were operated using conventional methods, due to improved output and extended life expectancy of these oilfields. Therefore, as shown below, the fair value of the net assets acquired exceeds the purchase price, leading to recognition of a bargain purchase. The fair values of the oil and gas properties was determined by independent valuation of the acquired commercial oil reserves.

The Directors' fair value determination of the assets and liabilities acquired in the prior period is set out in the table below.

	Previously Stated 2016 US$	**Adjustment to business combination fair values US$**	**Restated Fair Values US$**
Oil and gas properties	1,995,118	7,831,480	9,826,598
Decommissioning provision assumed	(757,618)	-	(757,618)
Total oil and gas properties	1,237,500	7,831,480	**9,068,980**
Deferred tax liabilities	-	(2,741,018)	(2,741,018)
	1,237,500	5,090,462	**6,327,962**

Fair value of the consideration paid

	US$
Consideration settled by:	
Cash	**1,237,500**

	US$
Bargain purchase arising on acquisition	**(5,090,462)**

28. Acquisitions during the prior period (continued)

The bargain purchase shown above was immediately recognised in the Statement of Comprehensive Income in accordance with IFRS 3 and will not be chargeable for income tax.

29. Ultimate parent company

The immediate and ultimate parent undertaking is Iskandia Energy Limited, a company registered in England and Wales, with registered office address at Salisbury House, London Wall, London EC2M 5PS, United Kingdom.

30. Related party disclosures

30.1 Control

The Group's ultimate controlling party and parent company is Iskandia Energy Limited.

30.2 Group disclosures

Transactions with parent company

	2017 US$	2016 US$
Purchase of services	**800,000**	716,608
Recharges of expenses	**178,730**	162,600

Balances due from:	**2017 US$**	2016 US$
Parent company	**93,098**	21,197

The Group's parent company provides management and administrative services to the Group under a services agreement. Outstanding balances at year end are unsecured and settlement occurs in cash.

30. Related party disclosures (continued)

30.2 Group disclosures (continued)

Transactions with affiliated company:

	2017	2016
	US$	US$
Interest receivable	**19,030**	2,405
Service fees	**251,216**	277,402
Admin and operating services	**1,220,052**	-

Balances with affiliated company:	**2017**	2016
	US$	US$
Long-term balance due from affiliated company	**980,328**	356,240
Short-term balance due from affiliated company	**-**	210,135
Short-term balance due to affiliated company	**979,669**	598,941

The Group's oil and gas assets are operated under an agreement with an affiliated company. Under this agreement, the Group is billed for its share of operating expenses incurred and receives its share of production revenues net of expenses incurred. The Group is also billed a service fee for general and administrative costs incurred on the Group's behalf. Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

The revolving credit agreement bears interest at LIBOR plus 1% per annum with a maturity date of 31 December 2018.

31. Contingencies

In the course of its business affairs and operation, the Group is subject to possible loss contingencies arising from federal, state and local environmental, health and safety laws and regulations and third-party litigation. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations, and cash flows of the Group. The estimated cost of known decommissioning obligations has been provided in these accounts in accordance with the Group's accounting policies.

Under the terms of "The Sheridan Property Workings" purchase and sale agreement, the Group has granted an option to a third party to acquire a 10% working interest in the assets acquired which will vest when certain financial conditions are met. Based on current projections, management do not consider it probable that this option will vest in the foreseeable future and consequently in accordance with IAS 37 no provision has been made.

32. Note supporting statement of cash flows

Details of the cash and cash equivalents are included in note 18.

Significant non-cash transactions from financing activities are shown below:

	Derivatives US$	Short and Long-term borrowings US$	Total US$
Upon incorporation	-	-	-
Net proceeds from long-term borrowing	-	33,672,822	33,672,822
Interest paid on bond	-	(652,350)	(652,350)
Total cash flows	-	33,020,472	33,020,472
Non-cash changes			
Equity portion of new bond	-	(26,132,173)	(26,132,173)
Interest expense on bond	-	657,951	657,951
At 1 January 2017	-	7,546,250	7,546,250
Cash flows			
Net proceeds from long-term borrowing	-	43,611,950	43,611,950
Interest paid on convertible bond	-	(2,887,200)	(2,887,200)
Interest paid on other short-term borrowing		(18,553)	(18,553)
Total cash flows	-	40,706,197	40,706,197
Non-cash changes			
Equity portion of new bond	-	(34,494,803)	(34,494,803)
Interest expense on convertible bond	-	1,729,163	1,729,163
Interest paid on other short-term borrowing		18,553	18,553
Fair value changes	289,553	-	289,553
At 31 December 2017	**289,553**	**15,505,360**	**15,794,913**

33. Prior period adjustment

As stated in Note 28, the Directors have finalised the acquisition accounting of the purchase of the East Texas Basin Properties. Adjustment made to fair values previously reported have been retrospectively restated. The effect on the Consolidated Statement of Financial Position is shown below:

	As previously stated 2016 US$	Adjustment to business combination fair value US$	Total 2016 US$
Oil and gas properties	2,688,194	7,811,848	10,500,042
Other non-current assets	356,240	-	356,240
Total non-current assets	3,044,434	7,811,848	10,856,282
Current assets	29,204,116	-	29,204,116
Total assets	**32,248,550**	**7,811,848**	**40,060,398**
Deferred tax liabilities	-	(2,688,062)	(2,688,062)
Other non-current liabilities	(6,180,818)	-	(6,180,818)
Total non-current liabilities	(6,180,818)	(2,688,062)	(8,868,880)
Current liabilities	(2,880,356)	-	(2,880,356)
Total liabilities	**(9,061,174)**	**(2,688,062)**	**(11,749,236)**
Net assets/total equity	**23,187,376**	**5,123,786**	**28,311,162**

The effect on the Consolidated Statement of Comprehensive Income is shown below:

	2016 US$
Consolidated loss as previously stated	(3,025,924)
Bargain purchase	5,090,462
Depletion adjustment	(19,632)
Consolidated profit as restated	2,044,906

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

Assets	Note	2017 US$	2016 US$
Non-current assets			
Investments in equity instruments	C7	**51,000**	51,000
Amounts owed by Group companies	C8	**40,216,522**	4,025,282
		40,267,522	4,076,282
Current assets			
Trade and other receivables	C8	**93,098**	21,197
Cash and cash equivalents	C9	**32,668,948**	28,357,202
		32,762,046	28,378,399
Total assets		**73,029,568**	32,454,681
Equity and Liabilities			
Equity			
Share capital	C10	**76,585**	76,585
Capital contribution	C11	**13,892**	4,542
Accumulated deficit	C12	**(3,641,305)**	(1,444,974)
Convertible debt reserve	C12	**60,626,976**	26,132,173
Total equity attributable to owners of the		**57,076,148**	24,768,326
Non-current liabilities			
Long-term borrowings	C14	**10,668,160**	5,409,050
Total non-current liabilities		**10,668,160**	5,409,050
Current liabilities			
Trade and other payables	C13	**158,507**	140,105
Short-term borrowings	C14	**4,837,200**	2,137,200
Derivative financial instruments	C15	**289,553**	-
Total current liabilities		**5,285,260**	2,277,305
Total liabilities		**15,953,420**	7,686,355
Total equity and liabilities		**73,029,568**	32,454,681

The Company has elected to take advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual Statement of Comprehensive Income. The Company reported a loss after taxation for the year of US$2,196,331 (2016: loss after taxation of US$1,444,974).

The financial statements were approved and authorised for issue by the board on 29 June 2018 and were signed on its behalf by:

Marc Samuel
Director

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital US$	Capital contribution US$	Convertible debt reserve US$	Accumulated deficit US$	Total equity US$
On incorporation	-	-	-	-	-
Comprehensive loss for the period	-	-	-	(1,444,974)	(1,444,974)
Total comprehensive loss for period	-	-	-	(1,444,974)	(1,444,974)
Issue of share capital	76,585	-	-	-	76,585
Issue of convertible debt	-	-	26,132,173	-	26,132,173
Recognition of share based payments awarded by parent company	-	4,542	-	-	4,542
At 1 January 2017	**76,585**	**4,542**	**26,132,173**	**(1,444,974)**	**24,768,326**
Comprehensive loss for the year	-	-	-	(2,196,331)	(2,196,331)
Total comprehensive loss for year	-	-	-	(2,196,331)	(2,196,331)
Issue of convertible debt	-	-	34,494,803	-	34,494,803
Recognition of share based payments awarded by parent company	-	9,350	-	-	9,350
At 31 December 2017	**76,585**	**13,892**	**60,626,976**	**(3,641,305)**	**57,076,148**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

C1. Corporate information

The individual financial statements of Technology Enhanced Oil Plc, for the year ended 31 December 2017, were authorised for issue in accordance with a resolution of the Directors dated 29 June 2018. Technology Enhanced Oil Plc is a public limited company incorporated and domiciled in England and Wales. The registered office address is located at Salisbury House, London Wall, London, EC2M 5PS.

The Company's principal activity is that of a holding company.

C2. Basis of preparation

The consolidated financial statements, which are presented in US Dollars, have been prepared in accordance with the Companies Act 2006 and applicable UK accounting standards.

The financial statements have been prepared on the historical cost basis, unless accounting standards require an alternative measurement basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in either the relevant accounting policy or in the notes to the financial statements.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 'Application of Financial Reporting Requirements' (FRS 100) issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the provisions of the UK Companies Act 2006.

This is the first year that the Company has presented its individual financial statements under Financial Reporting Standard 101 ("FRS 101") issued by the Financial Reporting Council. The last individual financial statements were under International Financial Reporting Standards (IFRS) as adopted and endorsed by the European Union (EU). The date of transition to FRS 101 was 29 October 2015, the date of incorporation. There were no adjustments to the Company's reported equity or profit arising during the period of transition.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available in relation to:
(a) the requirements of IFRS 7 'Financial Instruments: Disclosures';
(b) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 'Presentation of Financial Statements';
(c) the requirements of IAS 7 'Statement of Cash Flows';
(d) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' in relation to standards not yet effective;
(e) the requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures'; and
(f) the requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
(g) the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments

Where required, equivalent disclosures are given in the consolidated financial statements of Technology Enhanced Oil Plc.

As permitted by FRS 101, the Company has adopted the balance sheet format set out in IAS 1 rather than the Companies Act 2006 format. This provides greater consistency with the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

C3. Summary of significant accounting policies

The Company's accounting policies are the same as those set out in note 5 to the Group financial statements, except as noted below:

C3.1 Investments in subsidiaries

Investments in subsidiaries are measured at cost less accumulated impairment.

C4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with FRS 101 requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the period-end date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following estimates and judgements should be read in conjunction with those in the notes to the consolidated financial statements. The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were:

C4.1 Impairment of investments

Management review the investments at each reporting period for any indicators of impairment in the assets' carrying values. In conducting this review management consider both the past trading performance and future financial forecasts of its subsidiaries and underlying oil & gas production data and operating metrics. Based on this review management have concluded that no impairments are required.

C5. Auditors' remuneration

Note 8 to the consolidated financial statements provides details of the remuneration of the Company's auditor on a Group basis.

C6. Employees

The Company did not have any employees other than the Directors. Details of the Directors' remuneration is contained in Note 10 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

C7. Investments

Company

	Investments in subsidiary companies US$
Cost	
At 1 January 2017 and at 31 December 2017	51,000
Net book value	
At 1 January 2017 and at 31 December 2017	**51,000**

Investments in subsidiary companies

The Company's subsidiary undertakings are as follows:

Name of company	Country of incorporation	Nature of business	Interest	Proportion of voting rights and shares held
Technology Enhanced Oil America Ltd	England & Wales	Intermediate holding company	100%	100%
Technology Enhanced Oil Inc.	USA	Intermediate holding company	100%	100%*
Beauty Oil LLC	USA	Oil and gas production	100%	100%*
Lovely Oil LLC	USA	Oil and gas production	100%	100%*

* Held indirectly

The registered office addresses of the Company's subsidiaries are as follows:

Technology Enhanced Oil America Ltd	Salisbury House, London Wall, London EC2M 5PS, United Kingdom.
Technology Enhanced Oil Inc.	1675 South State Street Suite B, City of Dover, County of Kent, Delaware 19901.
Beauty Oil LLC	209 E 9th Street Suite 1300 Austin, Texas 78701
Lovely Oil LLC	209 E 9th Street Suite 1300 Austin, Texas 78701

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

C8. Trade and other receivables

	2017 US$	2016 US$
Non – current		
Long-term loans to subsidiaries	**40,216,522**	4,025,282
	40,216,522	4,025,282
Current		
Amounts owed by parent company	**93,098**	21,197
	93,098	21,197

The Company has revolving credit agreements with two of its subsidiaries. The revolving credit agreements have an interest rate of LIBOR plus 1% per annum with a maturity date of 31 December 2018.

C9. Cash and cash equivalents

	2017 US$	2016 US$
Cash at bank and on hand	**32,668,948**	3,352,084
Short-term deposits	**-**	25,005,118
	32,668,948	28,357,202

C10. Issued Capital

Allotted, called up and fully paid	2017 US$	2016 US$
50,000 ordinary shares of £1 each	**76,585**	76,585

Upon incorporation 50,000 ordinary £1 shares were issued at par for cash to provide the Group's initial working capital.

Fully paid ordinary shares carry one vote per share and the right to dividends and to distributions on winding up.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

C11. Equity share based payments

The Group bears the expense of share warrants granted by its ultimate parent company, Iskandia Energy Limited, to employees of the Group. All warrants vest immediately. Upon exercise, warrant holders will be issued with shares in Iskandia Energy Limited.

At 31 December 2017, the weighted average remaining contractual life and the maximum term of warrants exercisable was 4 years and the exercise price on all the options was 1 cent. At 31 December 2016 the weighted average remaining contractual life of warrants exercisable was 5.7 years and the exercise price on all the options was 1 cent.

The charge for equity settled share based payments in the year ended 31 December 2017 was US$9,350 (2016: US$4,542). No warrants were issued or exercised in the period and therefore 5,812 Warrants with an exercise price US$0.01 were outstanding at 31 December 2016 and at 31 December 2017. The total charged to the Statement of Comprehensive Income since the grant date was US$13,982 (2016: US$4,542).

Note 20 to the consolidated financial statements provides further information on the equity settled share based payments.

C12. Reserves

Capital contribution

The capital contribution arises on warrants issued by the Company's parent company to Directors and employees of the Company.

Accumulated deficit

The accumulated deficit represents losses recognised in the consolidated statement of comprehensive income.

Convertible debt reserve

The reserve represents the equity component of convertible bonds.

C13. Trade and other payables

	2017 US$	2016 US$
Current		
Trade payables	**60,943**	76,726
Other payables	**97,564**	63,379
	158,507	140,105

The carrying values of the trade and other payables approximate to their fair value as at the year-end date.

C14. Convertible bond

	2017 US$	2016 US$
Non-current		
Long-term convertible bond	**10,668,160**	5,409,050
Current		
Short-term convertible bond	**4,837,200**	2,137,200
	15,505,360	7,546,250

Note 22 to the consolidated financial statements provides further details of the convertible bond.

C15. Derivative financial liabilities

	2017 US$	2016 US$
Derivatives not designated as hedging instruments		
Forward foreign exchange contracts	**289,553**	-
	289,553	-

Note 25 to the consolidated financial statements provides further details of derivative financial liability.

C16. Deferred tax

Tax losses carried forward have not been recognised at 31 December 2017. Whilst management forecast that taxable profits will be generated in the near future, there is a lack of evidenced profitability to date. Therefore, no deferred tax asset has been recognised on these losses as there is no certainty that sufficient profits will arise in future accounting periods from which these losses could be offset. The deferred tax asset in respect of tax losses and other deductible temporary difference not recognised in the Company Statement of Financial Position amounts to US$571,897 (2016: US$294,271)**.**

C17. Related party disclosures

C17.1 Control

The Company's ultimate controlling party is Iskandia Energy Limited.