PHARIS
ENERGY

(formerly known as The Steam Oil Production Company Ltd)

REGISTERED NUMBER: 08954960

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Pharis Energy Ltd
(formerly known as The Steam Oil Production Company Ltd)

COMPANY INFORMATION

Directors	Stephen Brown Gregory Harding Julia Cane-Honeysett Joseph Darby Alan Hume Christian Wilms
Company Secretary	Stephen Brown
Registered Number	08954960
Registered Office	70 Claremont Road Surbiton Surrey KT6 4RH
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD

Pharis Energy Ltd
(formerly known as The Steam Oil Production Company Ltd)

PHARIS ENERGY

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DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report and the financial statements for Pharis Energy Ltd ("the Company") for the year ended 30 June 2019.

Principal activities
The Company evaluates and manages oil and gas assets and holds a 100% interest in, and is licence administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, and P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries.

Results and dividend
The Company's loss for the year ended 30 June 2019 was £99,702 (2018: £16,528).

The directors do not recommend the payment of a dividend (2018: £nil).

Balance Sheet
At 30 June 2019 the Company had a cash balance of £9,993 (208: £28,838) and total assets of £626,366 (2018: £293,431).

Financial Risk Management
The company has a limited cash balance, which is held at Barclays a bank with an A rating. Financial risk management policies are set out in note 22.

Policy and practice on payment of creditors
It is the Company's policy to settle all amounts owing to creditors on a timely basis and in accordance with the terms of credit agreed with each supplier.

Principal Risks and uncertainties
The Company's business is the development and production of oil and gas assets. Set out below are the principal risks and uncertainties facing the Company:

- The Company is required to acquire 160 km^2 of 3D seismic over P2320 before the 14 May 2023 and to complete the approved work programme to design, build and test a high temperature downhole steam injection safety valve. At period end the valve had been fully designed by Pragma Well Technology Ltd and a prototype valve was being fabricated by Q-Mass at the largest machine shop in Scotland. There is a risk that the Company may not be able to raise the capital necessary to progress its projects towards final investment decision, and ultimately towards first oil production.

- Oil and gas exploration and development activities are dependent on the availability of skilled personnel, drilling and related equipment in the particular areas where such activities will be conducted. Demand for such personnel or equipment, or access restrictions may affect the availability to the Company.

- Oil and gas prices are highly volatile, and lower oil and gas prices will negatively affect the Company's financial position, capital expenditures and results of operations.

- The "Brexit" Referendum and the resulting uncertainty about the status of the UK could adversely affect the Company's business.

- Oil and gas drilling is a speculative activity and involves numerous risks and substantial and uncertain costs that could adversely affect the Company.

Directors

The directors who have held office up to the date of the approval of these financial statements were:

Stephen Brown	
Gregory Harding	
Jonathan Gluyas	(resigned 28 May 2019)
Julia Cane-Honeysett	
Joseph Darby	
Alan Hume	
Christian Wilms	(appointed 1 October 2019)

As of the 30 June 2019 each director had an interest in the shares of the Company as noted below

Stephen Brown*	4,874,684	28.10%
Gregory Harding	2,730,560	15.74%
Julia Cane-Honeysett*	4,913,165	28.33%
Joseph Darby	140,000	0.81%
Alan Hume	1,042,461	6.01%

* As they are married, Stephen Brown and Julia Cane-Honeysett are related parties, together they hold 9,787,849 shares and 56.4% of the Company and are considered the ultimate controlling parties.

Going concern

The financial statements have been prepared on a going concern basis. The Company is not yet revenue generating, an operating loss has been reported and as a result the Company will need to raise funding to provide additional working capital to finance their ongoing activities and non-discretionary expenditures. The Board successfully entered into a loan agreement, subsequent to the year end as discussed in note 23 to the financial statements. The proceeds of this loan will be used to support the working capital requirements of the Company.

The costs of maintaining the licences held by the company are small and within the financing capacity of the Directors. All other costs are discretionary, and the Directors are of the opinion that the shareholders will continue to support the company until further funding can be raised.

Based on the Board's assessment that the cash flow budgets can be achieved and that the necessary funds have been or will be raised, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2019.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

In preparing this report, the Directors have taken advantage of the exemption to prepare a Strategic Report by section 414B of the Companies Act 2006.

This report was approved and authorised for issue by the Board on 6th November 2019 and signed on its behalf by

AD Hume

Alan Hume
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with Internantional Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether the financial statements comply with IFRSs as adopted by the European Union; 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 confirm that they have complied with the above requirements in preparing the Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTOR'S OF PHARIS ENERGY LTD

Opinion

We have audited the financial statements of Pharis Energy Ltd (the "Company") for the year ended 30 June 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the 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 company's affairs as at 30 June 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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 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.

Other matter

The financial statements of the Company for the year ended 30 June 2018 and the year ended 30 June 2017, forming the corresponding figures in these financial statements for the year ended 30 June 2019, are not audited because the Company took advantage of S477 small company audit exemption in the prior periods.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 its environment obtained in the course of the audit, we have not identified material misstatements in 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, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

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.

Joseph Archer

Joseph Archer (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

08 November 2019

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 £	2018 (Unaudited) £	2017 (Unaudited) £
Administrative expenses	4	(99,215)	(16,172)	(25,206)
Operating Loss		**(99,215)**	**(16,172)**	**(25,206)**
Finance costs	5	(487)	(356)	(469)
Loss before tax		**(99,702)**	**(16,528)**	**(25,676)**
Taxation	**7**	-	-	-
Loss for the year		**(99,702)**	**(16,528)**	**(25,676)**
Other comprehensive income:				
Items that will or may be reclassified to profit or loss:				
Other comprehensive income		-	-	-
		-	**-**	**-**
Total comprehensive income		**(99,702)**	**(16,528)**	**(25,676)**
Earnings per share		0.61p	0.12p	0.20p

All operations are continuing.
The notes on pages 11 to 26 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018 (Unaudited)	2017 (Unaudited)
		£	£	£
Non-current assets				
Property, plant and equipment	9	801	1,480	2,347
Intangible assets	10	532,999	235,970	197,653
		533,800	**237,450**	**200,000**
Current assets				
Trade and other receivables	11	82,573	27,143	21,081
Cash and cash equivalents	12	9,993	28,838	1,584
		92,566	**55,981**	**22,665**
Total assets		**626,366**	**293,431**	**222,665**
Non-current liabilities				
Borrowings	13	(70,000)	-	-
Amounts due to related parties	14	(882)	(5,471)	(104,366)
		(70,882)	**(5,471)**	**(104,366)**
Current liabilities				
Trade and other payables	15	(206,754)	(70,038)	(87,900)
		(206,754)	**(70,038)**	**(87,900)**
Total liabilities		**(277,636)**	**(75,509)**	**(192,266)**
Net assets		**348,730**	**217,922**	**30,399**
Equity				
Share capital	16	17,346	15,041	13,000
Share premium	16	492,215	264,010	62,000
Retained earnings		(160,831)	(61,129)	(44,601)
Total equity		**348,730**	**217,922**	**30,399**

The consolidated financial statements of Pharis Energy Ltd, company number 08954960, were approved by the Board of Directors and authorised for issue on 6th November 2019.

Signed on behalf of the Board of Directors by:

ADHume

Alan Hume
Director

The notes on pages 11 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Note	Ordinary Share capital £	Share premium £	Retained earnings £	Total £
Balance as at 1 July 2016		**12,500**	**12,500**	**(18,926)**	**6,074**
Loss for the year and total comprehensive income		-	-	(25,675)	(25,675)
Proceeds of share issues (net of costs)	16	500	49,500	-	50,000
Balance as at 30 June 2017		**13,000**	**62,000**	**(44,601)**	**30,399**
Balance as at 1 July 2017		**13,000**	**62,000**	**(44,601)**	**30,399**
Loss for the year and total comprehensive income		-	-	(16,528)	(16,528)
Proceeds of share issues (net of costs)	16	2,041	202,010	-	204,051
Balance as at 30 June 2018		**15,041**	**264,010**	**(61,129)**	**217,922**
Balance as at 1 July 2018		**15,041**	**264,010**	**(61,129)**	**217,922**
Loss for the year and total comprehensive income		-	-	(99,702)	(99,702)
Proceeds of share issues (net of costs)	16	2,305	228,205	-	158,286
Balance as at 30 June 2019		**17,346**	**492,215**	**(160,831)**	**291,506**

The following describes the nature and purpose of each reserve within equity:

Reserve	**Description and purpose**
Ordinary shares	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Retained earnings	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income

The notes on pages 11 to 26 form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 30 JUNE 2019

	Note	2019 £	2018 (Unaudited) £	2017 (Unaudited) £
Cash flows from operating activities				
Loss for the year		(99,702)	(16,528)	(25,676)
Adjustments for:				
Depreciation	4	921	867	376
Decrease/(Increase) in debtors	7	26,400	(6,122)	(20,278)
Increase/(Decrease) in creditors	9	112,110	(17,801)	85,297
Cash generated from operations		**54,729**	**(39,584)**	**39,719**
Income taxes paid		-	-	-
Net cash flows from operating activities		**54,729**	**(39,584)**	**39,719**
Investing activities				
Purchases of property, plant and equipment	5	242	-	2,451
Purchases of exploration and evaluation assets	6	297,029	38,317	134,200
Net cash used in investing activities		**297,271**	**38,317**	**136,651**
Financing activities				
Borrowings from Directors and Officers	10	(4,589)	(98,895)	47,180
Proceeds from issue of convertible loan notes	10	70,000	-	-
Proceeds from issue of ordinary share capital	11	158,286	204,050	50,000
Net cash used in financing activities		**223,697**	**105,155**	**97,180**
Net increase in cash and cash equivalents		**(18,845)**	**27,254**	**249**
Cash and cash equivalents at beginning of period	8	28,838	1,584	1,334
Cash and cash equivalents and end of period	812	**9,993**	**28,838**	**1,584**

The notes on pages 11 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Pharis Energy Ltd (the "company") is a private limited company which is domiciled and incorporated in England and Wales under the Companies Act 2006 with the registered number 08954960. The registered office is 70 Claremont Road, Surbiton, Surrey, KT6 4RH.

On 21 June 2018, the company changed its name from The Steam Oil Production Company Limited to Pharis Energy Limited on 21 June 2018.

The principal activity of Pharis Energy Limited is managing oil and gas assets and holds 100% interest in, and is administrator for, UKCS Seaward Licences P2244, which contains the Pilot and Harbour heavy oil discoveries, and P2320, which contains the Blakeney, Feugh, Dandy & Crinan discoveries.

The financial statements presented for the company are for the year ended 30 June 2019 and these have been audited. The unaudited figures for the years ended 30 June 2018 and 2017 are shown alongside for comparative purposes.

2. Summary of significant accounting policies

The principal accounting principles applied in the preparation of these financial statements are set out below. These principles have been consistently applied to all years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements for the year ended 30 June 2019 are the first to be prepared under IFRS. No transitional adjustments were identified in respect of this.

The financial statements have been prepared under the historical cost convention.

2.2. Going concern

The financial statements have been prepared on a going concern basis. The Company is not yet revenue generating and an operating loss has been reported. The Board successfully entered into a loan agreement, subsequent to the year end as discussed in note 23 to the financial statements. The proceeds of this loan will be used to support the working capital requirements of the Company.

The costs of maintaining the licences held by the company are small and within the financing capacity of the Directors. All other costs are discretionary, and the Directors are of the opinion that the shareholders will continue to support the company until further funding can be raised.

Based on the Board's assessment that the cash flow budgets can be achieved and that the necessary funds have been or will be raised, the Directors have a reasonable expectation that the Company has access to adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements for the year ended 30 June 2019.

2.3. Changes in accounting policies

2.3.1. New standards, amendments to standards and interpretations

The Company adopted IFRS for the first time for the financial statements for the year ended 30 June 2019. The adoption did have any impact on the figures previously report and as such no table showing their effect has been presentedThe standards which applied to IFRS for the first time this year have been adopted, along with IFRS, and have not had a material impact.

IFRS 9 'Financial Instruments'

Pharis Energy Limited has applied IFRS 9, which is effective for annual periods that begins on or after 1 January 2018, to the results for the year ended 30 June 2019. The standard replaces all phases of the financial instruments project and IAS 39 'Financial Instruments: Recognition and Measurement'.

The adoption of IFRS 9 has not had any significant impact on recognition and measurement of financial instruments in the financial statements.

IFRS 15 'Revenue from Contracts with Customers'

Pharis Energy Limited has applied IFRS 15 Revenue from Contracts with Customers, which is effective for annual periods that begin on or after 1 January 2018, to the results for the year ended 30 June 2019. The standard introduces a new revenue recognition model and replaces IAS 18 'Revenue', IAS 11 'Construction Contracts', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for the Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC-31 "Revenue – Barter Transactions Involving Advertising Services.'

As the company has no revenue the introduction of IFRS 15 has had no impact on the financial statements.

2.3.2. Standards and interpretations effective for subsequent periods

New standards, amendments and interpretations not yet adopted

The International Accounting Standards Board (IASB) has issued the following new and revised standards, amendments and interpretations to existing standards that are not effective for the financial year ending 30 June 2019 and have not been adopted early. The company is currently assessing the impact of these standards and based on the company's current operations, do not expect them to have a material impact on the financial statements

Standard	Impact on initial application	Effective date
IFRIC 23	Uncertainty over income tax treatments	1 January 2019
	Annual improvements to IFRS Standards 2015-2017 cycle	1 January 2019
IAS 1 and IAS 8	Definition of material	1 January 2020
IFRS 16	Leases	1 January 2019
IAS 1 and IAS 8	Definition of material	*1 January 2020

* Not yet endorsed by the EU

IFRS 16 'Leases'

The standard is effective for periods commencing on or after 1 January 2019 and has been endorsed by the EU. Under the provisions of the standard most leases, including the majority of those previously classified as operating leases, will be brought onto the statement of financial position, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset and lease liability are both based on the present value of lease payments due over the term of the lease, with the asset being depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability increased for the accretion of interest and reduced by lease payments. The Directors continue to consider the potential effects on the Company's financial statements and do not currently expect that there will be a material impact.

2.4. Foreign currency

2.4.1. Functional and presentation currency

Items in the company's financial statements are measured in the currency of the primary economic environment in which the entity operates (functional currency). The functional currency of the company is Pounds sterling (£).

Monetary amounts in these financial statements are rounded to the nearest £

2.4.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses 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 the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs.' All other foreign exchange gains and losses are presented in the income statement within 'Other (losses)/gains.'

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets measure at fair value are included in other comprehensive income.

2.5. Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of VAT and trade discounts. There was no revenue in any of the reporting periods.

2.6. Taxation

Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business on combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled. Deferred tax assets and liabilities are not discounted.

2.7. Leases

Payments made with respect to operating leases (net of any incentives received from the lessor) are recognised in the income statement on a straight-line basis over the period of the lease.

2.8. Intangible assets

Exploration and evaluation expenditures (E&E)

The company applies the successful efforts method of accounting for oil and gas assets, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'. Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of Comprehensive Income.

All licence acquisition, exploration and evaluation costs are capitalised, a share of administration costs is capitalised insofar as they relate to exploration, evaluation and development activities. These costs are written off unless commercial reserves have been established or the determination process has not been completed and there are no indications of impairment. If a project is deemed commercial all of the attributable costs are transferred into Property, Plant and Equipment. These costs are then depreciated from the commencement of production on a unit of production basis.

2.9. Impairment of non-financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. This includes consideration of the IFRS 6 impairment indicators for any intangible exploration and evaluation assets capitalised as intangible costs. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and is written down to its recoverable amount. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset, unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.10. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided on all property, plant and equipment to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Property, plant and equipment – 3 years straight line

All assets are subject to annual impairment reviews.

2.11. Financial Instruments

2.11.1 Initial recognition

A financial asset or financial liability is recognised in the statement of financial position of the Company when it arises or when the Company becomes part of the contractual terms of the financial instrument.

2.11.2 Classification

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

(1) the asset is held within a business model whose objective is to collect contractual cash flows; and

(2) the contractual terms of the financial asset generating cash flows at specified dates only pertain to capital and interest payments on the balance of the initial capital.

Financial assets which are measured at amortised cost, are measured using the Effective Interest Rate Method (EIR) and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities at amortised cost

Financial liabilities measured at amortised cost using the effective interest rate method include current borrowings and trade and other payables that are short term in nature. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate ("EIR"). The EIR amortisation is included as finance costs in profit or loss. Trade payables other payables are non-interest bearing and are stated at amortised cost using the effective interest method.

2.11.3. Derecognition

A financial asset is derecognised when:

(1) the rights to receive cash flows from the asset have expired, or

(2) the Company has transferred its rights to receive cash flows from the asset or has undertaken the commitment to fully pay the cash flows received without significant delay to a third party under an arrangement and has either (a) transferred substantially all the risks and the assets of the asset or (b) has neither transferred nor held substantially all the risks and estimates of the asset but has transferred the control of the asset.

2.11.4 Impairment

The Company recognises a provision for impairment for expected credit losses regarding all financial assets. Expected credit losses are based on the balance between all the payable contractual cash flows and all discounted cash flows that the Company expects to receive. Regarding trade receivables, the Company applies the IFRS 9 simplified approach in order to calculate expected credit losses. Therefore, at every reporting date, provision for losses regarding a financial instrument is measured at an amount equal to the expected credit losses over its lifetime without monitoring changes in credit risk. To measure expected credit losses, trade receivables and contract assets have been grouped based on shared risk characteristics.

2.12. Trade and other receivables

Trade and other receivables are initially recognised at fair value when related amounts are invoiced then carried at this amount less any allowances for doubtful debts or provision made for impairment of these receivables.

2.13. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and are subject to an insignificant risk of changes in value.

2.14. Share capital

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 the proceeds.

2.15. Share premium

Share premium account represents the excess of the issue price over the par value on shares issued. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16. Trade payables

These financial liabilities are all non-interest bearing and are initially recognised at the fair value of the consideration payable.

2.17. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, loans are measured at the amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

2.18 Earnings per share

Basic Earnings per share is calculated as profit attributable to equity holders of the parent for the period, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

2.19 Operating segments

The Chief Operating Decision Maker (CODM) is considered to be the Board of Directors. They consider that the Company operates in a single segment, that of oil and gas exploration, appraisal and development, in a single geographical location, the North Sea of the United Kingdom. As a result, the financial information of the single segment is the same as set out in the statement of comprehensive income, statement of financial position, statement of Changes in Equity and Statement of Cashflows.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements using accounting policies consistent with IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expenses. The preparation of financial statements also requires the Directors to exercise judgement in the process of applying the accounting policies. Changes in estimates, assumptions and judgements can have a significant impact on the financial statements.

3.1. Significant accounting estimates

Impairment of intangible assets

As at 30 June 2019, the company held oil and gas exploration and evaluation intangible assets of £532,998 (2018: £235,970 2017: £197,653). The carrying values of intangible assets are assessed for indicaitions of impairment, as set out in IFRS 6, on an annual basis.

Management do not consider that any intangible assets are impaired as at 30 June 2019.

These estimates and assumptions are subject to risk and uncertainty and therefore a possibility that changes in circumstances will impact the assessment of impairment indicators.

3.2. Significant judgements of management

There are no critical judgements identified, apart from those involving estimations (which are dealt with separately above) that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

4. Administrative expenses

	2019	2018	2017
	£	£	£
Office costs, rates and services	2,524	2,911	1,412
Wages and salaries	26,400	10,500	-
Consultants and advisers	10,000	-	-
Audit fees (note 18)	15,000	-	-
Pre-award licence costs	30,839	-	6,335
Insurance	8,611	4,457	12,656
Other expenses / (income)	4,920	(2,563)	4,427
Depreciation	921	867	376
	99,215	**16,172**	**25,206**

5. Staff numbers and costs

	2019	2018	2017
Staff costs (including directors)	£	£	£
Wages and salaries	26,400	10,500	-
Social security costs	-	-	-
	26,400	**10,500**	**-**

	2019	2018	2017
The average number of persons (including directors) employed by the Company during the year was:			
Management and Administration	5	6	4
	5	**6**	**4**

6. Finance costs

	2019	2018	2017
	£	**£**	**£**
Interest paid	487	356	469
	487	**356**	**469**

7. Taxation

Analysis of charge for the year:

	2019	2018	2017
	£	**£**	**£**
Current income tax charge	–	–	–
Deferred tax charge	–	–	–
Total taxation charge	–	–	–

Taxation reconciliation

The below table reconciles the tax charge for the year to the theoretical charge based on the result for the year and the corporation tax rate.

	2019	2018	2017
	£	**£**	**£**
Loss before income tax	(99,702)	(16,528)	(25,676)
Tax at the applicable rate of 19% (2018: 19%, 2017: 19%)	(18,943)	(3,140)	(4,878)
Effects of:			
Unutilised tax losses	18,943	3,140	4,878
Total income tax expense	-	–	–

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020.

As at 30 June 2019, the Company had unused tax losses of £43,820 (2018: £24,877, 2017: £21,737) for which no deferred tax asset has been recognised. This is due to uncertainty over the availability of future taxable profits to offset these losses against.

8. Earnings per share

The calculation of the basic and diluted earnings per share is calculated by dividing the loss for the year for continuing operations for the Company by the weighted average number of ordinary shares in issue during the year:

	2019 £	2018 £	2017 £
Earnings for the purposes of basic earnings per share being net loss attributable to the owners	(99,702)	(16,528)	(25,676)
Weighted average number of Ordinary Shares	16,236,524	13,229,207	12,832,877
Earnings per share	0.61p	0.12p	0.20p

There is no difference between the basic and diluted earnings per share.

9. Property, plant and equipment

	IT hardware & software £	Office equipment £	Total £
Cost			
As at 30 June 2016	**272**	**-**	**272**
Additions	2,249	202	2,451
As at 30 June 2017	**2,521**	**202**	**2,723**
Additions	**-**	-	**-**
As at 30 June 2018	**2,521**	**202**	**2,723**
Additions	242	-	**242**
As at 30 June 2019	**2,763**	**202**	**2,965**

	IT hardware & software £	Office equipment £	Total £
Depreciation			
As at 30 June 2016	**-**	**-**	**-**
Charged in the year	359	17	376
As at 30 June 2017	**359**	**17**	**376**
Charged in the year	800	67	867
As at 30 June 2018	**1,159**	**84**	**1,243**
Charged in the year	853	67	**921**
As at 30 June 2019	**2,013**	**151**	**2,164**
Net book value as at 30 June 2019	**750**	**51**	**801**
Net book value as at 30 June 2018	1,362	118	1,480
Net book value as at 30 June 2017	2,162	185	2,347

The depreciation expense is recognised in administrative expenses as set out in note 4.

10. Intangible assets

	Oil and gas exploration assets £
Cost	
As at 1 July 2016	**63,453**
Additions	134,200
As at 30 June 2017	**197,653**
Additions	38,317
As at 30 June 2018	**235,970**
Additions	297,029
As at 30 June 2019	532,998

Included in intangible assets are general office expenses incurred during the year that have been capitalised totalling £15,778 (2018: £14,200, 2017: £9,110).

11. Trade and other receivables

	2019	2018	2017
	£	£	£
VAT receivable	10,349	743	804
Prepayments and other receivables	-	26,400	20,278
Amounts due from related parties	72,224	20,000	-
	82,573	**27,143**	**21,082**

Amounts due from related parties are unsecured, interest free and have no fixed repayment date.

The fair value of other receivables is the same as their carrying values as stated above.

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

12. Cash and cash equivalents

	2019	2018	2017
	£	£	£
Cash at bank and in hand	9,993	8,838	1,584
	9,993	**28,838**	**1,584**

13. Borrowings

	2019	2018	2017
	£	£	£
Convertible loan notes	70,000	-	-
	70,000	**-**	**-**

On 21 September 2018, the Company issued £70,000 of 2% convertible loan notes.

14. Trade and other payables – due after one year

	2019	2018	2017
	£	£	£
Amounts due to related parties	882	5,471	104,366
Convertible loan notes	70,000	-	-
Accruals	-	67,268	86,101
	70,882	**72,739**	**190,467**

Amounts due to related parties are unsecured, interest free and have no fixed repayment date.

15. Trade and other payables – due within one year

	2019	2018	2017
	£	£	£
Trade payables	32,523	2,770	1,800
Accruals	174,231	-	-
	206,754	**2,770**	**1,800**

The carrying values of trade and other payables are considered to be a reasonable approximation of the fair value and are considered by the Directors as payable within one year.

16. Share capital and share premium

	Number of shares	Share capital	Share premium
Issued		£	£
As at 1 July 2016	12,500,000	12,500	12,500
Issue of shares	500,000	500	49,500
As at 30 June 2017	**13,000,000**	**13,000**	**62,000**
Issue of shares	2,040,500	2,041	202,010
As at 30 June 2018	**15,040,500**	**15,041**	**264,010**
Issue of shares	241,550	242	23,913
Issue of shares	2,063,560	2,063	204,292
As at 30 June 2019	**17,345,610**	**17,346**	**492,215**

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association.

On 30 October 2016, 500,000 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

On 29 May 2018, 2,040,500 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

Of the shares issued on 29 May 2018, 360,900 were issued as settlement of Directors' remuneration in lieu of cash for a value of £36,900.

On 12 October 2018, 241,550 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

Of the shares issued on 12 October 2018, 221,400 were issued as settlement of services to the Company in lieu of cash for a value of £22,140.

On 31 December 2018, 2,063,560 ordinary shares with a nominal value of £0.001 were issued for a consideration of £0.10 per share.

As at 30 June 2019, £72,224 of the consideration for ordinary shares remained unpaid and has been included in amounts due from related parties in note 11.

17. Directors' remuneration

	2019	2018	2017
	£	£	£
Short term employee benefits	26,400	10,500	-
	26,400	**10,500**	**-**

The total amount of Directors' remuneration has been settled through the issue of the Company's shares, as set out on note 16.

No pension benefits are provided for any Directors (2018: £nil, 2017: £nil).

18. Auditor's remuneration

During the year, the Company obtained the following services from the Company's auditors and its associates:

	2019	2018	2017
	£	£	£
Audit of the financial statements	7,500	–	–
Audit related assurance services	7,500	-	-
	15,000	–	–

19. Related parties

19.1 Transactions with related parties

The Company had the following related party transactions:

(i) The Company makes use of an office at 70 Claremont Road which is currently provided to the Company by Mrs Julia Cane-Honeysett and Mr Stephen Brown at a rental of £1,000 per calendar month. The company pays for the services and business rates associated with the property.

19.2 Loans to/from related parties

During the year, several Directors and shareholders provided funds to the Company as a working capital injection.

The following balances are outstanding at the end of the reporting period in relation to these transactions:

	Amount due (to)/from related parties £
As at 1 July 2016	**(57,186)**
Funds advanced to the Company	(97,180)
Loan amounts settlement in the Company's shares	50,000
As at 30 June 2017	**(104,366)**
Funds advanced to the Company	(85,156)
Loan amounts settlement in the Company's shares	204,050
As at 30 June 2018	**14,528**
Funds advanced to the Company	(173,697)
Loan amounts settlement in the Company's shares	230,150
As at 30 June 2019	**71,341**

The amount due as at 30 June 2018, is disclosed as amounts due from related parties of £20,000, as set out in note 11, and amounts due to related parties of £5,471, as set out in note 14.

The amount due as at 30 June 2019, is disclosed as amounts due from related parties of £72,224, as set out in note 11, and amounts due to related parties of £882, as set out in note 14.

Loans due to/from related parties are unsecured, interest free and have no fixed repayment terms.

19.3. Key management personnel

Directors of the Company are considered to be key management personnel. The remuneration of the Directors has been set out on note 16.

20. Ultimate controlling party

The Directors consider Stephen Brown and Julia Cane-Honeysett to be the ultimate controlling parties.

21. Financial instruments

The Company holds the following financial instruments:

Financial assets

	2019	2018	2017
Financial assets at amortised cost:	**£**	**£**	**£**
Trade receivables			
Other financial assets at amortised cost	92,566	9,581	804
Cash and cash equivalents	9,993	28,838	1,584
	102,559	**38,419**	**2,388**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Financial liabilities

	2019	2018	2017
Financial liabilities at amortised cost:	**£**	**£**	**£**
Trade payables	32,523	2,770	1,800
Other financial liabilities at amortised cost	882	72,739	190,467
Borrowings	70,000	-	-
	103,405	**75,509**	**192,267**

22. Financial risk management

22.1. Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the executive management team.

a) Market risk

The Company is exposed to market risk, primarily relating to interest rate, foreign exchange and commodity prices. The Company does not hedge against market risks as the exposure is not deemed sufficient to enter into forward contracts. The Company has not sensitised the figures for fluctuations in interest rates, foreign exchange or commodity prices as the Directors are of the opinion that these fluctuations would not have a significant impact on the Financial Statements at the present time. The Directors will continue to assess the effect of movements in market risks on the Company's financial operations and initiate suitable risk management measures where necessary.

b) Credit risk

Credit risk arises from cash and cash equivalents as well as outstanding receivables. To manage this risk, the Group periodically assesses the financial reliability of customers and counterparties.

The amount of exposure to any individual counter party is subject to a limit, which is assessed by the Board.

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

c) Liquidity risk

The Company's continued future operations depend on the ability to raise sufficient working capital through the issue of equity share capital or debt. The Directors are reasonably confident that adequate funding will be forthcoming with which to finance operations. Controls over expenditure are carefully managed.

22.2. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, in order to enable the Company to continue its exploration and development of oil and gas resources. In order to maintain or adjust the capital structure, the Company may adjust the issue of shares or sell assets to reduce debts.

The Company defines capital based on the total equity and reserves of the Company. The Company monitors its level of cash resources available against future planned operational activities and may issue new shares in order to raise further funds from time to time.

23. Commitments

The Company has entered into the following non-cancellable commitments in respect of exploration licences:

	2019	2018	2017
	£	£	£
Due within one year	42,357	19,677	6,480
Later than one year but not later than five years	261,224	303,581	290,520
Total commitments	**303,581**	**323,258**	**297,000**

24. Events after the reporting period

On the 15 July 2019 the Company was granted a new exploration licence. The licence P2482 contains the Elke project.

On the 22 July 2019 the Company entered into a loan agreement and offtake agreement with Shell International Trading and Shipping Company Limited (for and on behalf of Shell Trading International Limited). On 13 August 2019, in relation to this loan agreement, a fixed charge, floating charge and negative pledge was registered over capitalised costs relating to exploration licences held in the name of the company.