

BVI Company number: 1701436

Upland Resources Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2018



Upland Resources Limited

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Upland Resources Limited

Officers and Professional Advisers

Chairman	B B H Di
Chief Executive	G H S Staley
Directors	G H S Staley B B H Di J E S King
Registered Office	Ritter House Wickhams Cay II Road Town Tortola British Virgin Islands VG1110
BVI Company Number	1701436
Principal Office	Unit 4, The Green Man 10 St John Street Ashbourne DE6 1GH
Brokers & Financial Advisers	Optiva Securities Limited 49 Berkeley Square London W1J 5AZ
Auditors	Crowe U.K. LLP St Bride's House 10 Salisbury Square London EC4Y 8EH
UK Legal Advisers	Gowling WLG (UK) LLP 4 More London Riverside London SE1 2AU
BVI Legal Advisers	Ogier 44 Esplanade St Helier Jersey JE4 9WG

Upland Resources Limited

Officers and Professional Advisers (continued)

Principal Bankers Coutts & Co
440 Strand
London
WC2R 0QS

Registrar Computershare Investor Services (BVI) Limited
Woodbourne Hall
PO Box 3162
Road Town
Tortola
British Virgin Islands
VG1110

Upland Resources Limited

Board of Directors

Bolhassan Di (Age 64) - *Non-Executive Director (Appointed chairman 6 July 2018)*

Mr Di has many years of political and commercial experience within Sarawak, one of two Malaysian states upon the Island of Borneo. During his lengthy service within the Sarawak State Assembly, he held positions as Chairman of the Public Accounts Committee, Assistant Minister in the Sarawak Chief Minister's Department and subsequently Assistant Minister at the Ministry of Infrastructure Development and Communication.

A graduate of the School of Engineering at Sheffield University, he began his career in 1979 at Sarawak Shell Bhd. (a subsidiary of Royal Dutch Shell plc) where he gained project planning, design, construction, commissioning and start-up experience in offshore projects. These included the F6A project in Sarawak waters (the largest offshore gas project in the region), the E11 and F23 gas production projects in Sarawak waters and also projects such as the St Joseph and South Furious offshore oil production platforms in Sabah waters. From 1987 to 1997, he was also the Chairman of the Miri Port Authority. He has also had significant oil and gas experience with Shell in South Korea, Singapore, the North Sea and the Netherlands.

Dr Stephen Staley (Age 58) - *Chief Executive Officer*

Dr Staley has 35 years of wide-ranging technical and commercial experience in the international oil, gas and power sectors. He co-founded and brought to the AIM market both Fastnet Oil & Gas plc (where he was the founding CEO) and Independent Resources plc (where he was the founding Managing Director). He was also technical consultant to, and non-executive director of, Cove Energy plc - the highly successful East Africa-focused explorer that went from having a market capitalisation of £2 million in mid-2009 to being sold to PTT for £1.2 billion in less than three years. He is currently a non-executive director of dual AIM and ASX-listed 88 Energy Ltd and also a non-executive director of Predator Oil & Gas Holdings plc, whose shares have recently been admitted to a Standard Listing. Dr Staley is owner and founder of Derwent Resources Limited, an upstream consultancy firm advising on oil and gas opportunities. Prior to this he has worked for Cinergy Corp, Conoco and BP.

He holds a BSc(Hons.) in Geophysics from Edinburgh University, a PhD in Petroleum Geology from Sheffield University and an MBA from Warwick University. He is a Fellow of the Geological Society and a member of the European Association of Geoscientists & Engineers, the Petroleum Exploration Society of Great Britain and The Arctic Club.

Jeremy King (Age 55) - *Non-Executive Director*

Mr King is a senior corporate finance executive with over 19 years' experience and has advised many clients on IPOs, fundraising, takeovers, mergers and acquisitions and continuing obligations. He is a director of Optiva Securities Limited and head of corporate finance. Previously, he was a director of English Trust Company, a corporate finance house, where he originated and lead the IPO of Private Equity Investor plc on the Full List of the London Stock Exchange, raising £100 million from investors.

Upland Resources Limited

Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the consolidated financial statements of Upland Resources Limited (the "Group", the "Company" or "Upland") for the year ended 30 June 2018.

Upland is a relatively new oil & gas exploration and production company that is building a portfolio of attractive upstream assets.

This has been a very busy year for your Company. Excellent progress has been made on all fronts. Perhaps the most obvious measure of this is the increase in share price from 1.4 p on 30 June 2017 to 3.35 p on 29 June 2018.

During the reporting period, Upland continued to assess a large number of hydrocarbon assets, with a focus on the Company's core areas of the UK, South East Asia and North Africa. As outlined below, this process has now borne fruit.

New asset: P2235 including the Wick Prospect

On 30 November 2017, Upland Resources (UK Onshore) Limited (a wholly-owned subsidiary of the Company, "Upland UK") entered into a conditional farm in agreement with Corallian Energy Limited ("Corallian") for a 40% working interest in UK Seaward Production Licence P2235 (UKCS Block 11/24b).

P2235 lies in shallow water a few kilometres offshore north-east Scotland and contains the Wick Prospect, a high relief structural feature that the Company believes is prospective for oil in the Beatrice Formation and in other secondary targets. In total the structure could host in-place resources of 250 MMbbl.

On 15 May 2018 the Company announced the signature by Corallian, as operator, of a Letter of Intent with Ensco for the provision of a jack-up rig to drill Wick. On 16 May 2018 the UK Oil and Gas Authority gave its formal consent to the Company as a co-licensee of P2235 and on 24 May 2018 the farm-in deal completed.

Upland UK had, in 2016, entered into a conditional acquisition of a 10% working interest in PEDLs 180 and 182 in North Lincolnshire from Europa Oil & Gas Limited ("Europa"). At the beginning of this reporting period the sole outstanding condition for completion of the assignment of the interest was receipt of the relevant planning permissions for the Wressle development, located in these PEDLs. North Lincolnshire Council had rejected the operator's planning applications in January and July 2017 and the outcome of a planning appeal was awaited. Upland UK and Europa had extended the farm in agreement on two occasions in the belief that approval would be forthcoming in the near future.

The planning inspector heard the case in November 2017 and delivered his decision on 5 January 2018, rejecting the appeals by the operator, Egdon Resources plc. On this basis Upland UK elected to terminate the agreement with Europa on 18 January 2018 and was duly reimbursed its deposit of £160,000 plus interest. Neither party have any further obligations under the agreement.

At the end of January 2018, the Company was pleased to announce the investment of £1,000,000 in new Upland ordinary shares by Tune Assets Ltd at a price of 1.35p per share. Tune Assets holds major interests in a range of entities including Queens Park Rangers Football Club, Caterham Cars and AirAsia. Tune Assets is owned by Tony Fernandes and Kamarudin Meranun, two of the most successful and entrepreneurial businessmen in South East Asia.

Also in January 2018, Upland replaced Wilkins Kennedy LLP ("WK") with Crowe U.K. LLP as its auditors. WK were incurring greater regulatory costs as a result of their work for us than they were making in fees from Upland audit work, making it no longer commercially viable for them to continue.

Upland Resources Limited

Chairman's Statement (continued)

In April 2018 Upland announced that it had entered into a Memorandum of Understanding with Brooke Dockyard and Engineering Works Corporation, a Sarawak State entity, to jointly assess, explore for and develop hydrocarbon assets within the State of Sarawak, Malaysia.

The MOU represents a unique arrangement within the Sarawak upstream oil & gas industry, being the first such public/private collaboration with a Sarawakian entity. It also comes at a time of considerable change and opportunity in the Malaysian oil sector. The skills and experience of Upland and Brooke are well-matched; Upland bringing international experience and technical expertise whilst Brooke provides excellent local contacts and experience in both the oil & gas industry and in wider Sarawakian society.

Upland and Brooke had already been working together for some time and are well-advanced in their assessment of a number of upstream oil & gas opportunities.

Meanwhile, onshore UK, Upland UK holds a 25% interest in PEDL 299. PEDL 299 hosts both conventional and unconventional hydrocarbon potential; Upland's interest lies solely in the conventional. Specifically, it lies in Hardstoft Field which we plan to rejuvenate with our partners – Europa and Ineos.

The Company continued to strengthen its balance sheet by putting in place a £3.5 million convertible loan notes facility in March 2018. This facility is an arrangement with several existing larger shareholders in the Company and provides it access to capital on attractive terms, at Upland's sole option.

Further financial underpinning was provided in June 2018 by the successful completion of an oversubscribed placing of 120 million new shares in the Company, providing additional cash, before expenses, of £3 million.

After the end of the reporting period, in August 2018, Upland announced that its wholly-owned subsidiary, Upland (Saouaf) Limited, had its application accepted for an exclusive permit over the 4,004 km² Saouaf Permit, onshore Tunisia, subject to Upland lodging a bank guarantee and final approval by the Tunisian government. This permit has the potential to host very substantial volumes of natural gas. We look forward to working with our partner in the permit, the state oil company ETAP, and with the Tunisian government through its ministries.

In July 2018, Norza Zakaria stepped down as our Chairman to discharge his new and substantial responsibilities as President of the Olympic Council of Malaysia. On behalf of the Board I would like to thank Norza for his considerable contribution to Upland's success before and since its listing in 2015 and to wish him every success for the future.

Outlook

This year Upland has secured one potentially transformative asset and is close to securing the second, whilst strengthening its finances. I expect the coming months to be exciting ones for investors.

.....
B B H Di
Chairman
25 October 2018

Upland Resources Limited

Strategic Report for the Year Ended 30 June 2018

The directors present their strategic report for the year ended 30 June 2018.

Principal activity

The Company and Group was formed for the purpose of acquiring assets, businesses or target companies that have operations in the oil and gas exploration and production sector that it will then look to develop and expand.

Fair review of the business

November 2017 saw Upland Resources (UK Onshore) Limited (a wholly-owned subsidiary of the Company, "Upland UK") enter into a conditional farm in agreement with Corallian Energy Limited ("Corallian") for a 40% working interest in UK Seaward Production Licence P2235 (UKCS Block 11/24b, including the Wick Prospect).

In May 2018 the Company announced the signature of a Letter of Intent with Ensco for the provision of a jack-up rig to drill Wick, the UK Oil and Gas Authority gave its formal consent to the Company as a co-licensee of P2235 and the farm-in deal completed.

In April 2018 Upland announced that it had entered into a Memorandum of Understanding with Brooke Dockyard and Engineering Works Corporation, a Sarawak State entity, to jointly assess, explore for and develop hydrocarbon assets within the State of Sarawak, Malaysia. Upland and Brooke had already been working together for some time and are well-advanced in their assessment of a number of upstream oil & gas opportunities.

Upland UK had entered into a conditional acquisition of a 10% working interest in PEDLs 180 and 182 in North Lincolnshire from Europa Oil & Gas Limited ("Europa") in 2016. During this reporting period the only outstanding condition was receipt of necessary planning permissions. These were not, and at the time of writing are still not, forthcoming. Hence Upland UK terminated the agreement with Europa in January 2018 and was reimbursed its deposit of £160,000 plus interest. Neither party have any further obligations under the agreement.

In January 2018, Upland replaced Wilkins Kennedy LLP ("WK") with Crowe U.K. LLP as its auditors.

During 2018, the Company strengthened its balance sheet considerably with the investment of £1,000,000 in new Upland ordinary shares by Tune Assets Ltd, the placing of 120 million new shares in the Company (raising £3 million before expenses) and putting in place a £3.5 million convertible loan notes facility with existing major investors.

Significant events since the balance sheet date

On 6 July 2018, M N B Zakaria resigned as Chairman and non-executive director, to be replaced as Chairman by B B H Di.

Since year end, Upland UK has approved the Authorisation for Expenditure for the Wick Well on 25 July 2018 and the Company announced on 17 September 2018 that the sea bed site survey for the well had been completed.

On the 1 August 2018 another wholly-owned subsidiary of the Company, Upland (Saouaf) Limited, had its application accepted for an exclusive permit over the 4,004 km² Saouaf Permit, onshore Tunisia, subject to Upland lodging a bank guarantee and final approval by the Tunisian government.

Upland Resources Limited

Strategic Report for the Year Ended 30 June 2018 (continued)

Principal risks and uncertainties

The directors consider that the main business risks and uncertainties of the Group are:

Sub-surface risks

Risk 1: The success of the business relies on accurate and detailed analysis of the sub-surface. This can be impacted by poor quality data, either historical or recently gathered, and limited data coverage. Certain information provided by external sources may not be accurate.

Mitigation: All externally provided and historical data is rigorously examined and discarded when appropriate. New data acquisition will be considered and relevant programmes implemented, but historical data can be reviewed and reprocessed to improve the overall knowledge base.

Risk 2: Data can be misinterpreted leading to the construction of inaccurate models and subsequent plans.

Mitigation: All analytical outcomes are challenged internally and peer reviewed. Interpretations are carried out on modern geoscience software.

Corporate risk

Risk: The Group's success depends on skilled management as well as retention of technical and administrative staff and consultants. The loss of critical members of the Group's team could have an adverse effect on the business.

Mitigation: The Group periodically reviews the compensation and contract terms of its staff and consultants to ensure that they are competitive.

Approved by the Board on 25 October 2018 and signed on its behalf by:

.....
G H S Staley
Chief executive

Upland Resources Limited

Directors' Report for the Year Ended 30 June 2018

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2018.

As a British Virgin Islands (BVI) registered company, Upland Resources Limited is not obliged to comply with the Companies Act 2006. However, the Directors have elected to conform to the requirements of the Companies Act 2006, as regards the Directors' Report, to the extent they consider to be reasonably practical and appropriate for a company of the Company's size and nature.

Details of key events during the year, significant events affecting the Company and its subsidiaries since the end of the financial year and an indication of likely future developments in the business of the Company and its subsidiaries are included in the Strategic Report.

Directors of the group

The directors who held office during the year were as follows:

G H S Staley - Chief executive

B B H Di

J E S King

M N B Zakaria – Chairman

On 6 July 2018, M N B Zakaria resigned as Chairman and non-executive director, to be replaced as Chairman by B B H Di.

Results and dividends

The Group's loss on ordinary activities after taxation amounted to £937,466 for the year (2017 - £763,657). The Directors are unable to recommend payment of a dividend.

Financial instruments and risk management

An explanation of the Group's financial risk management objectives, policies and strategies and information about the use of financial instruments by the Company is given in note 10 to the financial statements.

Capital structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period, are shown in note 16 to the financial statements. The company has one class of ordinary shares which carry no right to fixed income.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital.

Upland Resources Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the BVI Business Companies Act 2004 and related legislation. The Articles themselves may be amended by special resolution of the shareholders.

Directors' interests

As at 30 June 2018, the beneficial interests of the Directors and their connected persons in the ordinary share capital of the Company were as follows:

Director	Number of Ordinary Shares	% of Ordinary Share Capital
M N B Zakaria*	120,074,474	20.74%
G H S Staley	20,549,102	3.55%
B B H Di **	16,634,620	2.87%
J E S King ***	1,100,000	0.19%

* Includes 119,568,944 shares held through Acegroup Investments Limited, a company wholly owned by M N B Zakaria and of which he is the sole director.

** Included 7,788,460 shares held by the director's wife.

*** Whilst J E S King is a director and minority shareholder in Optiva Securities Limited which owns 34,382,460 shares, he is not interested in such shares for the purposes of section 823 of the Companies Act 2006.

Share option scheme

On 14 August 2014, the Company granted options to G H S Staley, a director of the Company, over a maximum of 9,000,000 ordinary shares; 3,000,000 at an exercise price of 1p per share, 3,000,000 at an exercise price of 1.5p per share and 3,000,000 at an exercise price of 2p per share.

The options may be exercised at any time within 7 years of the ordinary shares of the Company being admitted to trading on the LSE's main market for listed securities, which occurred on 26 October 2015. The options will therefore expire on 26 October 2022.

There are no performance conditions attached to the share options.

Substantial shareholders

The following had interests of 5 per cent or more in the Company's issued share capital as at 30 June 2018:

Party Name	Number of Ordinary Shares	% of Ordinary Share Capital
M N B Zakaria - Director	120,074,474	20.74%
Tune Assets Limited	74,579,604	12.88%
Optiva Securities Limited	34,382,460	5.94%

Upland Resources Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Warrants

On 14 October 2015, the Company granted to Optiva Securities Limited 6,500,000 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 1p per ordinary share and exercisable at any time during the period of 3 years from 26 October 2015. The warrants were therefore due to expire on 26 October 2018. However, as the Company was in a 'close period' at that date, the exercise period shall be deemed to be extended to a date falling one calendar month after the first business day that the Company is next out of a 'close period'.

On 25 November 2016, the Company granted to Optiva Securities Limited 6,336,154 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 1.3p per ordinary share and exercisable at any time during the period of 3 years from 1 December 2016. The warrants will therefore expire on 1 December 2019.

On 12 June 2018, the Company granted to Optiva Securities Limited 5,498,442 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 2.5p per ordinary share and exercisable at any time during the period of 3 years from 12 June 2018. The warrants will therefore expire on 12 June 2021.

Capital and returns management

The Directors believe that, following an acquisition, further equity capital raisings may be required by the Company for working capital purposes as the Company pursues its objectives. The amount of any such additional equity to be raised, which could be substantial, will depend on the nature of the acquisition opportunities which arise and the form of consideration the Company uses to make the acquisition and cannot be determined at this time.

The Company expects that any returns for shareholders would derive primarily from capital appreciation of the ordinary shares and any dividends paid pursuant to the Company's dividend policy.

Dividend policy

The Company intends to pay dividends on the ordinary shares following an acquisition at such times (if any) and in such amounts (if any) as the Board determines appropriate in its absolute discretion. The Company's current intention is to retain any earnings for use in its business operations, and the Company does not anticipate declaring any dividends in the foreseeable future. The Company will only pay dividends to the extent that to do so is in accordance with all applicable laws.

Corporate governance

The Board is not subject to the provisions of a formal governance code and given its present size does not intend to formally adopt any specific code, but will apply governance the Directors consider to be appropriate, having due regard to the principles of governance set out in the UK Corporate Governance Code.

In order to implement its business strategy, the Company has adopted a corporate governance structure whereby the key features of its structure are:-

- The Board of Directors is knowledgeable and experienced and has extensive experience of making acquisitions;
- Consistent with the rules applicable to companies with a Standard Listing, unless required by law or other regulatory process, shareholder approval is not required in order for the Company to complete an acquisition. The Company will, however, be required to obtain the approval of the Board of Directors, before it may complete an acquisition;

Upland Resources Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

- The Company does not have separate audit and risk, nominations or remuneration committees. The Board as a whole reviews audit and risk matters, as well as the Board's size, structure and composition and the scale and structure of the Directors' fees, taking into account the interests of shareholders and the performance of the Company, and takes responsibility for the appointment of auditors and payment of their audit fee, monitors and reviews the integrity of the Company's financial statements and takes responsibility for any formal announcements on the Company's financial performance;
- At every Annual General Meeting of the Company, one-third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to and not exceeding one-third) will retire from office and will be eligible for re-election. In addition, any Director who has been appointed to the Board other than pursuant to a Resolution of Members since the last Annual General Meeting of the Company will retire and again will be eligible for re-election; and
- Following an acquisition, the Company may seek to transfer from a Standard Listing to either a Premium Listing or other appropriate listing venue, based on the track record of the Company or business it acquires, subject to fulfilling the relevant eligibility criteria at the time. If the Company is successful in obtaining a Premium Listing, further rules will apply to the Company under the Listing Rules and Disclosure Guidance and Transparency Rules and the Company will be obliged to comply or explain any derogation from the UK Corporate Governance Code.

Internal control and risk management

The Board has the ultimate responsibility for the Group's internal control and risk management. The Board monitors internal controls and risk management systems on an annual basis. The Group has established a system of control and risk management involving an appropriate degree of oversight by the Board.

The management, via the Board of Directors and board meetings, provide the Board with updates of risk and uncertainties facing the Group and accompanying actions to mitigate such risks. The Board is satisfied with the appropriateness of the risk management framework which provides for the identification and management of risk factors by management and non-executive Directors.

As the Group expands, the Board will ensure that the Group's control and risk management process is regularly reviewed and updated as the Board deems necessary.

Going concern

The Directors have acknowledged the latest guidance on going concern. The Directors regularly review the performance of the Group to ensure that they are able to react on a timely basis to opportunities and issues as they arise. After making suitable enquiries, the Directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors' liabilities

The company has made qualifying third party indemnity provision for the benefit of its directors, in the form of directors and officers liability insurance. The provision remains in force at the date of this report.

Upland Resources Limited

Directors' Report for the Year Ended 30 June 2018 (continued)

Disclosure of information to the auditors

The directors of the company who held office at the date of the approval of this Annual Report as set out above confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board on 25 October 2018 and signed on its behalf by:

.....
G H S Staley
Chief executive

Upland Resources Limited

Statement of Directors' Responsibilities

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

The directors are responsible for preparing the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority ('DTR'). 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 group 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- 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 group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements comply with all applicable legislation and, as regards the group financial statements. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. The work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

This responsibility statement was approved by the Board on 25 October 2018 and signed on its behalf by:

.....
G H S Staley
Chief executive

Upland Resources Limited

Independent Auditor's Report to the Members of Upland Resources Limited

Opinion

We have audited the financial statements of Upland Resources Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018, which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the group's affairs as at 30 June 2018 and of the group's loss for the year then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £105,000 (FY17 £45,000), based on a measure of 2% of net assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

Upland Resources Limited

Independent Auditor's Report to the Members of Upland Resources Limited (continued)

Overview of our audit approach (continued)

We agreed with the Audit Committee to report to it all identified errors in excess of £5,000 (2017: £2,250). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group's accounting function is outsourced to an accounting organisation in the UK which directly reports to Directors. In establishing the overall approach to the Group audit, we determined the work that needed to be performed by us. All companies were within the scope of our audit testing.

Key audit matters

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

A description of each key audit matter and how it was addressed by our audit is as follows. This is not a complete list of all risks identified by our audit.

Valuation of exploration and evaluation assets

The carrying value of these assets could be in excess of their recoverable amount and hence an impairment charge may be required and the amounts involved could be material.

We reviewed management's assessment of the existence of impairment triggers as set out in IFRS 6. We considered the adequacy of the disclosures in respect of risks and significant judgements in these areas.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

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.

Upland Resources Limited

Independent Auditor's Report to the Members of Upland Resources Limited (continued)

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 13), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, and in accordance with the provisions of the engagement letter. Our audit work has been undertaken so that we might state to the company's members those matters that 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.

.....
John Glasby (Senior Statutory Auditor)
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

St Bride's House
10 Salisbury Square
London
EC4Y 8EH
Dated 25 October 2018

Upland Resources Limited

Consolidated Statement of Comprehensive Income for the Year Ended 30 June 2018

	Note	2018 £	2017 £
Revenues		-	-
Administrative expenses		(904,649)	(763,657)
Operating loss	3	(904,649)	(763,657)
Interest receivable		553	-
Finance costs	4	(33,370)	-
Loss before tax		(937,466)	(763,657)
Taxation	5	-	-
Loss for the financial year		(937,466)	(763,657)
Total comprehensive expense for the financial year		(937,466)	(763,657)
Loss attributable to:			
Owners of the company		(937,466)	(763,657)
Total comprehensive expense attributable to:			
Owners of the company		(937,466)	(763,657)
Loss per share			
Basic and diluted (£ per share)	6	(0.002)	(0.002)

The above results were derived from continuing operations.

The notes on pages 21 to 35 form an integral part of these financial statements.

Upland Resources Limited

Consolidated Statement of Financial Position as at 30 June 2018

	Note	2018 £	2017 £
Non-current assets			
Intangible assets	11	<u>301,986</u>	<u>-</u>
Current assets			
Trade and other receivables	13	3,139,270	173,542
Cash and cash equivalents	14	<u>2,173,720</u>	<u>2,250,872</u>
		<u>5,312,990</u>	<u>2,424,414</u>
Total assets		<u><u>5,614,976</u></u>	<u><u>2,424,414</u></u>
Equity and liabilities			
Share premium reserve	17	7,619,962	3,751,831
Retained earnings		<u>(2,336,961)</u>	<u>(1,418,437)</u>
Total equity		5,283,001	2,333,394
Current liabilities			
Trade and other payables	15	<u>331,975</u>	<u>91,020</u>
Total equity and liabilities		<u><u>5,614,976</u></u>	<u><u>2,424,414</u></u>

These financial statements were approved and authorised for issue by the Board on 25 October 2018 and signed on its behalf by:

.....
 J E S King
 Director

The notes on pages 21 to 35 form an integral part of these financial statements.

Upland Resources Limited

Consolidated Statement of Changes in Equity for the Year Ended 30 June 2018 Equity attributable to equity holders of the parent company

	Share premium £	Retained earnings £	Total equity £
At 1 July 2017	3,751,831	(1,418,437)	2,333,394
Loss for the year and total comprehensive income	-	(937,466)	(937,466)
Transactions with shareholders			
Issue of shares	4,040,000	-	4,040,000
Share issue costs	(171,869)	-	(171,869)
Share based payment transactions	-	18,942	18,942
At 30 June 2018	7,619,962	(2,336,961)	5,283,001
	Share premium £	Retained earnings £	Total equity £
At 1 July 2016	1,627,201	(670,199)	957,002
Loss for the year and total comprehensive income	-	(763,657)	(763,657)
Transactions with shareholders			
Issue of shares	2,207,000	-	2,207,000
Share issue costs	(82,370)	-	(82,370)
Share based payment transactions	-	15,419	15,419
At 30 June 2017	3,751,831	(1,418,437)	2,333,394

The notes on pages 21 to 35 form an integral part of these financial statements.

Upland Resources Limited

Consolidated Statement of Cash Flows for the Year Ended 30 June 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Loss from operations for the year		(904,649)	(763,657)
Adjustments to cash flows from non-cash items:			
Share-based payment expenses	9	<u>18,942</u>	<u>22,419</u>
Operating cash flows before working capital movements		(885,707)	(741,238)
Decrease/(increase) in trade and other receivables		105,902	(171,619)
Increase in trade and other payables		<u>53,321</u>	<u>6,747</u>
Net cash flow from operating activities		<u>(726,484)</u>	<u>(906,110)</u>
Cash flows from investing activities			
Interest received		553	-
Expenditures incurred on exploration and evaluation assets	11	<u>(269,792)</u>	-
Net cash flow from investing activities		<u>(269,239)</u>	-
Cash flows from financing activities			
Proceeds from issue of ordinary shares, net of issue costs	17	965,000	2,117,630
Finance costs		<u>(46,429)</u>	-
Net cash flow from financing activities		<u>918,571</u>	<u>2,117,630</u>
Net (decrease)/increase in cash and cash equivalents		(77,152)	1,211,520
Cash and cash equivalents at beginning of period	14	<u>2,250,872</u>	<u>1,039,352</u>
Cash and cash equivalents at end of period	14	<u>2,173,720</u>	<u>2,250,872</u>

The notes on pages 21 to 35 form an integral part of these financial statements.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018

1 General information

The Company was incorporated in the British Virgin Islands on 14 March 2012 as a private limited company with the name Ribes Resources Limited. On 3 September 2013 the company changed its name to Upland Resources Limited.

The Company has adopted a year end of 30 June.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The Board has reviewed the accounting policies set out below and considers them to be the most appropriate to the Group's business activities.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the European Union and the International Financial Reporting Interpretation Committee (IFRIC) interpretations. The financial statements have been prepared under the historical cost convention.

The financial information is presented in Sterling (£).

Standards and interpretations issued but not yet applied

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective and have not been adopted early by the Company. The Directors anticipate that these standards will be adopted in the Company's accounting policies for the first period beginning on or after their effective dates.

The Directors have reviewed the standards in issue by the International Accounting Standards Board (IASB) and IFRIC which are effective for future accounting periods and are of the opinion that none of these standards would have a material impact on the financial reporting of the Company.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2018.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future. The Company meets its day to day working capital requirements through existing cash reserves. The Directors have prepared projected cash flow information for a period of at least twelve months from the date of their approval of the financial statements. On the basis of this cash flow information, the Directors consider that the company will continue to operate without the need for additional financing. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

Intangible assets

Oil and gas assets: exploration and evaluation

The Group has adopted the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of the reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves, or to the expiry of the licence, whichever is earlier.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

E&E costs are not amortised prior to the conclusion of appraisal activities.

E&E assets are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount, and upon transfer to PP&E where they are allocated to cash-generating units based on geographical proximity and other factors.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Financial assets and liabilities

The financial assets and liabilities of the Group comprise cash at bank and other debtors and payables arising in the normal course of business.

The fair values of the financial assets and liabilities are not considered to be materially different to their book values and they are all held at amortised cost.

Financial assets and liabilities are accounted for as follows:

Financial assets and liabilities are initially recognised on the date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Cash and cash equivalents

Cash and cash equivalents include cash at bank with an original maturity of three months or less.

Equity

Equity comprises the following:

- "Share premium" represents the premium paid on shares issued of no par value, net of share issue costs; and
- "Retained earnings" represents retained losses and credits in respect of share-based payment transactions.

Foreign currency translation

Functional and presentation currency

Items included in the financial information are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sterling (£), which is the Company's functional and presentational currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Operating segments

The Group has one operating segment, which is the exploration of oil and gas properties in the UK, Southeast Asia, and North Africa. During the year ended 30 June 2018, all material non-current assets are held in the UK.

Risk management

The Directors consider the key risk for the Group at the period end to be the maintenance of its cash reserves. With this in mind the Group has treasury controls in place which ensure that the Group's liquid reserves are kept as cash only and are only deposited at institutions with at least an A credit rating.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

2 Accounting policies (continued)

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities as well as the disclosure of the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the impairment of intangible exploration and evaluation (E&E) assets and estimation of share based payment costs.

When considering whether E&E assets are impaired the Group first consider the IFRS 6 indicators set out in note 11. The making of this assessment involved judgement concerning the Group's future plans and current technical and legal assessments. If those indicators are present, a full impairment test is performed.

Share based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The proceeds received net of any directly attributable transaction costs are credited to share premium when the options are exercised.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the counterparty renders the service.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

3 Operating loss

Arrived at after charging/(crediting):

	2018 £	2017 £
Directors' remuneration and fees (note 8)	231,625	249,271
Fees payable to the Company's auditor and its associates - audit of the financial statements	20,000	17,750
Fees payable to the Company's auditor and its associates - other services	<u>-</u>	<u>10,000</u>

4 Finance costs

	2018 £	2017 £
Loan note commitment fees	<u>33,370</u>	<u>-</u>

5 Taxation

The standard rate of corporation tax applied to the reported loss is 19% (2017 – 19.75%). No deferred tax asset has been recognised in respect of the loss as there is insufficient evidence that the amount will be recovered in future years.

The tax charge for the period can be reconciled to the loss in the Statement of Comprehensive Income as follows:

	2018 £	2017 £
Loss before tax on continuing operations	<u>(937,466)</u>	<u>(763,657)</u>
Tax at the applicable tax rate of 19% (2017 – 19.75%)	(178,119)	(150,822)
Change in unrecognised deferred tax assets	178,119	150,822
Tax charge for the period	<u>-</u>	<u>-</u>

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

6 Loss per share

The calculation of basic loss per share is based on the following loss and number of shares:

	2018	2017
	£	£
Loss for the period from continuing operations	(937,466)	(763,657)
Weighted average shares in issue	413,338,147	312,048,610
Basic loss per share	(0.002)	(0.002)

Basic loss per share is calculated by dividing the loss for the period from continuing operations of the Group by the weighted average number of ordinary shares in issue during the period.

The disclosure of the diluted loss per share is the same as the basic loss per share as the conversion of share options and warrants decreases the basic loss per share, thus being anti-dilutive.

7 Staff costs

There were no staff costs paid during the year other than those disclosed as directors' emoluments in note 8 and share-based payments disclosed in note 9.

There are no defined benefit or defined contribution pension arrangements in operation.

8 Directors' emoluments

The Directors are considered to be the key management personnel of the Company. Directors' remuneration details are as follows:

		2018	2017
Name of Director	Remuneration detail	£	£
M N B Zakaria	Fee	25,000	25,000
G H S Staley	Fee	150,000	143,750
G H S Staley	Award under LTIP	15,000	37,066
J E S King	Salary (including employers NIC)	21,625	23,752
B B H Di	Fee	20,000	19,703
		231,625	249,271

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

8 Directors' emoluments (continued)

The Upland Long Term Incentive Plan ("LTIP")

On 5 July 2016, the Company established the LTIP as part of the general remuneration plan of the Company. All executive directors and senior managers are eligible to participate in the LTIP. Awards under the LTIP are determined by the non-executive directors of the Company following full consultation with the executive directors. Awards are to be made every year, measuring performance against goals in each year ending 25 October. During the year, cash bonus awards of £15,000 (2017 - £37,066) and share option awards of £nil (2017 - £nil) have been made under the LTIP.

The LTIP is composed of two elements; a share option plan and an annual bonus plan. No maximum shall apply to the number of share options that may be awarded annually. However, annual cash bonus awards will be to a maximum of 75% of the participant's base salary. This maximum may be waived by the non-executive directors.

In determining the level of LTIP award in a given year, performance against the following targets is considered: share price appreciation, increase in market capitalisation and other specified targets. The level of LTIP award shall be made after due consideration of the level of attainment of these targets during the year, taking into consideration general market, and specific oil industry, conditions.

9 Share-based payments

Share option scheme

On 14 August 2014, the Company granted options to G H S Staley, a director of the Company, over a maximum of 9,000,000 ordinary shares; 3,000,000 at an exercise price of 1p per share, 3,000,000 at an exercise price of 1.5p per share and 3,000,000 at an exercise price of 2p per share.

The options may be exercised at any time within 7 years of the ordinary shares of the Company being admitted to trading on the LSE's main market for listed securities, which occurred on 26 October 2015. The options will therefore expire on 26 October 2022.

There are no service or performance conditions attached to the share options.

The Company is unable to directly measure the fair value of employee services received. Instead, the fair value of the share options is determined using the Black-Scholes model.

	Number of options	Weighted average exercise price (pence per share)
Outstanding at beginning and end of year	9,000,000	1.5

At the end of the year, 9,000,000 share options were exercisable (2017 - 9,000,000).

The options outstanding at the end of the year had a weighted average remaining contractual life of 4.3 years.

The total charge for the year was £nil (2017 - £nil).

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

9 Share-based payments (continued)

Warrants

On 14 October 2015, the Company granted to Optiva Securities Limited 6,500,000 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 1p per ordinary share and exercisable at any time during the period of 3 years from 26 October 2015. The warrants were therefore due to expire on 26 October 2018. However, as the Company was in a 'close period' at that date, the exercise period shall be deemed to be extended to a date falling one calendar month after the first business day that the Company is next out of a 'close period'.

On 25 November 2016, the Company granted to Optiva Securities Limited 6,336,154 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 1.3p per ordinary share and exercisable at any time during the period of 3 years from 1 December 2016. The warrants will therefore expire on 1 December 2019.

On 12 June 2018, the Company granted to Optiva Securities Limited 5,498,442 warrants to subscribe for new ordinary shares (on the basis of 1 new ordinary share for each warrant) at a subscription price of 2.5p per ordinary share and exercisable at any time during the period of 3 years from 12 June 2018. The warrants will therefore expire on 12 June 2021.

The Company is unable to directly measure the fair value of the services received as consideration for the warrants. Instead, the fair value of the warrants has been determined using the Black-Scholes model. The model does not incorporate expected dividends as none are anticipated over the expected life of the warrants.

	Number of warrants	Weighted average subscription price (pence per share)
Outstanding at beginning of year	12,836,154	1.15
Issued in year	5,498,442	2.50
Outstanding at end of year	18,334,596	1.55

At the end of the year, 18,334,596 warrants were exercisable (2017 – 12,836,154).

The warrants outstanding at the end of the year had a weighted average remaining contractual life of 1.5 years.

The total charge for the year was £18,942 (2017 - £15,419).

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

9 Share-based payments (continued)

Share payment

£3.5 million principal of loan notes have been constituted and created pursuant to a loan note instrument dated 7 March 2018 executed by the Company. The facility providers and their respective confirmed commitment amounts are as follows:

Facility providers	Confirmed commitment amounts £
Tune Assets Limited	1,000,000
Optiva Securities Limited	1,000,000
M N B Zakaria	1,000,000
VCB AG	500,000

A 3% commitment fee was paid by the Company to the facility providers as a result of acceptance by the Company of the committed funds and will be payable again on each anniversary of that acceptance date. The Company elected to satisfy the aggregate initial commitment fee of £105,000 as to £40,000 in shares and £65,000 in cash. For the year ended 30 June 2018, the total convertible loan commitment fee charged to profit and loss amounted to £33,370.

On 20 March 2018, the Company satisfied £40,000 of loan note commitment fees by the issue of 1,769,355 shares of no par value in the Company at 2.261p per share.

10 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the Board.

Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from currency exposure, primarily with respect to the US Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The exposure to this risk is not considered material to the Group and thus the Directors consider that, for the time being, no hedging or other arrangements are necessary to mitigate this risk.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

10 Financial risk management (continued)

Credit risk

Credit risk arises from cash and cash equivalents.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk. The Group will only keep its holdings of cash and cash equivalents with institutions which have a minimum credit rating of 'A'.

Liquidity risk

Management of liquidity risk is achieved by monitoring budgets and forecasts against actual cash flows.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure.

The Company monitors capital on the basis of the equity held by the Company, which at 30 June 2018 was £5,283,001 (2017 - £2,333,394).

11 Intangible assets

Group	Exploration and evaluation costs £
Cost and net book value	
At 1 July 2016 and 1 July 2017	-
Expenditure	<u>301,986</u>
At 30 June 2018	<u><u>301,986</u></u>

Additions of £301,986 (2017 - £nil) during the year related to expenditures incurred on exploration and evaluation of the Wick Well. At 30 June 2018, £32,194 of this balance is payable and included in other creditors.

The Directors assess for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. In making this assessment, the Directors have regard to the facts and circumstances noted in IFRS 6 paragraph 20. In performing their assessment of each of these factors at 30 June 2018, the Directors have:

- a. reviewed the time period that the Group has the right to explore the area and noted no instances of expiration, or licences that are expected to expire in the near future;
- b. determined that further E&E expenditure is either budgeted or planned for all licences;
- c. not decided to discontinue exploration activity due to there being a lack of quantifiable mineral resource; and
- d. not identified any instances where sufficient data exists to indicate that there are licences where the E&E spend is unlikely to be recovered from successful development or sale.

On the basis of the above assessment, the Directors are not aware of any facts or circumstances that would suggest the carrying amount of the E&E asset may exceed its recoverable amount.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

12 Investments

Company

	2018 £	2017 £
Investments in subsidiaries	7,030	7,030

Subsidiaries

Cost or valuation

At 1 July 2017 and 30 June 2018 £ 7,030

Carrying amount

At 30 June 2018 and 30 June 2017 7,030

Details of undertakings

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Upland Resources (UK Onshore) Limited*	Ordinary	100%	Petroleum exploration and development
Upland (N Tunisia) Limited*	Ordinary	100%	Dormant
Upland (Saouaf) Limited (formerly Upland (El Fahs) Limited)	Ordinary	100%	Dormant
Upland (S Tunisia) Limited*	Ordinary	100%	Dormant
Upland (Ksar Hadada) Limited	Ordinary	100%	Dormant

* indicates direct investment of the company.

All the subsidiary undertakings are incorporated in the UK.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

13 Debtors

	2018 £	2017 £
Other debtors	3,055,612	2,325
Prepayments	<u>83,658</u>	<u>171,217</u>
Total current trade and other debtors	<u>3,139,270</u>	<u>173,542</u>

Included in the other debtors is a balance of £3,000,000 before costs held by Optiva Securities Limited in respect of the placing proceeds. This balance has been paid to the Company subsequent to the year end.

14 Cash and cash equivalents

	2018 £	2017 £
Cash at bank	<u>2,173,720</u>	<u>2,250,872</u>

15 Creditors

	2018 £	2017 £
Due within one year		
Trade payables	188,529	-
Other payables	18,571	-
Accrued expenses	<u>124,875</u>	<u>91,020</u>
Trade and other payables	<u>331,975</u>	<u>91,020</u>

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

16 Financial instruments

The Group's accounting classification of its financial assets and liabilities is as follows:

	2018	2017
	£	£
Financial assets		
<i>Loans and receivables</i>		
Cash and cash equivalents	2,173,720	2,250,872
Other receivables	3,139,270	173,542
	5,312,990	2,424,414
Financial liabilities		
<i>Financial liabilities measured at amortised cost</i>		
Trade and other payables	331,975	91,020

Other receivables are loans and receivables, trade and other payables are financial liabilities measured at amortised cost.

17 Share capital

	2018	2017
	£	£
Allotted and called up		
Share premium on 579,012,060 (2017 – 383,168,631) shares of no par value	7,619,962	3,751,831

The company has one class of ordinary shares which carry no rights to fixed income. Each ordinary share confers upon the holder: the right to one vote at a meeting of the members of the company or on any resolution of the members; the right to an equal share in any dividend paid by the company; and the right to an equal share in the distribution of the surplus assets of the company on its liquidation.

	2018	2017
Number of shares in issue at start of year	383,168,631	213,437,861
Number of shares issued in year	195,843,429	169,730,770
Number of shares in issue at end of year	579,012,060	383,168,631

On 21 February 2018, the Company issued 74,074,074 shares of no par value at 1.35p, raising £1,000,000 before costs.

On the 20 March 2018, the Company issued a further 1,769,355 shares of no par value at 2.261p per share as payment for £40,000 loan note commitment fees.

On 21 June 2018, the Company issued a further 120,000,000 shares of no par value via a placing at 2.5p per share, raising £3,000,000 before costs. Of the total capital raised before costs, £1,000,000 was received, £35,000 costs were paid prior to the year end date.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

18 Capital and financial commitments

Group

On 24 May 2018, Upland Resources (UK Onshore) Limited (“Upland UK”) completed the Wick Farm-in Agreement for the farm-in by Upland UK to a 40% interest in UK Offshore Production Licence P2235 covering some 18.1 km² in Inner Moray Firth, offshore North East Scotland.

Under the Wick Farm-in Agreement, Upland UK has agreed to pay its pro rata share of past costs plus 53.33% of the costs of the environmental survey and the first well to be drilled on the Wick Prospect. When the total gross cost of the latter two items has reached £4.2 million, Upland UK’s share of costs reduces to their prorated 40% share of all amounts above £4.2 million.

The total gross cost is currently estimated to be £5.7 million on a dry-hole basis, indicating a cost to Upland UK of £2.8 million.

Following drilling of the Wick Well, the licensees will have discharged their commitments to the OGA in respect of the current phase of the UK Offshore Production Licence P2235. However, in the event of the Wick Well being a discovery and such discovery being of a size and nature that the licensees deem it to be commercially attractive, they may choose to develop it. Such development will bring additional costs including project planning, regulatory filings, front-end engineering costs, construction costs and additional drilling costs.

In addition, at the balance sheet date, Upland UK held a 25% interest in PEDL 299. A cost-sharing arrangement has been put in place under the Joint Operating Agreement between the co-licensees. Under that arrangement, it is estimated that Upland UK’s share of the costs over the remaining 4 years of the licence will be £700,000, with no significant costs expected to be incurred before 2019.

19 Related party transactions

The Directors are considered to be the key management personnel of the Company. The fees paid to the Directors, or their connected companies, during the year are disclosed in note 8. Of the total fees incurred during the year, £31,250 (2017 - £16,250) was outstanding payable to the Directors, or their connected companies, at the year end and included in accruals. Share-based payments made in connection with Directors are disclosed in note 9.

During the year, the Group was charged fees and commission in relation to the new shares placing and convertible loan commitment of £210,440 (2017 - £102,370) by a company of which a Director of the Company is also a director and shareholder. Of this balance, £171,869 (2017 - £82,370) has been charged to the share premium reserve. At the balance sheet date, a balance of £136,869 (2017 - £nil) was payable to this related party. Share-based payments made in connection with related parties are disclosed in note 9.

At the balance sheet date, a balance of £3,000,000 before costs raised from the 120,000,000 new shares placing was receivable from a company of which a Director of the Company is also a director and shareholder.

During the year, the Group was charged consultancy fees of £46,000 (2017 - £14,000) by a Director of the Company. Of these fees, £3,000 (2017 - £14,000) was outstanding payable to the Director at the year end and included in accruals.

Upland Resources Limited

Notes to the Financial Statements for the Year Ended 30 June 2018 (continued)

20 Ultimate controlling party

The Directors believe there to be no ultimate controlling party.

21 Events after the balance sheet date

On 6 July 2018, M N B Zakaria resigned as Chairman and non-executive director, to be replaced as Chairman by B B H Di.

Since the year end, Upland UK approved the Authorisation for Expenditure for the Wick Well on 25 July 2018 and the Company announced on 17 September 2018 that the sea bed site survey for the well had been completed.

On 1 August 2018 another wholly-owned subsidiary of the Company, Upland (Saouaf) Limited, had its application accepted for an exclusive permit over the 4,004 km² Saouaf Permit, onshore Tunisia, subject to Upland lodging a bank guarantee and final approval by the Tunisian government.

