

# FORGING AHEAD

ANNUAL REPORT 2016



LOYZ ENERGY LIMITED

# FORGING AHEAD

The Group is forging a firm foundation as we streamline our operations to focus on our strategic investment in the onshore oil concessions in Thailand. This will put us in a prime position to ride on oil price increase in the future.

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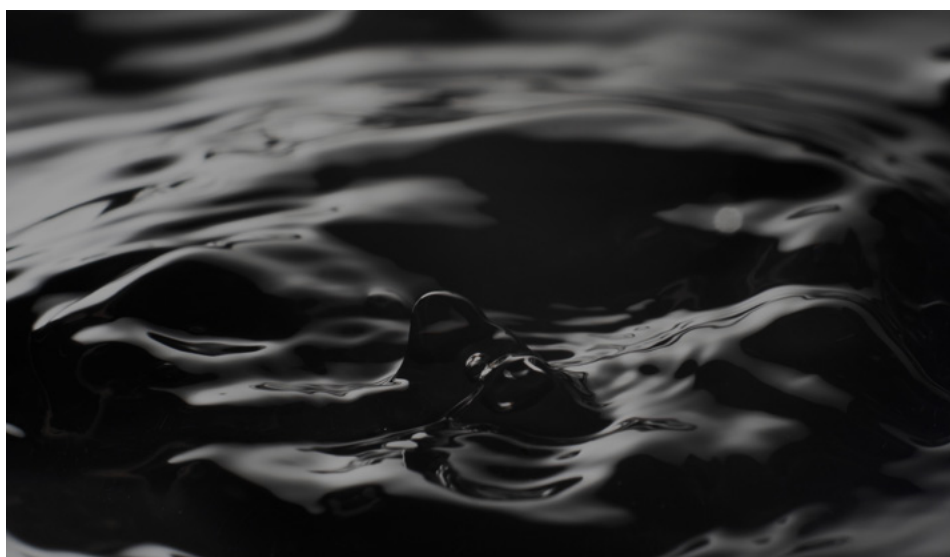
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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

Loyz Energy Limited is an independent exploration and production energy company with its focus in the Asia-Pacific region.



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Loyz Energy Limited (“**Loyz Energy**”, and together with its subsidiaries, the “**Group**”) is an independent exploration and production energy company with its focus in the Asia-Pacific region.

Currently, the Group’s key asset is its 20% stake in the Thailand onshore oilfields located at Phetchabun Basin, which currently generates a steady income stream from its existing oil producing wells. This asset holds significant proven reserves for development as well as significant potential exploration upside that may create value enhancement and sustainable long-term growth.

Based on the qualified person’s report as at 31 December 2015, the Thailand onshore oilfields have an aggregate of 54.74 (Proved + Probable + Possible) millions of barrels of oil reserves, of which 10.94 (Proved + Probable + Possible) millions of barrels of oil are net attributable to the Group. Loyz Energy, together with its partners, intends to roll out the planned drilling campaign progressively to expand oil production capacity.

# LETTER TO SHAREHOLDERS

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LETTER TO SHAREHOLDERS

## DEAR SHAREHOLDERS

On behalf of the Board of Directors (the “**Board**”), I present to you the annual report of the Company for the financial year ended 30 June 2016 (“**FY2016**”). As the new Chief Executive Officer, I am honoured to have been appointed to the Board with effect from 10 May 2016. I have been with the Group since 2011 as its Chief Financial Officer, and I look forward to working closely with the Board to grow the business further.

The upstream oil and gas industry continued to be volatile amid the subdued global economic growth and a prolonged decline in crude oil prices. We persevered in our efforts to strengthen our fundamentals by streamlining our operations to focus on our strategic investment in the onshore oil concessions in Thailand.

In the year under review, the Group registered a decline in revenue of 54% from the previous financial year ended 30 June 2015 (“**FY2015**”) to US\$10.7 million in FY2016. This was significantly undermined by the sharp fall in oil price from an average of US\$61.58 per barrel in FY2015 to US\$34.20 per barrel in FY2016. The Group implemented stringent cost management and managed to reduce its operating and finance expenses in FY2016. Notwithstanding the Group’s loss-making position in FY2016, net loss attributable to owners of the parent was significantly narrowed to US\$19.5 million, from US\$63.8 million in FY2015, mainly due to the absence of non-cash impairment losses recognised on the Group’s non-core assets in India, Australia and the United States in FY2015.

Despite the volatility in oil prices, the Group’s Thailand concessions continue to generate positive cash flow and efforts were put in to reduce operating costs significantly.

On 11 May 2016, the Group announced changes to the Board and the management team, following an acquisition of additional 9.85% stake by an existing shareholder of the Company, Wave Link L.P., from Jit Sun Investments Pte Ltd, to become

the second largest shareholder of the Company. Lead Independent Director of the Company, Mr William Teo, was appointed as the Non-Executive Chairman of the Board, while the former Deputy Chairman and Independent Non-Executive Director, Mr Simon Charles Lockett, stepped down and assumed the role as an Advisor to the Board. Mr Adrian Lee, the former Managing Director, was appointed as Non-Executive Director.

## STRENGTHENING THE FOUNDATION

In April 2014, Loyz Energy acquired 20% participating interest from Carnavon Thailand Limited (“**Carnavon**”) in SW1 / L33 /L44 oil concessions located at Phetchabun Basin, Thailand for a total consideration of US\$65 million. Upon completion of the acquisition, the Group made the payment of US\$33 million, and the post-acquisition balance of US\$32 million is to be payable over 20 years till 2034.

Against a challenging backdrop, the Group gained support from Carnavon and made its first post-acquisition payment of US\$702,000 with US\$100,000 cash and the balance of US\$602,000 to be satisfied by the issuance of 21,597,000 new ordinary shares in the capital of Loyz Energy, under the supplemental sale and purchase agreement in January 2016. The equity participation of Carnavon enabled the Group to better utilise its cash flows to meet the operational requirements to continue to develop its proved reserves and realise the potential upside in its Thailand concessions that have been generating a steady stream of income for the Group. Carnavon has expressed their willingness to exercise flexibility with the next payment due in December 2016.

During the year, the Group wrote off its non-core assets in New Zealand and the United States, and strengthened its balance sheet with a private placement exercise (“**Placement**”) and a bond transaction (“**Bond Transaction**”), both announced on 31 May 2016. We are heartened

to receive votes of confidence and support from investors when we raised S\$2.7 million through the Placement, completed on 20 June 2016.

Under the Bond Transaction, the Group acquired an aggregate of approximately US\$4.0 million senior secured convertible bonds due on 31 December 2018 (“**Fram Bonds**”) issued by Fram Exploration ASA (“**Fram**”) for a purchase consideration of US\$1.65 million. The consideration shall be satisfied by an issuance of new ordinary shares in the capital of the Company and the transfer of the Company’s shares held by Fram to the bond holders, namely Kuppelvik AS and Amalie International Holdings Ltd (collectively, the “**Former Bond Holders**”). The Group will redeem US\$3.35 million of the Fram Bonds, to be satisfied by a settlement of all outstanding sums of US\$2.15 million owing by the Group to Fram, and the transfer by Fram of certain of its holdings in the Company’s shares to the Former Bond Holders. This redemption is expected to result in a gain for the Group in the current financial year ending 30 June 2017, while the balance of US\$0.65 million worth of Fram Bonds will pay a 10% annual coupon and are redeemable at face value by 31 December 2018, or when Fram monetizes its Whitewater assets (Fram Bonds are secured against Fram’s Whitewater assets which are valued at approximately US\$30 million according to a third party valuation report), whichever is earlier.

The Group is also appreciative of its bankers, Development Bank of Singapore and Oversea-Chinese Banking Corporation Limited who have both agreed to restructure the existing loans. This allows the Group to better manage its cash flow while it focuses on developing the proven reserves and increasing its earnings.

#### **RISING UP TO THE CHALLENGE**

Having strengthened our balance sheet and streamlined our operations, we are currently

in a better financial position and have greater flexibility to seek meaningful collaboration and strategic business opportunities to strengthen the Group and enhance shareholder value.

We intend to develop our Thailand concessions as there is vast potential in these oilfields. The Group is planning for an efficient drilling campaign commencing end of 2016 to increase production and reserves of these oilfields in anticipation to ride on higher demand growth and oil prices in the future. With improved operational efficiencies that have further reduced our current operating costs to US\$12 per barrel (from US\$14 per barrel a year ago), the Group expects the cash flow generated from the existing production of the Thailand concessions to be able to fully fund the forthcoming drilling campaign.

#### **ACKNOWLEDGMENTS AND APPRECIATION**

On behalf of the Board, I would like to convey our sincere appreciation to our fellow Board members for their invaluable advice and guidance, and the management team and staff for their dedication and commitment for the past year. I would also like to thank our former Board members, Mr Simon Charles Lockett, Mr Chan Eng Yew and Mr Chia Yong Whatt for their commitments and invaluable contributions to the Group.

We would also like to convey our warmest gratitude to our shareholders, bankers, business associates and partners, for their confidence and continuous support to the Group as we continue to put in our best effort to strengthen the Group’s fundamentals and enhance value for shareholders.

#### **Mr Jeffrey Pang Kee Chai**

Chief Executive Officer and Executive Director

**DIVIDER**

# Developing Potential

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The Group will continue to focus on harnessing the full potential of its Thailand concessions which have interesting prospects and leads to be explored and produced within the untapped concession areas.

## OPERATIONS REVIEW

The Group will focus on developing its existing oil producing assets in Thailand, which are operationally profitable and have vast potential.

Loyz Energy Limited (“**Loyz Energy**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) continued to monitor its portfolio of oil and gas assets investments closely amid the prolonged weak oil price and global economic uncertainties. The Group had taken prudent measures to streamline its non-core oil and gas assets which were operationally inefficient and weighed down on the overall performance of the Group.

The Group accounted for full non-cash impairment charges for its assets in Australia and India in the fourth quarter of FY2015, and its assets in New Zealand and the United States in the third quarter of FY2016. The Group had taken the conservative view given the prevailing challenges in the

business environment even though it believes that these assets could generate some value upon divestment.

The operational and structural rationalisation comes at a timely confluence of the Group’s repositioning strategy and resource planning. The Group shored up its balance sheet and gained support from investors and financial institutions.

Going forward, the Group will focus on developing its existing oil producing assets in Thailand, which are operationally profitable and have vast potential. The proven reserves and progressive incremental production will be able to create a stable and sustainable value for our shareholders in the long term.



## ON THE GROUND

The Phetchabun Basin in Thailand, where the Group's 20%-owned concessions are located, is a highly prolific oil-producing region. Loyz Energy's partners in these concessions are ECO Orient Energy (Thailand) Ltd, ECO Orient Resources (Thailand) Limited and Berlanga Group (together with Loyz Energy, collectively known as the "JV").

The Phetchabun Basin is one of several tertiary rift basins that run through Thailand where the geological characteristics of igneous volcanic intrusions are very favourable for the entrapment of oil in relatively easy-to-access reservoirs.

This area has been producing since the early 1990s and is the second highest producing area in Thailand, after the Sirikit oil fields.

## DRILLING CAMPAIGN

In the year under review, the JV planned for six wells to be drilled between November 2015 and January 2016. The drilling campaign included both infill wells to the Wichian Buri Extension production area and exploration wells in the southern region of the L33/43 concession.

Out of the six wells, two of them were brought on-stream as producers, while four were dry. Production was in excess of 9,000 barrels of oil per day ("bopd") as at end June 2015. In view of the depressed oil price, however, production was held steady at roughly 3,600 bopd to align with a prudent reservoir management plan to extend

the productive life and maximise recovery from the oilfields.

The concessions cover an aggregate area of 1,078 km<sup>2</sup>, while the existing production area covers only an area of 101.5 km<sup>2</sup>. Approximately 90% of the concessions remain to be explored with the potential to increase production volume and oil reserves.

The JV has studied the prospect evaluation/ranking of all the exploration potential within the wider concessions following detailed interpretation work of the 3D survey which was done in FY2015. There are exciting prospects that can potentially increase production and oil reserves significantly. The JV is planning a drilling campaign in FY2017.

## OPERATIONAL COSTS

The JV took advantage of the prolonged decline in oil price and successfully negotiated for lower cost with service providers, including trucking of oil to the refineries and services for maintenance of power and pumps for drilling. This in turn lowers the OPEX per barrel of oil extracted.

The current lifting costs at the Thailand oilfields have lowered from approximately US\$14 per barrel in FY2015 to approximately US\$12 per barrel in FY2016. The OPEX also included costs associated with the day-to-day running of the operations such as security guards, cooks, menial labour, and production technicians.



While the oil and gas industry undergoes transformation, the Group will continue to focus on harnessing the full potential of its Thailand concessions which have interesting prospects and leads to be explored and produced within the untapped concession areas.

## CORPORATE DEVELOPMENTS

The Group had taken initiatives to conserve its capital resources to support its operational requirements as well as to have the flexibility to undertake viable business opportunities that may arise.

Some of the key financial arrangements in FY2016 include:

- ▶ In respect of the Company's acquisition of 20% participating interest in the Thailand oil fields from Carnavon Thailand Limited ("**Carnavon**") in April 2014, the first post-acquisition payment to Carnavon of US\$702,000 was made in cash of US\$100,000 and the balance of US\$602,000 to be satisfied by the issuance of 21,597,000 new ordinary shares in the capital of the Company at an issue price of S\$0.040 per new ordinary share under the supplemental sale and purchase agreement.
- ▶ The acquisition of an aggregate of US\$4.0 million bonds ("**Fram Bonds**") issued by Fram Exploration ASA ("**Fram**") from Kuppelvik AS and Amalie International Holdings Ltd (collectively, the "**Former Bond Holders**") for US\$1.65 million, to be satisfied by an issuance of 43,697,520 new ordinary shares in the capital of the Company at an issue price of S\$0.0268 per new ordinary share to the Former Bond Holders. In conjunction with

this acquisition, the Company is set to settle with Fram all outstanding sums of US\$2.15 million owing by the Group to Fram via a partial bond redemption. The Fram Bonds has an annual coupon rate of 10% and will mature on 31 December 2018. These bonds are redeemable at face value for cash prior to maturity.

- ▶ Placement of an aggregate of 102,454,000 new ordinary shares in the capital of the Company at an issue price of S\$0.0268 per new ordinary shares, raising net proceeds of S\$2.64 million for development expenditure for the Group's Thailand oil fields and general corporate requirements.

Please refer to the Company's announcements on the SGX website for more information on the above corporate actions.

## TENACITY

While the oil and gas industry undergoes transformation, the Group will continue to focus on harnessing the full potential of its Thailand concessions which have interesting prospects and leads to be explored and produced within the untapped concession areas. This will allow the Group to ride on any oil price increase in the future when the world economic activities pick up pace again.

## CONCESSION OVERVIEW

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CONCESSION OVERVIEW



The Phetchabun Basin is a highly prolific onshore basin located roughly 300km north of Bangkok, Thailand. Loys Energy holds a 20% interest in three producing concessions - SW1, L44/43 and L33/43, all of which lie within the basin limits.

A production license for the SW1 concession was renewed for another 10 years from July 2016, while production licenses for L44/43 and L33/43 concessions will be subject to renewals in 2032.

The Group, together with its partners (namely, Berlanga Group, ECO Orient Energy (Thailand) Ltd and ECO Orient Resources (Thailand) Limited), drilled six new wells in the year under review. Of these, two came on-stream as producers and four were dry but provided new data and enhanced the understanding of the field. As crude oil prices continued to slide over the course of the year under review, the Group with its partners reduced the production level to conserve the oil reserves pending the recovery of oil price.

The Group intends to commence a drilling campaign progressively from late 2016 following an intensive analysis of the 3D seismic survey done in 2015. A similar number of new wells is expected to be drilled in FY2017 with the aim of increasing production and oil reserves as well as increasing production areas.

Currently, these concessions are producing at a combined rate of approximately 3,600 barrels of oil per day (bopd).

Despite peaking at circa 9,000 bopd in end June 2015, production has been conservatively set at current levels in line with a prudent reservoir management plan focused on extending production life and maximising recoveries, while further drilling campaigns are planned and executed.

### Non-core Assets

Given the low oil prices and the current difficult environment, the Group had undertaken a prudent view of its portfolio of concessions and had fully impaired its investments in its non-core and non-performing assets in Australia, New Zealand, Philippines, USA and India.



The Group owns a 13.75% interest in Fram Exploration ASA ("**Fram**"), whose exploration and production concessions are located in the resource-rich states of Colorado and North Dakota, United States of America. Most of the work done in 2015 had focused on the potential for developing a resource play within the Mancos Shale at Whitewater with an ongoing and wide-ranging study of rock properties. A range of samples collected from various wells drilled over the years are being processed for maturity and rock mechanics. Planning for 3D seismic acquisition in the Williston Basin has commenced in an effort to identify highly-prospective pinnacle reefs suggested by previous 2D seismic data.



The Group owns a 100% working interest in VIC/P62, a petroleum exploration permit (“PEP”), which allows it to explore off the coast of Victoria. The Group is also the operator.

In 2015, the Group has employed a team of local expert consultants that has so far completed the first phase of a two-phase work plan. This study was commissioned in light of the 3D seismic acquired in 2013 and is intended to help define and rank a series of prospective targets. The Group is considering to continue the second phase of the work plan.



The Group won the bid for Area 14, located in the East Palawan Basin off the north-eastern coast of Borneo Island in 2013. However, the award process is currently delayed due to an ongoing dispute involving Area 14’s previous operator and the regulatory authorities in the Philippines. Once the dispute is resolved, the Group will finalise and execute the service contract for Area 14 with the regulatory authorities.



The Group owns and operates a 100% interest in PEP 38479, a 411 sq km area within the Taranaki Basin, located off the western coast of New Zealand’s North Island.

The Group was granted a deferral of its appraisal well commitment by the government of New Zealand while the Group considers the impact of the new oil price environment on the proposed style of development of the 2008 Awakino South discovery. The Group remains committed in its efforts to monetise the gas/condensate in the permit.

The Group was granted an extension of the petroleum exploration permit to 23 September 2019.



On 27 March 2015, Interlink Petroleum Limited (“IPL”) had entered into a binding memorandum of understanding with Sun Petrochemicals Private Limited, through its exploration and production division, Sun Oil & Natural Gas (“SONG”), for the transfer and assignment (the “Assignment”) from IPL to SONG of the production-sharing contracts in respect of IPL’s interests over the Modhera and Baola fields in India. During the financial year, the Assignment was completed with the Indian government’s approval.

**DIVIDER**

# Streamline Operations

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The Group had taken prudent measures to streamline its non-core oil and gas assets which were operationally inefficient and weighed down on the overall performance of the Group.



Loyz Energy Limited recognized its responsibility in conserving the environment and contributing back to the societies and community. We continue to strive towards securing certification and accreditation of certain components of our sustainability polices and achieving ISO and OHAS certification for our Group.

Our Group's Health, Safety and Environmental Policies are as follows:

## HEALTH & SAFETY POLICY

We are committed to provide a safe work place, preventing injuries, and protecting our assets through the following:

- ▶ Ensure health and safety practices are communicated and implemented across all areas of our operations and offices.
- ▶ Educate and train staff and subcontractors on hazard identification, mitigation and safe working practices as detailed in our corporate guidelines.
- ▶ Provide the tools and resources to our staff and subcontractors to augment our policies and procedures.
- ▶ Ensure our staff and subcontractors understand and accept they have an individual responsibility for their own safety and the safety of others.
- ▶ Commitment by our senior management to promote the safety culture from the top down.
- ▶ Ensure tracking, monitoring and reviewing of our safety performance.

- ▶ Ensure health and safety compliance with applicable legal and other regulatory requirements.
- ▶ Annual review of our policies to adapt to industry and corporate changes.

## ENVIRONMENTAL POLICY

We endeavor to reduce and lessen our corporate impact on the environment through the following:

- ▶ Conducting an Environmental Impact Assessment (EIA) prior to commencement of any development activity.
- ▶ Assessing energy efficiency at every level of our operations, with the objective of minimizing energy consumption and emissions of greenhouse gases.
- ▶ Ensure tracking, monitoring and reviewing of our environmental impact.
- ▶ Implementation of a strict asset maintenance regime to eliminate spills and other contamination.
- ▶ Educate and train our staff and subcontractors on our environmental policy and goals.
- ▶ Meet or exceed the required environmental or regulatory legislation during our operational and development activities.
- ▶ Implementation of office recycling, repurposing and upcycling.
- ▶ Support creative design concepts for our development activities that utilize alternate fuels, reduce flaring and minimize facility size.

**DIVIDER**

# Effective Cost Management

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The Group had taken initiatives to conserve its capital resources to support its operational requirements as well as to have the flexibility to undertake viable business opportunities that may arise.

# FINANCIAL HIGHLIGHTS

## REVENUE

US\$10.7m

FY2015 : US\$23.1m

## NET CASH FLOWS USED IN/FROM OPERATIONS

US\$0.4m

FY2015 : US\$6.9m

## EBITDAX<sup>(1)</sup>

US\$4.5m

FY2015 : US\$13.3m

## PRODUCTION VOLUME

313,702 barrels

FY2015 : 374,765 barrels

## CONSOLIDATED INCOME STATEMENT (US\$'000)

	FY2016 July'15 - June'16	FY2015 July'14 - June'15 (Restated)
Revenue	10,728	23,077
Gross profit	5,668	15,276
Net loss for the financial year	(25,238)	(71,627)

## BALANCE SHEET (US\$'000)

	As at 30 June 2016	As at 30 June 2015 (Restated)
Non-current assets <sup>(2)</sup>	108,471	131,995
Current assets	10,449	15,307
Non-current liabilities	80,187	83,073
Current liabilities	20,891	26,306
Equity attributable to owners of the parent	28,452	43,149
NAV per share (US cents)	2.73	5.22

### Notes

- (1) Earnings before interest, taxation, depreciation, amortisation and exploratory expenses.
- (2) Included oil and gas properties, exploration, evaluation and development assets as well as intangible assets (FY2016: US\$106.9m; FY2015: US\$120.2m)

## BOARD OF DIRECTORS



### **MR TEO CHOON KOW @ WILLIAM TEO**

*Chairman and Independent Director*

Mr Teo was first appointed as an Independent Director in July 2008 and subsequently, as Chairman, in May 2016. Between 1996 and 2004, he was vice-president of Walden International Investment Group, a venture capital firm based in Silicon Valley, and was responsible for its investments in Asia. Previously, he had served with Coopers & Lybrand as senior manager in its corporate finance department. He had also worked in the risk management, internal audit and loan departments of leading local banks in Singapore. Mr Teo is also an independent director of PSL Holdings Ltd and Wee Hur Holdings Ltd, as well as a director of Fral Ballistics Pte Ltd and Ascendant Technologies Pte Ltd. Mr Teo holds a Master of Management from the Asian Institute of Management in the Philippines. He is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.



### **MR JEFFREY PANG KEE CHAI**

*Chief Executive Officer and Executive Director*

Mr Pang was appointed as Chief Executive Officer of the Group and an Executive Director in May 2016, responsible for overseeing the operations of the Group. He joined the Group in July 2011 and was the Chief Financial Officer in charge of the Group's finance, accounting, tax, compliance and reporting matters. Before joining the Group, he was the financial controller of a private investment group involved in sectors such as oil and gas, property as well as food and beverage. He also held a senior finance role at an automotive group and served as an external auditor at Deloitte & Touche. Mr Pang, who has more than 15 years of audit and commercial experience, is a Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Singapore Chartered Accountants.

## MANAGEMENT TEAM

### **DR BRUCE MORRIS**

*Chief Technical Officer*

Dr Morris joined the Group in July 2011. As both a field- and office-based geologist, geophysicist and exploration manager, he has amassed more than 25 years of professional exploration experience across the globe, including in New Zealand, Australia, Papua New Guinea, China, Thailand, India and Cuba as well as research in the Antarctic. Within the Group, he utilises his wide-ranging technical expertise and network of contacts to monitor exploration and production operations, generate prospects and evaluate new opportunities. He earned his PhD in geology and geochemistry from the Victoria University of Wellington in New Zealand, where he later lectured in geology. He served at New Zealand Oil & Gas Ltd, Indo-Pacific Energy Ltd (now known as Austral Pacific Energy Ltd) and Pacific Tiger Energy as a geologist and geophysicist before setting up his own business as an oil exploration consultant. He has been a member of the American Association of Petroleum Geologists (AAPG) for 35 years and is a member of the South East Asia Petroleum Exploration Society (Seapex).





### **MR LEE CHYE CHENG, ADRIAN**

*Non-Executive Director*

Mr Lee was appointed as a Non-Executive Director in May 2016. Prior to this, Mr Lee was the Managing Director of the Group. His rich multidisciplinary experience in the corporate sector has been garnered from industries that span energy, financial services, property and hospitality. He also serves on the board of other listed companies, such as Interlink Petroleum Limited, Select Group Limited and Raimon Land Plc. Mr Lee holds a Bachelor of Finance from the University of Strathclyde, Glasgow, United Kingdom.



### **MR ONG BENG CHYE**

*Independent Director*

Mr Ong Beng Chye was appointed as an Independent Director in August 2016. He has more than 25 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is currently a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He also serves on the board as an independent director of other listed companies in Singapore, such as Geo Energy Resources Limited, Hafary Holdings Ltd, Heatec Jietong Holdings Ltd., IPS Securex Holdings Limited and Kitchen Culture Holdings Ltd.. Mr Ong holds a Bachelor of Science (Honours) from City, University of London. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants.

### **MR HO CHOO SOO**

*Financial Controller*

Mr Ho was appointed as the Financial Controller of the Group in May 2016. He is responsible for the Group's finance and accounting functions, including budgeting, managing of cash flow, taxation matters and ensuring compliance of statutory audit requirements for the Group. He joined the Group in July 2014 as Finance Manager and assisted the Chief Financial Officer on the Group's finance, accounting, tax, compliance and reporting matters. Prior to joining the Group, Mr Ho has over 10 years of experience in audit and accounting and previously served as an external auditor at KPMG. He holds a Bachelor of Science in Accounting and Finance from University of London.

# QUALIFIED PERSON'S REPORT

Summary of oil and gas reserves and resources

Category	Gross Attributable to licence (MMbbl / Bcf)	Net Attributable to the Company (MMbbl / Bcf)	Remarks
<b>RESERVES</b>			
<b>OIL RESERVES</b>			
1P	28.71	4.46	Thailand and US
2P	54.38	9.10	-
3P	81.24	13.95	-
<b>NATURAL GAS RESERVES</b>			
1P	-	-	-
2P	-	-	-
3P	-	-	-
<b>NATURAL GAS LIQUIDS RESERVES</b>			
1P	-	-	-
2P	-	-	-
3P	-	-	-
<b>CONTINGENT RESOURCES</b>			
<b>OIL</b>			
1C	0.74	0.09	US, New Zealand and
2C	2.39	0.37	India (excluding Baoloa)
3C	5.34	0.75	-
<b>NATURAL GAS</b>			
1C	9.00	0.90	New Zealand
2C	26.00	2.60	-
3C	57.00	5.70	-
<b>NATURAL GAS LIQUIDS</b>			
1C	-	-	-
2C	-	-	-
3C	-	-	-
<b>PROSPECTIVE RESOURCES</b>			
<b>OIL</b>			
Low Estimate	7.34	4.98	New Zealand and India
Best Estimate	40.39	27.76	-
High Estimate	95.35	63.57	-
<b>NATURAL GAS</b>			
Low Estimate	136.2	98.1	Australia, New Zealand and India
Best Estimate	1,019.5	730.9	-
High Estimate	2,254.9	1,614.3	-

## Legend

1C : Low estimate of contingent resources  
2C : Best estimate of contingent resources  
3C : High estimate of contingent resources

1P : Proved  
2P : Proved + Probable  
3P : Proved + Probable + Possible

MMbbl : Millions of barrels  
Bcf : Billions of cubic feet

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QUALIFIED PERSON'S REPORT

# FORGING AHEAD

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# CORPORATE GOVERNANCE REPORT

Loyz Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to ensure high standards of corporate governance for the protection of shareholders’ interests and to promote investors confidence.

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This report describes the corporate governance practices adopted by the Company for the financial year ended 30 June 2016 (“**FY2016**”) with specific reference made to each of the principles of the Singapore Code of Corporate Governance 2012 (the “**Code**”). The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

## BOARD MATTERS

### The Board’s Conduct of Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with the Management to achieve this objective and Management remains accountable to the Board.*

The primary function of the Board is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board’s role includes the following:

- (i) setting overall business direction and provide guidance on corporate strategic plans;
- (ii) monitoring financial performance including review and approval of interim and annual financial report;
- (iii) reviewing the adequacy and integrity of the Company’s internal controls, risk management systems, financial reporting systems and monitoring the performance of the Group and the Company’s management (“**Management**”);
- (iv) monitoring and approving major funding, investment, acquisitions, disposals and divestment proposals; and
- (v) reviewing interested person transactions.

All Directors objectively discharged their duties and responsibilities at all times and take decisions in the interests of the Group.

The Board is supported by the Audit Committee (“**AC**”), the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Risk Management Committee (“**RMC**”) (collectively, the “**Board Committees**”). The members of the Board Committees are drawn from the members of the Board and each of these Board Committees operates under the delegated authority from the Board.

The Board meets regularly and whenever deemed necessary and appropriate. Telephonic attendance is allowed under the Company’s Constitution (“**Constitution**”). When physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circular resolutions.

# CORPORATE GOVERNANCE REPORT

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The attendance of each Director at every Board and Board Committee meetings held during FY2016 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
<b>Number of meetings held:</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>1</b>
Attendance:					
Simon Charles Lockett <sup>(1)</sup>	5	4	–	1	–
Lee Chye Cheng, Adrian <sup>(2)</sup>	5	–	1	–	–
Teo Choon Kow @ William Teo <sup>(3)</sup>	5	4	1	1	1
Chia Yong Whatt <sup>(4)</sup>	4	4	1	1	1
Chan Eng Yew (Zeng Rongyao) <sup>(5)</sup>	4	–	–	1	1
Jeffrey Pang Kee Chai <sup>(6)</sup>	–	–	–	–	–
Ong Beng Chye <sup>(7)</sup>	–	–	–	–	–

## Notes:

- (1) Simon Charles Lockett resigned as a Director and Chairman of the Board with effect from 10 May 2016.
- (2) Lee Chye Cheng, Adrian resigned as a Managing Director and was re-designated from Executive Director to Non-Executive director with effect from 10 May 2016. He was appointed as a member of the Audit Committee and the Remuneration Committee with effect from 11 May 2016.
- (3) Teo Choon Kow @ William Teo was appointed as the Chairman of the Board with effect from 10 May 2016. He was appointed as Chairman of the Remuneration Committee and the Risk Management Committee with effect from 11 May 2016. He ceased as Chairman of the Risk Management Committee with effect from 11 August 2016.
- (4) Chia Yong Whatt resigned as a Director with effect from 10 May 2016.
- (5) Chan Eng Yew (Zeng Rongyao) resigned as a Director with effect from 10 May 2016.
- (6) Jeffrey Pang Kee Chai was appointed as a Director and Chief Executive Officer with effect from 10 May 2016. He was appointed as a member of the Nominating Committee and the Risk Management Committee with effect from 11 May 2016.
- (7) Ong Beng Chye was appointed as a Director, Chairman of the Nominating Committee and the Risk Management Committee, and a member of the Audit Committee and the Remuneration Committee with effect from 11 August 2016.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. Minutes of the Board Committee meetings are available to all Board members. The Board acknowledges that while these various Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

The Company does not have a formal training programme for its Directors. All Directors are updated on an on-going basis by way of circulars or via Board and Board Committee meetings on matters relating to the changes to relevant laws, regulations and accounting standards so as to enable them to properly discharge their duties as Board or Board Committee members. The external auditors would update the AC and the Board on new and revised financial reporting standards that are relevant to the Group, as well as governance standards.

Newly appointed Directors would receive a formal letter setting out the Director's duties and obligations and the Company would arrange orientation programs to enable the new Directors to familiarise themselves with the Group's business and governance practices. The Company would also arrange and fund such trainings for new Directors.

All material transactions require the Board's approval. Material transactions are those which do not ordinarily fall within the normal day-to-day operations of the Group, which include amongst others, investments, acquisitions and disposals, annual budgets, approval of annual reports and audited financial statements, declaration of dividends, convening of general meetings and approval of interested person transactions.

All Directors are required to disclose their interests in the Group including any interested person transactions with the Group.

# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

During and subsequent to FY2016, changes to the composition of the Board were made. As at the date of this annual report, the composition of the Board and Board Committees are as follows:-

Name	Designation of Board Members	Board Committee Membership			
		Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee
Teo Choon Kow @ William Teo	Independent Director and Chairman	Chairman	Member	Chairman	Member
Jeffrey Pang Kee Chai	Chief Executive Officer and Executive Director	-	Member	-	Member
Lee Chye Cheng, Adrian	Non-Executive Director	Member	-	Member	-
Ong Beng Chye <sup>(1)</sup>	Independent Director	Member	Chairman	Member	Chairman

**Note:**

<sup>(1)</sup> Ong Beng Chye was appointed as an Independent Director on 11 August 2016.

The Board is satisfied that there is a strong and independent element on the Board with Independent Directors making up half of the Board. As the Board currently comprises 4 Directors, of which 2 are independent to exercise objective judgement, the Company is in compliance with Guideline 2.2 of the Code.

Membership on the Board and Board Committees are carefully constituted to ensure equitable distribution of responsibilities and appropriate combination of skills and experience, as well as balance of power and independence.

The Independent Directors, who are Non-executive Directors, will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of the Management.

The NC reviews and recommends to the Board the size and composition of the Board and Board Committees taking into account the balance and diversity of skills, experience and gender, among other factors, on an annual basis. The NC and the Board have considered and are of the view that, taking into account the current scope and nature of the operations of the Group, the current size of the Board is appropriate and sufficient for effective decision-making and that the Board has the appropriate requisite mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. Each Director has been appointed based on the strength of his caliber, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group's strategies and the performance of its business. In carrying out their obligations as Directors, access to independent professional advice, where necessary, is available to all Directors, either individually or as a group, at the expense of the Company.

# CORPORATE GOVERNANCE REPORT

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The Board noted that gender diversity on the boards of directors is also one of the recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female Director appointed to the Board of Directors, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The independence of each Director is reviewed annually by the NC, based on the definition of independence as stated in the Code. The Code has defined an "Independent" director as one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Each Director is required to declare his independence by duly completing and submitting a declaration form. The Independent Directors, namely Mr Teo Choon Kow @ William Teo and Mr Ong Beng Chye, have confirmed their independence in accordance with the definition of the Code. None of the Independent Directors has served on the Board beyond nine years from the date of his first appointment.

## Chairman and Chief Executive Officer

*Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The Chairman of the Board is Mr Teo Choon Kow @ William Teo who is an Independent Director. Mr Teo is, amongst other things, responsible for leading the Board to ensure its effectiveness on all aspects of its role, and that adequate time is available for discussion for all agenda items and promote a culture of openness and debate at the Board.

The Group's Chief Executive Officer ("**CEO**") is Mr Jeffrey Pang Kee Chai who is responsible for the day-to-day operations of the Group as well as the exercise of control over the quality, quantity and timeliness of information flow between the Board and the Management.

The Company practices a clear division of responsibilities between the Chairman and the CEO. This ensures an appropriate balance of power between the Chairman and the CEO and thereby allows for increased accountability and greater capacity of the Board for independent decision-making. The Group keeps the posts of the Chairman and CEO separate. Mr Teo Choon Kow @ William Teo is the Non-Executive Chairman while Mr Jeffrey Pang Kee Chai is the Executive Director and CEO. The Non-Executive Chairman and the CEO are not related.

The Board believes that there is a strong and independent element on the Board and adequate safeguards are in place against an uneven concentration of power and authority vested in any single individual. As such, the Board has not appointed any Independent Director to assume the role of a lead independent director. However, the Board will review from time to time, the necessity of nominating a lead independent director.

## Board Membership

*Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

The NC comprises two Independent Directors and one Executive Director as follows:

Ong Beng Chye (Chairman)  
Teo Choon Kow @ William Teo  
Jeffrey Pang Kee Chai

During FY2016, Mr Teo Choon Kow @ William Teo, an Independent Director, was the Chairman of the NC. Subsequent to FY2016, Mr Ong Beng Chye was appointed as an Independent Director on 11 August 2016. The Board and the NC, having considered Mr Ong Beng Chye to be best fit for the position, appointed him as Chairman of the NC with effect from 11 August 2016.

## CORPORATE GOVERNANCE REPORT

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The NC is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments. It has adopted written terms of reference defining its membership, administration and duties. The NC reviews and makes recommendations on all nominations for appointments to the Board and on all re-nomination/re-election. Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he has an interest.

The NC met once during FY2016. The NC members attended the meeting and the Company Secretary was present at the meeting to record the proceedings.

All the Directors had declared their board representations. When a Director has multiple board representations, the NC will consider whether the Director is able to adequately carry out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board does not see any reason to set the maximum number of listed board representations that a Director may hold as all the Directors are able to devote to the Company's affairs in light of their commitments. The Board will review the maximum number of board representations when the need arises.

The election of a Director is held annually and in accordance with the Company's Constitution. One-third of the Directors are required to retire from office at each annual general meeting ("**AGM**"). In addition, all Directors are required to retire from office by rotation at least once every three years. In addition, the Company's Constitution provides that a newly appointed director must retire and submit himself for re-appointment at the next AGM following his appointment. Thereafter, he is subject to be re-appointed at least once every three years.

The re-election of each Director is voted on separate resolution during the AGM of the Company. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings of each Director standing for re-election are furnished in the annual report.

For re-appointment of Directors to the Board, the NC will take into consideration in its evaluation, amongst others, the competency, time commitment and experience in meeting the needs of the Company. The NC will then recommend the Directors to be re-appointed to the Board for approval.

At the forthcoming AGM of the Company, the NC had nominated and recommended, and the Board had agreed that Mr Lee Chye Cheng, Adrian, Mr Jeffrey Pang Kee Chai and Mr Ong Beng Chye will retire pursuant to the Company's Constitution. All of them, being eligible for re-election, have offered themselves for re-election.

The NC has reviewed the independence of each Director and is of the view that Mr Teo Choon Kow @ William Teo and Mr Ong Beng Chye are independent as defined in the Code and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The NC would review and nominate the most suitable candidate to the Board when a vacancy arises under any circumstances or where it is considered that the Board would benefit from the services of a new director with particular skills. The NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC then nominates the most suitable candidate to the Board. The Company Secretary will ensure that all appointments are properly made and regulatory obligations are met. The Company's sponsor is also kept abreast of any new appointments and the new candidate's resume is also provided to them for review. The Company's sponsor would interview the new candidate separately.

Currently, there is no alternate director on the Board.



# CORPORATE GOVERNANCE REPORT

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The profile of each Director is set out below.

Name of Director	Board appointment	Date of first appointment	Date of last re- appointment	Directorship/ Chairmanship in other SGX-ST listed companies (present and held over preceding 3 years)
Teo Choon Kow @ William Teo	Non-Executive and Independent	23/07/2008	30/10/2013	Present: Independent Director: 1. Wee Hur Holdings Ltd 2. PSL Holdings Ltd  Past: 1. See Hup Seng Limited
Jeffrey Pang Kee Chai <sup>(1)</sup>	Executive	10/05/2016	-	Present: NIL  Past: NIL
Lee Chye Cheng, Adrian <sup>(2)</sup>	Non-Executive	11/01/2011	31/10/2013	Present: NIL  Past: Independent Director: 1. Select Group Ltd
Ong Beng Chye <sup>(3)</sup>	Non-Executive and Independent	11/08/2016	-	Present: Independent Director: 1. Geo Energy Resources Limited 2. Hafary Holdings Ltd 3. Heatec Jietong Holdings Ltd. 4. IPS Securex Holdings Limited 5. Kitchen Culture Holdings Ltd.  Past: NIL

## Notes:

- <sup>(1)</sup> Jeffrey Pang Kee Chai was appointed as a Director with effect from 11 May 2016. He will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.
- <sup>(2)</sup> Lee Chye Cheng, Adrian was the Group's Managing Director from 31 March 2013 until his resignation on 10 May 2016. Pursuant to the Company's Constitution, he has not been subjected to retirement as a Director during his tenure as the Managing Director. He will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.
- <sup>(3)</sup> Ong Beng Chye was appointed as a Director with effect from 11 August 2016. He will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.

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Key information regarding the Directors' academic and professional qualifications and principal commitments is set out in the "Board of Directors / Management" section of this annual report. The shareholdings of the Directors in the Company and its subsidiaries are set out in the "Directors' Statement" section of this annual report.

## Board Performance

*Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

The NC is responsible for assessing the effectiveness of the Board as a whole and where appropriate, for assessing the contribution of each individual Director.

The evaluation of the Board is performed annually by having all members to complete a board evaluation questionnaire individually. The assessment parameters such as the Director's attendance and participation in and outside meetings, the quality of the Director's involvement as well as industry and business knowledge made by the Director will enable an all rounded evaluation, covering the various aspects of an effective Board. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the Board effectiveness.

The performance criteria for the board evaluation are in respect of board size and composition, board independence, board's decision-making processes, strategic planning, board information and accountability, board performance in relation to discharging its principal functions and financial targets.

The NC considers that the multiple board representations held presently by some of the Directors do not impede their performance in carrying out their duties to the Company and in fact, enhances the performance of the Board as it broadens the experience and knowledge of the Board.

Individual Director's performance was evaluated by requesting the NC members to complete the Director's evaluation form individually. Some factors taken into consideration by the NC members include availability at board meetings, degree of preparedness, ability to make informed decisions in the best interest of the Company and the contribution to develop strategies which are in line with the Company's vision.

The overall assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board was good for FY2016, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group. In addition, the Board has reviewed the performance of the respective Board Committees and is satisfied with their performance for FY2016.

# CORPORATE GOVERNANCE REPORT

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## Access to Information

*Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The Board and Board Committees are furnished with adequate and accurate information prior to any meeting so as to facilitate the Directors in the proper and effective discharge of their duties. Board papers are prepared for each Board and Board Committee meeting. The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at the Board and Board Committee meetings. Information about the Company and the Group are freely available to each Board member. The Management will supply any additional information that the Board requires. The Management and the senior executive officers of the Company and the Group are invited by the Board to attend the Board meetings to present their proposals or to answer any questions that Board members may have.

In carrying out their duties as directors, all Directors have full access to and may communicate directly with the Management, the Company Secretary, the internal and external auditors of the Company, on all matters whenever they deem necessary. The Management provides the Directors with regular updates on the operational and financial performance of the Group, and also responds to regular questions from the Board or individual Directors in a timely manner.

The Company Secretary provides corporate secretarial support to the Board and ensures adherence to Board procedures and the relevant rules and regulations which are applicable to the Company. The appointment and removal of the Company Secretary is a matter for consideration by the Board as a whole.

The Board may seek independent professional advice as and when necessary, at the Company's expense, to enable them to discharge their responsibilities effectively.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

The RC comprises two Independent Directors and one Non-Executive Director as follows:

Teo Choon Kow @ William Teo (Chairman)  
Ong Beng Chye  
Lee Chye Cheng, Adrian

The Chairman of the RC is an Independent Director.

During FY2016, Mr Chia Yong Whatt resigned as a Director and Chairman of the RC on 10 May 2016. Mr Teo Choon Kow @ William Teo, an Independent Director, was appointed in place thereof as the Chairman of the RC with effect from 11 May 2016.

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of the Directors and key executives of the Company ("**Key Executives**").

# CORPORATE GOVERNANCE REPORT

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It has adopted written terms of reference defining its membership, administration and duties. The RC meets when necessary to recommend and advise the Board on the remuneration of Executive Directors, senior executives and employees who are related to the Directors. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus. The RC also administers the Loyz Energy Employee Share Option Scheme and the Loyz Energy Performance Share Plan. The RC reports to the Board and met once in FY2016.

The RC has access to expert advice inside and/or outside the Company. During FY2016, the RC did not seek any external expert advice on the remuneration of Directors and Key Executives.

No Director is involved in deciding his own remuneration.

In reviewing the service agreements of the Executive Directors and Key Executives, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

## Level and Mix of Remuneration

*Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

The Company's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and Key Executives needed to run the Company and the Group successfully. The RC reviews the compensation annually to ensure that the remuneration of the Executive Directors and Key Executives commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.

The remuneration of the Executive Director is based on his service agreement for an initial period of three years and thereafter for such period as the Board may decide. The Board reviews the remuneration package of the Executive Director based on the recommendation of the RC.

Executive Directors do not receive directors' fees but are remunerated as members of the Management. The remuneration package of the Executive Director and the Key Executives comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Non-Executive Directors (including Independent Directors) are paid a fixed director's fee for their efforts and time spent, responsibilities and contribution to the Board, subject to approval by shareholders at the AGM of the Company.

There are no termination or retirement benefits granted to the Directors and Key Executives. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Director and Key Executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group.

All RC members attended the meetings and the Company Secretary was present at the meeting to record the proceedings.

# CORPORATE GOVERNANCE REPORT

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The long term incentive schemes of the Company are the Loyz Energy Performance Share Plan and the Loyz Energy Employee Share Option Scheme. The RC is responsible for the administration of the Loyz Energy Performance Share Plan and the Loyz Energy Employee Share Option Scheme in accordance with the rules of both schemes. Information and details of the share options and/or share awards granted are disclosed in the "Directors' Statement" section of this annual report.

## Disclosure on Remuneration

*Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The Code recommends the disclosure of the remuneration of each Director, the CEO and at the least, the Group's top five Key Executives (who are not also Directors or the CEO).

The Board, has on review, is of the opinion that it is in the best interests of the Group not to fully disclose in this annual report the exact remuneration of each Director, the CEO and the names of the Company's top five Key Executives (who are not also Directors or the CEO) and the total remuneration of each Key Executive in dollar terms, given the confidentiality and sensitivity of remuneration matters, and as the Board believes that such disclosure may be prejudicial to the Group's business interests given the competitive environment it is operating in as well as the disadvantages this brings.

The remuneration of the Directors for FY2016 in bands of S\$250,000 is as follows:

Remuneration band	Directors' fee %	Base salary %	Bonus %	CPF %	Allowance %	Share options and awards %	Total %
<b>S\$250,000 to S\$499,999</b>							
Lee Chye Cheng, Adrian <sup>(1)</sup>	-	82	14	4	-	-	100
Jeffrey Pang Kee Chai <sup>(2)</sup>	-	71	6	3	3	17	100
<b>Below S\$250,000</b>							
Simon Charles Lockett <sup>(3)</sup>	-	-	-	-	-	-	-
Teo Choon Kow @ William Teo	100	-	-	-	-	-	100
Chia Yong Whatt <sup>(4)</sup>	-	-	-	-	-	-	-
Chan Eng Yew (Zeng Rongyao) <sup>(5)</sup>	-	-	-	-	-	-	-
Ong Beng Chye <sup>(6)</sup>	-	-	-	-	-	-	-

### Notes:

- <sup>(1)</sup> Lee Chye Cheng, Adrian resigned as Managing Director and was re-designated from Executive Director to Non-Executive Director with effect from 10 May 2016.
- <sup>(2)</sup> Jeffrey Pang Kee Chai was appointed as a Director and Chief Executive Officer with effect from 10 May 2016.
- <sup>(3)</sup> Simon Charles Lockett resigned as a Director and Chairman of the Board with effect from 10 May 2016 and waived his remuneration for FY2016.
- <sup>(4)</sup> Chia Yong Whatt resigned as a Director with effect from 10 May 2016 and waived his remuneration for FY2016.
- <sup>(5)</sup> Chan Eng Yew (Zeng Rongyao) resigned as a Director with effect from 10 May 2016 and waived his remuneration for FY2016.
- <sup>(6)</sup> Ong Beng Chye was appointed as a Director with effect from 11 August 2016.

# CORPORATE GOVERNANCE REPORT

The remuneration of the top four Key Executives for FY2016 in bands of S\$250,000 is as follows:

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Remuneration band	Base salary %	Bonus %	CPF %	Allowance %	Share options and awards %	Total %
<b>S\$250,000 to S\$499,999</b>						
No. of Key Executives: One	84	6	1	4	5	100
<b>Below S\$250,000</b>						
No. of Key Executives: Three	35	-	1	-	64	100

There are only four Key Executives in the Group for FY2016.

The total aggregate remuneration paid to the Group's top four Key Executives (who are not also Directors or the CEO) during FY2016 was approximately US\$0.3 million.

The Company does not have any employee who is an immediate family member of a Director or the CEO for FY2016.

The breakdown of performance conditions which links to remuneration paid to the Executive Director and the top four Executives are not disclosed in this corporate governance section due to confidentiality reason.

## ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board is accountable to the shareholders of the Company and always aims to present a balanced and understandable assessment of the Company's and the Group's financial position and prospects to shareholders of the Company on a timely basis. The Company releases the Group's operating performance and financial results on a quarterly and full-year basis and other price sensitive information via SGXNET in an effort to provide its shareholders with a balanced and accurate assessment of the Group's performance, financial position and prospects.

The Management is accountable to the Board, and presents the quarterly and full year financial statements to the AC for review before the financial statements are recommended for adoption by the Board. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis. The financial results announcement is reviewed and approved during the Board and the AC meetings before being released. If required, the Group's external auditors' view will be sought. The Board ensures that all relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliances with the regulatory requirements.

In line with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), the Board provides a negative assurance statement to the shareholders of the Company in its quarterly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

# CORPORATE GOVERNANCE REPORT

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## Risk Management and Internal Controls

*Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interest and maintain accountability of its assets. While no cost-effective internal control system can provide absolute assurance against loss or misstatement, the Company's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably reduced, proper accounting records are maintained and financial information used within the business and for publication are reasonable and accurate.

During the financial year, the Company's external and internal auditors conducted their annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the AC. The AC, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting its business. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board, with the concurrence of the AC, is satisfied that the internal controls in place in the Group are adequate and effective to address risks relating to financial, operational, compliance, information technology controls and risk management systems for FY2016.

The Board notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities. The Board, together with the AC and the Management, will continue its risk assessment process, which is an on-going process, with a view to enhance and improve the existing internal control framework to identify and mitigate these risks.

The Board has also received assurance from the CEO and the Financial Controller (as the Company does not have a Chief Financial Officer) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems.

The Company has also set up the RMC which comprises two Independent Directors and one Executive Director as follows:

Ong Beng Chye (Chairman)  
Teo Choon Kow @ William Teo  
Jeffrey Pang Kee Chai

The Chairman of the RMC is an Independent Director.

During FY2016, Mr Chia Yong Whatt resigned as the Independent Director and Chairman of the RMC on 10 May 2016. Mr Teo Choon Kow @ William Teo, an Independent Director, was appointed in place thereof as the Chairman of the RMC with effect from 11 May 2016. On 11 August 2016, Mr Ong Beng Chye, the newly appointed independent non-executive director of the Company, was appointed as the Chairman of the RMC in place of Mr Teo Choon Kow @ William Teo.

The overall objective of the RMC is to advise the Board on the Group's overall risk tolerance and strategy by undertaking periodic environmental scans to gauge any possible impact on the risk profile of the Group. The RMC seeks to assist the Board in discharging its responsibility in respect of risk governance of the Company.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

*Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The AC comprises two Independent Directors and one Non-Executive Director as follows:

Teo Choon Kow @ William Teo (Chairman)  
Ong Beng Chye  
Lee Chye Cheng, Adrian

All members of the AC are Non-Executive Directors. The Chairman, Mr Teo Choon Kow @ William Teo, and Mr Ong Beng Chye are Independent Directors. Mr Teo Choon Kow @ William Teo has many years of experience in financial services. He possesses the appropriate accounting and related financial management experience and expertise. Mr Ong Beng Chye is an Independent Director of several listed companies on the SGX-ST and possesses the appropriate accounting and related financial management experience and expertise. Therefore, the Board is of the opinion that the members of the AC have sufficient financial and corporate management experience and expertise in discharging their duties.

The role of the AC is to assist the Board in discharging its responsibility to safeguard the assets of the Group, ensuring the maintenance of adequate accounting record procedures and processes and to develop and maintain effective systems of internal and risk controls.

The overall objective of the AC is to ensure that the Management has established and maintained an effective system of internal control and that the Management does not override the established system of internal controls.

The functions of the AC include the following:

- review with the external auditors the external audit plan;
- review with the external auditors their evaluation of the Company's internal accounting controls and their report on the financial statements and the assistance given by the Company's officers to them;
- review with the internal auditors the scope and results of the internal audit procedures;
- review the financial statements of the Group and the Company prior to their submission to the Board for adoption;
- review the interested person transactions (as defined in Chapter 9 of the Catalist Rules); and
- make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

In discharging the above duties, the AC has confirmed that it has full access and co-operation from the Management and was given reasonable resources to enable it to perform its functions properly.

During FY2016, the AC met four (4) times, with full attendance from each member, to review the quarterly unaudited, as well as the audited annual financial statements and all related disclosures to shareholders of the Company before submission to the Board for approval. The Company Secretary was present at all the meetings to record the proceedings.

The AC has full authority to investigate any matter when alerted on issues of internal controls, suspected fraud or irregularity.



## CORPORATE GOVERNANCE REPORT

It has full access to and cooperation of the Management and full discretion to invite any staff to attend its meetings.

Statutory audit review and the implementation of the Company's material internal controls are reviewed by the Company's current external auditors, BDO LLP, to the extent set out in their audit plan. Any material non-compliance and internal control weaknesses noted during their audit, and the external auditors' recommendations to address such non-compliance and weaknesses, will be reported to the AC. Any material non-compliances and internal control weaknesses will be followed up by the Management as part of the Management's role in the review of the Company's internal control systems. The external auditors have unrestricted access to the AC.

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The AC has reviewed the overall scope of the external audits and met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The AC has met with the external auditors separately without the presence of the Management to review any area of audit concern for FY2016.

During FY2016, the AC has reviewed the independence of the external auditors, including the nature and volume of non-audit services performed by the external auditors for the Group, and was satisfied that such non-audit services rendered would not prejudice the independence and objectivity of the external auditors. The aggregate amount of fees paid to the Company's external auditors in FY2016 is tabulated in the table below:

<b>Fees Paid</b>	<b>US\$'000</b>	<b>%</b>
Audit Services	67	75
Non-audit Services	22	25
<b>Total</b>	<b>89</b>	<b>100</b>

Non-audit services relate to some agreed-upon financial due diligence procedures performed by the Company's external auditors. The non-audit service fee is non-recurring in nature.

The Company's external auditors also briefed the AC on the changes in the financial reporting standards that will take effect during the financial year and also the following financial year. This ensures that the AC is kept abreast with the changes in financial reporting standards which have a direct impact on the Group's financial statements.

The Group has appointed the affiliated firms of its external auditors, BDO LLP, to be the auditors for its overseas subsidiaries. The Board and the AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rule 712 and Rule 715 of the Catalist Rules.

The AC has recommended to the Board, and the Board has accepted, the appointment of Crowe Horwath First Trust LLP as the Group's external auditors in place of BDO LLP for the current financial year ending 30 June 2017. There are no unresolved differences in opinion on material matters between BDO LLP and the Company or the Group, including matters which would have a material impact on the Group or its financial reporting for the financial year ended 30 June 2016. The proposed change in auditors from BDO LLP to Crowe Horwath First Trust LLP will be tabled in the forthcoming AGM of the Company, and further information thereto is set out in the circular to this annual report.

In line with the Code, the Company has implemented a whistle blowing policy and has incorporated it into the Company's internal control procedures. The whistle blowing policy will provide a well-defined and accessible channels in the Group through which the employees may raise concerns about improper conduct within the Group. The AC will review arrangements by which employees may raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The AC's objectives of such a policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. Multiple employees' briefings have been

# CORPORATE GOVERNANCE REPORT

conducted to update and explain the Company's whistle blowing policies adopted by the Company. There were no reported incidents pertaining to whistle-blowing for FY2016.

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No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

## Internal Audit

*Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Company has outsourced its internal audit function to an external professional firm for the purposes of reviewing the effectiveness of its internal controls and systems. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. The internal auditors report directly to the Chairman of the AC. The functions of the internal auditors include the review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The internal auditors discuss and agree on the annual internal audit plan with the AC at the beginning of each financial year. Subsequent internal audit findings and corresponding management responses to address these findings are reported at the meetings of the AC.

The internal auditors have carried out its functions according to the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC has reviewed the adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are staffed by qualified and experienced personnel with the relevant experience and that the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors to perform its function effectively. The AC will review annually the adequacy and effectiveness of the internal auditors.

## **SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### Shareholder Rights

*Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

The Group treats all shareholders fairly and equitably by disclosing material information through the SGX-ST in accordance with the Corporate Disclosure Policy of the SGX-ST. The Group had taken steps to ensure that all material information, including changes in the Company or its business that would likely to have material impact on the price or value of the Company's shares, are disclosed on an accurate and timely basis to all shareholders via SGXNET.

Shareholders are informed of all general meetings through notices and circulars sent to all shareholders. These notices are published in the daily local newspapers. The Group encourages active participation from all shareholders at general meetings. Directors, including the Chairman of the Board and the Board Committees, are also present at these general meetings to address questions from the shareholders.

# CORPORATE GOVERNANCE REPORT

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All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, were explained by the scrutineers at such general meetings.

Currently, the Constitution of the Company allows all shareholders (members) to appoint up to two proxies to attend general meetings and vote on their behalf.

## Communication with Shareholders

*Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

The Company does not practice selective disclosure. All shareholders are equally and timely informed of all major developments that affect the Group. The Company is committed to disclosing as much relevant information as is possible, in a timely, fair and transparent manner, to its shareholders.

Information is communicated to shareholders through:

- SGXNET announcements including press releases
- Annual reports and circulars
- Notice of AGM and EGM

Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Quarterly and full-year results as well as annual reports are announced or issued within the period prescribed by the SGX-ST and are available on the Company's website ([www.loyzenergy.com](http://www.loyzenergy.com)). The website, which is updated regularly, contains various other investor-related information on the Company which serves as an important resource for investors. The release of such timely and relevant information is crucial to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

The Company has engaged an investor relations consultancy firm to assist the Group in facilitating communications with all stakeholders – shareholders, analysts and media – to keep the investors public apprised of the Group's corporate developments and financial performance.

Shareholders are given the right to vote on the resolutions at general meetings. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The results of all general meetings of the Company will be notified and released through SGXNET after the meetings. Proxy form is sent with the notice of general meeting to all shareholders so that those shareholders who are unable to attend the general meeting in person can appoint a proxy or proxies to attend and vote on their behalf. The Constitution of the Company allow members of the Company to appoint not more than two proxies to attend and vote on their behalf.

There are separate resolutions at general meetings on each substantially separate issue. At AGMs of the Company, shareholders are invited to raise questions on any matters that need clarification and appropriate responses are given. The members of the AC, the NC, the RC, the RMC and the external auditors are present at all general meetings to address any queries from shareholders.

The reception after the AGM of the Company provides an opportunity for shareholders to informally communicate their views and expectations to the Company.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected

# CORPORATE GOVERNANCE REPORT

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capital requirements for business growth and other factors as the Board deem appropriate. The Board does not recommend any payment of dividends for FY2016 as the Group intends to conserve cash for its future working capital requirements and for the necessary capital expenditures.

## Conduct of shareholder meetings

*Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Group encourages full participation of the shareholders at general meetings to ensure a high level of accountability and identification with the Group's direction, strategy and goals. The Board views the AGM and the EGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the resolutions tabled for approval and/or ask the Directors or the Management questions regarding the Company and its operations. To facilitate and encourage such participation, Directors are present and available to address questions at general meetings. In addition, the external auditors are also present to address the shareholders' queries on the conduct of audit and the preparation and content of the independent audit report.

The Company will record the minutes of general meetings that include substantial and pertinent comments from shareholders relating to the agenda of the meetings and responses from the Management. Such minutes will be made available to shareholders upon their written request.

For greater transparency, the Company put all resolutions to vote by poll at general meetings and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day.

## **OTHER CORPORATE GOVERNANCE MATTERS**

### **DEALINGS IN SECURITIES**

The Company has adopted internal code of conduct and policies in line with the requirements of Rule 1204 (19) of the Catalyst Rules on dealings in securities of the Company.

The Directors, the Management and the officers of the Company are not permitted to deal in the Company's shares:

- a) on short-term considerations;
- b) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year or one month before the announcement of the Company's full year results, and ending on the date of announcement of the relevant results; and/or
- c) when they are in possession of unpublished price-sensitive information on the Company.

In addition, Directors, key management personnel and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Reminders are sent via email to all Directors and employees. The Company has conducted staff briefing to explain the Company's policy on this matter.

# CORPORATE GOVERNANCE REPORT

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## INTERESTED PERSON TRANSACTIONS

The Company has not obtained a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Catalist Rules.

All interested person transactions are subject to review by the AC to ensure that they are on an arm's length basis and on normal commercial terms that will not be prejudicial to the Company and its minority Shareholders.

The Company has put in place an internal procedure to track interested person transactions of the Group and to ensure that such transactions are reported to the AC on a timely manner.

<b>Name of interested person</b>	<b>Aggregate value of all interested person transactions during FY2016 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US\$'000</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 during FY2016 (excluding transactions less than S\$100,000) US\$'000</b>
Jit Sun Investments Pte Ltd (Interest on loans)	374	-

## NON-SPONSORSHIP FEE

With effect from 14 September 2016, ZICO Capital Pte. Ltd. was appointed as the Company's continuing sponsor in place of SAC Advisors Private Limited ("**SAC Advisors**"), formerly known as Canaccord Genuity Singapore Pte. Ltd..

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to SAC Advisors for FY2016.

## MATERIAL CONTRACTS

On 1 April 2014 and as supplemented on 7 August 2014, the Company entered into a convertible loan agreement with its then controlling shareholder, Jit Sun Investments Pte. Ltd. ("**Jit Sun**"), pursuant to which, *inter alia*, Jit Sun had extended a loan of up to S\$15 million at an interest rate of 5% per annum to the Company ("**Loan**"). As at 30 June 2015, S\$15 million has been drawn down by the Company. The Loan is unsecured and shall be repayable upon demand by Jit Sun.

Other than the above, there was no material contract entered into by the Company or any of its subsidiaries involving the interests of any Director or controlling shareholders of the Company, either still subsisting at the end of FY2016, or if not then subsisting, entered into since the end of the previous financial year ended 30 June 2015.

# CORPORATE GOVERNANCE REPORT

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## USE OF PROCEEDS FROM THE PLACEMENT

In June 2016, the Company completed a placement exercise of 102,454,000 new shares in the capital of the Company at an issue price of S\$0.0268 per share (the "Placement"), raising net proceeds of approximately S\$2.64 million. A summary of the use of the net proceeds from the Placement is as follows:-

	<b>Net proceeds utilised as at date of this annual report (S\$ million)</b>
Net proceeds from the Placement	2.64
Use of net proceeds:	
- General working capital <sup>(1)</sup> and development expenditure relating to Thailand oil fields	(1.70)
<b>Balance</b>	<b>0.94</b>

### Note:

<sup>(1)</sup> Comprises operating expenses and finance costs.

The above mentioned use of proceeds is in accordance with the intended use as stated in the Company's announcement dated 31 May 2016.

## RISK MANAGEMENT POLICIES AND PROCESSES

### Political Risks and Exposure

The Group is exposed to political risks and government initiatives, policies and regulations towards the oil and gas industry which may affect the level of oil and gas activities in the regions the Group operates or seeks to operate in. In order to lower the potential exposure, the Management reviews opportunities from a wide geographic area. The Group endeavors to lower risks by focusing on stable political environments.

### Exploration and Development Risks

The Group is also exposed to the exploration and development risks innate to the oil and gas industry. Each opportunity is reviewed by a technical team taking into account production history, availability of data, interpretation of data and track record of previous initiatives by other ventures.

### Reliance on Third Party Providers

The Management constantly evaluates resources against ongoing and developing workload in the worldwide endeavors. Through a fine balance between retaining core competencies in a lean in-house team and selective outsourcing of experienced consulting resources from the industry worldwide, the Group is able to remain flexible and dynamic while retaining global knowledge assets. This helps to manage the risk of retaining organizational capability while keeping internal team sizes at reasonable numbers and manageable costs. The Management work very closely with the selected partners and service providers to ensure timely and quality execution of projects globally.

# DIRECTORS' STATEMENT

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The Directors of Loyz Energy Limited (the "Company") are pleased to present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2016, the statement of financial position of the Company as at 30 June 2016 and the statement of changes in equity of the Company for the financial year ended 30 June 2016.

## 1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, and statement of changes in equity of the Company, together with the notes thereon, are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that, with the continuing financial support from its substantial shareholder, the Company will be able to pay its debts as and when they fall due.

## 2. DIRECTORS

The Directors of the Company in office at the date of this statement are:

Teo Choon Kow @ William Teo	(Independent Director and Chairman)
Jeffrey Pang Kee Chai	(Chief Executive Office and Executive Director, appointed on 10 May 2016)
Lee Chye Cheng Adrian	(Non-Executive Director)
Ong Beng Chye	(Independent Director, appointed on 11 August 2016)

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4, 5 and 6 of this report.

# DIRECTORS' STATEMENT

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## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings kept by the Company for the purpose of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company holding office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

	Share options or awards to subscribe for ordinary shares		Holdings registered in the name of the Director	
	Balance as at 1 July 2015 or date of appointment, if later	Balance as at 30 June 2016	Balance as at 1 July 2015 or date of appointment, if later	Balance as at 30 June 2016
<b>Company</b>				
<i>Ordinary shares</i>				
- Jeffrey Pang Kee Chai	-	-	430,000	1,430,000
- Lee Chye Cheng Adrian	-	-	50,000	50,000
<i>Share options</i>				
- Teo Choon Kow @ William Teo	770,000	770,000	-	-
- Jeffrey Pang Kee Chai	5,900,000	5,900,000	-	-
- Lee Chye Cheng Adrian	1,200,000	1,200,000	-	-
<i>Share awards</i>				
- Jeffrey Pang Kee Chai	1,000,000	313,000	-	-

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of Directors' shareholdings, the Directors' interests as at 21 July 2016 in the shares of the Company have not changed from those disclosed as at 30 June 2016.

## 5. SHARE OPTIONS

### Loyz Energy Employee Share Option Scheme

The Loyz Energy Employee Share Option Scheme (the "ESOS") was approved by the members of the Company at an extraordinary general meeting held on 30 November 2012 which provides for the grant of incentive share options to employees and Directors. The ESOS is administered by a committee ("Committee") whose members are:

- Teo Choon Kow @ William Teo (Independent Director and Chairman)
- Lee Chye Cheng Adrian (Non-Executive Director)
- Ong Beng Chye (Independent Director)



## 5. SHARE OPTIONS (CONTINUED)

### Loyz Energy Employee Share Option Scheme (Continued)

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Under the ESOS, the total number of shares in respect of which the Committee may grant options on any date, when added to the number of shares issued and issuable or delivered and deliverable in respect of (a) all options granted under the ESOS, and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen percent (15%) of the number of all issued shares (excluding treasury shares, as defined in the Act) on the day preceding that date. The ESOS allows the issue of options with a subscription price at a discount of up to 20% of the market price, or its nominal value, whichever is higher.

An option may be exercised in whole or in part, after the second anniversary of the date of grant of that option but before the fifth anniversary of the date of grant of that option in the case where options are granted at a discount, or after the first anniversary of the date of grant of that option in the case where options are not granted at a discount.

The lapsing of options is provided for upon the occurrence of certain events, which includes:

- (a) the termination of the grantee's employment;
- (b) misconduct on the part of the grantee as determined by the Committee;
- (c) bankruptcy of the grantee;
- (d) the company by which the grantee is employed ceasing to be a company within the Group; and
- (e) the winding-up of the Company (voluntary or otherwise).

### Activities under the ESOS:

The outstanding number of options at the end of the financial year was:

<b>Exercise price</b>	<b>Grant date</b>	<b>Exercise period</b>	<b>Number of options as at 30 June 2016</b>
S\$0.4200	18 December 2012	18 December 2013 to 18 December 2017	520,000
S\$0.4258	16 January 2013	16 January 2014 to 16 January 2018	1,200,000
S\$0.4200	24 October 2013	24 October 2014 to 24 October 2018	5,100,000
S\$0.4200	11 February 2014	11 February 2015 to 11 February 2019	150,000
S\$0.1794	10 November 2014	10 November 2015 to 10 November 2019	1,480,000
			8,450,000

# DIRECTORS' STATEMENT

## 5. SHARE OPTIONS (CONTINUED)

### Loyz Energy Employee Share Option Scheme (Continued)

Activities under the ESOS: (Continued)

The table below summarises the number of options that were outstanding, their weighted average exercise price as at the end of the financial year as well as the movements during the financial year.

	<b>2016</b>	
	<b>Number of options</b>	<b>Weighted average exercise price S\$</b>
As at 1 July	26,440,000	0.3820
Forfeited	(17,990,000)	0.3836
As at 30 June	8,450,000	0.3785
	<b>2015</b>	
	<b>Number of options</b>	<b>Weighted average exercise price S\$</b>
As at 1 July	27,640,000	0.4202
Granted	4,300,000	0.1794
Forfeited	(5,500,000)	0.4156
As at 30 June	26,440,000	0.3820

# DIRECTORS' STATEMENT

## 5. SHARE OPTIONS (CONTINUED)

### Loyz Energy Employee Share Option Scheme (Continued)

Activities under the ESOS: (Continued)

The following table summarises information about Directors' share options outstanding as at 30 June 2016:

Participants	Number of shares comprised in options granted during financial year under review	Aggregate number of shares comprised in options granted since commencement of ESOS to end of financial year under review	Aggregate number of shares comprised in options exercised since commencement of ESOS to end of financial year under review	Aggregate number of shares comprised in options outstanding as at end of financial year under review
<b>Directors of the Company</b>				
Teo Choon Kow @ William Teo	–	770,000	–	770,000 <sup>(a)</sup>
Jeffrey Pang Kee Chai	–	5,900,000	–	5,900,000 <sup>(b)</sup>
Lee Chye Cheng Adrian	–	1,200,000	–	1,200,000 <sup>(c)</sup>
Total	–	7,870,000	–	7,870,000

<sup>(a)</sup> Comprised 270,000 share options with exercise price of S\$0.4200 exercisable between the periods from 18 December 2013 to 11 February 2019 and 500,000 share options with exercise price of S\$0.1794 exercisable between the periods from 10 November 2015 to 10 November 2019.

<sup>(b)</sup> Comprised 5,400,000 share options with exercise price of S\$0.4200 exercisable between the periods from 18 December 2013 to 11 February 2019 and 500,000 share options with exercise price of S\$0.1794 exercisable between the periods from 10 November 2015 to 10 November 2019.

<sup>(c)</sup> Exercise price of S\$0.4258. Exercisable from 16 January 2014 to 16 January 2018.

No participant has received 5% or more of the total number of the options available under the ESOS.

Except as disclosed above, there were no options granted to (a) controlling shareholders and Independent Directors of the Company, (b) associates of the controlling shareholders and (c) Independent Directors of its subsidiaries, from the commencement of the ESOS up to the end of the financial year.

There were no options being exercised during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year except for those disclosed above.

# DIRECTORS' STATEMENT

## 6. SHARE AWARDS

### Loyz Energy Performance Share Plan

The Loyz Energy Performance Share Plan (the "PSP") was approved by the members of the Company at an extraordinary general meeting held on 30 November 2012 which provides for the grant of incentive share awards to employees and Directors. The PSP is administered by a committee ("Committee") whose members are:

- Teo Choon Kow @ William Teo (Independent Director and Chairman)
- Lee Chye Cheng Adrian (Non-Executive Director)
- Ong Beng Chye (Independent Director)

Under the PSP, the total number of shares in respect of which the Committee may grant awards on any date, when added to the number of shares issued and issuable or delivered and deliverable in respect of (a) all awards granted under the PSP, and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed fifteen percent (15%) of the number of all issued shares (excluding treasury shares, as defined in the Act) on the day preceding that date. In relation to each performance-related awards, the release of awards is based on the sole discretion of the Committee. The Committee reviews the performance conditions in respect of the awards and determines whether these have been satisfied. The Company shall release to the grantee the share awards on the vesting period in case where awards are not performance-related.

The lapsing of the awards is provided for upon the occurrence of certain events, which includes:

- (a) the termination of the grantee's employment;
- (b) Non-executive director ceasing to be a director of the Group;
- (c) the bankruptcy of the grantee;
- (d) the death of the grantee;
- (e) the breach by the grantee of any terms on the awards; and
- (f) the misconduct of the grantee as determined by the Committee in its discretion.

#### Activities under the PSP:

The outstanding number of share awards at the end of the financial year was:

<b>Market price at the date of grant</b>	<b>Grant date</b>	<b>Exercise period</b>	<b>Number of awards as at 30 June 2016</b>
S\$0.081	13 November 2015	13 November 2016	804,000

# DIRECTORS' STATEMENT

## 6. SHARE AWARDS (CONTINUED)

### Loyz Energy Performance Share Plan (Continued)

Activities under the PSP: (Continued)

The table below summarises the number of share awards that were outstanding as at the end of the financial year as well as the movements during the financial year.

	<b>2016</b>	
	<b>Number of awards</b>	<b>Market price at the date of grant S\$</b>
As at 1 July	4,780,000	0.1794
Granted	1,161,000	0.0810
Exercised	(4,780,000)	0.1794
Forfeited	(357,000)	0.0810
As at 30 June	804,000	0.0810
	<b>2015</b>	
	<b>Number of awards</b>	<b>Market price at the date of grant S\$</b>
As at 1 July	1,970,000	0.3947
Granted	4,950,000	0.1794
Exercised	(1,770,000)	0.3947
Forfeited	(370,000)	0.2958
As at 30 June	4,780,000	0.1794

Except as disclosed above, there were no awards granted to (a) controlling shareholders and Independent Directors of the Company, (b) associates of the controlling shareholders and (c) Independent Directors of its subsidiaries, from the commencement of the PSP to the end of the financial year.

## DIRECTORS' STATEMENT

### 7. AUDIT COMMITTEE

The members of the Audit Committee during the financial year and at the date of this report are:

Teo Choon Kow @ William Teo (Chairman)  
Lee Chye Cheng Adrian  
Ong Beng Chye

The Audit Committee carries out its functions in accordance with Section 201B (5) of the Act and the Code of Corporate Governance including the following:

- (i) reviews the audit plans and results of the external and internal audits;
- (ii) reviews the Group's financial and operating results and accounting policies;
- (iii) reviews the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Directors of the Company and the external auditors' report on those financial statements;
- (iv) reviews the quarterly, half-yearly and annual announcements on the results and financial position of the Company and of the Group;
- (v) ensures the co-operation and assistance given by the management to external auditors;
- (vi) makes recommendations to the Board on the appointment of external and internal auditors; and
- (vii) reviews the Interested Person Transactions as defined in Chapter 9 of the Rules of Catalist of SGX-ST as is required by SGX-ST and ensures that the transactions were on normal commercial terms and not prejudicial to the interests of the members of the Company.

The Audit Committee confirmed that it has undertaken a review of all non-audit services provided by the external auditors to the Group and noted that there were no non-audit services provided by the external auditors that would affect the independence of the external auditors.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2016.

The Audit Committee nominates Crowe Horwath First Trust LLP for appointment as the external auditors of the Company in place of the retiring auditors, BDO LLP, at the forthcoming Annual General Meeting of the Company.

## DIRECTORS' STATEMENT

### 8. ADDITIONAL DISCLOSURE REQUIREMENTS OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Company has appointed BDO LLP as the Company's auditors to audit the financial statements of the Group. Accordingly, Rule 712 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited has been complied with.

The auditors of the subsidiary corporations of the Company are disclosed in Note 8 to the financial statements. In the opinion of the Board of Directors and Audit Committee, Rule 715 of the Listing Manual Section B: Rules of the Catalyst of SGX-ST have been complied with.

On behalf of the Board of Directors

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**Jeffrey Pang Kee Chai**

Director

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**Teo Choon Kow @ William Teo**

Director

Singapore

28 September 2016

# INDEPENDENT AUDITORS' REPORT

To the Members of Loyz Energy Limited

## REPORT ON THE FINANCIAL STATEMENTS

046

We have audited the accompanying financial statements of Loyz Energy Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 30 June 2016, the consolidated statement of comprehensive income, statements of changes in equity of the Group and of the Company and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out in pages 48 to 124.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date.



# INDEPENDENT AUDITORS' REPORT

To the Members of Loyz Energy Limited

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

047

### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
28 September 2016

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

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	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
(Restated)					
<b>ASSETS</b>					
<b>Non-current assets</b>					
Exploration, evaluation and development assets	5	19,926	30,340	-	-
Oil and gas properties	6	60,511	61,423	-	-
Other property, plant and equipment	7	1,563	1,629	-	-
Investments in subsidiaries	8	-	-	69,836	62,492
Available-for-sale financial asset	9	-	7,289	-	-
Intangible assets	10	26,471	28,484	-	-
Other receivables	11	-	-	-	4,934
Prepayments	13	-	2,830	-	-
<b>Total non-current assets</b>		<b>108,471</b>	<b>131,995</b>	<b>69,836</b>	<b>67,426</b>
<b>Current assets</b>					
Inventories	14	2,350	2,699	-	-
Trade and other receivables	11	1,245	2,880	2,089	-
Other assets	15	755	1,144	-	-
Bonds receivable	16	2,627	-	-	-
Prepayments	13	1,011	980	931	836
Cash and cash equivalents	17	2,461	7,604	621	570
<b>Total current assets</b>		<b>10,449</b>	<b>15,307</b>	<b>3,641</b>	<b>1,406</b>
<b>Total assets</b>		<b>118,920</b>	<b>147,302</b>	<b>73,477</b>	<b>68,832</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Ordinary shares	18	115,440	110,554	115,440	110,554
Reserves	19	2,753	4,266	1,396	3,240
Accumulated losses		(89,741)	(71,671)	(52,259)	(47,516)
Equity attributable to owners of the parent		28,452	43,149	64,577	66,278
Non-controlling interests		(10,610)	(5,226)	-	-
<b>Total equity</b>		<b>17,842</b>	<b>37,923</b>	<b>64,577</b>	<b>66,278</b>

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

	Note	Group		Company	
		2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
		(Restated)			
<b>Non-current liabilities</b>					
Bank borrowings	20	19,317	18,889	-	-
Finance lease payables	21	55	86	-	-
Provision for restoration costs	22	-	13	-	-
Other payables	23	23,844	27,352	-	-
Deferred tax liabilities	24	36,971	36,733	-	-
<b>Total non-current liabilities</b>		<b>80,187</b>	<b>83,073</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Current income tax payable		1,146	3,420	-	-
Trade and other payables	23	15,405	14,770	8,900	2,554
Bank borrowings	20	4,323	8,079	-	-
Finance lease payables	21	16	36	-	-
Other liabilities	25	1	1	-	-
Total current liabilities		20,891	26,306	8,900	2,554
Total liabilities		101,078	109,379	8,900	2,554
<b>Total equity and liabilities</b>		<b>118,920</b>	<b>147,302</b>	<b>73,477</b>	<b>68,832</b>

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The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2016

	Note	2016 US\$'000	2015 US\$'000 (Restated)
Revenue	26	10,728	23,077
Cost of sales		(5,060)	(7,801)
Gross profit		5,668	15,276
<i>Other items of income</i>			
Interest income		20	51
Other income	27	109	708
<i>Other items of expense</i>			
Distribution costs		-	(13)
Administrative expenses		(2,953)	(5,875)
Finance costs	28	(689)	(1,885)
Other expenses		(1,184)	(1,473)
Other charges	29	(24,053)	(71,380)
Loss before income tax	30	(23,082)	(64,591)
Income tax expense	31	(2,156)	(7,036)
Loss for the financial year		(25,238)	(71,627)
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations, net of tax of \$Nil		639	201
Other comprehensive income for the financial year, net of tax		639	201
<b>Total comprehensive income for the financial year</b>		<b>(24,599)</b>	<b>(71,426)</b>
Loss attributable to:			
- Owners of the parent		(19,546)	(63,781)
Non-controlling interests		(5,692)	(7,846)
		(25,238)	(71,627)
<b>Total comprehensive income attributable to:</b>			
- Owners of the parent		(19,215)	(63,669)
- Non-controlling interests		(5,384)	(7,757)
		(24,599)	(71,426)
<b>Loss per share</b>	32		
- Basic (US cents)		(2.32)	(13.96)
- Diluted (US cents)		(2.32)	(13.96)

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

	Note	Ordinary shares US\$'000	Deemed capital contribution US\$'000	Share option/ award reserves US\$'000	Foreign currency translation account US\$'000	Accumulated losses US\$'000	Equity attributable to owners of the parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>Group</b>									
Balance at 1 July 2015 (Restated)		110,554	2,103	2,633	(470)	(71,671)	43,149	(5,226)	37,923
<b>Loss for the financial year</b>		-	-	-	-	(19,546)	(19,546)	(5,692)	(25,238)
<b>Other comprehensive income for the financial year</b>									
Foreign currency differences on translation of foreign operations		-	-	-	331	-	331	308	639
<b>Total comprehensive income for the financial year</b>		-	-	-	331	(19,546)	(19,215)	(5,384)	(24,599)
<b>Contributions by and distributions to owners of the parent</b>									
Issue of shares	18	4,220	-	-	-	-	4,220	-	4,220
Share awards exercised	19	666	-	(666)	-	-	-	-	-
Share options/awards forfeited	19	-	-	(1,593)	-	1,476	(117)	-	(117)
Grant of share options to employees	19	-	-	415	-	-	415	-	415
<b>Total transactions with owners of the parent</b>		4,886	-	(1,844)	-	1,476	4,518	-	4,518
Balance at 30 June 2016		115,440	2,103	789	(139)	(89,741)	28,452	(10,610)	17,842

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

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Group	Note	Ordinary shares US\$'000	Deemed capital contribution US\$'000	Share option/ award reserves US\$'000	Foreign currency translation account US\$'000	Accumulated losses US\$'000	Equity attributable to owners of the parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
Balance at 1 July 2014		76,279	-	2,065	(582)	(8,272)	69,490	2,531	72,021
<b>Loss for the financial year (Restated)</b>		-	-	-	-	(63,781)	(63,781)	(7,846)	(71,627)
<b>Other comprehensive income for the financial year</b>									
Foreign currency differences on translation of foreign operations		-	-	-	112	-	112	89	201
<b>Total comprehensive income for the financial year</b>		-	-	-	112	(63,781)	(63,669)	(7,757)	(71,426)
<b>Contributions by and distributions to owners of the parent</b>									
Issue of shares	18	33,715	-	-	-	-	33,715	-	33,715
Share awards exercised	19	560	-	(560)	-	-	-	-	-
Share options/awards forfeited	19	-	-	(503)	-	382	(121)	-	(121)
Grant of share options to employees	19	-	-	1,631	-	-	1,631	-	1,631
Disposal of plant and equipment to a substantial shareholder	19	-	2,103	-	-	-	2,103	-	2,103
<b>Total transactions with owners of the parent</b>		34,275	2,103	568	-	382	37,328	-	37,328
Balance at 30 June 2015 (Restated)		110,554	2,103	2,633	(470)	(71,671)	43,149	(5,226)	37,923

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2016

	Note	Ordinary shares US\$'000	Share option/ award reserves US\$'000	Foreign currency translation account US\$'000	Accumulated losses US\$'000	Total equity US\$'000
<b>Company</b>						
Balance at 1 July 2015		110,554	2,633	607	(47,516)	66,278
<b>Loss for the financial year</b>		-	-	-	(4,825)	(4,825)
<b>Total comprehensive income for the financial year</b>						
<b>Contribution by and distributions to owners of the parent</b>						
Issue of shares	18	4,220	-	-	-	4,220
Share awards exercised	19	666	(666)	-	-	-
Share options/awards forfeited	19	-	(1,593)	-	82	(1,511)
Grant of share options to employees	19	-	415	-	-	415
<b>Total transactions with owners of the parent</b>		4,886	1,844	-	82	3,124
Balance at 30 June 2016		115,440	789	607	(52,259)	64,577
Balance at 1 July 2014		76,279	2,065	607	3,678	82,629
<b>Loss for the financial year</b>		-	-	-	(51,209)	(51,209)
<b>Total comprehensive income for the financial year</b>						
<b>Contribution by and distributions to owners of the parent</b>						
Issue of shares	18	33,715	-	-	-	33,715
Share awards exercised	19	560	(560)	-	-	-
Share options/awards forfeited	19	-	(503)	-	15	(488)
Grant of share options to employees	19	-	1,631	-	-	1,631
<b>Total transactions with owners of the parent</b>		34,275	568	-	15	34,858
Balance at 30 June 2015		110,554	2,633	607	(47,516)	66,278

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The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2016

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	Note	2016 US\$'000	2015 US\$'000 (Restated)
<b>Operating activities</b>			
Loss before income tax		(23,082)	(64,591)
Adjustments for:			
Amortisation of intangible assets	10	16	31
Depletion of oil and gas properties	6	2,402	3,357
Depreciation of other property, plant and equipment	7	142	206
Impairment loss on exploration, evaluation and development assets	29	10,431	21,882
Impairment loss on intangible assets	29	1,999	15,200
Impairment loss on other property, plant and equipment	29	-	155
Impairment loss on available-for-sale financial asset	29	7,289	34,111
Reversal of provision for restoration cost	22	(12)	-
Prepayment written off	13	2,830	-
Write-down of inventories	14	244	-
Other assets written off	15	32	-
(Gain)/loss on disposal of plant and equipment	27/29	(29)	26
Other property, plant and equipment written off	29	-	6
Share-based payment expenses		415	1,631
Reversal of share options		(117)	(121)
Interest expense	28	689	1,885
Interest income		(20)	(51)
Operating cash flows before working capital changes		3,229	13,727
Working capital changes:			
Inventories		105	164
Trade and other receivables		1,600	475
Other assets		357	(197)
Prepayments		(117)	(828)
Trade and other payables		(1,437)	(2,802)
Cash generated from operations		3,737	10,539
Interest received		20	51
Income tax paid		(4,163)	(3,690)
Net cash (used in)/generated from operating activities		(406)	6,900

The accompanying notes form an integral part of these financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2016

	Note	2016 US\$'000	2015 US\$'000
<b>Investing activities</b>			
Acquisition of interest in Thailand operations, net of cash acquired		-	(312)
Acquisition of exploration, evaluation and development assets	5	(17)	(836)
Acquisition of other property, plant and equipment	7	(111)	(1,074)
Additions to oil and gas properties	6	(3,536)	(6,450)
Proceeds from disposal of other property, plant and equipment		55	15,547
Purchase of intangible assets		-	(22)
Net cash (used in)/generated from investing activities		(3,609)	6,853
<b>Financing activities</b>			
Interest paid		(157)	(1,326)
Proceeds from bank borrowings		-	1,348
Net proceeds from issue of ordinary shares		1,535	4,595
Repayment of finance lease payables		(51)	(23)
Repayment of borrowings		(2,884)	(31,436)
(Increase)/decrease in cash pledge		(20)	76
Advances and short-term loans		417	23,716
Repayment of short-term loans		(209)	(10,061)
Net cash used in financing activities		(1,369)	(13,111)
Net change in cash and cash equivalents		(5,384)	642
Foreign currency translation adjustments		646	282
Cash and cash equivalents at beginning of financial year		6,679	5,755
Cash and cash equivalents at end of financial year	17	1,941	6,679

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*The accompanying notes form an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

These notes form an integral part of and should be read in conjunction with the financial statements.

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## 1. GENERAL CORPORATE INFORMATION

Loyz Energy Limited (the “Company”) is a public limited company, incorporated and domiciled in Singapore with its principal place of business in Singapore and registered office at 8 Wilkie Road, #03-01 Wilkie Edge, Singapore 228095. The Company’s registration number is 199905693M.

The principal activities of the Company are those of investment holding and provision of management services to its subsidiaries.

The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

The statement of financial position as at 30 June 2016 and statement of changes in equity of the Company and the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 30 June 2016 were authorised for issue in accordance with a Directors’ resolution dated 28 September 2016.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (“FRS”) including related Interpretation of FRS (“INT FRS”). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below and on a going concern basis as disclosed in Note 4 to the financial statements.

The financial statements are expressed in United States dollar (“US\$”) and rounded to the nearest thousand (“US\$’000”), unless otherwise stated.

The preparation of financial statements in conformity with FRS requires the management to exercise judgement in the process of applying the Group’s and the Company’s accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the financial year, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the management’s best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that financial year, or in the financial year of the revision and future financial years if the revision affects both current and future financial years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

During the financial year, the Group and the Company adopted the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current and prior financial years.

#### FRS issued but not yet effective

As at the date of the authorisation of these financial statements, the Group and the Company have not adopted the following relevant FRS that have been issued but not yet effective:

		<b>Effective date (annual periods beginning on or after)</b>
FRS 1 (Amendments)	: Disclosure Initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs (November 2014)		1 January 2016

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

#### **FRS issued but not yet effective (Continued)**

##### ***FRS 109 Financial Instruments***

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 July 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The new impairment requirements are also likely to bring significant changes for impairment provision on trade and other receivables.

##### ***FRS 115 Revenue from Contracts with Customers***

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of preparation of financial statements (Continued)

#### **FRS issued but not yet effective (Continued)**

##### ***FRS 115 Revenue from Contracts with Customers (Continued)***

On initial adoption of this standard, there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. On adoption of FRS 115, the Group will be required to address variable consideration elements in determining the transactions price, which in turn will be the amount to be recognised as revenue for that financial year based on the actual quantity sold as at the end of that financial year. The difference between the estimated transaction price and the contract price of the products sold will be recognised as a contract liability shown on the Group's statement of financial position.

The Group is also in the process of assessing the potential impact on accounting for contract modifications.

The Group plans to adopt the standard in the financial year beginning on 1 July 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

##### ***FRS 116 Leases***

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise a right-of-use (ROU) asset and a lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17: Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 July 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

### 2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to the end of the financial year. The financial statements of the subsidiaries are prepared for the same reporting date as that of the parent company.

Accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group to ensure consistency.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which that control ceases. In preparing the consolidated financial statements, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment loss of the asset transferred.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *FRS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

### 2.3 Business combinations

The acquisition of subsidiaries or interests in joint operations that constitute a business is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent considerations.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under *FRS 103 Business Combinations* are recognised at their fair values at the acquisition date.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Business combinations (Continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

### 2.4 Oil and gas properties and other property, plant and equipment

Oil and gas properties and other property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, oil and gas properties and other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Oil and gas properties and other property, plant and equipment (Continued)

The cost of an asset includes expenditure that is directly attributable to the acquisition of the asset. Dismantlement, removal or restoration costs are included as part of the cost of the asset if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to the asset that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

An item of oil and gas properties and other property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

Oil and gas properties are depleted on a unit-of-production method by reference to the ratio of production in the period and the related commercial reserve of the field.

Freehold land is not depreciated.

Other property, plant and equipment are depreciated using the straight-line method to allocate the depreciable amounts over their estimated useful lives as follows:

Leasehold land	5 years
Leasehold building	61 years
Drilling rigs	20 years
Plant, machinery and equipment	
- Plant and machinery	21 years
- Other equipment	2-5 years
Furniture and fittings	
- Furniture and fittings	15 years
- Other furniture and fittings	3-5 years
Motor vehicles	5-10 years

Depreciation relating to property, plant and equipment attributable directly to activities for exploration, evaluation and development of oil and gas are capitalised as part of exploration, evaluation and development assets.

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of the future economic benefits embodied in the items of oil and gas properties and other property, plant and equipment.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Exploration, evaluation and development (“E,E&D”) assets

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#### Exploration and evaluation costs (“E&E”)

Exploration and evaluation activity involves the search for oil and gas resources, the determination of technical feasibility and the assessment of the commercial viability of an identified resource. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in profit or loss. Exploration and evaluation costs are capitalised in respect of each area of interest for which the rights to tenure are current and where:

- i. the exploration and evaluation costs are expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or
- ii. exploration and evaluation activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

Exploration and evaluation assets comprises costs that are directly attributable to: researching and analysing existing exploration data, gathering exploration data through topographical, geochemical and geophysical studies, exploratory drilling, trenching and sampling, determining and examining the volume and grade of the resource, examining and testing extraction and treatment methods, surveying transportation and infrastructure requirements, compiling pre-feasibility and feasibility studies and/or gaining access to areas of interest including occupancy and relocation compensation.

General and administrative costs are allocated to, and included in, the cost of exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the exploration and evaluation asset relates. In all other cases, these costs are expensed as incurred.

Exploration and evaluation assets are transferred to development costs, a component of E,E&D assets, when the technical feasibility and commercial viability of extracting the resource are demonstrable and sanctioned by management.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. If no potentially commercial oil and gas reserves are discovered, the exploration asset is written off as dry hole. If extractable oil and gas reserves are found and, subject to further appraisal activity (e.g., the drilling of additional wells), are likely to be capable of being commercially developed, the costs continue to be carried as an exploration and evaluation assets while sufficient/continued progress is made in assessing the commerciality of the oil and gas.

All such capitalised costs are subject to technical, commercial and management review as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 Exploration, evaluation and development (“E,E&D”) assets (Continued)

#### Development costs

Development costs incurred within an area of interest are considered as a component of a commercial development phase only upon its commitment to a commercial development.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development on delineation wells, is capitalised within E,E&D assets.

Amortisation is not charged on costs carried in respect of areas of interest in the development phase until production commences. When production commences, carried forward exploration, evaluation and development costs are transferred to oil and gas properties.

Development costs are reviewed for impairment in accordance with the Group’s accounting policy on impairment of non-financial assets as set out in Note 2.9 to these financial statements.

### 2.6 Intangible assets

#### Goodwill

Goodwill arising on the acquisition of a subsidiary or interests in joint operations that constitute a business represents the excess of the consideration transferred over the Group’s interest in the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When goodwill relates to a cash-generating unit but has not been allocated to that unit, the unit is tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit’s carrying amount, excluding any goodwill, with its recoverable amount. Impairment loss, if any, is allocated to reduce the carrying amount of the assets of the unit: first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or interest in joint operations that constitute a business, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Intangible assets (Continued)

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#### **Other intangible assets**

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

The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Intangible assets with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amount may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

The following are the other intangible assets:

#### **Software**

Software is stated at cost less accumulated amortisation and impairment losses, if any. The cost is amortised using the straight-line method over the estimated useful life of 2-5 years.

#### **Acquired pre-exploration data**

Acquired pre-exploration data has indefinite useful life as the Group has a contractual right to the exclusive use of the asset indefinitely and in perpetuity.

#### **Overriding royalty interest**

Overriding royalty interest is estimated to have indefinite useful life as the exploration period of the concession cannot be reliably measured.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Subsidiaries

Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Investments in subsidiaries are accounted for at cost less accumulated impairment losses, if any, in the Company's statement of financial position.

### 2.8 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.7). Joint arrangements are classified as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interest in joint operations by recognising its share of assets, liabilities, revenue and expenses in accordance with its contractually enforced rights and obligations.

To the extent that an arrangement provides the Group with rights to the assets and obligations for liabilities relating to the arrangement, regardless that the Group has no joint control, the arrangement is accounted for similar to an interest in joint operations.

When the Group acquires interests in a joint operations/arrangements similar to a joint operation that constitute a business, the acquisition is accounted for in accordance with the Group's accounting policy on business combinations as set out in Note 2.3 to these financial statements, and any goodwill arising on the business combination is accounted for in accordance with the Group's accounting policy on goodwill as set out in Note 2.6 to these financial statements.

### 2.9 Impairment of non-financial assets excluding E&E assets and goodwill

The carrying amounts of non-financial assets are reviewed at the end of each financial year to determine whether there is any indication of impairment loss and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Impairment of non-financial assets excluding E&E assets and goodwill (Continued)

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An impairment loss is recognised whenever the carrying amount of an asset (or its cash-generating unit) exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups of assets. Impairment loss is recognised in profit or loss.

The recoverable amount of an asset (or cash-generating unit) is the higher of its fair value less costs to sell and its value in use. Recoverable amount is determined for individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the recoverable amount is determined for the cash-generating unit to which the assets belong. The fair value less costs to sell is the amount obtainable from the sale of an asset (or cash-generating unit) in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life, discounted at pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the asset (or cash-generating unit) for which the future cash flow estimates have not been adjusted.

An assessment is made at the end of each financial year as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss has been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation 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 Financial assets

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the purpose of which the assets are acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of the financial year, where allowed and appropriate.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified within "trade and other receivables", "bond receivables", "other assets" and "cash and cash equivalents" on the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (Continued)

#### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of the asset within 12 months after the end of the financial year.

Investments in equity instruments that do not have any quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost, less any impairment loss.

#### **Recognition and derecognition**

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership.

On derecognition of a financial asset, the difference between the carrying amount and the net consideration proceeds is recognised in profit or loss.

#### **Initial and subsequent measurement**

Financial assets are initially recognised at fair value plus in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less impairment loss, if any.

After initial recognition, investments in equity instruments classified as available-for-sale financial assets that have no active market prices and whose fair value cannot be reliably measured are carried at cost less impairment loss.

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Financial assets (Continued)

#### **Impairment**

The Group and the Company assess at the end of each financial year whether there is objective evidence that a financial asset or a group of financial assets is impaired.

#### **Loans and receivables**

An allowance for impairment loss of loans and receivables is recognised when there is objective evidence that the Group and the Company will not be able to recover all amounts due according to the original terms of the receivables. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

#### **Available-for-sale financial assets**

Significant or prolonged declines in the fair value of debt or equity security below its carrying amount, significant financial difficulties of the issuer or obligor and the disappearance of an active trading market for the security are considerations to determine whether there is objective evidence that the available-for-sale financial asset is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its carrying amount and its current fair value, less any impairment loss previously recognised in equity is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss.

Investment in equity instruments whose fair value cannot be reliably measured are carried at cost, less any impairment loss. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at current market rate of return for similar financial asset. Such impairment loss shall not be reversed.

### 2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks and financial institutions. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at bank and fixed deposits net of fixed deposits pledged and bank overdraft.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the “weighted-average” method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price at which inventories can be realised in the ordinary course of business less estimated costs of completion and costs incurred in marketing and distribution.

Spare parts and consumables are usually carried as inventory and recognised in profit or loss when consumed. They are recognised in oil and gas properties or other property, plant and equipment if they are expected to be used for more than one year.

### 2.13 Provisions

Provisions are recognised when the Group and the Company have present legal or constructive obligations as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated. Provisions are not recognised for future operating losses.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

#### **Provision for restoration costs**

The Group recognises its obligations for the future removal and site restoration of oil and gas facilities, wells, pipelines and related assets in accordance with the provisions of its exploration permits or in line with the applicable regulations.

Initial estimated costs for dismantlement and site restoration of oil and gas assets are to be recognised as part of acquisition costs of the oil and gas assets, which will subsequently be depreciated as part of the acquisition costs of the asset.

In the most instances, the removal of these assets will occur many years in the future. The provision for restoration costs is the best estimate of the present value of the future expenditures required to undertake the restoration obligation at the financial year, based on the current legal requirements. The estimate of future removal costs therefore requires management to make judgements regarding the timing of removal, the extent of restoration activities required and future removal technologies.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 Financial liabilities

Financial liabilities are classified as other financial liabilities.

The accounting policies adopted for other financial liabilities are set out below:

#### **Trade and other payables**

Trade and other payables are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Group and the Company, and are subsequently measured at amortised cost using the effective interest method.

#### **Bank borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the end of the financial year are presented as current borrowings even though the original term was for a period longer than 12 months and an agreement to refinance or to reschedule payments on a long-term basis is completed after the end of the financial year and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the end of the financial year are presented as non-current borrowings in the statements of financial position.

#### **Recognition and derecognition**

Financial liabilities are recognised on the statements of financial position when, and only when, the Group and the Company become parties to the contractual provisions of the financial instruments.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received.

Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction from the proceeds.

### 2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services rendered in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sales of crude oil is recognised upon passage of title to the customer which generally coincides with their delivery and acceptance.

Interest income is recognised on a time-apportionment basis using the effective interest method.

### 2.17 Employee benefits

#### Defined contribution plans

Contributions to defined contribution plans are recognised as expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

#### Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

### 2.18 Leases

#### When the Group and the Company are the lessees of finance leases

Leases in which the Group and the Company assume substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair values and the present values of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.18 Leases (Continued)

#### **When the Group and the Company are the lessees of finance leases (Continued)**

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

#### **When the Group and the Company are the lessees of operating leases**

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

### 2.19 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the financial year in which they are incurred.

### 2.20 Taxes

Income tax expense for the financial year comprises current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

#### **Current tax**

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates (and tax laws) enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year, and any adjustment to income tax payable in respect of previous financial years.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Taxes (Continued)

#### **Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

Deferred tax assets and liabilities are set off when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

#### **Royalties**

In addition to corporate taxes, the Group's consolidated financial statements also included and recognised as income taxes, other type of taxes on net income which are calculated based on oil and gas production.

Royalties are accounted for under FRS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed by the government tax authority and the amount payable is based on taxable income – rather than based on physical quantity produced or as a percentage of revenue – after adjustment for temporary differences. For such arrangements, current and deferred tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in US\$, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the results and financial positions of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing rate at the end of the financial year;
- (ii) income and expenses are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transactions dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting foreign currency exchange differences are recognised in other comprehensive income and presented in the foreign currency translation account in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation account.

On disposal of a foreign operation, the accumulated foreign currency translation account relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Share-based payments

The Group operates an equity-settled share-based compensation plan for its employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non-market based vesting conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each financial year, the Group reviews and revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised over the remaining vesting period with a corresponding adjustment to the share option reserve.

Fair value is measured using the Trinomial option pricing model. The expected life used in the model has been adjusted, based on the external independent valuers' best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each financial year a revision is made to the number of options that are expected to become exercisable, it recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

### 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors who make strategic decisions for the Group.

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### 3.1 Critical judgements made in applying the Group's and the Company's accounting policies

In the process of applying the Group's and the Company's accounting policies as disclosed in Note 2 to these financial statements, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

#### Oil and gas reserve estimates

Oil and gas properties are depleted on a unit-of-production method by reference to the ratio of production in the period and the related commercial reserve of the field. The Group estimates its commercial reserves based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the hydrocarbon body and suitable production techniques and recovery rates. Commercial reserves are determined using estimates of oil and gas in place, recovery factors and future oil prices. Future development costs are estimated using assumptions as to number of wells required to produce the commercial reserves, the cost of such wells and associated production facilities, and other capital costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.1 Critical judgements made in applying the Group's and the Company's accounting policies (Continued)

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#### **Oil and gas reserve estimates (Continued)**

As the economic assumptions used of may change and as additional geological information is obtained during the operation of a field, estimates recoverable reserves may change. Such changes may impact the Group's reported financial position and results, which include:

- the carrying amount of oil and gas properties, other property, plant and equipment, development assets and goodwill may be affected due to changes in estimated future cash flows or viability to continue; and
- depletion and depreciation charges in profit or loss may change where such changes are determined using the units of production method, or where the useful life of the related assets change.

#### **Recoverability of development assets and oil and gas properties**

The Group assesses each asset or cash-generating unit (excluding goodwill and intangible assets with indefinite useful lives, which are assessed annually regardless of indicators) at each financial year to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in geological circumstances and market prices will impact these projections, which may impact the recoverable amount of assets and/or cash-generating units.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for development assets and oil and gas properties is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/cash-generating unit.

#### **Capitalisation and impairment of exploration and evaluation assets**

Exploration and evaluation costs are capitalised/deferred in the statement of financial position, in respect of areas of interest for which the rights of tenure are current and where such costs are expected to be recouped or exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves.

The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.1 Critical judgements made in applying the Group's and the Company's accounting policies (Continued)

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis and as and when there is an indication that goodwill may be impaired. This determination requires significant judgement. Whenever there is an indication that the cash-generating units to which the goodwill was allocated may be impaired, the cash-generating units are tested for impairment by comparing their carrying amounts, excluding any goodwill, with their recoverable amounts.

#### Impairment of indefinite-lived intangible assets (other than goodwill)

The Group determines whether the other indefinite-lived intangible assets, which includes acquired pre-exploration data and overriding royalty interest, are impaired on an annual basis, irrespective of whether there is any indication of impairment. In addition, the Group reviews the useful life of the intangible assets on an annual basis to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. These require significant judgement. The intangible assets are tested for impairment by comparing their respective carrying amounts with the recoverable amounts.

#### Impairment of investments in subsidiaries and other receivables from subsidiaries

The Company follows the guidance of FRS 36 and FRS 39 in determining whether an investment in subsidiary or other receivables from subsidiaries are impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of an investment or the fair value of a financial asset is less than its carrying amount and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty as at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year, are discussed below.

#### Units of production depletion of oil and gas properties

Oil and gas properties are depleted on a unit-of-production method by reference to the ratio of production in the period and the related commercial reserve of the field. This results in a depletion charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved and probable developed and undeveloped reserves, or future capital assumptions used in estimating reserves, including:



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### 3.2 Key sources of estimation uncertainty (Continued)

#### Units of production depletion of oil and gas properties (Continued)

- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions; or
- unforeseen operational issues.

Any changes in estimates are accounted for prospectively.

The carrying amount of the Group's oil and gas properties as at 30 June 2016 was US\$60,511,000 (2015: US\$61,423,000).

A 1% difference in the forecasted production based on total petroleum reserves from management's estimates will result in approximately 0.04% (2015: 0.05%) variance in the net carrying amount of oil and gas properties.

#### Income taxes

The Group and the Company recognised liabilities for expected income taxes based on the estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made. The carrying amounts of the Group's deferred tax liability and current income tax payable as at 30 June 2016 were approximately US\$36,971,000 (2015: US\$36,733,000) and US\$1,146,000 (2015: US\$3,420,000) respectively.

## 4. GOING CONCERN

The Group and the Company incurred a net loss of US\$25,238,000 (2015: US\$71,627,000) and US\$4,825,000 (2015: US\$51,209,000) respectively and the Group resulted to negative operating cash flow of US\$406,000 for the financial year ended 30 June 2016, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by US\$10,442,000 (2015: US\$10,999,000) and US\$5,259,000 (2015: US\$1,148,000) respectively.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due having regard to the following:

- (i) The controlling substantial shareholder, Jit Sun Investments Pte Ltd, who is financially able to do so, has provided to the Group a letter of financial support to enable the Group and the Company to continue as going concerns and support their operating activities for the next 18 months;
- (ii) The Directors of the Company carried out a detailed review of the Group's cash flow forecast prepared by the management for the next 18 months. Based on the cash flow forecast, the Directors of the Company are of the opinion that there is adequate liquidity to finance the working capital requirements of the Group and the Company for the next 18 months. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Group and the Company to generate sufficient revenue, obtain additional funding or seek for alternative payment arrangements to satisfy the Group's and the Company's current obligations,

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 4. GOING CONCERN (CONTINUED)

which may impact the operations of the Group and the Company during the next 18 months. The Directors of the Company are of the opinion that the assumptions which are included in the cash flow forecast are reasonable; and

- (iii) Subsequent to the financial year, as disclosed in Note 20 to the financial statements, the Group has obtained in-principle approval from its principal banker to restructure the repayment terms for one of its outstanding loans with a carrying amount of US\$19,177,000 which would allow the Group to manage its cash flow to meet its obligations as and when they fall due.
- (iv) Subsequent to the financial year, as disclosed in Note 23 to the financial statements, Carnarvon Thailand Limited, seller of the participating interests in the Thailand operations, has expressed their willingness to exercise flexibility with the next payment due in December 2016 and September 2017.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements.

## 5. EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

	Exploration and evaluation assets US\$'000	Development costs US\$'000	Total US\$'000
<b>Group</b>			
Balance as at 1 July 2015	10,414	19,926	30,340
Additions	17	-	17
Impairment loss	(10,431)	-	(10,431)
Balance as at 30 June 2016	-	19,926	19,926
Balance as at 1 July 2014	16,336	35,112	51,448
Additions	182	858	1,040
Impairment loss	(6,094)	(15,788)	(21,882)
Currency translation adjustment	(10)	(256)	(266)
Balance as at 30 June 2015	10,414	19,926	30,340

On 6 August 2012, Loyz NZ Ventures Limited ("Loyz NZ") entered into a Farm-in Agreement ("Agreement") with STP Energy Pte Ltd ("STP") for the acquisition of certain participating interests held by STP in respect of permit, PEP38479, granted by the New Zealand Government which expires on 23 September 2016. The permit incorporates certain milestones for aspects of the exploration of the permit area including the drilling of an appraisal well by December 2013, failing which the permit would need to be surrendered.

In the previous financial year, Loyz NZ applied to the New Zealand Government for Change of Conditions ("COC") for an extension of time for drilling of well. Subsequent to the financial year, the COC was approved and an extension was granted and the drilling deadline was extended to September 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 5. EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS (CONTINUED)

Management assessed the exploration, evaluation and development assets (“E,E&D”) for impairment and owing to the weak oil price outlook, has recognised full impairment loss of US\$10,431,000 (2015: US\$21,882,000), in the capitalised exploration and evaluation assets. This has been recognised in profit or loss and included in “Other charges” line item. The remaining balance relates to development assets arising from the acquisition of the Thailand operations as disclosed in Note 12.2 to the financial statements.

During the financial year, the Group’s non-cash additions to E,E&D assets include the following:

	Group	
	2016	2015
	US\$’000	US\$’000
Borrowing costs	–	41
Depreciation of plant and equipment	–	13
Amortisation of software	–	27
Foreign exchange loss	–	123

## 6. OIL AND GAS PROPERTIES

	Group	
	2016	2015
	US\$’000	US\$’000
<b>Cost</b>		
As at beginning of financial year	65,501	57,307
Additions	4,931	8,194
Re-measurement of deferred consideration (Note 23)	(3,441)	–
As at end of financial year	66,991	65,501
<b>Accumulated depletion</b>		
As at beginning of financial year	4,078	721
Depletion	2,402	3,357
As at end of financial year	6,480	4,078
<b>Carrying amount</b>		
As at end of financial year	60,511	61,423

The Group’s additions to oil and gas properties include capitalised borrowing costs amounting to US\$2,169,000 (2015: US\$2,706,000) arising from the amortisation of deferred consideration and bank loans borrowed specifically for the purpose of the acquisition of 20% participating interest in petroleum concessions (Note 12.2) whereby exploration works and drilling of new development wells are ongoing. Out of the total borrowing costs capitalised, an amount of US\$774,000 (2015: US\$962,000) was paid in cash. The rate used to determine the amount of borrowing cost eligible for capitalisation was 4.5% (2015: 4.5%) per annum, which approximates the effective interest rate of the specific borrowing.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 6. OIL AND GAS PROPERTIES (CONTINUED)

For the purpose of the consolidated statement of cash flows, the Group's additions to oil and gas properties during the financial year comprised:

	Group	
	2016	2015
	US\$'000	US\$'000
Additions to oil and gas properties	4,931	8,194
Less: Capitalised borrowing costs outstanding as at the end of the financial year	(1,395)	(1,744)
Net cash payments made (including borrowing costs paid)	3,536	6,450

## 7. OTHER PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold land and building	Plant, machinery and equipment	Furniture and fittings	Motor vehicles	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>						
<b>Cost</b>						
Balance as at 1 July 2015	1,042	108	656	140	400	2,346
Additions	51	10	36	14	-	111
Disposal	-	-	(3)	-	(151)	(154)
Currency translation adjustment	-	(5)	(15)	(1)	(1)	(22)
Balance as at 30 June 2016	1,093	113	674	153	248	2,281
<b>Accumulated depreciation and impairment loss</b>						
Balance as at 1 July 2015	-	83	355	130	149	717
Depreciation	-	3	80	6	53	142
Disposal	-	-	(3)	-	(125)	(128)
Currency translation adjustment	-	(4)	(7)	(1)	(1)	(13)
Balance as at 30 June 2016	-	82	425	135	76	718
<b>Carrying amount</b>						
Balance as at 30 June 2016	1,093	31	249	18	172	1,563

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 7. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land and building	Plant, machinery and equipment	Furniture and fittings	Motor vehicles	Drilling rigs	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cost</b>							
Balance as at 1 July 2014	907	109	540	139	370	-	2,065
Additions	135	5	154	6	174	13,897	14,371
Written off	-	(1)	(23)	(4)	-	-	(28)
Disposal	-	-	(3)	-	(142)	(13,897)	(14,042)
Currency translation adjustment	-	(5)	(12)	(1)	(2)	-	(20)
Balance as at 30 June 2015	1,042	108	656	140	400	-	2,346
<b>Accumulated depreciation and impairment loss</b>							
Balance as at 1 July 2014 (Restated)	-	19	177	116	111	-	423
Depreciation	-	4	135	11	69	-	219
Written off	-	-	(19)	(3)	-	-	(22)
Disposal	-	-	(1)	-	(51)	-	(52)
Impairment loss	-	61	66	7	21	-	155
Currency translation adjustment	-	(1)	(3)	(1)	(1)	-	(6)
Balance as at 30 June 2015	-	83	355	130	149	-	717
<b>Carrying amount</b>							
Balance as at 30 June 2015	1,042	25	301	10	251	-	1,629

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 7. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 30 June 2016, the Group's motor vehicles with carrying amount of approximately US\$154,000 (2015: US\$221,000) were purchased under finance lease agreements as disclosed in Note 21 to the financial statements.

On 13 May 2015, the Group exercised its call option and entered into an agreement to terminate a finance lease arrangement entered in 2014 ("termination agreement") in relation to two drilling rigs held and leased by Fram Exploration ASA ("Fram") (Note 9) at a termination consideration of US\$13,897,000. Immediately following the termination agreement, the Group entered into a sale and purchase agreement with a substantial shareholder to sell the two rigs for a price of US\$16,000,000 ("sale proceeds") payable entirely in cash. As at 30 June 2015, a balance of US\$520,000 remained outstanding from the substantial shareholder (Note 11). The balance has been partially collected in the current financial year.

The excess of the net sale proceeds over the termination consideration amounting to US\$2,103,000 had been accounted for as a deemed capital contribution from the substantial shareholder as disclosed in Note 19 to the financial statements.

During the financial year, the Group's additions to other property, plant and equipment were financed as follows:

	2016 US\$'000	2015 US\$'000
Cash payments to acquire other property, plant and equipment	111	1,074
Acquired under finance lease agreements	-	85
Issuance of shares pursuant to termination of finance lease agreement in relation to two drilling rigs	-	11,212
Amount due to a third party in relation to the termination of finance lease agreement of the two drilling rigs (Note 9,23)	-	2,000
Total additions to other property, plant and equipment	111	14,371

## 8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 US\$'000	2015 US\$'000
Unquoted equity shares, at cost	31,738	31,738
Capital contribution in the form of share options issued to employees of a subsidiary	1,829	2,933
Loans deemed as investments in subsidiaries	87,517	78,787
Impairment loss	(51,248)	(50,966)
	69,836	62,492

In the current financial year, the Company has renegotiated the terms of its loans to its subsidiaries and agreed not to demand repayment of such loans. Owing to the change in the terms of the loans, management has transferred and deemed these loans as investments in subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Particulars of subsidiaries are listed as follows:

Name of company (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non- controlling interests ("NCI")		Principal activities
	2016	2015	2016	2015	
	%	%	%	%	
Loyz Oil Pte. Ltd. <sup>(1)</sup> (Singapore)	100	100	-	-	Exploration and production of oil and gas and investment holding
Interlink Petroleum Limited <sup>(2)</sup> (India)	51.8	51.8	48.2	48.2	Exploration and production of oil and gas and investment holding
Loyz NZ Ventures Limited <sup>(2)</sup> (New Zealand)	51	51	49	49	Exploration and production of oil and gas
Loyz Oil Australia Pty Ltd <sup>(2)</sup> (Australia)	100	100	-	-	Exploration and production of oil and gas and investment holding
Loyz Oil Philippines Pte. Ltd. <sup>(3)</sup> (Singapore)	100	100	-	-	Dormant
Loyz Oil New Zealand Ltd <sup>(3)</sup> (New Zealand)	100	100	-	-	Dormant
Loyz Oil HK Limited <sup>(3)</sup> (Hong Kong)	100	100	-	-	Dormant
Loyz Oil Malaysia Sdn Bhd <sup>(3)</sup> (Malaysia)	100	100	-	-	Dormant
Loyz Oil Thailand Pte. Ltd. <sup>(1)</sup> (Singapore)	100	100	-	-	Exploration and production of oil and gas and investment holding
Loyz USA Holdings LLC <sup>(2)</sup> (United States of America)	100	100	-	-	Investment holding
Loyz Rex Drilling Services LLC <sup>(2)</sup> (United States of America)	100	100	-	-	Exploration and production of oil and gas
Loyz America Inc. <sup>(2)</sup> (United States of America)	100	100	-	-	Dormant

### Notes:

<sup>(1)</sup> Audited by BDO LLP, Singapore.

<sup>(2)</sup> Reviewed by BDO LLP, Singapore, for consolidation purposes.

<sup>(3)</sup> Not required to be audited as the subsidiary is dormant during the financial year.

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# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Interest in subsidiaries with material NCI

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Loss allocated to NCI		Total comprehensive income attributable to NCI		Accumulated NCI	
	2016	2015	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Interlink Petroleum Limited	(479)	(7,794)	(171)	(7,705)	(5,514)	(5,343)
Loyz NZ Ventures Limited	(5,213)	(52)	(5,213)	(52)	(5,096)	117
<b>Total</b>	<b>(5,692)</b>	<b>(7,846)</b>	<b>(5,384)</b>	<b>(7,757)</b>	<b>(10,610)</b>	<b>(5,226)</b>

Summarised financial information in respect of each of the group's subsidiaries that has material NCI is set out below. The summarised financial information below represents amounts before intragroup eliminations.

### Summarised statement of financial position

	Interlink Petroleum Limited		Loyz NZ Ventures Limited	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Assets and Liabilities</b>				
Non-current assets	-	-	-	10,497
Current assets	71	377	1	8
Non-current liabilities	(10,849)	(10,520)	-	-
Current liabilities	(554)	(1,050)	(1)	(3,763)
Net (liabilities)/assets	(11,332)	(11,193)	-	6,742

### Summarised statement of comprehensive income

	Interlink Petroleum Limited		Loyz NZ Ventures Limited	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the year	(778)	(16,277)	(6,743)	(105)
Other comprehensive income	639	186	-	-
Total comprehensive income	(139)	(16,091)	(6,743)	(105)



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

### Impairment of subsidiaries

During the financial year, an full impairment loss of US\$282,000 has been recognised in the Company's profit of loss in respect of its investment in subsidiary in New Zealand. This subsidiary is still at its exploration phase and impairment is triggered by the weak oil price outlook which has a significant impact on the viability of continuing exploration activities in New Zealand.

In the previous financial year, management assessed its investments in subsidiaries for impairment. Following the results of their assessment, an impairment loss of US\$50,966,000 had been recognised in the Company's profit or loss in respect of its investments in subsidiaries in India and Australia.

Management assessed impairment on the following bases:

- Investment in India: Full impairment had been recognised based on value-in-use calculations ("VIU") from cash flows forecasts derived from the most recent financial budgets approved by the management covering the period till the expiry of the permit;
- Investment in Australia: As this subsidiary was still at its exploration phase, impairment was triggered by the weak oil price outlook which had a significant impact on the viability of continuing exploration activities in Australia. Full impairment had been recognised following full impairment of the goodwill (Note 10) and E,E&D assets (Note 5) arising from non-core concessions in Australia.

The key assumptions used for the VIU calculations included sales projections, crude oil selling price of US\$57 to US\$73 per barrel, operating costs and others. Future cash flows were discounted using a discount rate of 10% - 15% per annum.

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2016	2015
	US\$'000	US\$'000
Unquoted equity securities at cost	41,400	41,400
Impairment loss	(41,400)	(34,111)
	-	7,289

In 2014, the Group completed the acquisition of 20% equity interest in Fram for an aggregate consideration of US\$41,400,000 which was satisfied as follows:

- (i) US\$6,500,000 by way of a set-off of Loyz USA's obligation to pay for the new Fram shares against Fram's promissory note issued to Loyz USA;
- (ii) US\$27,900,000 by way of lease of the Group's drilling rigs (Note 7) and call option on those rigs;
- (iii) US\$4,000,000 by way of cash; and
- (iv) US\$3,000,000 by way of issue of 11,301,000 new ordinary shares of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 9. AVAILABLE-FOR-SALE FINANCIAL ASSET (CONTINUED)

Under the terms of the lease agreement with Fram, Fram will lease the 2 drilling rigs for 5 years and has an option to purchase the rigs at US\$1 after 900 days from the date of the transaction. The legal title of the rigs remains with the Group until the option to purchase is exercised by Fram.

As at 30 June 2015, the Group's equity interest in Fram was diluted to 13.75% following the issuance of shares by Fram to a third party in the previous financial year.

The Group had assessed its involvement in Fram and concluded that it had no significant influence as it cannot participate in Fram's financial and operating decisions.

On 13 May 2015, as disclosed in Note 7 to the financial statements, the Group entered into a termination agreement with Fram to terminate the lease arrangement for the drilling rigs for an aggregated termination consideration of US\$13,897,000 which was satisfied as follows:

- (i) US\$2,500,000 by way of a cash payment, a balance of US\$2,000,000 remained payable to Fram as at 30 June 2015 (Note 16/23);
- (ii) US\$11,212,000 by way of issue of 136,500,000 new ordinary shares of the Company;
- (iii) US\$185,000 by payment of insurance premium on the drilling rigs on behalf of Fram.

In the previous financial year, the Group had assessed its available-for-sale financial asset for impairment. Owing to the weak oil price outlook and increased financial difficulties faced by Fram, the Group had recognised impairment loss of US\$34,111,000 in "Other charges" in profit or loss. Management had determined the impairment loss based on estimated present values of future cash flows with reference to the entity's latest audited financial statements. The audited financial statements included adjustments to reflect the recoverable amounts of the entity's non-financial assets.

In the current financial year, owing to the continued weak oil price outlook, the Group has recognised full impairment loss in respect of the net carrying amount of the available-for-sale financial asset of US\$7,289,000 (2015: US\$34,111,000) in "Other charges" in profit or loss.

The currency profile of the Group's available-for-sale financial asset as at the end of the financial year is United States dollar.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 10. INTANGIBLE ASSETS

	Goodwill US\$'000	Acquired pre- exploration data US\$'000	Software US\$'000	Overriding royalty interest US\$'000	Total US\$'000
<b>Group</b>					
<b>Cost</b>					
Balance as at 1 July 2015	40,142	593	230	2,886	43,851
Additions	-	-	-	-	-
Currency translation adjustment	-	-	3	-	3
Balance as at 30 June 2016	40,142	593	233	2,886	43,854
<b>Accumulated amortisation and impairment loss</b>					
Balance as at 1 July 2015	12,173	94	214	2,886	15,367
Amortisation	-	-	16	-	16
Impairment loss (Note 29)	1,500	499	-	-	1,999
Currency translation adjustment	-	-	1	-	1
Balance as at 30 June 2016	13,673	593	231	2,886	17,383
<b>Carrying amount</b>					
Balance at 30 June 2016	26,469	-	2	-	26,471
<b>Cost</b>					
Balance as at 1 July 2014	40,142	593	207	2,886	43,828
Additions	-	-	22	-	22
Currency translation adjustment	-	-	1	-	1
Balance as at 30 June 2015	40,142	593	230	2,886	43,851
<b>Accumulated amortisation and impairment loss</b>					
Balance as at 1 July 2014	-	-	107	-	107
Amortisation	-	-	58	-	58
Impairment loss (Note 29)	12,173	94	47	2,886	15,200
Currency translation adjustment	-	-	2	-	2
Balance as at 30 June 2015	12,173	94	214	2,886	15,367
<b>Carrying amount</b>					
Balance as at 30 June 2015	27,969	499	16	-	28,484

In the previous financial year, amortisation expense of software amounting to approximately US\$27,000 was included in E,E&D assets as disclosed in Note 5 to the financial statements and the remaining balance was included in "administrative expenses" line item in profit or loss. No amortisation expense was capitalised to E,E&D in the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 10. INTANGIBLE ASSETS (CONTINUED)

### Pre-exploration data and software

Pre-exploration data relates to non-core concessions in Australia, New Zealand and the Philippines. During the financial year, full impairment of US\$499,000 (2015: US\$141,000) was recognised to write down the carrying amount of the acquired pre-exploration data and software in relation to the Group's non-core concessions in Philippines and New Zealand (2015: Australia and India). Impairment of these assets were triggered by the weak oil price outlook resulting in full impairment of goodwill and E,E&D assets arising from these countries.

### Overriding royalty interest

The overriding royalty interest relates to the Group's rights to a 28.5% overriding royalty interest in the gross production of oil and gas from the Awakino permit area (Petroleum Exploration Permit 38479) in New Zealand, under Loyz NZ.

In the previous financial year, the Group performed an impairment review on the recoverability of the overriding royalty interest. As a result of the review, a full impairment of US\$2,886,000 had been provided owing to the weak oil price outlook and its indicative negative impact to the viability of continuing further explorations in one of the New Zealand permit areas, in particular Awakino, New Zealand.

### Goodwill

Goodwill arising on acquisition of Loyz Oil, Interlink Petroleum Limited ("Interlink") and the Thailand operations (Note 12.2) is attributable mainly to the potential for the recognition of or the access to additional reserves and the synergies expected to be achieved from integrating the investees into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

### Impairment testing of goodwill

For the purpose of management's impairment assessment, goodwill is allocated to the Thailand operations as a CGU (2015: Interlink India, Australia, New Zealand, United States of America and Thailand operations).

The recoverable amount of the Group's goodwill has been determined based on value-in-use calculations for the assets owned by the CGU using management-approved discounted cash flow projections covering a period of 8 - 24 years, at pre-tax discount rate of 10% (2015: 10% - 15%) and forecasted annual production volume. The forecasted growth rate is 2% (2015: 2% to 2.5%).

Management has assessed that a longer period for the financial forecast of the above CGU is appropriate considering the long-term development plans for the fields and the terms of the respective permits.

The value-in-use calculations are most sensitive to the following assumptions:

- Production volumes;
- Discount rate; and
- Crude oil and gas prices.

Estimated production volumes are based on detailed data for the fields and taking into account the development plans for the fields approved by Board of Directors as part of the long-term planning process.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 10. INTANGIBLE ASSETS (CONTINUED)

### Impairment testing of goodwill (Continued)

The discount rate represents the current market assessment of the risk specific to the CGU, regarding the time value of money and individual risks of underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and derived with reference to the weighted average cost of capital (WACC) of the CGU, adjusted for the risks specific to the CGU.

Crude oil and gas prices of US\$42 to US\$56 (2015: US\$57 to US\$73) per barrel are based on publicly available forecast commodity prices and are adjusted for quality, transportation fees, and regional price differences.

During the financial year, owing to the weak oil price outlook, the Group recognised partial impairment loss of approximately US\$1,500,000 in relation to its Thailand operations. In the previous financial year, full impairment loss of US\$12,173,000 has been recognised on goodwill allocated to non-core concessions in Interlink India, New Zealand, Australia and United States of America.

#### Sensitivity analysis

Management believes that no reasonably possible change in any key assumptions used in the value-in-use calculation will cause the carrying amount of the CGU to materially exceed its recoverable amount.

## 11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
<b>Current</b>				
Trade receivables				
- third party	969	2,232	-	-
Non-trade receivables				
- subsidiaries	-	-	2,089	-
- third parties	115	128	-	-
- substantial shareholder	161	520	-	-
	1,245	2,880	2,089	-
<b>Non-current</b>				
Non-trade receivables				
- subsidiaries	-	-	-	4,934
	-	-	-	4,934
Total trade and other receivables	1,245	2,880	2,089	4,934

The trade amounts due from a third party are unsecured, interest-free and repayable within the normal credit terms of 30 (2015: 30) days.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

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## 11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The non-trade receivables from third parties are unsecured, interest-free and repayable on demand.

The non-trade receivables from a substantial shareholder are unsecured, interest-free and repayable on demand.

The non-trade receivables due from subsidiaries represent loans to subsidiaries which are unsecured and repayable on demand. The loans are non-interest bearing (2015: bears interest at 2.8% per annum).

The loan is expected to be repaid in the next financial year. In the previous financial year, it is not practicable to determine the fair value of these loans as the repayment terms have not been fixed.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore dollar	-	-	-	-
United States dollar	161	519	2,089	4,934
Thai baht	1,083	2,355	-	-
New Zealand dollar	1	4	-	-
Indian rupee	-	2	-	-
	1,245	2,880	2,089	4,934

## 12. INTEREST IN JOINT OPERATIONS/ARRANGEMENTS SIMILAR TO JOINT OPERATIONS

### 12.1 Interest in joint operation with Trident

On 26 November 2011, Loyz Oil Australia Pty Ltd ("Loyz Australia") entered into a farm-in agreement with Trident Energy Limited ("Trident") in relation to the acquisition of Petroleum Exploration Permit VIC/P62 (the "Permit") over Area V04-2 in the Victorian Adjacent Area, Australia (the "Permit Area") granted to it by the Commonwealth-Victoria Offshore Petroleum Joint Authority.

Pursuant to the farm-in agreement, Loyz Australia shall have:

- (i) 20% interest upon payment of A\$650,000 and subject to government approval of the transfer of interest;
- (ii) Further 31% interest upon completion of the 3D Seismic Program; and
- (iii) Further 19% upon issuance of the 3D Seismic Interpretation Report.

As at 30 June 2013, the Group held 51% interest in the Permit.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 12. INTEREST IN JOINT OPERATIONS/ARRANGEMENTS SIMILAR TO JOINT OPERATIONS (CONTINUED)

### 12.1 Interest in joint operation with Trident (Continued)

In 2014, the Group obtained an additional 19% interest in the Permit after issuance of the 3D Seismic Interpretation Report. Accordingly, the Group held 70% interest in the joint operations as at 30 June 2014. There was no change to the interest held by the Group as at the end of the financial year.

Pursuant to the minimum requirements approved by Victoria Offshore Petroleum Joint Authority, Loyz Australia has an obligation to complete the 175 square kilometer 3D Seismic acquisition, processing and interpretation before the expiration of the Permit (i.e. 10 July 2019).

Subsequent to the financial year, on 21 July 2016, Loyz Australia and Trident entered into a termination of joint operation agreement, whereby Trident undertook to transfer its entire 30% interest in the Permit to Loyz Australia at Nil consideration, being a farm-out decision. Pursuant to the termination, Loyz Australia held 100% interest in the Permit subsequent to the financial year and as at the date of this report.

The Loyz-Trident joint operation is reviewed by BDO LLP, Singapore, for consolidation purposes.

### 12.2 Interest in the Thailand operations

On 30 April 2014, Loyz Thai had completed the acquisition of 20% participating interest in Petroleum Concessions Nos. 1/2527/24 (SW1), 3/2546/60 (L44/43) and 5/2546/62 (L33/43) located about 300 km north of Bangkok, Thailand (the "Thailand operations") from Carnarvon Thailand Limited ("CVN"). The management had assessed that, considering the voting procedure prescribed in the International Operating Agreements ("IOA") with the operator and CVN, Loyz Thai did not have joint control in the Thailand operations. Pursuant to the terms of the IOA, the Group will share the rights and interests; the obligations, liabilities and expenses incurred by the operator, in accordance to its participating interest, and accordingly, it is an arrangement similar to a joint operation.

The Group acquired the interest in the Thailand operations in order to improve its financial results and cash flows as the Thailand operations are profitable with oil reserves. In addition, the acquisition is in line with the Group's strategy of adding prime assets to its existing portfolio.

The aggregate consideration for the acquisition, including future finance charges for the deferred consideration as disclosed below, was US\$65,000,000 which was/will be satisfied as follows:

- (i) cash payment of US\$33,000,000; and
- (ii) deferred consideration of US\$32,000,000 payable annually starting 30 November 2015 for an amount equal to 12% of the concession revenue for the financial year, not exceeding US\$10,000,000 for any given payment year. The balance was measured at its present value at initial recognition and subsequently carried at amortised cost as disclosed in Note 23 to the financial statements.

The following amounts represents the assets controlled and liabilities and the expenses incurred by the Group that were included in the Group's financial statements:

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 12. INTEREST IN JOINT OPERATIONS/ARRANGEMENTS SIMILAR TO JOINT OPERATIONS (CONTINUED)

### 12.2 Interest in the Thailand operations (Continued)

	Group	
	2016	2015
	US\$'000	US\$'000
<b>Assets and Liabilities</b>		
Non-current assets	59,658	59,283
Current assets	5,343	12,317
Non-current liabilities	(38,007)	(37,769)
Current liabilities	(1,792)	(4,419)
<b>Profit or loss</b>		
Income	10,728	23,077
Expenses	(8,822)	(15,836)

The Thailand operations is audited by PricewaterhouseCoopers ABAS Ltd in Thailand.

## 13. PREPAYMENTS

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Current	1,011	980	931	836
Non-current	-	2,830	-	-
	1,011	3,810	931	836

The Group's prepayments classified as non-current assets in the previous financial year represent prepayments in relation to the proposed co-operation between Loyz Oil and a third party to utilise certain proprietary technologies of the latter to obtain information on the possible presence of oil and gas reserves in selected areas. During the financial year, pursuant to the full impairment of the Group's non-core assets in New Zealand, Australia, Philippines, India and United States which are the areas covered by the proposed co-operation, the Group wrote off US\$2,830,000 (2015: Nil) of this prepayment which is recognised in the "Other charges" line item in the Group's profit or loss.

Included in current prepayments is an amount of approximately US\$717,000 (2015: US\$794,000) pertaining to capitalised transactions costs in relation to the Group's S\$250,000,000 Multicurrency Medium Term Note Programme (the "MTN Programme") issued on 3 October 2014. No notes have been issued in respect of the MTN Programme as at the end of the financial year and as at the date of this report.



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 14. INVENTORIES

	Group	
	2016	2015
	US\$'000	US\$'000
Stores and consumables	2,336	2,682
Crude oil	14	17
	2,350	2,699

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by approximately US\$244,000 (2015: Nil) recognised in the "Other charges" line item in the Group's profit or loss.

## 15. OTHER ASSETS

	Group	
	2016	2015
	US\$'000	US\$'000
Deposits to secure services	193	266
Reservation deposits	562	878
	755	1,144

Reservation deposits represent the refundable deposits paid to the Department of Mineral Fuels of Thailand to secure the exploration operations in Thailand.

During the financial year, the Group wrote off US\$32,000 (2015: Nil) of other assets which is recognised in the "Other charges" line item in the Group's profit or loss.

Other assets are denominated in the following currencies:

	Group	
	2016	2015
	US\$'000	US\$'000
Singapore dollar	18	16
Thai baht	711	1,036
United States dollar	1	1
Indian rupee	25	91
	755	1,144

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 16. BONDS RECEIVABLE

During the financial year, the Group acquired 67.778% of the 13% senior secured convertible bonds ("Bonds") issued by Fram, with a total par value of NOK 48,100,000 (US\$4,000,000) maturing on December 2016 for an aggregate consideration of US\$2,627,000. The Bonds is secured by Fram's certain oil assets in North Dakota and Colorado. The aggregate consideration was satisfied as follows:

- (i) US\$848,000 by way of issue of 43,697,520 new ordinary shares of the Company;
- (ii) US\$803,000 by way of procurement and transfer of 41,344,580 of the Company existing shares to the Bonds sellers;
- (iii) US\$98,000, being commission to the Bonds sellers, payable in cash to the Bond sellers within 10 business days upon full redemption of all the outstanding Bonds by Fram; and
- (iv) US\$878,000, being commission to the Bonds sellers, by way of issue of 45,185,333 new ordinary shares of the Company.

Separately, but in conjunction with the acquisition of the Bonds, the Group intends to redeem Bonds of par value US\$3,349,000 via set-off against an amount the Group owes to Fram of US\$2,000,000 plus interest of US\$151,000 (Note 23) and Fram transferring 41,344,580 of the Company's existing shares that it currently holds ("Settlement") to the Bond Sellers.

As part of the agreement, Fram will convene a bond meeting to:

- (i) allow early partly or full redemption of Bonds in relation to Settlement;
- (ii) extend the maturity date of the Bonds to 31 December 2018;
- (iii) allow for early mandatory full redemption of the Bonds upon the sale of the certain oil assets held by Fram;
- (iv) waive all interest payable under the Bonds until 31 December 2016; and
- (iv) amend the interest payable, from 1 January 2017 until the maturity date to 10% per annum.

## 17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Cash at banks	2,461	7,575	621	570
Fixed deposits	-	29	-	-
	2,461	7,604	621	570

The fixed deposits in the previous financial year have an average maturity of 6 months from the end of the financial year with an effective interest rate of 9% per annum. Fixed deposits may be withdrawn anytime resulting to in forfeiture of interests.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 17. CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents per consolidated statement of cash flows comprise the following:

	Group	
	2016	2015
	US\$'000	US\$'000
Cash and cash equivalents per consolidated statement of financial position	2,461	7,604
Cash restricted in use*	(520)	(500)
Bank overdraft (Note 20)	-	(425)
Cash and cash equivalents per consolidated statement of cash flows	1,941	6,679

\* This is for bank balance held by bankers to secure certain credit facilities granted to certain subsidiaries.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore dollar	642	643	598	551
Australian dollar	21	21	-	-
United States dollar	638	545	23	19
Indian rupee	42	59	-	-
New Zealand dollar	-	4	-	-
Thai Baht	1,118	6,332	-	-
	2,461	7,604	621	570

## 18. ORDINARY SHARES

	Group and Company			
	2016	2016	2015	2015
	Number of shares	US\$'000	Number of shares	US\$'000
Issued and fully paid:				
At beginning of financial year	825,984,945	110,554	411,281,127	76,279
Issue of shares <sup>(1)</sup>	212,933,853	4,323	294,752,000	24,395
Conversion of loan by a substantial shareholder <sup>(2)</sup>	-	-	118,181,818	9,646
Share awards exercised <sup>(3)</sup>	4,780,000	666	1,770,000	560
Share issue expense	-	(103)	-	(326)
At end of financial year	1,043,698,798	115,440	825,984,945	110,554

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 18. ORDINARY SHARES (CONTINUED)

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

<sup>(1)</sup> On 24 June 2016, the Company allotted and issued 88,882,853 new ordinary shares at issue price of S\$0.0268 (equivalent to US\$0.0194) as part of the consideration for the acquisition of the Bonds (Note 16)

On 17 June 2016, the Company allotted and issued 102,454,000 new ordinary shares at issue price of S\$0.0268 (equivalent to US\$0.0194) per new share by way of a placement.

On 26 February 2016, the Company allotted and issued 21,597,000 new ordinary shares at the issue price of S\$0.04 (equivalent to US\$0.028) to CVN as partial settlement of deferred consideration due in December 2015 (Note 23).

On 30 June 2015, the Company allotted and issued 136,500,000 ordinary shares at the exercise price of S\$0.1107 (equivalent to US\$0.0821) to Fram pursuant to termination of lease agreement in relation to the two drilling rigs (Note 9).

On 9 April 2015, the Company allotted and issued 146,951,000 new ordinary shares at an issue price of S\$0.095 (equivalent to US\$0.0692) per new share by way of a placement.

On 11 July 2014, the Company allotted and issued 11,301,000 ordinary shares to Fram at exercise price of S\$0.3317 (equivalent to US\$0.2661) as part of the consideration for the acquisition of 20% equity interest in Fram (Note 9).

<sup>(2)</sup> On 30 June 2015, Jit Sun Investments Pte Ltd, the substantial shareholder of the Company, converted a loan due from the Group into 118,181,818 new ordinary shares at the exercise price of S\$0.11 (equivalent to US\$0.08).

<sup>(3)</sup> On 11 November 2015, the Company allotted and issued an aggregate of 4,780,000 ordinary shares in the capital of the Company ("New Shares") at an issue price of S\$0.1794 (equivalent to US\$0.1395) per New Share, pursuant to the exercise of awards granted under the PSP (Note 19).

On 24 October 2014, the Company allotted and issued an aggregate of 1,770,000 ordinary shares in the capital of the Company at an issue price of S\$0.3947 (equivalent to US\$0.3166) per New Share, pursuant to the exercise of awards granted under the PSP (Note 19).

These newly issued shares rank pari passu in all respects with the existing ordinary shares.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 19. RESERVES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Share option/award reserves	789	2,633	789	2,633
Foreign currency translation account	(139)	(470)	607	607
Deemed capital contribution	2,103	2,103	-	-
	2,753	4,266	1,396	3,240

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### **Share option reserve**

#### **Loyz Energy Employee Share Option Scheme (the "ESOS")**

The Company has a share options scheme which provides for the grant of incentive share options to employees and Directors of the Company.

Under the ESOS, the total number of shares in respect of which the committee may grant options on any date, when added to the number of shares issued and issuable or delivered and deliverable in respect of (a) all options granted under the ESOS, and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the number of all issued shares (excluding treasury shares, as defined in the Act) on the day preceding that date. The ESOS allows the issue of options with a subscription price at a discount of up to 20% of the market price, or its nominal value, whichever is higher.

An option may be exercised in whole or in part, after the second anniversary of the date of grant of that option but before the fifth anniversary of the date of grant of that option in the case where options are granted at a discount, or after the first anniversary of the date of grant of that option in the case where options are not granted at a discount. The lapsing of options is provided for upon the occurrence of certain events, which includes:

- (a) the termination of the grantee's employment;
- (b) misconduct on the part of the grantee as determined by the Committee;
- (c) bankruptcy of the grantee;
- (d) the company by which the grantee is employed ceasing to be a company within the Group; and
- (e) the winding-up of the Company (voluntary or otherwise).

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 19. RESERVES (CONTINUED)

### Share option reserve (Continued)

#### Loyz Energy Employee Share Option Scheme (the "ESOS") (Continued)

Activities under the ESOS:

The outstanding number of options at the end of the financial year was:

Exercise price	Grant date	Exercise period	Number of options as at 30 June 2016	Number of options as at 30 June 2015
S\$0.4200	18 December 2012	18 December 2013 to 18 December 2017	520,000	1,160,000
S\$0.4258	16 January 2013	16 January 2014 to 16 January 2018	1,200,000	1,200,000
S\$0.4200	24 October 2013(a)	24 October 2014 to 24 October 2018	5,100,000	11,230,000
S\$0.4200	24 October 2013(b)	24 October 2015 to 24 October 2018	-	4,200,000
S\$0.4200	24 October 2013(c)	24 October 2016 to 24 October 2018	-	4,000,000
S\$0.4200	11 February 2014	11 February 2015 to 11 February 2019	150,000	450,000
S\$0.1794	10 November 2014	10 November 2015 to 10 November 2019	1,480,000	4,200,000
			8,450,000	26,440,000

The table below summarises the number of options that were outstanding, their weighted average exercise price as at the end of the reporting period as well as the movements during the financial year.

	2016		2015	
	Number of options	Weighted average exercise price S\$	Number of options	Weighted average exercise price S\$
Outstanding as at 1 July	26,440,000	0.3820	27,640,000	0.4202
Granted	-	-	4,300,000	0.1794
Forfeited	(17,990,000)	0.3836	(5,500,000)	0.4156
Outstanding as at 30 June	8,450,000	0.3785	26,440,000	0.3820
Exercisable as at 30 June	8,450,000	0.3785	14,040,000	0.4205

The share options outstanding as at the end of the financial year have a weighted average remaining contractual life of 2 (2015: 3) years.

The weighted average fair value of options granted in the previous financial year was S\$0.05845. The estimate of the fair value of each option issued on grant date was based on the Trinomial option pricing model. In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculation takes into consideration factors like behavioral considerations and non-transferability of the options granted.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 19. RESERVES (CONTINUED)

### Share option reserve (Continued)

#### **Loyz Energy Employee Share Option Scheme (the "ESOS") (Continued)**

*Activities under the ESOS: (Continued)*

The Trinomial option pricing model used the following assumptions:

	<b>10</b>	<b>24 October</b>	<b>24 October</b>	<b>24 October</b>	<b>24 October</b>	<b>16 January</b>	<b>18</b>
	<b>November</b>	<b>2013(c)</b>	<b>2013(b)</b>	<b>11 February</b>	<b>16 January</b>	<b>2013</b>	<b>December</b>
	<b>2014</b>			<b>2014</b>			<b>2012</b>
Weighted average share price (S\$)	0.1794	0.42	0.42	0.42	0.42	0.42	0.40
Weighted average exercise price (S\$)	0.1794	0.42	0.42	0.42	0.42	0.4258	0.42
Dividend yield expected	0%	0%	0%	0%	0%	0%	0%
Risk-free annual interest rates	0.82%	0.587%	0.522%	0.457%	0.253%	0.253%	0.293%
Expected volatility	42.8%	53%	51%	42%	55%	55%	53%
Expected life	3 years	4 years	3.5 years	3 years	3 years	3 years	3 years

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period similar to the expected lives of the option. The expected lives used in the model have been adjusted, based on management best's estimates, for the effects of non-transferability, exercise restrictions and behavioral considerations.

### Share awards reserve

#### **Loyz Energy Performance Share Plan (the "PSP")**

The Company has a performance share plan which provides for the grant of incentive share awards to employees and directors.

Under the PSP, the total number of shares in respect of which the committee may grant awards on any date, when added to the number of shares issued and issuable or delivered and deliverable in respect of (a) all awards granted under the PSP, and (b) all awards, shares and options granted under any other share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the number of all issued shares (excluding treasury shares, as defined in the Act) on the day preceding that date. In relation to each performance-related awards, the release of awards is based on the sole discretion of the Committee. The Committee reviews the performance conditions in respect of the awards and determines whether these have been satisfied. The Company shall release to the grantee the share awards on the vesting period in case where awards are not performance-related.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 19. RESERVES (CONTINUED)

### Share awards reserve (Continued)

#### Loyz Energy Performance Share Plan (the "PSP") (Continued)

The lapsing of the awards is provided for upon the occurrence of certain events, which includes:

- (i) the termination of the grantee's employment;
- (ii) Non-executive director ceasing to be a director of the Group;
- (iii) the bankruptcy of the grantee;
- (iv) the death of the grantee;
- (v) the breach by the grantee of any terms on the awards; and
- (vi) the misconduct of the grantee as determined by the Committee in its discretion.

*Activities under the PSP:*

The outstanding number of awards at the end of the financial year was:

Market price at the date of grant	Grant date	Exercise period	Number of awards as at 30 June 2016	Number of awards as at 30 June 2015
S\$0.1794	10 November 2014	10 November 2015	-	4,780,000
S\$0.0810	13 November 2015	13 November 2016	804,000	-
			804,000	4,780,000

The table below summarises the number of awards that were outstanding as at the end of the reporting period as well as the movements during the financial year.

	2016		2015	
	Number of awards	Market price at the date of grant S\$	Number of awards	Market price at the date of grant S\$
At 1 July	4,780,000	0.1794	1,970,000	0.3947
Granted	1,161,000	0.0810	4,950,000	0.1794
Exercised (Note 18)	(4,780,000)	0.1794	(1,770,000)	0.3947
Forfeited	(357,000)	0.0810	(370,000)	0.2958
At 30 June	804,000	0.0810	4,780,000	0.1794



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 19. RESERVES (CONTINUED)

### Foreign currency translation account

The foreign currency translation account comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currency is different from that of the Group's presentation currency and is not distributable.

The Company level foreign currency translation account arose from the change in the Company's presentation currency from S\$ to US\$ in 2015 which has been adjusted retrospectively.

### Deemed capital contribution

The deemed capital contribution arose from disposal of other property, plant and equipment to a substantial shareholder and represents the excess of net sales proceeds over the termination consideration of the two drilling rigs as disclosed in Note 7 to the financial statements.

## 20. BANK BORROWINGS

	Group	
	2016 US\$'000	2015 US\$'000
<b>Current</b>		
<u>Secured</u>		
Bank loan I	1,400	5,500
Bank loan II	2,400	1,600
Bank loan III	523	554
Bank overdraft	-	425
	4,323	8,079
<b>Non-current</b>		
<u>Secured</u>		
Bank loan I	2,540	-
Bank loan II	16,777	18,889
	19,317	18,889
	23,640	26,968

### 20.1 Bank loan I

Bank loan I amounting to US\$9,000,000 at inception was obtained for working capital purposes. In the previous financial year, the loan was restructured as follows:

- (i) Partial repayment of loan, amounting to US\$4,500,000;
- (ii) Balance of the remaining loan, amounting to US\$4,500,000, is repayable in 12 equal monthly instalments starting from the beginning of the 13th month from the date of the start of the refinancing;

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 20. BANK BORROWINGS (CONTINUED)

### 20.1 Bank loan I (Continued)

- (iii) Bears interest at the adjusted LIBOR for the applicable interest period plus the applicable margin of 2.5% per annum. The average effective interest rate was 2.688% to 2.9481% (2015: 2.6535% to 2.688%) per annum; and
- (iv) Secured by corporate guarantee by the Company.

During the financial year, the Group has restructured the loan repayment schedule from 12 equal monthly instalments to 44 monthly instalments payable on an incremental basis. In accordance to the variation agreement dated 9 May 2016, the loan is secured by a substantial shareholder of the Company, Jit Sun Investments Pte Ltd and certain of its subsidiaries.

Finance costs incurred in relation to the bank loans of approximately US\$Nil (2015: US\$41,000) arising from financing specifically entered into for exploration activities were capitalised as E&E assets during the financial year as disclosed in Note 5 to the financial statements.

In addition to the loan restructuring discussed above, the Group also obtained a revolving loan facility of US\$1,000,000 from DBS Bank Ltd. The bank loan bears interest at LIBOR for the applicable interest period plus the applicable margin of 2.75% per annum. The average effective interest rate was 3.2019% to 3.389% (2015: 2.9035% to 3.0899%) per annum.

As at 30 June 2016, the Group has conducted a review of compliance to loan covenants and noted that certain loan covenants have not been met. In accordance to the terms of the banking facilities, non-compliance may constitute an event of default, rendering the facility being immediately terminated and any outstanding balances will be due immediately. The Group has obtained a waiver from the bank waiving the non-compliance as at the end of the financial year.

### 20.2 Bank loan II

On 30 April 2014, the Group obtained a bank loan from Oversea-Chinese Banking Corporation Limited ("OCBC Bank") amounting to US\$32,000,000, to finance the acquisition of interest in the Thailand operations (Note 12.2). The bank loan bears interest at the adjusted SIBOR for the applicable interest period plus the applicable margin of 4% per annum. Part of the loan, amounting to US\$8,900,000, is repayable 3 months after the drawdown date (i.e. 30 April 2014) and the balance of the remaining loan, amounting to US\$23,100,000, is repayable in 21 quarterly instalments starting 6 months after the drawdown date (i.e. 30 April 2014). The average effective interest rate was 4.35% to 4.43% (2015: 4.18% to 4.33%) per annum.

The loan is secured by pledges of shares in Loyz Thai, Loyz Oil's cash balances in the accounts maintained with and as designated by OCBC Bank, all earnings and other cash-flow of Loyz Thai, as well as corporate guarantees by the Company, Loyz Thai and the substantial shareholder of the Company, Jit Sun Investments Pte Ltd.

On 23 September 2016, the Group obtained in-principal approval from OCBC Bank to revise the repayment terms of the outstanding loan as follows:

- (i) Instalments due shall be revised downwards, with the principal to be paid over 47 monthly instalments and a final instalment of US\$16,970,000;

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 20. BANK BORROWINGS (CONTINUED)

### 20.2 Bank loan II (Continued)

- (ii) Funds received from the Thailand concession in excess of the aggregate of the proposed reduced monthly principal and interest obligation and agreed monthly planned operating expenditure of Loyz Energy Limited will be kept in a bank account with OCBC Bank. The funds will be reserved mainly for prepayments to OCBC Bank.

### 20.3 Bank loan III

On 26 March 2014, the Group obtained a loan facility from a financial institution, amounting to INR30,000,000 (equivalent to US\$523,000). As at 30 June 2016, the Group fully utilised the facility for the financing of working capital. The loan bears interest at 14.25% (2015: 14.25%) per annum and is unsecured. The loan is repayable on demand.

### 20.4 Bank overdraft

In the previous financial year, Interlink drew down approximately INR27,100,000 (equivalent to US\$425,000) from an overdraft facility entered with YES Bank Limited. The overdraft was supported by a standby letter of credit and bore interest at 12.5% per annum.

The overdraft was fully repaid during the financial year.

The fair values of the bank borrowings approximate the carrying amounts due to frequent repricing of interest rates.

Bank borrowings are denominated in the following currencies:

	Group	
	2016	2015
	US\$'000	US\$'000
United States dollar	23,117	25,989
Indian rupee	523	979
	23,640	26,968

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 21. FINANCE LEASE PAYABLES

	Minimum lease payments US\$'000	Future finance charges US\$'000	Present value of minimum lease payments US\$'000
<b>Group</b>			
<b>2016</b>			
Within one financial year	19	(3)	16
After one financial year but within five financial years	59	(4)	55
	<u>78</u>	<u>(7)</u>	<u>71</u>
<b>2015</b>			
Within one financial year	41	(5)	36
After one financial year but within five financial years	93	(7)	86
	<u>134</u>	<u>(12)</u>	<u>122</u>

The finance lease term is 5 years (2015: 5 years). The weighted average effective interest rate was 2.6% (2015: 1.88% to 2.60%) per annum.

Interest rate is fixed at the contract date, and thus exposes the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The carrying amount of the non-current finance lease payables approximate fair value.

The finance lease payables are secured by the motor vehicles purchased under finance lease arrangements (Note 7).

The finance lease payables are denominated in Singapore dollar.

## 22. PROVISION FOR RESTORATION COSTS

	Group	
	2016 US\$'000	2015 US\$'000
Provision for restoration costs	62	78
Deposit in site restoration fund	(62)	(65)
	<u>-</u>	<u>13</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 22. PROVISION FOR RESTORATION COSTS (CONTINUED)

Movements in provision for restoration costs were as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Balance as at beginning of financial year	78	95
Reversal of provision (Note 27)	(12)	(11)
Currency translation adjustment	(4)	(6)
Balance as at end of financial year	62	78

The Group's site restoration obligation resulted from one of the subsidiaries, Interlink's interests in Baola and Modhera fields.

Pursuant to the terms of the Production Sharing Contracts entered into by Interlink with the Government of India in respect of Baola and Modhera fields, Interlink is required to restore the contract area at the end of the contract period before handing over the area back to the Government and for this purpose, Interlink has to create a Site Restoration Fund and fund it regularly after assessing the fund required for restoration.

As at 30 June 2016, Interlink recognised a provision for restoration costs amounting to INR 4,200,000 (equivalent to US\$62,000) (2015: INR5,000,000 (equivalent to US\$78,000)). The provision represents the present value of restoration costs which are expected to be incurred up to the end of the mining permit for Baola and Modhera fields using a discount rate of 8.5% (2015: 8.5%).

Pursuant to the Site Restoration Fund Scheme 1999 approved by the Government of India, Interlink deposited INR 4,200,000 (equivalent to US\$62,000) (2015: INR4,200,000 (equivalent to US\$65,000)) in the fund maintained in the State Bank of India as at the end of the financial year.

## 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
<b>Current</b>				
Trade payables				
- third parties	145	812	-	-
Non-trade payables				
- third parties	4,618	4,438	3	79
- substantial shareholder of the Company	8,650	8,286	8,646	2,240
Accrued operating expenses	1,992	1,234	251	235
	15,405	14,770	8,900	2,554
<b>Non-current</b>				
Non-trade payable - third party	23,844	27,352	-	-
Total trade and other payables	39,249	42,122	8,900	2,554

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 23. TRADE AND OTHER PAYABLES (CONTINUED)

The trade amounts due to third parties are unsecured, interest-free and are on 30 days (2015: 30 days) credit term.

Included in the Group's current non-trade payables to third parties is an amount of US\$1,080,000 (2015: US\$1,045,000), relating to advances received by the Thailand joint operations from the other parties to the Thailand operations which are unsecured, interest-free and repayable on demand.

Included in the Group's current non-trade payables to third parties is an amount of US\$2,151,000, comprised of principal US\$2,000,000 and interest of US\$151,000, which relates to the termination consideration payable to Fram (Note 9) that remains outstanding as at the end of the financial year. The balance is unsecured, bears interest at 7.55% per annum and expected to be settled via redemption of the Bonds (Note 16).

A part of the Group's current non-trade payables to third parties amounting to US\$1,287,000 (2015: US\$701,000) and the total non-current non-trade payable to a third party represent in aggregate the deferred consideration for the acquisition of participating interests in the Thailand operations (Note 12.2), which is discounted at 4.5% and is unsecured. Owing to the weak oil price outlook resulting to reduction in forecasted concession revenue, the management re-measured the present value of the deferred consideration and expects that this will be repaid within 10 years (2015: 5 years) resulting to re-measurement difference of US\$3,441,000 charged to oil and gas properties (Note 6). The fair value of the non-current non-trade payable as at the end of the financial year approximates its carrying amount.

On 26 February 2016, approximately US\$602,000 of the non-trade payable due in the current financial year in respect of the deferred consideration was paid via issuance of 21,597,000 new ordinary shares at the issue price of S\$0.04 (equivalent to US\$0.028) (Note 18). Subsequent to the financial year, the Group received confirmation from CVN, seller of the participating interests in the Thailand operations (Note 12.2), that they are agreeable to accept an alternative arrangement (similar to the above settlement) to settle the amount due to them in December 2016 and December 2017, mostly by new shares issued by the Company.

Included in the Group's and the Company's current non-trade amount due to a substantial shareholder are amounts of US\$7,424,000 (2015: US\$7,427,000) and US\$7,424,000 (2015: US\$1,633,000) respectively, representing loans which bear interest at 5% (2015: 5%) per annum, are unsecured and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore dollar	4,830	3,768	3,832	2,394
Australian dollar	-	2	-	-
Thai Baht	1,682	2,753	-	-
Indian rupee	30	56	-	-
United States dollar	32,706	35,523	5,068	160
Others	1	20	-	-
	39,249	42,122	8,900	2,554

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 24. DEFERRED TAX LIABILITIES

	Group	
	2016	2015
	US\$'000	US\$'000
Balance as at beginning of financial year	36,733	35,322
Charged to profit or loss (Note 31)	238	1,411
Balance as at end of financial year	36,971	36,733

The deferred tax liabilities are attributable to the following temporary differences computed at the statutory income tax rate in the relevant jurisdictions.

	Group	
	2016	2015
	US\$'000	US\$'000
Exploration, evaluation and development assets	9,963	9,963
Oil and gas properties	27,008	26,770
	36,971	36,733

## 25. OTHER LIABILITIES

	Group	
	2016	2015
	US\$'000	US\$'000
Security deposit	1	1

## 26. REVENUE

	Group	
	2016	2015
	US\$'000	US\$'000
Sales of crude oil	10,728	23,077

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 27. OTHER INCOME

	Group	
	2016	2015
	US\$'000	US\$'000
Gain on disposal of plant and equipment	29	-
Foreign exchange gain, net	-	387
Reversal of provision for restoration cost (Note 22)	12	11
Interest income	20	51
Other income	48	259
	109	708

## 28. FINANCE COSTS

	Group	
	2016	2015
	US\$'000	US\$'000
Interest expense on:		
- Bank loans	448	1,747
- Finance leases payables	4	1
- Others	237	137
	689	1,885

## 29. OTHER CHARGES

	Group	
	2016	2015
	US\$'000	US\$'000
Loss on disposal of other property, plant and equipment	-	26
Impairment of exploration, evaluation and development assets (Note 5)	10,431	21,882
Impairment of financial assets (Note 9)	7,289	34,111
Impairment of intangible assets (Note 10)	1,999	15,200
Prepayment written off (Note 13)	2,830	-
Write down of inventories (Note 14)	244	-
Other assets written off (Note 15)	32	-
Impairment of other property, plant and equipment	-	155
Fixed assets written off	-	6
Foreign exchange loss, net	1,228	-
	24,053	71,380



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 30. LOSS BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges:

	Group	
	2016 US\$'000	2015 US\$'000
<b>Cost of sales</b>		
Depletion of oil and gas properties (Note 6)	2,402	3,357
Thailand Petroleum royalties and other government taxes	617	1,455
<b>Distribution costs</b>		
Advertisements	-	13
<b>Administrative expenses</b>		
Audit fees		
- Auditors of the Company	67	81
- Other auditors	36	87
Non-audit fees		
- Auditors of the Company	22	18
Directors' fees	45	246
Share-based payment expenses, net	298	1,510
Employee benefits expense		
- Salaries, bonuses and short-term benefits	1,635	2,660
- Employer's contribution to defined contribution plan	54	65
<b>Other expenses</b>		
Depreciation of other property, plant and equipment (Note 7)	142	206
Operating leases-rental of premises	165	199
Legal and professional fees	596	566

The above employee benefits expense include directors' remuneration as shown in Note 33 to the financial statements.

## 31. INCOME TAX EXPENSE

	Group	
	2016 US\$'000	2015 US\$'000 (Restated)
<b>Current tax</b>		
- Current financial year	1,918	4,880
- Under provision in prior financial year	-	745
	1,918	5,625
<b>Deferred tax</b>		
- Current financial year	238	1,411
Total income tax expense recognised in profit or loss	2,156	7,036

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 31. INCOME TAX EXPENSE (CONTINUED)

### Reconciliation of effective income tax rate

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2015: 17%) to loss before income tax as a result of the following differences:

	Group	
	2016 US\$'000	2015 US\$'000 (Restated)
Loss before income tax	(23,082)	(64,591)
Income tax at Singapore statutory income tax rate	(3,924)	(10,980)
Tax effect of:		
- different income tax rates in other countries	(1,416)	(5,741)
- expenses not deductible for income tax purposes		
- impairment loss	4,711	21,947
- others	541	1,041
- income not subject to income tax	(15)	(749)
Deferred tax asset not recognised	2,259	773
Under provision of current tax in prior financial year	-	745
	2,156	7,036

### Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Balance as at beginning of financial year	2,051	1,278
Amount not recognised during financial year	2,259	773
Balance as at end of financial year	4,310	2,051

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 31. INCOME TAX EXPENSE (CONTINUED)

### Unrecognised deferred tax assets (Continued)

The unrecognised deferred tax assets are attributable to the following temporary differences:

	Group	
	2016	2015
	US\$'000	US\$'000
Unutilised tax losses	4,308	2,049
Property, plant and equipment	8	8
Others	(6)	(6)
	4,310	2,051

As at 30 June 2016, the Group had unutilised tax losses of approximately US\$14,673,000 (2015: US\$7,132,000) available for set-off against future taxable profits subject to the agreement by the tax authorities and compliance with provisions of the tax legislations of the respective countries in which the Group operates. The unutilised tax losses can be carried forward indefinitely, except for an amount of US\$4,697,000 (2015: US\$3,180,000), which will expire in 2033.

Deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements of the Group in accordance with the accounting policy as disclosed in Note 2.20 to the financial statements.

## 32. LOSS PER SHARE FROM CONTINUING OPERATIONS

### Basic loss per share

Basic loss per share is calculated by dividing the loss for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares during the financial year.

	Group	
	2016	2015
		(Restated)
Loss for the financial year attributable to owners of the parent (US\$'000)	(19,546)	(63,781)
Weighted average number of ordinary shares during the financial year applicable to basic loss per share ('000)	842,126	456,794
<b>Loss per share</b>		
Basic and diluted (US cents)	(2.32)	(13.96)

Diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

Share awards of 804,000 (2015: 4,780,000) and share options of 8,450,000 (2015: 26,440,000) granted to employees under the existing performance share plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 33. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

In addition to the information disclosed elsewhere in the financial statements, the following were significant related party transactions between the Group or the Company with related parties at terms and rates agreed between the parties:

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
<b><u>With subsidiaries</u></b>				
Interest income	-	-	-	1,095
Payments made on behalf of	-	-	9,540	15,049
<b><u>With the substantial shareholder</u></b>				
Sales of rigs to	-	16,000	-	-
Payments made on behalf of	62	14	-	-
Payments made on behalf by	43	38	-	-
Loan from substantial shareholder	185	17,123	185	11,796
Repayment of loans	185	17,187	185	14,164
Interest expense	374	875	80	606

### **Key management personnel remuneration**

The remuneration of Directors and other key management personnel during the financial year was as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Directors' fees	22	207
Short-term benefits	737	1,216
Share-based payments	238	1,323
Post-employment benefits	16	31
	1,013	2,777
Analysed into:		
- Compensation of Directors of the Company	538	479
- Compensation of Directors of the subsidiaries and other key management personnel	475	2,298
	1,013	2,777

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 34. OPERATING LEASE COMMITMENTS

### The Group as a lessee

	Group	
	2016	2015
	US\$'000	US\$'000
Operating leases included in profit or loss:		
- minimum lease payments	165	199

The Group leases office premises under non-cancellable operating leases. The leases have varying terms and renewal rights.

As at the end of the financial year, there were operating lease commitments for rental payable for office premises in subsequent accounting periods as follows:

	Group	
	2016	2015
	US\$'000	US\$'000
Within one year	69	129
After one year but within five years	46	22
	115	151

The above operating lease commitments are based on existing rates. The lease agreements provide a periodic revision of such rates in the future.

## 35. CAPITAL COMMITMENTS

### Exploration expenditure commitments

Due to the nature of the Group's operations in exploring and evaluating areas of interest it is necessary to incur expenditure in order to retain the Group's present permit interests. Expenditure commitments on exploration permits can be reduced by selective relinquishment of exploration tenure, by the renegotiation of expenditure commitments, or by farming out portions of the Group's participating interests.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 35. CAPITAL COMMITMENTS (CONTINUED)

### Exploration expenditure commitments (Continued)

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

	Group	
	2016 US\$'000	2015 US\$'000
Within one year	65	65
After one year but within five years	21	21
	86	86

The Group will undertake further feasibility studies which is expected to span over 2 years at an estimated cost of US\$86,000 in respect of the concession under Loyz NZ as disclosed in Note 5 to the financial statements.

### Capital expenditure commitments

	Group	
	2016 US\$'000	2015 US\$'000
Acquisition of pre-exploration data	-	1,500

In the previous financial year, the Group has a capital commitment amounting to approximately US\$1,500,000 in relation to the proposed co-operation between Loyz Oil and a third party as disclosed in Note 13 to the financial statements.

## 36. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has only one business segment which is the oil and gas segment, comprising exploration, development and production activities and drilling activities. Revenue and non-current assets information based on geographical segments are as follows:

	Group			
	Revenue		Non-current assets	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
Singapore	-	-	167	3,580
United States	-	-	21	7,320
New Zealand	-	-	-	25,539
Thailand	10,728	23,077	108,283	95,556
	10,728	23,077	108,471	131,995

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 36. SEGMENT INFORMATION (CONTINUED)

### Information about major customer

The Group identifies a major customer as one who contributes to 10% or more of the total revenue. In the current financial year, total revenue were generated from one customer only (2015: 1 major customer).

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## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rates risks) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors of the Company is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Group's management then establishes the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. If necessary, market risk exposures are measured using sensitivity analysis indicated below.

### 37.1 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group has significant credit exposure arising from its trade receivables amounting to US\$969,000 (2015: US\$2,232,000) due from a single customer and bonds receivable US\$2,627,000 (2015: Nil) due from Fram as at the end of the financial year. On the other hand, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately US\$2,089,000 (2015: US\$4,934,000) as at the end of the financial year. The management is of the opinion that these receivables are fully recoverable.

The Group's and the Company's classes of financial assets are available-for-sale financial asset, cash and cash equivalents, trade and other receivables, bonds receivable and other assets.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Cash and cash equivalents are mainly deposits with reputable banks.

As at the end of the financial year, the Group's trade receivables and bonds receivable are neither past due nor impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.2 Market risks

#### Foreign currency risks

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than its functional currency. The currencies giving rise to this risk is primarily Singapore dollar and Thai Baht. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year were as follows:

	Group			
	Assets		Liabilities	
	2016	2015	2016	2015
	US\$'000	US\$'000	US\$'000	US\$'000
				(Restated)
Singapore dollar	660	659	4,901	3,890
Thai Baht	2,914	9,723	1,682	2,753
	3,574	10,382	6,583	6,643

#### Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly Singapore dollar and Thai Baht.

The following table details the sensitivity to a 10% (2015: 10%) increase and decrease in Singapore dollar and Thai Baht against United States dollar. The sensitivity analysis assumes an instantaneous 10% (2015: 10%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant.

	Group	
	Profit or loss	
	2016	2015
	US\$'000	US\$'000
		(Restated)
Singapore dollar strengthens against United States dollar	(424)	(323)
Singapore dollar weakens against United States dollar	424	323
Thai baht strengthens against United States dollar	123	697
Thai baht weakens against United States dollar	(123)	(697)



# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.2 Market risks (Continued)

#### Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to bank deposits, bank borrowings and finance lease payables as shown in Notes 16, 20 and 21 to the financial statements respectively.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest income and expenses from bank deposits and bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

If the interest rate increases or decreases by 0.5% (2015: 0.5%), the Group's equity will decrease or increase by approximately US\$123,000 (2015: US\$235,000), arising mainly as a result of higher or lower interest on floating rates for bank loans. The interest expenses from bank loan I and bank loan III are recognised as an expense under "Finance costs" line item in the consolidated statement of comprehensive income. The interest expense on the bank loan II is capitalised as part of exploration, evaluation and development assets (Note 5) and oil and gas properties (Note 6) respectively.

### 37.3 Liquidity risk

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

The Group actively manages its operating cash flows so as to finance the Group's operations. As part of its overall prudent liquidity management, the Group minimises liquidity risk by ensuring availability of funding through an adequate amount of committed credit facilities from financial institutions and continuing financial support from its substantial shareholder, Jit Sun Investments Pte Ltd, and maintains sufficient level of cash to meet its working capital requirements.

#### Contractual maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.3 Liquidity risk (Continued)

#### Contractual maturity analysis (Continued)

	Effective interest rate %	Within one financial year US\$'000	After one financial year but within five financial years US\$'000	Total US\$'000
<b>Group</b>				
<b>Financial liabilities</b>				
<b>2016</b>				
Trade and other payables	Nil to 5%	15,776	31,299	47,075
Bank borrowings	2.95% to 14.25%	5,254	20,749	26,003
Finance lease payables	2.6%	19	59	78
Other liabilities	Nil	1	-	1
Total undiscounted financial liabilities		21,050	52,107	73,157
<b>2015 (Restated)</b>				
Trade and other payables	Nil to 5%	15,141	31,299	46,440
Bank borrowings	2.69% to 14.25%	8,994	21,096	30,090
Finance lease payables	1.88% to 2.60%	41	93	134
Other liabilities	Nil	1	-	1
Total undiscounted financial liabilities		24,177	52,488	76,665
<b>Company</b>				
<b>Financial liabilities</b>				
<b>2016</b>				
Trade and other payables, representing total undiscounted financial liabilities	Nil to 5%	9,271	-	9,271
<b>2015</b>				
Trade and other payables, representing total undiscounted financial liabilities	Nil to 5%	2,636	-	2,636

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.3 Liquidity risk (Continued)

#### Contractual maturity analysis (Continued)

The Group's operations are financed mainly through equity, retained earnings, finance lease and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms and the interest rates, where applicable, have been disclosed in the respective notes to the financial statements.

The Company has given corporate guarantees to certain banks in connection with loans granted by the banks to the subsidiaries with carrying amount as at 30 June 2016 of US\$23,117,000 (2015: US\$25,989,000) (Note 20). The carrying amount of the loans represents the maximum amount of the guarantee that the Company would be called upon to pay and represents the contractual maturity based on the earliest period (one year or less) in which the guarantee could be called. In the opinion of the management, no material losses are expected to arise from these corporate guarantees.

### 37.4 Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as going concern and to maintain an optimal capital structure so as to maximise shareholders' value.

The management constantly reviews the capital structure to ensure the Group is able to service any debt obligations based on its operating cash flows. The Group's and the Company's overall strategy remains unchanged from 2015.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt. The Group and the Company includes within net debt, trade and other payables, finance lease payables, other liabilities and bank borrowings less cash and cash equivalents. Equity attributable to owners of the parent consists of share capital, reserves and retained earnings.

	Group		Company	
	2016 US\$'000	2015 US\$'000	2016 US\$'000	2015 US\$'000
	(Restated)			
Trade and other payables	39,249	42,122	8,900	2,554
Finance lease payables	71	122	-	-
Other liabilities	1	1	-	-
Bank borrowings	23,640	26,968	-	-
Less: Cash and cash equivalents	(2,461)	(7,604)	(621)	(570)
Net debt	60,500	61,609	8,279	1,984
Equity attributable to owners of the parent	28,452	43,149	64,577	66,278
Total capital	88,952	104,758	72,856	68,262
Gearing ratio	68.01%	58.81%	11.36%	2.91%

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.4 Capital management policies and objectives (Continued)

As at 30 June 2016 and 2015, the Group and the Company are subject to and have complied with all externally-imposed capital requirements which comprise loan covenants imposed by banks in respect of bank facilities granted to the subsidiaries, except as disclosed in Note 20.1 to the financial statements.

### 37.5 Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

#### *Fair value hierarchy*

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### *Fair value of financial instruments that are not carried at fair value*

The carrying amounts of the Group's and the Company's current financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of financial assets that are not carried at fair value in relation to non-current other receivables is disclosed in Notes 11 to the financial statements respectively and are carried at cost because it is not practicable to determine the fair value due to the lack of quoted market prices or fixed repayment term and the assumptions used in valuation models to value this instrument cannot be reliably measured.

The fair values of the Group's non-current financial liabilities in relation to bank borrowings, finance lease payables and other payables are disclosed in Notes 20, 21 and 23 respectively to the financial statements which have been determined using discounted cash flow pricing models and are considered level 3 fair value measurements. Significant inputs to the valuation include adjustments to the discount rate for credit risk associated with the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 37. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

### 37.6 Categories of financial instruments

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2016 US\$	2015 US\$	2016 US\$	2015 US\$
<b>Financial assets</b>				
Loans and receivables	7,088	11,628	2,710	5,504
Available-for-sale financial asset	-	7,289	-	-
	7,088	18,917	2,710	5,504
<b>Financial liabilities</b>				
Other financial liabilities, at amortised cost	62,961	68,533	8,900	2,554

## 38. RESTATEMENT OF COMPARATIVE FIGURES

The comparative figures were restated due to a correction of a prior period error in relation to the recording of an underprovision of corporate income tax expense in the Group's interests in Thailand operations amounting to US\$3,400,000 (equivalent to THB109,360,000). The Group's share in this error, taking in to account its 20% participating interest is US\$680,000. The effect of the restatement is as follows:

	Group		
	As previously reported 2015 US\$'000	Adjustment US\$'000	As restated 2015 US\$'000
<b>Consolidated statement of financial position</b>			
Accumulated losses	(70,991)	(680)	(71,671)
Equity attributable to owners of the parent	43,829	(680)	43,149
Total equity	38,603	(680)	37,923
Trade and other payables	14,090	680	14,770
Total current liabilities	25,626	680	26,306
Total liabilities	108,699	680	109,379
<b>Consolidated statement of comprehensive income</b>			
Income tax expense	(6,356)	(680)	(7,036)
Loss for the financial year	(70,947)	(680)	(71,627)
Total comprehensive income for the financial year	(70,746)	(680)	(71,426)
Loss attributable to owners of the parent	(63,101)	(680)	(63,781)
Total comprehensive income attributable to owners of the parent	(62,989)	(680)	(63,669)
<b>Consolidated statement of cash flows</b>			
Trade and other payables	(3,482)	680	(2,802)
Cash generated from operations	9,859	680	10,539
Income tax paid	(3,010)	(680)	(3,690)

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2016

## 38. RESTATEMENT OF COMPARATIVE FIGURES (CONTINUED)

The restatement increased basic and diluted loss per share for the financial year ended 30 June 2015 from 13.81 US cents to 13.96 US cents.

The error has no effect on the consolidated statement of financial position as at 1 July 2014. Accordingly, management did not present an additional consolidated statement of financial position at the beginning of the earliest comparative period, being 1 July 2014.

## 39. EVENTS AFTER THE REPORTING PERIOD

On 6 September 2016, the Company announced on SGX-ST that its subsidiary, IPL, has received a winding up petition. As at the date of this report, legal proceeding is ongoing, of which the outcome is not expected to have a material impact on the Group as the investment in IPL has been fully written off.

# SHAREHOLDINGS STATISTICS

As at 19 September 2016

## SHARE CAPITAL

Issued and fully paid : S\$123,434,520.55  
 Number of shares : 1,043,698,798  
 Class of shares : Ordinary shares  
 Voting rights : One vote per share  
 Treasury shares : Nil

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## Distribution of Shareholdings

Range of Shareholdings	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 99	3	0.12	40	0.00
100 - 1,000	844	34.52	832,059	0.08
1,001 to 10,000	354	14.48	2,377,600	0.23
10,001 - 1,000,000	1,178	48.18	173,831,491	16.65
1,000,001 and above	66	2.70	866,657,608	83.04
<b>TOTAL</b>	<b>2,445</b>	<b>100.00</b>	<b>1,043,698,798</b>	<b>100.00</b>

## Shareholding held by the public

Based on the information available to the Company as at 19 September 2016, approximately **52.42%** of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

## Twenty Largest Shareholders

No	Name of Shareholder	Number of Shares Held	Percentage
1	Maybank Kim Eng Securities Pte Ltd	170,086,200	16.30
2	Citibank Nominees Singapore Pte Ltd	149,942,200	14.37
3	HSBC (Singapore) Nominees Pte Ltd	60,000,000	5.75
4	RHB Bank Nominees Pte Ltd	58,000,000	5.55
5	UOB Kay Hian Pte Ltd	55,794,353	5.35
6	Sim Siang Choon	49,144,000	4.71
7	Amalie International Holdings Ltd	48,000,000	4.60
8	United Overseas Bank Nominees Pte Ltd	26,737,500	2.56
9	Lai Kai Jin Michael	18,660,000	1.79
10	Venstar Investments II Ltd	17,500,000	1.68
11	Venstar Investments Ltd	12,500,000	1.20
12	OCBC Securities Private Ltd	11,975,000	1.15
13	Chew Kong Huat	10,640,600	1.02
14	Raffles Nominees Pte Ltd	9,963,200	0.95
15	Chen Xiongzhaoh	9,551,843	0.91
16	Seven Creek Pte Ltd	9,000,000	0.86
17	Adarash Kumar Chranji Lal Amarnath	8,586,610	0.82
18	CIMB Securities (Singapore) Pte Ltd	8,270,802	0.79
19	DBS Nominees Pte Ltd	7,458,900	0.71
20	DB Nominees (S) Pte Ltd	6,041,000	0.58
		<b>747,852,208</b>	<b>71.65</b>

# SHAREHOLDINGS STATISTICS

As at 19 September 2016

## Substantial shareholders

No.	Name of shareholders	Direct interest No. of shares	% of shares	Deemed interest No. of shares	% of shares
1.	Jit Sun Investments Pte Ltd	109,091	0.01	151,300,000 <sup>(a)</sup>	14.50
2.	Lionel Lee Chye Tek	-	-	151,409,091 <sup>(b)</sup>	14.51
3.	Wave Link L.P.	137,318,000	13.16	-	-
4.	Wave Link Investments Limited	-	-	137,318,000 <sup>(c)</sup>	13.16
5.	Hui Yin Rong	-	-	137,318,000 <sup>(d)</sup>	13.16
6.	Fram Exploration ASA	120,200,000	11.52	-	-
7.	Rex International Holdings Limited	-	-	120,200,000 <sup>(e)</sup>	11.52
8.	Sim Siang Choon	48,744,000	4.67	6,417,900 <sup>(f)</sup>	0.63
9.	Kwan Lin Siew	5,245,000	0.63	48,744,000 <sup>(g)</sup>	4.67

### Notes:

<sup>(a)</sup> Jit Sun Investments Pte Ltd is deemed interested in the 151,300,000 ordinary shares held in the following manner:

- (i) 60,000,000 ordinary shares under HSBC (Singapore) Nominees Pte Ltd;
- (ii) 13,000,000 ordinary shares under United Overseas Bank Nominees (Pte) Ltd;
- (iii) 20,300,000 ordinary shares under Citibank Nominees Singapore Pte Ltd; and
- (iv) 58,000,000 ordinary shares under RHB Bank Nominees Pte Ltd.

<sup>(b)</sup> Mr Lee Chye Tek Lionel is the sole shareholder of Jit Sun Investments Pte Ltd and is accordingly deemed interested in all the 151,409,091 ordinary shares held by Jit Sun Investments Pte Ltd.

<sup>(c)</sup> Wave Link Investments Limited is the general partner of Wave Link L.P., a limited partnership. Wave Link Investments Limited has full control over the business and affairs of the limited partnership, including making all investments and divestment decisions and voting the securities and interests held by it on behalf of the limited partnership. Accordingly, Wave Link Investments Limited is deemed interested in all the 137,318,000 ordinary shares held by Wave Link L.P..

<sup>(d)</sup> Hui Yin Rong is the sole shareholder of Wave Link Investments Limited and is accordingly deemed interested in all the 137,318,000 ordinary shares held by Wave Link Investments Limited in Wave Link L.P..

<sup>(e)</sup> Rex International Holdings Limited holds more than 20% interest in Fram Exploration ASA and is accordingly deemed interested in all the 120,200,000 ordinary shares held by Fram Exploration ASA.

<sup>(f)</sup> Mr Sim Siang Choon is the spouse of Mdm Kwan Lin Siew and is accordingly deemed interested in all the ordinary shares held by Mdm Kwan Lin Siew (5,245,000 ordinary shares) and those of his son, Mr Sim Poh Kip (1,172,900 ordinary shares).

<sup>(g)</sup> Mdm Kwan Lin Siew is the spouse of Mr Sim Siang Choon and is accordingly deemed interested in all the ordinary shares held by Mr Sim Siang Choon (48,744,000 ordinary shares).



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2016 Annual General Meeting (“**AGM**”) of Loyz Energy Limited (the “**Company**”) will be held at 8 Wilkie Road #03-01 Wilkie Edge, Singapore 228095 on Thursday, 27 October 2016 at 11.00 a.m. for the following purposes:

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## AS ORDINARY BUSINESS

1. To receive and adopt the audited consolidated financial statements of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2016 (“**FY2016**”). Resolution 1
2. To re-elect the following directors of the Company (“**Directors**”) retiring pursuant to the Company’s Constitution (“**Constitution**”) and who, being eligible, offer themselves for re-election, as a Director of the Company :
  - a) Mr Lee Chye Cheng, Adrian (Retiring under Article 107) Resolution 2
  - b) Mr Pang Kee Chai (Peng Qicai) (Retiring under Article 117) Resolution 3
  - c) Mr Ong Beng Chye (Retiring under Article 117) Resolution 4

[See Explanatory Note (i)]
3. To approve the payment of Director’s fees of S\$45,000 for FY2016 payable to Mr Teo Choon Kow @ Willam Teo and that, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”), and Rule 804 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), authority be and is hereby given to the Directors to allot and issue 2,123,000 new shares in the capital of the Company, at an issue price of \$0.0212 per share, in satisfaction of the said Director’s fees. Resolution 5  

[See Explanatory Note (ii)]
4. To approve the payment of Directors’ fees of S\$165,000 for the financial year ending 30 June 2017. Resolution 6
5. To appoint Messrs Crowe Horwath First Trust LLP (“**Crowe Horwath**”) as the Company’s auditors in place of Messrs BDO LLP (“**BDO**”), and to authorize the Directors to fix their remuneration. Resolution 7  

[See Explanatory Note (iii)]

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:

6. **Authority to allot and issue shares** Resolution 8  

“That pursuant to Section 161 of the Companies Act and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors to allot and issue shares and/or convertible securities in the capital of the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that:

## NOTICE OF ANNUAL GENERAL MEETING

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- (i) the aggregate number of shares and/or convertible securities to be issued pursuant to this resolution must not be more than one hundred per cent (100%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders of the Company must not be more than fifty per cent (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
  - (ii) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the total number of issued shares excluding treasury shares shall be based on the total number of issued shares excluding treasury shares of the Company at the time this resolution is passed after adjusting for:
    - (a) new shares arising from the conversion or exercise of any convertible securities;
    - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
    - (c) any subsequent bonus issue, consolidation or sub-division of shares; and
  - (iii) unless revoked or varied by the Company in a general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.”

[See Explanatory Note (iv)]

### 7. **Authority to grant options and allot and issue shares under the Loyz Energy Employee Share Option Scheme**

Resolution 9

“That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Loyz Energy Employee Share Option Scheme (the “Scheme”) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme (including but not limited to allotment and issuance of shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to options made or granted by the Company whether granted during the subsistence of this authority or otherwise) provided always that the aggregate number of shares to be issued pursuant to the Scheme when aggregated together with shares issued and/or issuable in respect of all options granted under the Scheme, all other existing share schemes or share plans of the Company for the time being shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company excluding treasury shares from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (v)]

## NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to grant awards and allot and issue shares under the Loyz Energy Performance Share Plan**

Resolution 10

“That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to grant awards in accordance with the provisions of the Loyz Energy Performance Share Plan (the “Plan”) and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of the awards granted under the Plan (including but not limited to allotment and issuance of shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to awards made or granted by the Company whether granted during the subsistence of this authority or otherwise) provided always that the aggregate number of shares to be issued pursuant to the Plan when aggregated together with shares issued and/or issuable in respect of all awards granted under the Plan, all other existing share schemes or share plans of the Company for the time being shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company excluding treasury shares from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (vi)]

9 To transact any other business which may be properly transacted at an annual general meeting.

BY ORDER OF THE BOARD

Yap Peck Khim  
Company Secretary  
Date : 12 October 2016

Explanatory Notes :

- (i) Mr Lee Chye Cheng, Adrian shall, upon re-election as a Director, remain as the Non-executive Director and a member of the Audit Committee and the Remuneration Committee. Mr Lee Chye Cheng, Adrian has a direct interest in 50,000 shares of the Company, and he also has 1,200,000 share options in the Company. Mr Lee Chye Cheng, Adrian is the brother of Mr Lee Chye Tek, Lionel, who is the deemed substantial shareholder of the Company with total interests of 14.51% in the Company. Save for the above mentioned relationship, there are no relationships (including immediate family relationships) between Mr Lee Chye Cheng, Adrian and the other Directors, the Company or its 10% shareholders.

Mr Pang Kee Chai (Peng Qicai) shall, upon re-election as a Director, remain as the Executive Director and a member of the Nominating Committee and the Risk Management Committee. Mr Pang Kee Chai (Peng Qicai) has a direct interest of 0.14% in the Company, and he also has 5,900,000 share options and 10,313,000 share awards in the Company.

## NOTICE OF ANNUAL GENERAL MEETING

Save for the above mentioned relationship, there are no relationships (including immediate family relationships) between Mr Pang Kee Chai (Peng Qicai) and the other Directors, the Company or its 10% shareholders.

Mr Ong Beng Chye shall, upon re-election as a Director, remain as the Chairman of the Nominating Committee and the Risk Management Committee, as well as a member of the Audit Committee and the Remuneration Committee. Mr Ong Beng Chye does not have any shareholding interest in the Company. There are no relationships (including immediate family relationships) between Mr Ong Beng Chye and the other Directors, the Company or its 10% shareholders. The Board considers Mr Ong Beng Chye to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Further detailed information on the abovementioned Directors who are proposed to be re-appointed at the 2016 AGM can be found under the sections entitled "Board of Directors / Management" and "Corporate Governance Report" of the Company's Annual Report 2016.

- (ii) The Ordinary Resolution 5 above, if passed, will authorise and empower the Directors to allot and issue 2,123,000 new shares in the capital of the Company, at an issue price of \$0.0212 per share, to Mr Teo Choon Kow @ William Teo in satisfaction of the Director's fee payable to him for FY2016. Pursuant to Rule 804(3) of the Catalist Rules, such director and his associates will abstain from exercising any voting rights on this resolution.
- (iii) In accordance with the requirements of Rule 712(3) of the Catalist Rules :
- (A) BDO, the Company's current auditors for FY2016, has confirmed that it is not aware of any professional reasons why Crowe Horwath should not accept appointment as new auditors of the Company;
  - (B) the Company confirms that there were no disagreements with BDO on accounting treatments within the last 12 months from the date of the circular to Shareholders; in relation to the proposed change of auditors (the "Circular");
  - (C) the Company confirms that it is not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of Shareholders which has not been disclosed in the Circular;
  - (D) the reasons for the proposed change of auditors are part of the Company's effort to strengthen the corporate governance processes and the Board is of the view that it would be timely to effect a change of auditors, which would also enable the Company to benefit from fresh perspectives and views of another professional auditor. The proposed change of auditors is not due to the dismissal of BDO, or due to BDO declining to continue to serve as auditors of the Company; and
  - (E) the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of Crowe Horwath as auditors of the Company.

For further information in relation to the proposed change of auditors, please refer to the Circular which is circulated to Shareholders together with the Company's annual report for FY2016.

- (iv) The Ordinary Resolution 8 above, if passed, will empower the Directors from the date of the 2016 AGM of the Company until the date of the next AGM of the Company, to allot and issue shares and/or convertible securities in the capital of the Company. The number of shares and convertible securities, which the Directors may allot and issue under this resolution shall not exceed one hundred per cent (100%) of the Company's total number of issued shares excluding treasury shares at the time of passing this resolution. For allotment and issuance of shares and/or convertible securities other than on a pro-rata basis to existing shareholders of the Company, the aggregate number of shares and convertible securities to be allotted and issued shall not exceed fifty per cent (50%) of the Company's total number of issued shares excluding treasury shares at the time of passing this resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

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- (v) The Ordinary Resolution 9 above, if passed, will empower the Directors to offer and grant options under the Scheme and to allot and issue shares pursuant to the exercise of such options in accordance with the Scheme.
- (vi) The Ordinary Resolution 10 above, if passed, will empower the Directors to grant awards under the Plan and to allot and issue shares pursuant to the vesting of such awards in accordance with the Plan.

### Notes:

- (a) A member of the Company entitled to attend and vote at the 2016 AGM is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- (b) Where a member of the Company appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
- (c) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
- (d) The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.
- (e) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Wilkie Road #03-01 Wilkie Edge, Singapore 228095 not less than 48 hours before the time appointed for holding the 2016 AGM.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 2016 AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis of the Company (or its agents or service providers) of proxies and representatives appointed for the 2016 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 2016 AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this notice.*

*This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.*

*The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.*

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**LOYZ ENERGY LIMITED**

(Incorporated in the Republic of Singapore)  
(Registration No. 199905693M)

**PROXY FORM****IMPORTANT**

1. For investors who have used their CPF monies to buy LOYZ ENERGY LIMITED shares, this annual report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 October 2016.

I / We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address)

being a member(s) of Loyz Energy Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both the persons referred to above, the Chairman of the 2016 annual general meeting ("AGM") of the Company, as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the 2016 AGM of the Company to be held at 8 Wilkie Road #03-01 Wilkie Edge, Singapore 228095, on Thursday, 27 October 2016 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions as set out in the Notice of AGM. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, my/our proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

Please indicate your vote "For" or "Against" with an "X" within the box provided)

No.	Resolutions	For	Against
1	To receive and adopt the audited consolidated financial statements of the Company and the reports of the Directors and the Auditors for FY2016		
2	To re-elect Mr Lee Chye Cheng, Adrian as Director		
3	To re-elect Mr Pang Kee Chai (Peng Qicai) as Director		
4	To re-elect Mr Ong Beng Chye as Director		
5	To approve the payment of Director's fees of S\$45,000 for FY2016 payable to Mr Teo Choon Kow @ Willam Teo, and authority to allot and issue 2,123,000 new shares in the capital of the Company at an issue price of \$0.0212 per share, in satisfaction of the said Director's fees		
6	To approve the payment of Directors' fees of S\$165,000 for FY2017		
7	To appoint Messrs Crowe Horwath First Trust LLP as the Company's auditors and authorise the Directors to fix their remuneration		
8	Authority to allot and issue shares		
9	Authority to grant options and allot and issue shares under the Loyz Energy Employee Share Option Scheme		
10	Authority to grant awards and allot and issue shares under the Loyz Energy Performance Share Plan		

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

\_\_\_\_\_  
Signature(s)/Common Seal of Shareholder(s)



Notes :

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the 2016 AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the 2016 AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the 2016 AGM.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Wilkie Edge Road #03-01 Wilkie Edge Singapore 228095, not less than 48 hours before the time appointed for holding the 2016 AGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified true copy thereof must be lodged with the instrument.
7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 2016 AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the 2016 AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy :

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 October 2016.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Teo Choon Kow @ William Teo  
Jeffrey Pang Kee Chai  
Lee Chye Cheng Adrian  
Ong Beng Chye

### SECRETARY

Yap Peck Khim

### REGISTERED OFFICE

8 Wilkie Road, #03-01, Wilkie Edge  
Singapore 228095  
Tel : (65) 6521 9048  
Fax: (65) 6225 4945  
Website: [www.loyzenenergy.com](http://www.loyzenenergy.com)

### SHARE REGISTRAR

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

Tel : (65) 6228 0505  
Fax: (65) 6225 1452

### AUDITORS

BDO LLP  
Public Accountants and  
Chartered Accountants  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778

### PARTNER-IN-CHARGE

Adrian Lee Yu-Min  
(with effect from the financial year  
ended 30 June 2015)

### CONTINUING SPONSOR

ZICO Capital Pte. Ltd  
8 Robinson Road  
#09-00 ASO Building  
Singapore 048544

### PRINCIPAL BANKERS

Development Bank of Singapore  
Oversea-Chinese Banking  
Corporation Limited

# FORGING AHEAD

ANNUAL REPORT 2016



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Investors and Media: [enquiries@loyzenergy.com](mailto:enquiries@loyzenergy.com)