Company No. 9698077

PING PETROLEUM UK LIMITED
(Incorporated in England and Wales)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

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STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 June 2021.

GENERAL

Ping Petroleum UK Limited ("the Company") is a private limited company, incorporated and domiciled in England and Wales.

The principal place of business is Second Floor, H1 Building, Hill of Rubislaw, Anderson Drive, Aberdeen, AB15 6BL, United Kingdom.

The registered address of the Company is Cannon Place, 78 Cannon Street, London, EC4N 6AF, United Kingdom.

The Parent company is Ping Petroleum Limited, incorporated in Bermuda. Ping Petroleum Limited is the Parent of the Ping Petroleum Group ("the Group"), which includes both the Company and the other wholly-owned subsidiary Ping Petroleum Sdn. Bhd. ("PPSB"), incorporated in Malaysia. The ultimate holding company is Dagang NeXchange Berhad ("DNeX"), incorporated in Malaysia.

BUSINESS REVIEW

The principal activities of the Company are the exploration, development and production of crude oil and gas. There have been no significant changes in the nature of these activities during the financial year.

i) Anasuria Cluster

The Company holds 50% of the entire interests of the Anasuria Cluster of oil and gas fields. The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities;
- 100% interest in the Teal field and the related field facilities;
- 100% interest in the Teal South field and the related field facilities;
- 38.65% interest in the Cook field and the related field facilities; and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit ("FPSO") and related equipment.

The Company, together with Anasuria Hibiscus UK Limited ("AHUK") established the joint operating company, Anasuria Operating Company Limited ("AOC") as the operator of the Anasuria Cluster assets. AOC has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government.

The principal place of the joint operations is Aberdeen, United Kingdom.

Anasuria Performance Review

The average daily oil equivalent production rate decreased by 8% compared to the previous financial year. This was predominantly the result of a planned shutdown of the Anasuria FPSO for maintenance activities during Q2 2021, taking 23 days to complete. The FPSO facilities were completely shut down for this maintenance exercise. In addition, in the process of bringing the Anasuria FPSO back to full production upon completion of the shutdown, a malfunction of a critical component of the subsea infrastructure was identified which required it to be isolated from the primary production system. The average uptime of the Anasuria facilities was 83% during the year (2020: 84%).

During the financial year, there were four crude oil offtakes from the Anasuria Cluster, in which a total of 1,032,567 barrels ("bbl") of crude oil were sold (2020: three offtakes, 760,654 bbls of crude oil sold). The four offtakes were sold at an average realised oil price of USD 51.30 per bbl (2020: average realised oil price of USD 59.42 per bbl).

Operational performance has remained strong amid the ongoing environment of the COVID-19 pandemic. The Company implemented measures to ensure the safety of its workforce and to mitigate the risk to the business of the COVID-19 pandemic and the resiliency of the Company's business, in general, was evident throughout the year. Brent crude oil prices have stabilised above USD 70.00 per barrel ("bbl") towards the end of the financial year.

Anasuria Key Performance Indicators

Key Performance Indicators ("KPIs") achieved under the joint-operational control of the Anasuria Cluster assets for the current financial year are shown in the table below, all figures are net to the Company.

	Units	2021	2020
Average daily oil production rate	bbl/day	**2,338**	2,601
Average daily gas export rate*	boe/day	**325**	296
Average daily oil equivalent production rate	boe/day	**2,663**	2,897
Average OPEX per boe	USD/boe	**22.05**	18.43
Total oil sold	Bbl	**1,032,567**	760,654
Average realised oil price	USD/bbl	**51.30**	59.42
Average uptime/availability of Anasuria facilities	%	**83**	84

* Conversion rate of 6,000 standard cubic feet ("scf")/boe

Anasuria Production Enhancement Projects

Restrictions in place to ensure the safety of personnel during the COVID-19 pandemic limited the business opportunities to add production during the financial year.

Lowering Separator Pressure

During the planned shutdown modifications were successfully made to the First Stage separator which will increase production in the next financial year from the existing well stock.

Future Enhancement Projects

AOC continue to focus on the existing fields in the Anasuria Cluster and pursue suitable infill drilling opportunities as they become further evaluated. This will involve the drilling of additional production wells in the Anasuria Cluster fields to continue to increase the overall recovery factor of the existing reservoirs.

In addition, well intervention opportunities are being progressed to improve the production rates from the existing well stock.

AOC is also finalising the engineering design for additional subsea infrastructure to realise the full capability of the existing production wells by optimising pipeline pressure losses.

AOC is focused on executing operational efficiencies to enhance uptime and to reduce costs where possible, whilst continuing to enhance asset integrity and operational safety.

ii) Other Assets Review

Avalon

Avalon is an undeveloped field with a single high-quality Palaeocene reservoir, located in Block 21/6b in the Central UK North Sea. Static and dynamic modelling work on the accumulation is underpinned by results from two exploration and appraisal wells drilled in 2014 and 2017, with seismic inversion work conducted in the interim period.

The Company spudded the Avalon appraisal well with Summit Exploration and Production Limited ("SEPL") as the Operator in June 2017. In June 2018, the Company acquired the operatorship of the Avalon field from SEPL. Following the financial year, in August 2021, the Company has increased its share of the interests of the Avalon field to 100% (previously the Company held a 50% working interest with SEPL holing the other 50%).

The Company is seeking to develop the Avalon field with final investment decision for the Avalon development concept expected in Q3 of 2022.

Cross

The Company holds a 100% interest in the undeveloped discovery in Blocks 15/17c and 15/18c.

FINANCE REVIEW

Statement of Comprehensive Income

Profit before taxation for the financial year ending 30 June 2021 was USD 9.9 million (2020: USD 1.3 million).

Revenue was USD 55.5 million (2020: USD 47.7 million), arising mainly from four offtakes of crude oil during the year (2020: three offtakes). The timing of crude oil offtakes are based on production availabilities between the Company and Ithaca Energy, the operators of the Cook oil and gas field which ties back to Anasuria FPSO.

Cost of sales was USD 37.7 million (2020: USD 36.7 million), which included depreciation, depletion and amortisation expense ("DD&A") of USD 17.1 million (2020: USD 17.3 million).

A tax expense of USD 2.7 million was recognised in the financial year ending 30 June 2021 (2020: USD 0.4 million tax credit).

Profit after taxation for the financial year ending 30 June 2021 was USD 7.2 million (2020: USD 1.7 million).

Statement of Financial Position

The Company's net assets in the current financial year have decreased to USD 124.1 million (2020: USD 146.9 million), this included a dividend of USD 30.0 million declared in the year (2020: no dividend declared).

Statement of Cash Flows

The Company's closing cash position for the current financial year was USD 2.9 million (2020: USD 31.7 million).

Net cash generated from operating activities in the year amounted to USD 18.2 million (2020: USD 18.9 million).

Net cash used in investing activities was USD 11.5 million (2020: USD 33.2 million) relating to investment in oil and gas assets and additions to restricted cash relating to prepaid decommissioning costs.

Net cash used in financing activities was USD 35.3 million (2019: net cash generated from financing activities was USD 2.9 million).

GOING CONCERN

The Directors have assessed the Company's ability to continue as a going concern. The Directors have considered the impact of COVID-19 and the outcome of potential downside scenarios, for example a reduction in forecast oil prices to below the lowest rolling twelve-month oil prices experienced in 2021, within the going concern assessment. The Company has undertaken significant validation to ensure the integrity of the forecasted information. The reserves have been prepared and audited by an independent and competent third party. Oil price assumptions are prudent against current oil price and modelled against various price sensitivities recognising the volatility of the market. Operating and capital costs have been aligned with the operating company and are reflective of historical cost.

The Directors are of the view that the Company will have continued financial support from its ultimate holding company and sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. Subsequent to the year end, the Company issued a secured interest-bearing bond of USD 50.0 million. On that basis, the Directors have prepared the financial statements of the Company on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties in the course of its business. The principal risks and uncertainties that may adversely impact its business, financial condition or operating results are discussed below.

(a) Market prices for crude oil and gas

A substantial or extended decline in crude oil or gas prices would reduce the Company's operating results and cash flows and could adversely impact its future rate of growth and the carrying value of its assets.

Prices for crude oil and gas fluctuate widely. Many of the factors influencing prices of crude oil and gas are beyond the Company's control. The factors include:

- worldwide supply and demand for crude oil and gas;
- the cost of exploring for, developing and producing oil and gas;
- the ability of the members of Organization of the Petroleum Exporting Countries ("OPEC") to agree to and maintain production controls;
- political instability or armed conflict in oil-producing regions;
- changes in weather patterns and climatic changes;
- natural disasters such as hurricanes and tornados;
- the price and availability of alternative and competing fuels;
- domestic and foreign governmental regulations and taxes, and
- general economic conditions worldwide.

The long-term effects of these and other factors on the prices of crude oil and gas are uncertain. Significant reductions in crude oil and gas prices could require the Company to reduce its capital expenditures and impair the carrying value of its assets. The Company may use different types of derivative instrument to manage its exposure to price volatility.

(b) Estimates of crude oil and gas reserves

Estimates of crude oil and gas reserves depend on many factors and assumptions, including various assumptions that are based on conditions in existence as at the dates of the estimates. Any material changes in those conditions or other factors affecting those assumptions could impair the quantity and value of the Company's crude oil and gas reserves, as discussed in Note 3 to the financial statements. The Company regularly reviews estimates of crude oil and gas reserves both internally and externally.

(c) Environmental matters and decommissioning provision

The Company will continue to incur significant capital expenditures and operating costs in compliance with, and changes in, environmental and decommissioning laws and regulations, and, as a result, its profitability could be materially reduced.

In June 2018, a gas release incident occurred on a contractor's drilling rig, operated by the Company's joint venture AOC, in an open water location. The Company has booked a provisional liability for it's share of any potential fines that may be imposed on AOC in relation to this incident (Note 19).

The impact of climate change may contribute to a longer-term reduction in demand for oil and gas products due to shifts in consumer preference for alternative energy technologies. The cost to comply with climate change related operational regulations and disclosure requirement may reduce the Company's capacity to seek and develop new hydrocarbons or invest in acquisitions. The Company has a robust planning cycle and capital allocation schedule to mitigate this risk.

The Company provides for decommissioning liabilities in its financial statements in accordance with International Financial Reporting Standards ("IFRSs"). Additional information regarding decommissioning liabilities is set forth in the Note 20 to the financial statements. The process of estimating decommissioning liabilities is complex and involves significant uncertainties concerning the timing of the decommissioning activity, legislative changes, technological advancement, regulatory, environmental and political changes, and the appropriate discount rate used in estimating the liability.

(d) Operational risks

The Company's production operations are subject to business interruptions and unplanned occurrences, including blowouts, explosions, fires, loss of well control, spills, adverse weather, labour disputes and accidents. Its operations are also subject to the additional hazards of pollution, releases of toxic gas and other environmental hazards and risks, as well as the hazards of marine operations, such as capsizing, collision and damage or loss from severe weather conditions. These hazards could result in injuries, loss of human life, significant damage to property and equipment, environmental pollution, impairment of operations and substantial financial losses.

The Company maintains insurance against many, but not all, potential losses or liabilities arising from these operating hazards in amounts that management believes to be prudent. Uninsured losses and liabilities arising from operating hazards could reduce the funds available to the Company for production and could materially reduce the Company's profitability.

The Company is fully compliant with all regulation to ensure the risk of the business interruption or unplanned occurrences is limited.

(e) Cash flow and financing risk

The ability to finance Company commitments and further develop the Company's business depends upon:

- Cash flow the Company's producing Anasuria Cluster assets. Production cash flow is dependent upon a combination of factors including field performance (both reservoir and facilities), commodity prices, fiscal regime and operating costs, many of which are substantially out control of the Company;
- Availability of finance from the debt and equity capital market, farm downs and other means.

Some of the Company's opportunities are medium term in nature and there is no assurance that that the Group will be successful in generating or obtaining future financing to pursue and develop these opportunities. In the event that sufficient funds from future operations or external finance is not available to the business, it could have an adverse effect on the Company's financial condition and its ability to conduct operations. The Company operates in a prudent manner with some key contracts in place only payable upon receipt of revenue, this maintaining a positive cash flow position and mitigating risk of market fluctuations.

(f) Fiscal risk

The Company enters into commitments assuming a relatively stable fiscal system. Any material change to the fiscal system represents a risk to the Company's cash flows and its ability to raise capital and fund future projects.

(g) Dependence on key personnel

The Company is reliant on its Management Team, which is spread globally. Any unforeseen loss of services to key personnel may have a negative impact on the business. Employee recruitment and retention may be required to ensure the Company's strategic aims can be met. For key offshore positions the Company has significant resilience through its engagement of a duty holder with considerable personnel and resources.

STAKEHOLDER ENGAGEMENT

The Directors of the Company consider that they have adhered to the requirements of section 172 of the Companies Act 2006 and have, in good faith, acted in a way that they consider would be the most likely to promote the success of the Company for the benefit of its shareholders and have had regard to and recognised the importance of considering all stakeholders and other matters (as set out in section 172 (1) (a-f) of the Companies Act 2006) in the Company's decision making.

The Directors are actively engaged in the day to day business and have weekly engagements in all aspects of the business. The Company also appoints a director to it's joint venture, AOC, along with staff secondees in key roles at AOC.

The following paragraphs summarise how the Directors fulfil their duties:

Business Conduct

The Company relies on maintaining a strong reputation and ensures that the Group values and ethics are aligned with its purpose and ways of working.

Our People

The Company is committed to being a responsible business with its behaviour aligned with expectations of society as a whole. The Company focuses time and resources on developing and managing high quality people performance to operate as efficiently as possible. The Company regularly communicates its common values to guide the Company to achieve its goals in the right way.

Business Relationships

The Directors are actively involved in the business and maintain regular communication with key business partners, which includes various weekly, monthly and quarterly meetings.

Community and Environment

The Company's approach is to create a positive impact to the people and communities with which it interacts.

Shareholders

The Company is committed to openly engaging with its shareholders, as it recognises the importance of a continuing effective dialogue to ensure full understanding of the Company's strategy and objectives. The Company is ultimately owned by a number of investors, including the Directors of the Company. The Board meet regularly with these investors to update them on the performance of the Company.

Principal Decisions

The Board is focused on long-term performance and risks across the business are carefully managed. The Company's principal risks and uncertainties are detailed in the Strategic Report.

Signed on behalf of the Board of Directors in accordance with their resolution.

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Paul A. Baltensperger
Director
7 January 2022

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the financial year ended 30 June 2021.

PERFORMANCE OF THE BUSINESS

Information on the performance of the business can be found in the Strategic Report.

FUTURE DEVELOPMENTS

Information regarding the future developments of the Company can be found in the Strategic Report.

STREAMLINED ENERGY AND CARBON REPORTING

Global greenhouse gas ("GHG") emissions and energy use data for the financial year ended 30 June 2021 of the Anasuria Cluster are as follows:

	Units	2021	2020
Scope 1 GHG emissions[1]	tonnes CO_2e	**158,840**	128,651
Scope 2 GHG emissions[2]	tonnes CO_2e	**-**	-
Scope 3 GHG emissions (business travel)[3]	tonnes CO_2e	**-**	-
Scope 1 and 2 GHG emissions per boe	Kg CO_2e/boe	**44.56**	39.34
Gas consumption on the Anasuria FPSO[4]	kWh	**347,342,263**	351,090,428
Diesel consumption on the Anasuria FPSO[4]	kWh	**25,888,563**	20,486,873

[1] *GHG emissions comprise of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. Leak tests to measure the fluorinated gases are typically conducted once annually. The global warming potential factors used are in accordance with UK Government guidance for reporting of GHG emissions.*

[2] *Scope 2 GHG emissions are zero as there is no purchased electricity for the Anasuria FPSO operations, as all activities are conducted offshore. Office use of electricity is not measured separately as this is included in the office rent.*

[3] *Scope 3 GHG emissions (business travel) are zero as there are no vehicles that are owned or rented by AOC, or whereby AOC is responsible for purchasing fuel for the purposes of business travel. GHG emissions from air travel, helicopters and supply vessels have not been accounted for. The Scope 3 category is included in the fulfilment of UK Government SECR requirements.*

[4] *The 2020 UK Government GHG conversion factors for company reporting have been used to convert fuel consumption from tonnes to kWh.*

* Emission figures from 1 January 2021 to 30 June 2021 are provisional.

Methodologies and Energy Efficiencies Measures

The total operational GHG emissions covers the operations on the Anasuria FPSO. Power generation and flaring of gas are the main sources of atmospheric emissions. CO_2 emissions from fuel and flare are calculated and tracked monthly by Petrofac (Duty Holder of the Anasuria FPSO) as part of the reporting requirement under the EU/UK Emissions Trading Scheme.

Opportunities for energy (and hence associated GHG) reduction are being assessed for economic viability and will be considered as part of the long-term operational plan for the asset. The team are focussed on progressing these opportunities and they form a part of the Emissions Management Strategy. Furthermore, additional opportunities have been identified as part of the AOC emissions reduction strategy. Emissions management is being embedded into the fabric of the operating company and will be a consideration in future operations and investment decisions.

If a requirement to replace or procure new equipment arises, the Company would endeavour to procure new equipment that could offer the opportunity to save energy and reduce emissions. Whilst AOC recognise that some investment will be required as part of the emissions reduction/energy transition drive, each opportunity will be reviewed individually with a thorough cost benefit analysis.

SHARE CAPITAL

Details of the Capital of the Company are set out in Note 23 to the financial statements.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

(a) Price risk

Commodity price risk related to crude oil is the Company's significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instrument to manage its exposure to price volatility, thus mitigating fluctuation in commodity-related cash flows.

(b) Credit risk

The Company's accounts receivable with customers in the oil and gas industry are subject to normal industry credit risks. Oil production from the Anasuria Cluster is sold to BP Oil International Limited. Gas production from the Anasuria Cluster is sold to Shell UK and Esso UK.

The Company regularly monitors all customer receivables balances outstanding in excess of 90 days. As at 30 June 2021, all trade receivables were current (being defined as less than 90 days). The Company has no allowance for doubtful debts as at 30 June 2021.

(c) Liquidity risk and cash flow risk

The Company along with its Parent company will ensure it has sufficient available funds to operate its existing licenses and participate in future opportunities. Further information is included in the Strategic Report.

GOING CONCERN

Information on the going concern of the Company can be found in the Strategic Report.

DIVIDENDS

No dividend has been approved for the financial year ended 30 June 2021 (2020: USD 30.0 million).

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

Since 30 June 2021, no matter or circumstance has arisen that has significantly affected, or may significantly affect:

(a) the Company's operations in future periods, or
(b) the results of those operations in future periods, or
(c) the Company's state of affairs in future periods.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Paul A. Baltensperger
Zainal Abidin Bin Abd Jalil (appointed 20 December 2021)
Carl Kevin Smith (appointed 7 September 2021)
Ning Zhang (resigned 20 December 2021)
David Roy Phillips (resigned 7 September 2021)

All Directors benefit from qualifying third-party indemnity provisions in place during the financial year end and at the date of this report.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

All Directors in office at the date of approval of the Directors' Report confirm that in so far as each of the Directors are aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

INDEPENDENT AUDITORS

During the year, PricewaterhouseCoopers LLP resigned and Crowe U.K. LLP were appointed in their place as auditors of the Company. The auditors, Crowe U.K. LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next appropriate board meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, 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 year/period. Under the law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

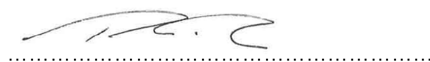
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material 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 Company 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

All Directors in office at the date of approval of the Directors' Report confirm that in so far as each of the Directors are aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Signed on behalf of the Board of Directors in accordance with their resolution.



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Paul A. Baltensperger
Director
7 January 2022

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PING PETROLEUM UK LIMITED

Opinion

We have audited the financial statements of Ping Petroleum UK Limited (the "Company") for the year ended 30 June 2021, which comprise:

- the statement of comprehensive income for the year ended 30 June 2021;
- the statements of financial position as at 30 June 2021;
- the statements of cash flows and statements of changes in equity for the year then ended; and
- notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards as adopted by the United Kingdom (IFRS).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 and of the Company's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and relevant taxation legislation.
- We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.
- Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.
- These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

……………………………………………………

Stephen Bullock (Senior Statutory Auditor)
For and on behalf of Crowe U.K. LLP
Statutory Auditor
London

7 January 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Note	**2021** USD '000	2020 USD '000
Revenue	5	**55,545**	47,651
Cost of sales	6	**(37,667)**	(36,734)
Gross profit		**17,878**	10,917
Other income/(costs)	7	**194**	222
General and administrative expenses	4	**(5,423)**	(5,658)
Finance costs	8	**(3,403)**	(3,002)
Foreign exchange		**652**	(1,225)
Other operating income		**-**	-
Profit before taxation		**9,898**	1,254
Taxation	9	**(2,666)**	421
Profit and total comprehensive income for the year		**7,232**	1,675

The accounting policies and the notes on pages 17 to 38 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 USD '000	2020 USD '000
Non-current assets			
Intangible assets	11	**169,780**	174,379
Property, plant and equipment	12	**125,633**	123,421
Restricted cash and cash equivalents	13	**30,218**	22,225
		325,631	320,025
Current assets			
Trade and other receivables	15	**2,503**	598
Inventories	16	**3,329**	1,632
Cash and cash equivalents	17	**2,897**	31,714
		8,729	33,944
Total assets		**334,360**	353,969
Current liabilities			
Trade and other payables	18	**10,371**	11,739
Current tax liabilities		**6,396**	5,099
Amounts due to Parent company		**7,629**	12,960
		24,396	29,798
Non-current liabilities			
Long-term obligations and provisions	19	**4,363**	5,801
Deferred tax liabilities	10	**75,780**	80,406
Provision for decommissioning costs	20	**105,687**	91,062
		185,830	177,269
Net assets		**124,134**	146,902
Equity			
Share capital	23	**-**	-
Retained earnings		**124,134**	146,902
Total equity		**124,134**	146,902

The accounting policies and the notes on pages 17 to 38 form an integral part of these financial statements.

The financial statements were authorised for issue by the Board of Directors on 7 January 2022 and were signed on its behalf by:

………………………………………………………

Paul A Baltensperger
Director

7 January 2022

Ping Petroleum UK Limited
Registered Company No. 9698077

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	Share capital USD '000	Retained earnings USD '000	Total USD '000
Equity as 1 July 2019	**-**	**145,227**	**145,227**
Profit for the financial year and total comprehensive income	-	1,675	1,675
Equity at 30 June 2020	**-**	**146,902**	**146,902**
Profit for the financial year and total comprehensive income	-	7,232	7,232
Dividends disbursed		(30,000)	(30,000)
Equity at 30 June 2021	**-**	**124,134**	**124,134**

The accounting policies and the notes on pages 17 to 38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

	2021 USD '000	2020 USD '000
Cash flows from operating activities		
Profit before taxation	**9,898**	1,254
Adjustment for:		
Depreciation, depletion and amortisation	**17,115**	17,250
Finance costs	**3,403**	3,002
Interest income	**(194)**	(1)
Operating profit before changes in working capital	**30,222**	21,505
Movements in working capital:		
Inventory movement	**(1,697)**	(757)
Receivables movement	**(1,905)**	3,429
Payables movement	**(2,806)**	(5,087)
Cash generated from operating activities	**23,814**	19,090
Tax paid	**(5,616)**	(148)
Net cash generated from operating activities	**18,198**	18,942
Cash flows from investing activities		
Expenditure on intangible and property, plant and equipment assets	**(3,506)**	(27,167)
Additions to restricted cash	**(7,993)**	(6,091)
Net cash used in investing activities	**(11,499)**	(33,228)
Cash flows from financing activities		
Dividends paid	**(30,000)**	-
Advances from/(repayments) to Parent company	**(5,331)**	2,896
Net cash used in financing activities	**(35,331)**	(3,795)
Net decrease in cash and cash equivalents	**(28,632)**	(11,390)
Effect on foreign exchange movement on cash and cash equivalents	**(185)**	1
Cash and cash equivalents at the beginning of the financial year	**31,714**	43,103
Cash and cash equivalents at the end of the financial year	**2,897**	31,714

The accounting policies and the notes on pages 17 to 38 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021

1 GENERAL INFORMATION

The principal activities of the Company are the exploration, development and production of oil and natural gas. There has been no significant change in the nature of these activities during the financial year.

The Company is a private company limited by shares, incorporated and domiciled in England and Wales.

Details of the registered office, principal place of business and holding company are as stated in the Strategic Report.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and IFRS Interpretations Committee ("IFRS IC") interpretations in conformity with the requirements of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency, and all values are rounded to the nearest thousand unless otherwise indicated.

Going concern

As at 30 June 2021, the Company is in a net current liability position of USD 15.7 million (2020: net current asset position of USD 4.1 million).

The Directors are of the view that the Company will have continued financial support from its ultimate holding company and sufficient cash flows for the next twelve months from the reporting date to meet their cash flow requirements. Subsequent to the year end, the Company issued a secured interest-bearing bond of USD 50.0 million. On that basis, the Directors have prepared the financial statements of the Company on a going concern basis.

Changes in accounting policy and disclosures

The Company has applied the following new standards, amendments to published standards and interpretations to existing standards for the financial year beginning on 1 July 2020.

- The Conceptual Framework for Financial Reporting (Revised 2018);
- Amendments to International Accounting Standard ("IAS") 1 and IAS 8 'Definition of Material';
- Amendments to IFRS 3 'Definition of a Business'; and
- Amendments to IFRS 7, IFRS 9 and IAS 39 'Interest Rate Benchmark Reform'.

The adoption of the above amendments did not have any impact on the current financial year or any prior financial period.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

INVESTMENT IN A JOINT ARRANGEMENT

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Company with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to the Company's interest in the joint operation, the Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

REVENUE

Under IFRS 15 'Revenue from Contracts with Customers', revenue is recognised by performance obligation, as or when each performance obligation is satisfied, and that variable elements of pricing are recognised, to the extent that is it not highly probable they will be reversed.

The Company has evaluated its customer contracts to identify the performance obligations, the timing of the revenue recognition and the treatment of variable elements of pricing. The Company sells its production of crude oil pursuant to variable price contracts. The transaction price for variable price contracts is based on the commodity price, adjusted for quality, location and other factors. The amount of revenue recognised is based on the agreed transaction price with any variability in transaction price recognised in the same period. The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a result, The Company does not adjust its revenue transactions for the time value of money.

Revenues from the sale of crude oil are recognised when the performance obligation has been met, being the point at which the title has been transferred to the buyer by means of the bill of lading document. Typically, payments for the sale of the oil and gas are received in advance or the maximum credit exposure is by the end of the month following the month in which the sale is recognised. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for oil products in the normal course of business, net of discounts, customs duties, sales taxes and royalties.

COST OF SALES

Under or over-lifted positions of hydrocarbons are valued at the reporting date spot price or prevailing contract price prevailing at the reporting date. Material under/over lift positions are unlikely to occur due to the nature of the lifting agreement in place.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation of producing oil and gas properties (Development and Production assets) is computed based on the unit of production method using proven and probable reserves for capitalised acquisition costs.
Amortisation of other intangible assets is based on the cost of an asset less its residual value and is amortised from the date they are available for use. The intangible assets will be amortised using the unit of production method.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred. Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

Exploration and Evaluation assets are not amortised prior to the conclusion of evaluation activities. At completion of evaluation activities, if technical feasibility is demonstrated and commercial reserves are discovered then, following development sanction, the carrying value of the Exploration and Evaluation asset is reclassified as a Development and Production asset, but only after the carrying value is assessed for impairment and where appropriate its carrying value adjusted. If, after completion of evaluation activities in an area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Company decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation are written off to the statement of income in the period the relevant events occur.

IFRS 6 'Exploration for and Evaluation of Mineral Resources' requires Exploration and Evaluation assets to be assessed for impairment when facts and circumstances suggest that the carrying amounts may exceed the recoverable amounts. One or more of the following facts and circumstances indicate that an impairment test should be conducted:

- The period for which the right to explore in the specific area has expired during the period or will expire in the near future, and it is not expected to be renewed; and
- Substantive expenditure on further exploration in the specific area is neither budgeted or planned; and
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the Exploration and Evaluation asset is unlikely to be recovered in full from successful development or by sale.

PROPERTY, PLANT AND EQUIPMENT

Expenditure on the construction, installation and completion of infrastructure facilities is capitalised within property, plant and equipment.

Depreciation of oil and gas assets comprising subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The costs of an item of property, plant and equipment initially recognised include purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Floating production storage and offloading ('FPSO') 5%

The depreciation method, useful lives and residual values are reviewed, and adjusted as appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Expenses incurred for the construction of tangible assets attributable to ongoing projects incurred are capitalised as 'work in progress'. Capitalisation is made within tangible assets according to the nature of the expenditure. No depreciation is charged during this phase until the asset is ready for use. The depreciation rate would be calculated based on the useful life of the asset to be assessed once it is ready for use.

IMPAIRMENT

(a) Impairment of financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss ("ECL") model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied to all financial assets.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together and adjusted for forward-looking information, such as crude oil prices, to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in the statement of comprehensive income.

(b) Impairment of non-financial assets

Assets that have indefinite useful life or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment when there is an indication that these assets may be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount of the assets is the higher of the assets' fair value less costs of disposal and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised in statement of comprehensive income immediately.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

INVENTORIES

Inventories of petroleum products are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location and is determined on a weighted average basis.

CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise bank balances, cash on hand and deposits with licensed banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents does not include restricted cash. Restricted cash comprises amounts held on deposit for specific purposes under contractual agreements and which are not available to the Company to service short term liquidity needs.

RECEIVABLES

Receivables are carried at anticipated realisable value. Refer to the Impairment of Financial Assets note above with regards to the receivables impairment policy.

PAYABLES

Payables, including accruals represent liabilities for goods purchased and services rendered to the Company prior to the end of the period and which remain unpaid.

PROVISIONS

(a) Decommissioning costs

Provision for future decommissioning costs is made in full when the Company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss as hydrocarbons are produced. The estimated interest rate used in discounting the cash flow is reviewed at least annually.

Any change in the expected future cost, interest rate and inflation rate are reflected as an adjustment in the provision for decommissioning costs of the corresponding oil and gas asset. The present value of decommissioning costs are revalued at the financial year-end translation rates.

(b) Other

Provisions are recognised when the Company has a present obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The increase in the provision due to passage of time is recognised as finance cost.

INCOME TAXES

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred tax liability is recognised on temporary differences on investments in subsidiaries, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred tax is measured:

- at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

- based on the tax consequence that will follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred taxes are recognised as income or expense in statement of comprehensive income, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from business combination is adjusted against goodwill on acquisition, if any.

EMPLOYEE BENEFITS

(a) Short term employee benefits

Wages, salaries, paid annual leave, bonuses and non-monetary benefits are recognised in statement of comprehensive income in the period in which the associated services are rendered by employees.

(b) Defined contribution plan

The Company makes statutory contributions to the defined contribution plan, the Company Workplace Pension Scheme, for UK based staff. Pension contributions are recognised in the statement of comprehensive income in the period in which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(c) Share-based payments

The Company operates a number of equity-settled, share-based compensation plan under which the entity receives services from employees as consideration for equity instruments of the Company, such as shares and share options. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Company revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to share option reserve in equity.

When share options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When options are not exercised and lapsed, the share-based payment reserve is transferred to retained earnings.

FINANCIAL INSTRUMENTS

Financial instruments are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument classified as a liability or an asset are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.
Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(a) Financial assets

The Company classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through other comprehensive income ("OCI") or through profit or loss) and those to be measured at amortised cost.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with imbedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes. There are three measurement categories into which the Company classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other operating expenses together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating expenses. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other operating expenses and impairment expenses are presented as a separate line item in the statement of profit or loss.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within operating expenses in the period in which it arises.

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company's financial instruments that are subject to the ECL model comprise of trade receivables, other receivables, deposits, amounts owing by holding company and amounts owing by a related party. Balances with related parties are repayable on demand and they are classified as current assets or liabilities accordingly. The related parties have liquid funds available to settle the balances if required, therefore no ECL is recognised against these balances. While cash and cash equivalents are also subject to impairment requirements of IFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive over the remaining life of the financial instrument. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The company applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

Macroeconomic information, such as market interest rates or growth rates, is incorporated as part of the internal rating model. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meet one or more of the following criteria:

(i) Quantitative criteria

The Company defines a financial instrument as default, when the counterparty fails to make a contractual payment within 90 days of when they fall due.

(ii) Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- The debtor is in breach of financial covenants;
- Concessions have been made by the lender relating to the debtor's financial difficulty;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- The debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

Trade receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written-off are credited against the same line item.

The Company writes-off other receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written-off will result in impairment gains.

(b) Financial liabilities

All financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivatives are also classified as held for trading unless they are designated as hedges. The Company had not entered into any hedging activities as at the reporting date. The Company's other financial liabilities comprise of trade payables, other payables and accruals, amount owing to ultimate holding company, amount owing to a related party, deferred consideration and contingent consideration.

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 or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

(c) Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

FOREIGN CURRENCY

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollar ('USD'), which is also the Company's functional currency.

(b) Transactions and balances

Transactions in a currency other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined and are not remeasured.

OTHER INCOME

Other income includes interest income, which is recognised using the effective interest method. Interest income consists of income from deposits with a licensed bank.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Company makes accounting estimates and assumptions concerning the future which may differ from actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are:

(a) Critical accounting estimates and assumptions

(i) Estimation of oil and gas reserves

Oil and gas reserves are key elements in the Company's investment decision making process. They are also an important element in testing for impairment. Changes in proved and probable developed oil and gas will affect unit-of-production depreciation charges to profit or loss. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the discounted cash flows, depreciation, depletion and amortisation charges, and decommissioning provisions) that are based on proved reserves are also subject to change.

Proved reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proved reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimates of proved reserves only include volumes for which access to market is assured with reasonable certainty. All proved reserves estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Probable reserves are those unproved reserves which analysis of geological and engineering data suggests are more likely than not to be recoverable. In this context, when probabilistic methods are used, there should be at least a 50% probability that the quantities actually recovered will equal or exceed the sum of estimated proved plus probable reserves.

In general, changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities have tended to be the most significant cause of annual revisions. In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the amount of proved reserves will be subject to future revision once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions.

Changes to the Company's estimates of proved and probable reserves, particularly proved and probable developed reserves, also affect the amount of depreciation and amortisation recorded for oil and gas assets and rights and concessions related to revisions. A reduction in proved and probable developed reserves will increase depreciation and amortisation charges (assuming constant production) and reduce income.

Although the possibility exists for changes in reserves to have a critical effect on depreciation and amortisation charges and, therefore, income, it is expected that in the normal course of business, the Company will continue to prioritise exploration and timely project delivery which ultimately results in maximisation of reserve recovery and will thus constrain the likelihood for changes to occur.

(ii) Impairment review of oil and gas assets

The recoverable amount of the Company's oil and gas assets is determined by post-tax cash flows expected to be generated by the assets over their lives considering those assumptions that market participants would take into account when assessing fair value.

The Company assesses its tangible and intangible oil and gas assets for impairment indicators in accordance with IAS 36 through use of a valuation model. Key assumptions in the valuation model relate to prices and costs that are based on long term assumptions. The calculation of the valuation requires the use of estimates of key assumptions. In testing for impairment indicators, the Company uses the oil price forecast based on the oil price forward curve from independent parties initially, overlaid with management's views, future cost inflation factor of 2% per annum and discount rate of 10% to calculate post-tax cash flows. These assumptions and judgements are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates and the discount rate applied is reviewed on an annual basis. The Company has considered reasonable possible movements in key assumptions such as forecast oil prices, production profiles and discount rates. Under these scenarios no impairment indicators are identified.

(iii) Asset retirement obligations

The Company incurs retirement obligations for certain assets. The present values of these obligations are recorded as liabilities on a discounted basis, which is typically at the time the assets are installed. In the estimation of present value, the Company uses assumptions and judgments regarding such factors as the existence of a legal obligation for an asset retirement obligation; technical assessments of the assets; estimated amounts and timing of settlements; drilling rig rates; discount rates; and inflation rates. Asset retirement obligations are disclosed in Note 20 to the financial statements.

(b) Critical judgments in applying the entity's accounting policies

In determining and applying accounting policies, judgment is often required in respect of items where the choice of specific policy could materially affect the reported results and financial position of the Company. The following accounting policy require subjective judgment, often as a result of the need to make estimates about the effect of the matters that are inherently uncertain.

(i) Classification of joint arrangements

The joint venture agreements in relation to the Anasuria Operating Company Limited ("AOC") require unanimous consent from all parties for all relevant activities. The two shareholders have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the operation. This entity is therefore classified as a joint operation and the Group recognises its direct right to the jointly held assets, liabilities, revenues and expenses.

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
	USD '000	USD '000
General and administrative	**5,423**	5,658

(a) Employees

The Company had a monthly average of 10 employees during the financial year (2020: 11).

	2021	2020
	USD '000	USD '000
Wages and salaries	**2,049**	2,096
Social security costs	**307**	334
Pension contributions	**94**	116

(b) Directors' remuneration

	2021	2020
	USD '000	USD '000
Emoluments	**1,089**	1,340
Social security costs	**101**	106
Pension contributions	**13**	13

The highest paid Director received the following emoluments:

	2021	2020
	USD '000	USD '000
Emoluments	**725**	893
Social security costs	**101**	13
Pension contributions	**13**	106

Excluding the Directors, there are no other employees who are considered to meet the IAS 24 'Related Party Disclosures' definition of key management personnel, therefore additional disclosures of key management personnel have not been presented.

(c) Services provided by the Company's Auditor

	2021	2020
	USD '000	USD '000
Fees payable for the audit of the Company's financial statements	**65**	50

5 REVENUE

	2021	2020
	USD '000	USD '000
Crude oil sales	**53,428**	46,491
Gas sales	**2,117**	1,160
	55,545	47,651

6 COST OF SALES

	2021 USD '000	2020 USD '000
Cost of operations	**18,724**	17,935
Crude oil marketing and transportation costs	**1,828**	1,549
Depreciation, depletion and amortisation ("DD&A")	**17,115**	17,250
	37,667	36,734

7 OTHER INCOME/(EXPENSE)

	2021 USD '000	2020 USD '000
Tariff income	**-**	221
Interest income	**194**	1
	194	222

8 FINANCE COSTS

	2021 USD '000	2020 USD '000
Unwinding of discount on provision for decommissioning costs	**3,403**	3,002
	3,403	3,002

9 TAXATION

	2021 USD '000	2020 USD '000
Current year	**7,108**	(1,514)
Deferred income tax:		
Adjustment in respect of prior periods	**(42)**	169
Relating to the origination and reversal of temporary differences	**(4,583)**	924
Total tax charge	**2,483**	(421)

The tax assessed for the period is lower than the standard effective rate of corporation tax in the United Kingdom for the period ended 30 June 2021. The difference is explained below:

	2021 USD '000	2020 USD '000
Profit before taxation	**9,898**	1,280
Tax calculated at the effective tax rate of 40% (2020: 40%)	**3,959**	512
Tax effect of:		
Expenses not deductible for tax purposes	**(1,380)**	246
Investment allowance deductible for SCT	**(204)**	(1,853)
Difference in rate of tax	**150**	505
Prior period adjustment	**(42)**	169
	2,483	(421)

Upstream oil and gas production activities are taxed at a UK corporation tax of 30% plus a Supplementary Charge to Taxation ("SCT") of 10%.

There are no other balances in the Company for which deferred tax has not been recognised.

10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2021	2020
	USD '000	USD '000
Deferred tax assets	**42,725**	38,434
Deferred tax liabilities	**(118,505)**	(118,840)
	(75,780)	(80,406)

The movement of the deferred tax is as follows:

	2021	2020
	USD '000	USD '000
At 1 July	**(80,406)**	(79,313)
Prior period adjustment	**42**	(169)
(Charged)/credited to Statement of Comprehensive Income:		
Oil and gas properties	**355**	(2,896)
Decommissioning provision	**5,850**	119
Tax losses and other deductions	**(1,621)**	1,853
At 30 June	**(75,780)**	(80,406)
Deferred tax assets (before offsetting)		
Tax losses and other deductions	**450**	2,039
Decommissioning provision	**42,275**	36,395
	42,725	38,434
Offsetting	**(42,725)**	(38,434)
Deferred tax assets (after offsetting)	**-**	-
Deferred tax liabilities (before offsetting)		
Oil and gas properties	**(118,505)**	(118,840)
	(118,505)	(118,840)
Offsetting	**42,725**	38,434
Deferred tax liabilities (after offsetting)	**(75,780)**	(80,406)

	2021	2020
	USD '000	USD '000
Unused tax losses and other deductions	**-**	-

11 INTANGIBLE ASSETS

	Development and Production assets	Exploration and Evaluation assets	Total
	USD '000	USD '000	USD '000
Cost			
At 1 July 2019	193,026	12,120	205,146
Additions	-	2,876	2,876
Disposals	-	(2,700)	(2,700)
At 30 June 2020	193,026	12,296	205,322
Additions	-	1,160	1,160
At 30 June 2021	**193,026**	**13,456**	**206,482**
Accumulated depreciation, depletion and amortisation			
At 1 July 2019	25,209	-	25,209
Charge for the financial period	5,734	-	5,734
At 30 June 2020	30,943	-	30,943
Charge for the financial year	5,759	-	5,759
At 30 June 2021	**36,702**	**-**	**36,702**
Net book value			
At 30 June 2020	162,083	12,296	174,379
At 30 June 2021	**156,324**	**13,456**	**169,780**

Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses. Depreciation, depletion and amortisation charges ("DD&A") are recognised in Cost of Sales, as disclosed in Note 6 to the financial statements.

Intangible development and production assets consist of the rights and concessions of oil and gas licences.

12 PROPERTY, PLANT AND EQUIPMENT

	Oil and gas assets	ARO asset	FPSO	Total
	USD '000	USD '000	USD '000	USD '000
Cost				
At 1 July 2019	56,862	77,207	7,000	141,069
Additions	24,291	-	-	24,291
Foreign exchange impact on the revision of estimates	-	(2,630)	-	(2,630)
At 30 June 2020	81,153	74,577	7,000	162,730
Additions	2,346	-	-	2,346
Foreign exchange impact on the revision of estimates	-	11,222	-	11,222
At 30 June 2021	**83,499**	**85,799**	**7,000**	**176,298**
Accumulated depreciation, depletion and amortisation				
At 1 July 2019	6,262	23,541	690	30,493
Charge for the financial year	4,079	4,530	207	8,816
At 30 June 2020	10,341	28,071	897	39,309
Charge for the financial year	6,043	5,106	207	11,356
At 30 June 2021	**16,384**	**33,177**	**1,104**	**50,665**
Net book value				
At 30 June 2020	70,812	46,506	6,103	123,421
At 30 June 2021	**67,115**	**52,622**	**5,896**	**125,633**

Foreign exchange impact on the revaluation of estimates relates to the revaluation of the present value of decommissioning costs and the subsequent adjustment to the Asset Retirement Obligation asset ("ARO asset").

13 RESTRICTED CASH AND CASH EQUIVALENTS

	2021	2020
	USD '000	USD '000
Restricted cash, denominated in:		
GBP	**30,218**	22,225

Restricted cash amounts relate to cash in trust for Decommissioning Security Agreement ("DSA") monies. Under the DSA, the Group is required to make security arrangements for the estimated future costs of decommissioning of the Anasuria Cluster by placing monies into a Trust Deed.

14 INVESTMENTS

Anasuria Operating Company Limited ("AOC")

The Company together with Anasuria Hibiscus UK Limited ("AHUK"), established the joint operating company, AOC as the operator of the Anasuria Cluster assets. AOC has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government. As at 30 June 2021, the Company holds a 50% interest in AOC.

The principal place of business of the joint operations is in Aberdeen, United Kingdom.

Further information of the joint operation is disclosed in the Strategic Report.

15 TRADE AND OTHER RECEIVABLES

	2021	2020
	USD '000	USD '000
Trade receivables	**502**	71
Other receivables and prepayments	**2,001**	527
	2,503	598

The Company's trade and other receivables are neither past due nor impaired and have not been renegotiated during the financial year. The Company believe no impairment is necessary in respect of their trade and other receivables.

The credit term of trade receivables is 30 days (2020: 30 days).

16 INVENTORIES

	2021	2020
	USD '000	USD '000
Crude oil	**2,085**	1,314
Spares	**1,244**	318
	3,329	1,632

Cost of crude oil inventory recognised as an expense during the current financial year amounted to USD 18.7 million (2020: USD 17.9 million) as disclosed in Note 6 to the financial statements.

17 CASH AND CASH EQUIVALENTS

	2021	2020
	USD '000	USD '000
Cash at bank, denominated in:		
USD	**25**	14,736
GBP	**2,872**	16,978
	2,897	31,714

18 TRADE AND OTHER PAYABLES

	2021	2020
	USD '000	USD '000
Trade payables	**5,273**	2,398
Other payables and accruals	**5,098**	9,341
	10,371	11,739

Trade and other payables are current with credit terms of 30 days (2020: 30 days).

19 LONG-TERM OBLIGATIONS AND PROVISIONS

	2021	2020
	USD '000	USD '000
At 1 July	**5,801**	-
Movements in long-term obligations and provisions	**(1,438)**	5,801
At 30 June	**4,363**	5,801

Long-term obligations and provisions include long-term payables in relation to Cook P2 Water Injection well tariff payments and a provision for a potential fine in relation to a drilling rig gas release incident in June 2018.

20 PROVISION FOR DECOMMISSIONING COSTS

	2021	2020
	USD '000	USD '000
Non-current	**105,687**	91,062

The movements in the provision for decommissioning costs of the Company are as follows:

	2021	2020
	USD '000	USD '000
At 1 July	**91,062**	91,062
Unwinding of discount	**3,403**	3,002
Foreign exchange impact on revision of estimates	**11,222**	(2,630)
At 30 June	**105,687**	91,062

The Company makes full provision for the future costs of decommissioning its oil production facilities and pipelines with respect to the Anasuria Cluster on a discounted basis, based on the Company's share of the contractual obligation of 50%.

The provision represents the present value of decommissioning costs which are expected to be incurred up to year 2040 assuming no further development of the Anasuria Cluster. The liability is discounted at a rate of 3.4% and includes an inflationary factor of 2% (2020: discount rate of 3.4% and inflationary factor of 2%). The unwinding of the discount is classified as finance costs (Note 8).

These provisions have been created based on internal and third-party estimates. Assumptions based on the current economic environment have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to consider any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices which are inherently uncertain.

The present value of decommissioning costs has been revalued at the financial year-end rate.

The discount rate and the drilling rig rate of the liability represents a significant accounting estimate, the following table details the sensitivity analysis to a reasonably possible change to these rates as at the end of the financial period, with all other variables held constant:

	2021	2020
	USD '000	USD '000
Effects on profit after taxation/equity:		
0.1 percent increase discount rate	**1,472**	1,355
0.1 percent decrease discount rate	**(1,495)**	(1,377)
5.0 percent increase drilling rig rate	**(1,217)**	(1,048)
5.0 percent decrease drilling rig rate	**1,217**	1,048

21 SIGNIFICANT RELATED PARTY DISCLOSURES

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Amount owed to related companies arose mainly from recovery of expenses and shared overhead costs with other related parties. The amounts are unsecured, interest-free and repayable on demand.

Included in the Company's statement of financial position are the following significant related party balances as at the year end:

	2021	2020
	USD '000	USD '000
Amount payable to Ping Petroleum Limited	**(7,629)**	(12,960)

Transactions with the above related parties are comprised of intercompany recharges and financing transactions. All such transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

22 CONTROLLING PARTIES

The immediate and ultimate Parent undertaking and the smallest and largest group to consolidate these financial statements is Ping Petroleum Limited. Copies of Ping Petroleum Limited's consolidated financial statements can be obtained from the Company Secretary at Conyers Corporate Services (Bermuda) Limited, Clarendon House, 2 Church Street, PO Box HM 1022, Hamilton, HM DX, Bermuda.

23 SHARE CAPITAL

	2021	2020
	USD	USD
Authorised share capital		
1 ordinary share of GBP 1.00	**1**	1
Issued and fully paid	**1**	1

The Company was incorporated with 1 ordinary share of GBP 1.00 that was subscribed for on the date of incorporation.

Share options

On 28 March 2019, the Directors approved a share option plan which provides for the granting of options to certain Directors, employees and consultants to acquire common shares in the Parent company. A total of 2,450,000 options were granted, all of which had an exercise price of USD 2.80.

During the financial year all options to purchase common shares were forfeited, with no balance remaining as at 30 June 2021. No compensation expense has been recognised in the financial year with regards to the share options.

Movements in the share options of the Parent company are summarised as follows:

	Parent company		**Parent company**	
	2021		**2020**	
	Number of Stock Options	Wt. Avg Exercise Price	Number of Stock Options	Wt. Avg Exercise Price
At 1 July	**1,925,000**	**USD 2.80**	**2,450,000**	**USD 2.80**
Granted	-	-	-	-
Forfeited/expired	(1,925,000)	USD 2.80	(525,000)	USD 2.80
Exercised	-	-	-	-
At 30 June	**-**	**-**	**1,925,000**	**USD 2.80**

24 DIVIDENDS

	2021	2020
	USD	USD
Ordinary shares		
Dividend for the year ended 30 June 2020 of USD 30.0 million per share	**-**	30,000
Dividends to the owners of the Company		
Paid in cash	**30,000**	-

25 FINANCIAL RISK MANAGEMENT POLICIES

The Company's financial risk management policy seek to ensure that adequate financial resources are available for carrying on the Company's operations while managing its foreign currency exchange risk, interest rate risk, liquidity risk and credit risk. The Company operate within clearly defined guidelines that are approved by the Company's policy which is not to engage in speculative transactions. The Company's policies in respect of the major areas of operating activities are as follows:

(a) Market risk

(i) Foreign currency exchange risk

The Company are exposed to fluctuations in foreign currencies for transactions entered into its currencies other than the USD.

The currency giving rise to this risk is primarily Great Britain Pound. Foreign currency risk is monitored closely on an on-going basis to ensure that the net exposure is at an acceptable level. The Company's exposure to foreign currency is as follows:

	United States Dollar	Great Britain Pound	Total
	USD '000	USD '000	USD '000
2021			
Financial assets			
Trade receivables and other receivables	1,786	717	2,503
Cash and cash equivalents	25	2,872	2,897
Restricted cash and cash equivalents	-	30,218	30,218
	1,811	33,807	35,618
Financial liabilities			
Trade and other payables	(530)	(9,841)	(10,371)
Long-term obligations	-	(4,363)	(4,363)
Amount owed to Parent company	(7,629)	-	(7,629)
	(8,159)	(14,204)	(22,363)
Net financial assets	**(6,348)**	**19,603**	**13,255**
2020			
Financial assets			
Trade receivables and other receivables	18	580	598
Cash and cash equivalents	14,736	16,978	31,714
Restricted cash and cash equivalents	-	22,225	22,225
	14,754	39,783	54,537
Financial liabilities			
Trade and other payables	(1,086)	(10,653)	(11,739)
Long-term obligations	-	(5,801)	(5,801)
Amount owed to Parent company	(12,960)	-	(12,960)
	(14,046)	(16,454)	(30,500)
Net financial assets	**708**	**23,329**	**24,037**

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the financial period, with all other variables held constant:

	2021	2020
	USD '000	USD '000
Effects on profit after taxation/equity:		
5.0 percent increase GBP	**708**	946
5.0 percent decrease GBP	**(708)**	(946)

(ii) Interest rate risk

At 30 June 2021, the Company does not have any interest-bearing borrowing and hence is not exposed to interest rate risk.

(iii) Liquidity risk

As part of the Company's prudent liquidity management, the Company maintains sufficient levels of cash to meet its working capital requirements.

The undiscounted cash flows contractually payable under financial instruments are as follows:

	Less than 1 year	Between 2 to 5 years	More than 5 years	Total
	USD '000	USD '000	USD '000	USD '000
2021				
Trade and other payables	10,371	-	-	10,371
Long-term obligations and provisions	617	3,746	-	4,363
Amount owed to Parent company	7,629	-	-	7,629
	18,617	**3,746**	**-**	**22,363**
2020				
Trade and other payables	11,739	-	-	11,739
Long-term obligations and provisions	617	5,184	-	5,801
Amount owed to Parent company	12,960	-	-	12,960
	25,316	**5,184**	**-**	**30,500**

(iv) Credit risk

Credit risk arises from deposits with financial institutions and trade and other receivables. The Company seeks to invest the cash assets safely and profitably. Deposits are placed only with financial institutions with strong long-term credit ratings based on independently rated parties. The maximum credit exposure associated with financial assets is equal to the carrying amount.

The credit quality of financial assets that are neither past due nor impaired as at the end of reporting period can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

	2021	2020
	USD '000	USD '000
Cash and cash equivalents		
*Counterparties with external credit rating ("S&P")**		
A	**134**	5,322
*Counterparties with external credit rating ("RAM")***		
AAA	**2,763**	26,392
	2,897	31,714
Restricted cash and cash equivalents		
*Counterparties with external credit rating ("S&P")**		
A+	**30,218**	22,225
Trade and other receivables		
Counterparties without external credit rating		
Group 2	**2,503**	598

The Company classify their receivables into the following groups:

Group 1 New customers/related parties (less than six (6) months).
Group 2 Existing customers/related parties (more than six (6) months) with no defaults in the past.
Group 3 Existing customers/related parties (more than six (6) months) with some defaults in the past. All defaults were fully recovered.

* S&P represents Standard & Poor's Global Rating.
** RAM represents Rating Agency Malaysia.

Exposure to credit risk

As the Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets as at the end of the financial period.

(b) Capital risk management

The Company manages its capital by maintaining an optimal capital structure so as to support its business and maximise shareholders value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares. The capital structure for the Company consists of cash and cash equivalents and total equity as follows:

	2021	2020
	USD '000	USD '000
Cash and cash equivalents	**2,897**	31,714
Total borrowing	**-**	-
Net cash	**2,897**	31,714
Total equity	**124,134**	146,902
Total capital	**127,031**	178,616

(c) Classification of financial instruments

	2021	2020
	USD '000	USD '000
Financial assets		
Trade and other receivables (level 2)	**2,503**	598
Cash and cash equivalents (level 2)	**2,897**	31,714
Restricted cash and cash equivalents (level 2)	**30,218**	22,225
	35,618	54,537
Financial liabilities		
Trade and other payables (level 2)	**10,371**	11,739
Long-term obligations and provisions (level 2 and level 3)	**4,363**	5,801
Amount owing to Parent company (level 2)	**7,629**	12,960
	22,363	30,500

(d) Fair value of financial instruments

The financial assets and financial liabilities reported in the financial statements are stated at their respective carrying amounts which approximated their fair values.

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments other than those carried at fair value

The Company uses the following hierarchy for determining and disclosing fair value of financial instruments by valuation technique:

- Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2 Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly (i.e. from prices) or indirectly (i.e. derived from prices).
- Level 3 Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

26 SUBSEQUENT EVENTS

In July 2021, the Company issued a senior secured bond of USD 50.0 million with interest of 12% per annum and maturity of 3 years. In August 2021, the Company acquired the remaining 50% interest of the Avalon field for a total consideration of USD 17.0 million. In December 2021, the Company issued a further 49,999 new ordinary shares bringing the total authorised share capital to GBP 50,000.

27 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors dated 7 January 2022.