



# RESILIENCE

ANNUAL REPORT 2015



LOYZ ENERGY LIMITED

# RESILIENCE

Our progress in the producing Thailand oil concessions has been encouraging. Increased production volume has contributed to growing cash flows and profits to the Group. We are resilient and have a ready platform to lift off when the oil and gas cycle rebounds.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). 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 and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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Singapore-grown Loyz Energy Limited is fast establishing itself as an independent exploration and production (E&P) energy company in the Asia-Pacific.

## CORPORATE PROFILE

Singapore-grown Loyz Energy Limited ("**Loyz Energy**", and together with its subsidiaries, the "**Group**") is an independent exploration and production (E&P) energy company in the Asia-Pacific with an investor-centric business model.

Loyz Energy views its oil and gas assets as a portfolio of investments that is expected to yield an acceptable return within a specified time frame, at a manageable level of risk. The portfolio is continuously monitored, and actions taken to ensure that the overall quality of the portfolio is maintained. Loyz Energy is working to build a balanced portfolio of prime and producing oil and gas concessions, which will generate a steady earnings stream for cashflows as well as to progressively grow the Group's balance sheet from strength to strength, thus driving sustainable long-term growth. Loyz Energy will work with reputable drilling partners to reduce risks at the exploration and development stages.

The Group's 20% equity investment in three onshore oil producing concessions in Thailand has been highly successful. Loyz Energy intends to selectively add more of such high quality producing assets, as ensuing cashflows from such investments will enable Loyz Energy to grow its portfolio at a fast pace.

The Group's balanced portfolio of oil and gas assets includes two petroleum exploration permits ("**PEPs**") – one for New Zealand's Taranaki Basin and the other for an area off the coast of Victoria in Australia, as well as a service contract for Area 14 in the East Palawan Basin off the Philippines which is pending formal award.



## CHAIRMAN'S MESSAGE

### Dear Shareholders,

I am pleased to report that in the financial year ended 30 June 2015 ("FY2015"), Loyz Energy Limited ("Loyz Energy" or the "Company", and together with its subsidiaries, the "Group") made steady progress in its upstream oil and gas business. This is in spite of a very challenging business environment which saw the crude oil price falling from US\$110 per barrel in June 2014 to approximately US\$50 per barrel as at the date of this report.

Although long-term growth in demand for energy from oil is underpinned by the strong economic growth and rapid urbanisation of the Asia-Pacific region, the current low price and supply glut situation is expected to persist for some time. Therefore we have to look into ways that will enable the Group to operate as efficiently as possible.

We have to increase our operational efficiency, manage our costs and stay resilient for the difficult times. In FY2015, we have not only increased our revenue and production, we have also increased our oil reserves, implemented corporate-wide cost control programmes and substantially lowered debt level.

- Our revenue, driven by the producing 20%-owned Thailand concessions of SW1, L44/43 and L33/43 in the Phetchabun Basin, increased by 40.6% from US\$16.4 million in the financial year ended 30 June 2014 ("FY2014") to US\$23.1 million in FY2015.
- Production in the Thailand concessions increased by 398% from 75,281 barrels in FY2014 to 374,765 barrels in FY2015. Daily production with prudent reservoir management stood at approximately 4,000 barrels a day.
- 1P reserves (proved reserves) attributable to the Thailand concessions increased by 46.5% to 11.6 million barrels of oil. 2P reserves (proved and probable reserves) increased by 14.9% to 34 million barrels, while 3P reserves (proved, probable and possible reserves) totalled 79.4 million barrels.
- Our lifting cost of approximately US\$14 per barrel is well below the current crude oil price. OPEX reduced by approximately 25% as low crude oil price and intense competition among service providers provided an opportunity for re-negotiation of third party costs.
- The Group's gearing has also reduced with an improvement of debt/equity ratio from 0.95 in FY2014 to 0.79 in FY2015. Current ratio increased from 0.26 in FY2014 to 0.60 in FY2015.

### FY2015 Financial Performance

Revenue increased by 40.6% to US\$23.1 million in FY2015, as our Thailand concessions increased their production volume by 398% from 75,281 barrels in FY2014 to 374,465 barrels in FY2015 thus offsetting the impact of lower crude oil price. The Group's EBITDAX (Earnings Before Interest, Tax, Depreciation, Amortisation, Exploration Expenses) for FY2015 of US\$13.3 million exceeded a previous estimate of US\$12.0 million.

However, net loss attributable to owners of the parent increased from US\$2.9 million in FY2014 to US\$63.1 million in FY2015. This was mainly due to a one-off non-cash impairment charge of US\$71.3 million on the Group's non-core assets in India, Australia and the United States of America. The management is of the view that these assets may yield value and be monetised over time. However, given the weak oil price outlook, the Group is taking a conservative view to write down the amounts of its non-core concessions. Without the abovementioned impairment charged, the Group would have recorded a profit after income tax of US\$0.4 million in FY2015.

Despite taking an impairment charge on the Group's non-core assets, the balance sheet is now stronger. Our debt/equity ratio has gone down to 0.79 in FY2015 from 0.95 in FY2014, and our current ratio has increased from 0.26 in FY2014 to 0.60 in FY2015. Compared to other junior upstream players in the region, we are in a much better financial position to be resilient and be able to ride out the storm.

In terms of cash flow, net cash generated from operating activities reversed to a positive US\$6.9 million in FY2015 as compared to a negative US\$5.7 million in FY2014.

### On the Ground

The wells of our Thailand concessions in the Phetchabun Basin, in which we hold a 20% stake, will likely continue to provide a steady output of approximately 4,000 to 6,000 barrels of oil per day for the financial year ending 30 June 2016. The wells are capable of producing approximately 10,000 barrels a day, but we have adopted a prudent reservoir management policy in order to conserve the wells' reserves and minimise water encroachment into the wells. 90% of the areas of the concessions totalling 1,078 square kilometres remain unexplored. As the areas are progressively explored, the amount of reserves and the production volume per day are expected to increase.

During the second half of 2014, four wells in the Phetchabun Basin of our Thailand concessions were drilled, of which

three became producing wells. The 2015 drilling campaign has scheduled for nine wells to be drilled. Between April 2015 and June 2015, four wells were drilled, of which three were brought onstream. The fourth well has delineated oil-water contact within the production area. The second drilling campaign beginning in late October 2015 will include in-fill wells in the current production area and exploration wells in areas of the concessions not yet explored.

The most recent 3D survey of the area was completed in January 2015 and around 90% of L44 is now covered with 3D seismic. This will shortly be used for prospect evaluation ranking as drill targets are selected.

Based on an independent qualified person's report dated 1 January 2015 ("IQPR") on the updated oil reserves estimates as at 30 December 2014 of the concessions in the Phetchabun Basin, Thailand, commissioned by our JV partner and concession operator (ECO Orient Resources (Thailand) Limited) and prepared by Chapman Petroleum Engineering Ltd in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook prepared jointly by the Society of Petroleum Evaluation Engineers and the Canadian Institute of Mining, Metallurgy and Petroleum. 1P reserves (proved reserves) have increased by 46.5% to 11.6 million barrels. Based on these estimated 1P reserves and the current production rate of approximately 4,000 barrels per day, but excluding any increase in reserves as more areas of the concessions are explored, the wells have a producing life span of approximately 8 years.

The second phase of our drilling campaign will be fully funded by cash flows generated from the producing wells at the SW1, L44/43 and L33/43 concessions.

## Corporate Development

On 8 June 2015, Loyz Energy entered into a binding memorandum of understanding (the "MOU") for the acquisition by the Company of Primeline Energy Holdings, Inc. ("PEH") by way of a scheme of arrangement, for a consideration of approximately S\$197.0 million to be satisfied entirely by the issue of new shares in the capital of the Company at an issue price of S\$0.11 per share.

PEH, a company listed on TSX Venture Exchange in Canada, is an independent oil and gas exploration and production company focusing exclusively on upstream opportunities in China.

Owing to the current market volatility, the parties to the MOU have agreed to mutually terminate the MOU as of 30 September 2015 without liability to any of the parties. The Company, however, intends to continue to discuss other potential opportunities to work with PEH.

The Company remains committed to generating value for its shareholders through growing its core business and exploring new business opportunities.

## Conclusion

I am confident that with our solid Thailand assets, a clear business strategy and good cost control measures, we will be able to meet the challenges of the current business environment.

## Acknowledgments

I would like to thank our Board of Directors for its valuable guidance in steering Loyz Energy towards its vision. In particular I wish to thank Mr Vincent Lien Jown Jing who stepped down as Independent Director and Non-Executive Chairman of the Company on 1 December 2014, for his valuable contributions to the Company.

I would like to show my deepest appreciation to the management and staff, for their hard work and dedication without which we could not have achieved such progress.

To our business partners and shareholders, I thank you for your continuing support and I shall do my best to justify your trust and confidence in me.

**Simon Charles Lockett**  
Deputy Chairman and  
Independent Non-Executive Director

# STRONG ASSETS

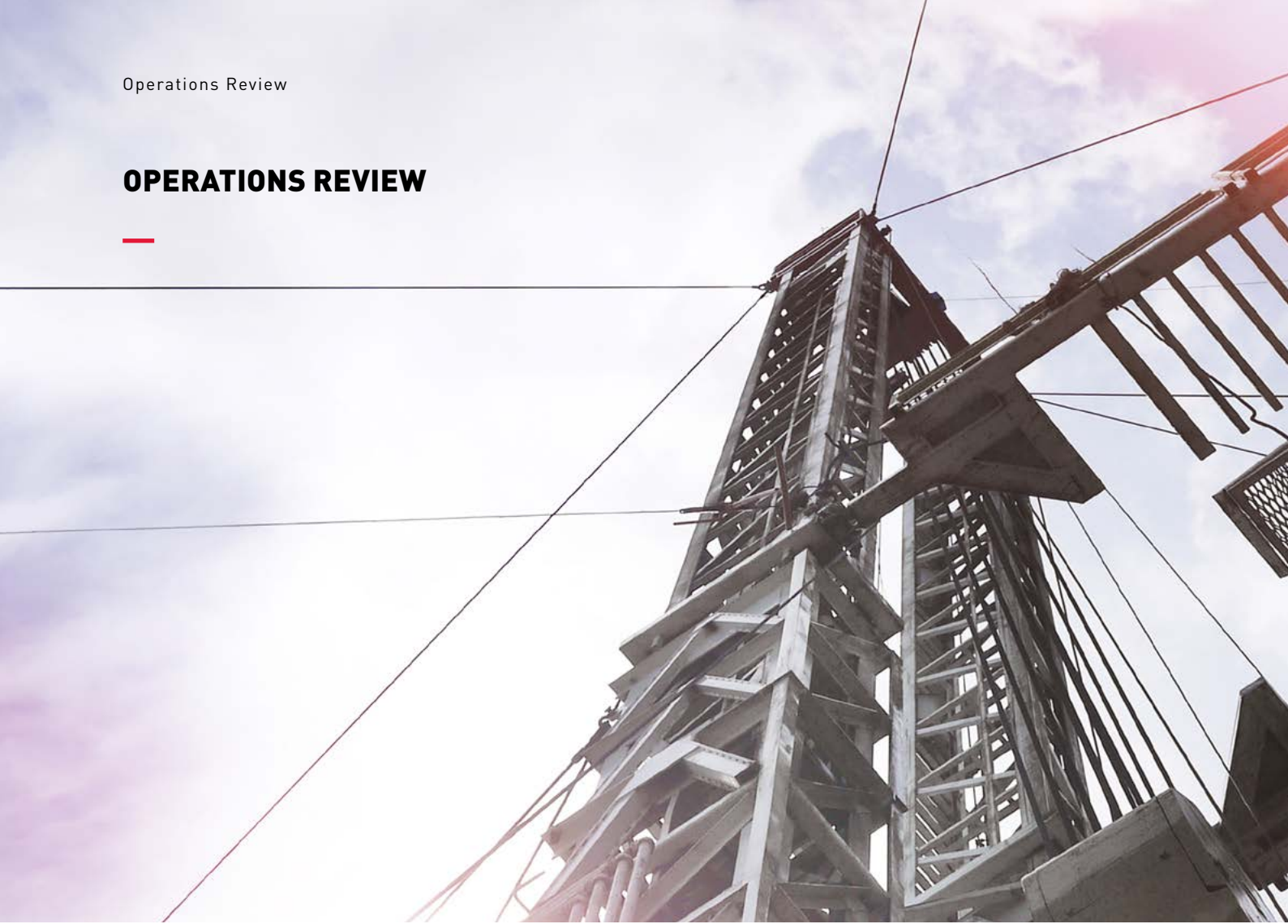
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Production volume from the Group's Thailand oil concessions rose from 75,281 barrels of oil in FY2014 to 374,765 barrels of oil in FY2015. The Thailand operations remain profitable despite a low oil price due to low cost of extraction and efficient oil well resource management.

## OPERATIONS REVIEW

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### Overview of FY2015

Loyz Energy Limited ("**Loyz Energy**" or the "**Company**", and together with its subsidiaries, the "**Group**") has always viewed its oil and gas assets from the perspective of a portfolio of investments that is expected to yield an acceptable return within a specified time frame, at a manageable level of risk. The portfolio is continuously monitored, and actions taken to ensure that the overall quality of the portfolio is maintained.

Apart from the value of our assets and the efficiency in operations, we have to ensure that there are adequate capital resources to support the Group's operations. The cost of funding must be competitive and the subsequent allocation of acquired capital resources must be as efficient as possible. This approach enables us to create sustainable long-term value for our shareholders as well as gain the support of high net worth investors and financial institutions.

The financial year ended 30 June 2015 ("**FY2015**") was a year with several noteworthy developments both on the ground in operations as well as in corporate financial developments. Together, these developments enable us to forge ahead towards our vision of being a regional major player in the upstream oil and gas sector.

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## OPERATIONS REVIEW

We took steps to ensure that we are resilient in the present challenging business environment, and we are in a strong position to respond quickly when there is an upturn in the oil and gas sector.

### 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 formation of oil deposits 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.

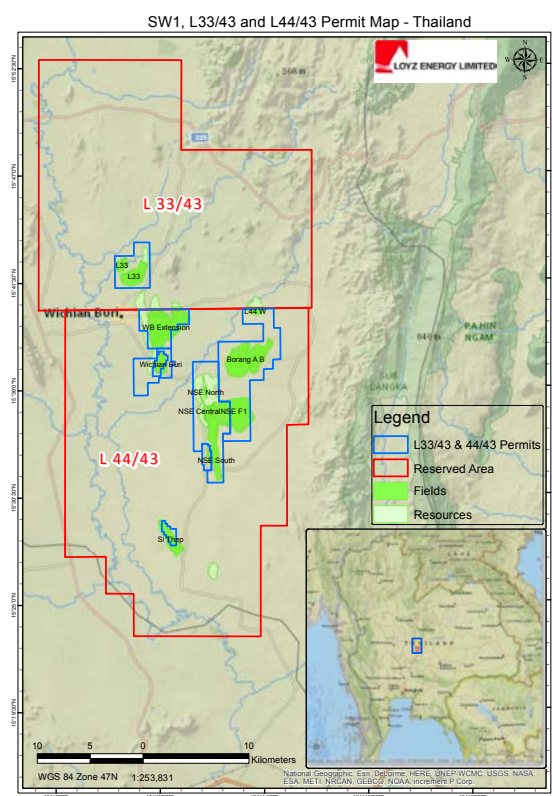
### Drilling Campaigns

In 2015, the JV planned for nine wells to be drilled in two separate drilling campaigns. The first drilling campaign was conducted between April 2015 and June 2015. Four wells were drilled within the Wichian Buri Extension production area of which three were brought on-stream as producers. The fourth well was used for delineating the extent of oil-water contact in the production area. As a result of this drilling campaign, production hit 9,500 barrels of oil per day (bopd) in June 2015. Subsequently, production was held steady at 4,000 bopd, in line with a prudent management plan to maximise recovery from the fields.

The second phase of our 2015 drilling campaign, which will commence in late October 2015, will include both low-risk infill wells to the Wichian Buri Extension production area as well as exploration wells in the southern region of the L33/43 concession. Along with increasing the daily production volume, a key focus of the JV is to expand the existing production areas and increase the reserves.

The concessions cover an area totalling 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 the daily production volume.

Map of Phetchabun Basin oil fields, Thailand



With the completion of the most recent 3D survey in January 2015, around 90% of L44/43 is now covered by 3D. Processing of this most recent survey was completed in late July 2015 and is currently undergoing interpretation. This interpretation work will be used for prospect evaluation/ranking and the selection of drill targets. Less 3D surveys were done for L33/43 as areas not covered are generally deemed too shallow for 3D survey. However, alternative methods such as gravity studies are being investigated. The JV is currently working on ranking all exploration potential within the wider concessions, in order to maximize the expansion of the production areas over the next two years.

### Operational Costs

The current slump in crude oil price offers the opportunity to renegotiate third party costs with service providers, and thus lowering the OPEX per barrel of oil extracted.

Current lifting costs at our Thailand fields are estimated at approximately US\$14.00 per barrel. Since the drop in crude oil price over the last year, our OPEX has been reduced by approximately 25%. This has been brought about mainly due to lower third party costs such as trucking of the oil to the refineries, and the services for maintenance of power and pumps for drilling. Our OPEX also include costs associated with the day-to-day running of the operations such as security guards, cooks, menial labour, and production technicians.

### Corporate Financial Developments

During FY2015, we instituted several financial arrangements to ensure that we have the capital resources to support our operations, allocate capital resources efficiently, as well as to have the flexibility and ability to capitalise on good business opportunities that may arise.

Such financial arrangements include the following:-

- (i) Term loans of up to US\$32 million from Oversea-Chinese Banking Corporation Limited ("**OCBC**") to the Company;

- (ii) Proposed issuance of 22,222,222 warrants, with each warrant carrying the right to subscribe for one fully-paid new ordinary share ("**Warrant Share**") in the capital of the Company at the exercise price of S\$0.45 per Warrant Share, to OCBC by the Company;
- (iii) Establishment of a S\$250 million multicurrency medium term note programme ("**MTN Programme**") with the Hongkong and Shanghai Banking Corporation Limited and OCBC appointed as the arrangers and dealers of the MTN Programme;
- (iv) Loan facility of up to S\$13 million, at an interest rate of 7% per annum, with a convertibility option from Jit Sun Investments Pte. Ltd. ("**Jit Sun**"), a controlling shareholder of the Company, to the Company; and
- (v) Placement of an aggregate of 146,951,000 new ordinary shares in the capital of the Company at an issue price of S\$0.095 per new ordinary share.

In addition, in FY2015, the Group has (i) terminated a lease agreement in relation to the lease of two drilling units ("**Rigs**") with Fram Exploration ASA ("**Fram**") and as partial consideration for the early termination of the lease agreement, 136,500,000 new ordinary shares in the capital of the Company were allotted and issued to Fram; and (ii) disposed of the Rigs to Jit Sun for a cash consideration of US\$16 million.

Please refer to the Company's announcements released via SGX-ST website for further information on the above corporate actions by the Company.

### Resilience

FY2015 was a year during which we took steps to ensure that we are resilient in the present challenging business environment, and we are in a strong position to respond quickly when there is an upturn in the oil and gas sector.



# OPERATION EFFICIENCY

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The Group will continue to improve on its operational efficiency whilst working towards increasing production.

## CONCESSION OVERVIEW

- |                                             |                                          |
|---------------------------------------------|------------------------------------------|
| 1. Thailand<br>Phetchabun Basin             | 5. New Zealand<br>Taranaki Basin         |
| 2. United States of America<br>Colorado     | 6. The Philippines<br>East Palawan Basin |
| 3. United States of America<br>North Dakota | 7. India<br>Cambay Basin                 |
| 4. Australia<br>Torquay Basin               |                                          |



## CONCESSION OVERVIEW



### Thailand

#### Phetchabun Basin

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

The Group, together with its partners (namely, Berlanga Group, ECO Orient Energy (Thailand) Ltd and ECO Orient Resources (Thailand) Ltd), have over the course of the reporting period drilled eight new wells. Of these, six immediately came on-stream as producers and two were dry holes. However, as a result of these dry wells, the reservoir units have now been more accurately delineated and as such more accurate volume estimations have been made.

The Group expects at least a similar number of new wells to be drilled over the next reporting period with the aim of further increasing production, as well as extending existing production areas and creating new ones. Following a recent 3D seismic acquisition, which was completed in January 2015, the vast majority of all prospective acreage is now covered with good quality data.

Currently, these concessions are producing at a combined rate of approximately 4,000 barrels of oil per day (bopd). Despite peaking at circa 9,500 bopd in June 2015, production has been conservatively set at current levels in line with a reservoir management plan focused on extending production life and maximising recoveries, while further drilling campaigns are planned and executed.



### United States of America

#### Colorado & North Dakota

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 has 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.



### Australia

#### Torquay Basin

The Group owns a 70% working interest in VIC/P62, a petroleum exploration permit ("PEP") which allows it to explore off the coast of Victoria, and is also the operator.

During the reporting period, work has focused on a technical study aimed at increasing understanding of the basin's burial history and hydrocarbon generation. 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.



### New Zealand

#### Taranaki Basin

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 Philippines

#### East Palawan Basin

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.



### India

#### Cambay Basin

The Group owns two onshore Indian concessions through its 51%-owned Bombay-listed subsidiary, Interlink Petroleum Limited ("**IPL**"). IPL has production-sharing contracts with the Indian government for both the Baola and Modhera fields, where studies are still being carried out to identify prospective oil and gas finds. These fields are located in the highly prospective Cambay Basin of Gujarat state.

On 27 March 2015, 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. The Assignment is currently pending the Indian government's approval.

## SUSTAINABILITY REPORT

At Loyz Energy, we believe that a successful corporation is found not only on its business achievements, but also on the roles it plays in the community and in conserving the environment.



Despite the uncertainties surrounding the oil and gas industry which have affected the performance of the Group, Loyz Energy Limited ("**Loyz Energy**") is continually revisiting and improving its corporate sustainability policies to protect the environment and its people, as well as contributing back to the societies within the areas of its operations.

At Loyz Energy, we believe that a successful corporation is found not only on its business achievements, but also on the roles it plays in the community and in conserving the environment. Moving forward, we will work towards securing certification and accreditation of certain components of our sustainability policies as well as achieving ISO and OHAS certification for our Group.



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

### Health & Safety Policy

We commit 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 subcontracts 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 capture 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.

# EXCEEDED ESTIMATE

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Despite a much lower oil price, the Group's EBITDAX of US\$13.3 million for FY2015 has exceeded earlier estimate of US\$12.0 million.

## FINANCIAL HIGHLIGHTS

### Revenue

+41%

US\$23.1m

FY2014 : US\$16.4m

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

+931%

US\$13.3m

FY2014: (US\$1.6m)

### Net Cash Flows From Operations

+222%

US\$6.9m

FY2014: (US\$5.7m)

### Production Volume

+398%

374,765 Barrels

FY2014: 75,281 Barrels

### Consolidated Income Statement (US\$'000)

|                               | FY2015<br>(Jul'14 - Jun'15) | FY2014<br>(Jul'13-Jun'14)<br>(Restated) |
|-------------------------------|-----------------------------|-----------------------------------------|
| Revenue                       | 23,077                      | 16,413                                  |
| Gross profit                  | 15,276                      | 3,442                                   |
| Net attributable loss         | (70,947)                    | (3,758)                                 |
| Adjusted Net Profit / (loss)* | 401                         | (3,758)                                 |

### Balance Sheet (US\$'000)

|                                   | As at<br>30 Jun 2015 | As at<br>30 Jun 2014<br>(Restated) |
|-----------------------------------|----------------------|------------------------------------|
| Non-current assets <sup>(2)</sup> | 131,995              | 197,627                            |
| Current assets                    | 15,307               | 13,558                             |
| Non-current liabilities           | 83,073               | 86,010                             |
| Current liabilities               | 25,626               | 53,154                             |
| Shareholders' Equity              | 43,829               | 69,490                             |
| NAV per share (US cents)          | 5.31                 | 16.90                              |

#### Notes:

<sup>(1)</sup> Earnings before interest, taxation, depreciation, amortisation and exploratory expenses.

<sup>(2)</sup> Included oil & gas properties, exploration, evaluation and development assets as well as intangible assets (FY2015: US\$120.2m; FY2014: US\$151.8m)

\* Before one-off, non-cash impairment charges

## BOARD OF DIRECTORS



### 1. Mr Simon Charles Lockett

#### Deputy Chairman and Independent Non-Executive Director

Mr Lockett was first appointed as adviser to the Board in August 2014 and was subsequently appointed to the Board in December 2014 as Deputy Chairman and Independent Non-Executive Director. He was previously the chief executive officer ("CEO") of Premier Oil Plc ("Premier"), a leading oil and gas exploration and production company listed on the London Stock Exchange. He joined Premier in 1994 and became its CEO in 2005. Whilst in charge of Premier from 2005 to 2014, Mr Lockett was able to significantly boost its production from 37.0 thousand barrels of oil equivalent per day (mboepd) in 2004 to 58.2 mboepd in 2013. Premier's proved and probable reserves and contingent resources had grown from 210 million barrels of oil equivalents (mmboe) in 2005 to 773 mmboe in 2014, while operating cash flows had risen by 580%, from £119 million in 2005 to £808 million in 2012. During this period, Premier's share price increased by more than 140%, outperforming the FTSE 250 Index. Mr Lockett holds a Bachelor of Science from the Sheffield University, United Kingdom and a Master of Business Administration from the Manchester Business School, United Kingdom.

### 2. Mr Lee Chye Cheng, Adrian

#### Managing Director

Appointed in May 2011, Mr Lee is in charge of the Group's overall business. 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.

### **3. Mr Chan Eng Yew (Zeng Rongyao)** **Non-Executive Director**

Mr Chan joined the Board in July 2011. He is currently the chief executive officer of TRIYARDS Holdings Limited, which provides offshore vessel fabrication and engineering solutions for the oil and gas industry. With more than eight years of experience in commercial and corporate banking, he spearheaded the public listing of his previous employer, EOC Ltd, in Oslo, Norway, while helming the company as its chief financial officer. He also assisted in the listing of EOC Ltd's parent company, Ezra Holdings Limited, in Singapore. Previously, he held several senior management positions at United Overseas Bank. Mr Chan holds a Master of Business Administration from the University of Louisville in Kentucky, a Master of Applied Finance from the Macquarie University in Australia and a Bachelor of Commerce (Banking and Finance) from the Murdoch University in Australia.

### **4. Mr Teo Choon Kow @ William Teo** **Independent Director**

Mr Teo was appointed to the Board in July 2008. 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 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.

### **5. Mr Chia Yong Whatt** **Independent Director**

Mr Chia is an Independent Director and was appointed to the Board in August 2008. He has more than 24 years of combined legal experience as an advocate and solicitor and as a corporate counsel. He is currently GM-legal at the Singapore offices of MMA Offshore Limited – a leading marine services company listed on the Australian Stock Exchange which operates a range of modern offshore vessels providing marine solutions, supply bases, shipyards and ship repair facilities as well as specialist marine logistics solutions to the offshore oil and gas industry.

Mr Chia has considerable experience in contracts, corporate and cross-border transactions, dispute resolution, regulatory compliance, construction and real estate. He holds a Bachelor of Laws (Honours) from the National University of Singapore.

## MANAGEMENT TEAM



### 1. Dr Bruce Morris

#### Chief Technical Officer / Vice President Subsurface

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 30 years and is a member of the South East Asia Petroleum Exploration Society (Seapex) as well.

### 2. Mr Jeffrey Pang

#### Chief Financial Officer / Vice President Finance

Mr Pang joined the Group in July 2011 and is 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.

### 3. Mr Stephane Bigard

#### **Business Development Director / Vice President New Ventures**

Mr Bigard joined the Group in January 2014. He is responsible for identifying new market opportunities or partnerships, as well as growing the Group's portfolio in line with the Company's strategy. He brings with him 14 years of experience in the upstream industry, garnered in areas as diverse as engineering, operations, project management, finance and new business. While serving as a project manager at Hess Corporation in Malaysia from 2010 to 2013, he played a key role in developing its long-term position there.

Mr Bigard started his career with Total S.A. as a process and field production engineer, and later managed a deep offshore development in Africa before becoming a petroleum analyst in Paris. He holds a Master of Science (petroleum engineering and project development) at the IFP School in Paris and a multidisciplinary engineering degree specialising in chemicals at the École Centrale.

### 4. Mr Andre King

#### **Business Development Director / Vice President Operations**

Since joining the Group in February 2014, Mr King has been involved with identifying new market opportunities or partnerships within the United States of America and Southeast Asia. During his 18 years in the oil and gas industry, he has played a key role in the successful execution of a broad range of onshore and offshore projects around the world, skillfully managing many which were governed by production-sharing arrangements. He is well-versed in handling commercial negotiations and working with regulators to expedite project delivery.

At Hess Corporation, where he spent seven years, Mr King served as offshore installation/hook-up manager at one of its Indonesian facilities before moving to Malaysia to become conversion manager for its gas processing Floating Production, Storage and Offloading (FPSO) project. He holds a degree in mechanical engineering from Texas A&M University.

## QUALIFIED PERSON'S REPORT

Loyz's Reserves and Resources as at 30 June 2015

| Category                     | Gross Attributable to<br>Licence<br>(MMbbl / Bcf) | Net Attributable to the<br>Company<br>(MMbbl / Bcf) | Remarks                               |
|------------------------------|---------------------------------------------------|-----------------------------------------------------|---------------------------------------|
| Reserves                     |                                                   |                                                     |                                       |
| Oil Reserves                 |                                                   |                                                     |                                       |
| 1P                           | 26.54                                             | 3.99                                                | Thailand and US                       |
| 2P                           | 54.39                                             | 9.07                                                |                                       |
| 3P                           | 105.85                                            | 18.83                                               |                                       |
| Natural Gas Reserves         |                                                   |                                                     |                                       |
| 1P                           | –                                                 | –                                                   | –                                     |
| 2P                           | –                                                 | –                                                   | –                                     |
| 3P                           | –                                                 | –                                                   | –                                     |
| Natural Gas Liquids Reserves |                                                   |                                                     |                                       |
| 1P                           | –                                                 | –                                                   | –                                     |
| 2P                           | –                                                 | –                                                   | –                                     |
| 3P                           | –                                                 | –                                                   | –                                     |
| Contingent Resources         |                                                   |                                                     |                                       |
| Oil                          |                                                   |                                                     |                                       |
| 1C                           | 0.74                                              | 0.12                                                | US, NZ and India<br>(excluding Baola) |
| 2C                           | 2.39                                              | 0.37                                                |                                       |
| 3C                           | 5.34                                              | 0.75                                                |                                       |
| Natural Gas                  |                                                   |                                                     |                                       |
| 1C                           | 9.00                                              | 0.90                                                | NZ                                    |
| 2C                           | 26.00                                             | 2.60                                                |                                       |
| 3C                           | 57.00                                             | 5.70                                                |                                       |
| Natural Gas Liquids          |                                                   |                                                     |                                       |
| 1C                           | –                                                 | –                                                   | –                                     |
| 2C                           | –                                                 | –                                                   | –                                     |
| 3C                           | –                                                 | –                                                   | –                                     |
| Prospective Resources        |                                                   |                                                     |                                       |
| Oil                          |                                                   |                                                     |                                       |
| Low Estimate                 | 7.34                                              | 5.00                                                | NZ and India                          |
| Best Estimate                | 40.39                                             | 27.70                                               |                                       |
| High Estimate                | 95.35                                             | 63.70                                               |                                       |
| Natural Gas                  |                                                   |                                                     |                                       |
| Low Estimate                 | 136.00                                            | 98.10                                               | Australia, NZ and India               |
| Best Estimate                | 1,019.00                                          | 730.90                                              |                                       |
| High Estimate                | 2,254.00                                          | 1,614.30                                            |                                       |

### Legend:

1P: Proved

2P: Proved + Probable

3P: Proved + Probable + Possible

MMbbl: Millions of barrels, Bcf: Billions of cubic feet

## QUALIFIED PERSON'S REPORT

Please refer to the attached CD for further details on exploration and mining development in relation to the Philippines, India, Australia, New Zealand, USA and Thailand oil and gas assets. The attached CD contains the following documents:

1. Qualified person's report dated 30 September 2015
2. Appendix I: Rogers Adams, September 2013: Qualified Person's Report, India, Australia, New Zealand and the Philippines.
3. Appendix II: Chapman Petroleum Engineering, January 2015: Reserves and Economic Evaluation Oil Properties, SW1 Concession, Petchabun Basin, Thailand.
4. Appendix III: Chapman Petroleum Engineering, January 2015: Reserves and Economic Evaluation Oil Properties, L33/43 and L44/43 Concessions, Petchabun Basin, Thailand.
5. Appendix IV: Guidelines for Application of the Petroleum Resources Management System (PRMS) November 2011.

Loyz Energy has also made reference to the independent qualified person's report prepared by OPK Resources GmbH for the oil and gas assets in the USA dated 31 August 2013, which was issued as a part of the offer document for Rex International Holdings Ltd dated 22 July 2013 pursuant to its initial public offering of shares and is available at the SGX website.



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# RESILIENCE

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## CORPORATE GOVERNANCE STATEMENT

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.

This report outlines corporate governance practices adopted by the Company for the financial year ended 30 June 2015 (“**FY2015**”) with specific reference made to each of the principles of the Singapore Code of Corporate Governance 2012 (the “**CG Code**”). The board of directors of the Company (the “**Board**” or “**Directors**”) confirms that, for FY2015, the Company has, as far as practicable, generally adhered towards the compliance of the recommendations in the CG Code. Where there are deviations from the CG Code, appropriate explanations are provided.

### BOARD MATTERS

#### Principle 1: The Board’s Conduct of Affairs

Apart from the statutory duties, the Board’s responsibilities include the following:

- (i) setting overall business direction and providing 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 discharge their duties and responsibilities at all times and take decisions in the interests of the Company.

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 articles of association (“**Articles**”). The attendance of each Director at every Board and Board Committee meetings held during FY2015 is set out below:

|                                            | Board | Audit Committee | Nominating Committee | Remuneration Committee | Risk Management Committee |
|--------------------------------------------|-------|-----------------|----------------------|------------------------|---------------------------|
| Number of meetings held:                   | 5     | 4               | 2                    | 2                      | 1                         |
| Attendance:                                |       |                 |                      |                        |                           |
| Simon Charles Lockett <sup>(1)</sup>       | 3     | 2               | –                    | –                      | –                         |
| Lee Chye Cheng, Adrian                     | 4     | –               | 1                    | –                      | –                         |
| Teo Choon Kow @ William Teo                | 5     | 4               | 2                    | 2                      | 1                         |
| Chia Yong Whatt                            | 4     | 4               | 2                    | 2                      | 1                         |
| Chan Eng Yew (Zeng Rongyao) <sup>(2)</sup> | 5     | 2               | –                    | 2                      | 1                         |
| Lien Jown Jing Vincent <sup>(3)</sup>      | 2     | 2               | 2                    | 2                      | –                         |

#### Notes:

<sup>(1)</sup> Simon Charles Lockett was appointed as a Director and Deputy Chairman of the Board as well as a member of the AC and the RC with effect from 1 December 2014.

<sup>(2)</sup> Chan Eng Yew (Zeng Rongyao) ceased to be a member of the AC with effect from 1 December 2014.

<sup>(3)</sup> Lien Jown Jing Vincent resigned as a Director and Chairman of the Board with effect from 1 December 2014.

## CORPORATE GOVERNANCE STATEMENT

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.

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.

### Principle 2: Board Composition and Guidance

The Board comprises the following members:

|                             |                                                        |
|-----------------------------|--------------------------------------------------------|
| Simon Charles Lockett       | Deputy Chairman and Independent Non-Executive Director |
| Lee Chye Cheng, Adrian      | Managing Director                                      |
| Teo Choon Kow @ William Teo | Independent Non-Executive Director                     |
| Chia Yong Whatt             | Independent Non-Executive Director                     |
| Chan Eng Yew (Zeng Rongyao) | Non-Executive Director                                 |

The Company endeavors to maintain a strong and independent element on the Board with the Independent Directors who makes up more than one-third of the Board.

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 Non-Executive Directors will constructively challenge and assist in the development of proposals on strategy, 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 the size and composition of the Board and Board Committees on an annual basis. The Board is of the view that the current Board size is appropriate and sufficient for effective decision-making. Taking into account the current scope and nature of the operations of the Group, 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.

The independence of each Director is reviewed annually by the NC. The NC adopts the definition in the CG Code as to what constitutes an Independent Director. The NC has reviewed and is of the view that the Independent Directors are independent. The Independent Directors have confirmed that they do not have any 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 their independent business judgment with a view to the best interests of the Company. None of the Independent Directors has served on the Board beyond nine years from the date of his first appointment.

## CORPORATE GOVERNANCE STATEMENT

### Principle 3: Chairman and Chief Executive Officer

The Group's Deputy Chairman is Mr Simon Charles Lockett who is an Independent Non-Executive Director. Mr Lockett is, amongst other things, responsible for leading the Board to ensure its effectiveness on all aspects of its role, ensure that adequate time is available for discussion of all agenda items and promote a culture of openness and debate at the Board.

The Group's Managing Director is Mr Lee Chye Cheng, Adrian 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 AC reviews all major decisions made by the Deputy Chairman and the Managing Director. The Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual and that there is an appropriate balance of power within the Board.

### Principle 4: Board Membership

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

Teo Choon Kow @ William Teo (Chairman)  
Chia Yong Whatt  
Lee Chye Cheng, Adrian

The Chairman of the NC is an Independent Director. 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 twice during FY2015. The NC members attended the meetings and the Company Secretary was present at the meetings 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/her 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 Articles. 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.

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 Teo Choon Kow @ William Teo and Mr Simon Charles Lockett will retire pursuant to the Company's Articles. Both of them, being eligible for re-election, have offered themselves for re-election.

## CORPORATE GOVERNANCE STATEMENT

The NC has reviewed the independence of each Director for FY2015 and is of the view that the Independent Directors are independent as defined in the CG 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.

### PARTICULARS OF DIRECTORS PURSUANT TO THE CG CODE

| Name of Director               | Board appointment | Date of first appointment | Date of last re- appointment | Directorship/ Chairmanship in other listed companies and principal commitments (present and held over preceding 3 years) |
|--------------------------------|-------------------|---------------------------|------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Simon Charles Lockett          | Non-Executive     | 01/12/2014                | NA <sup>(1)</sup>            | Present:<br>Independent Director:<br>TRIYARDS Holdings Limited<br><br>Past: Nil                                          |
| Lee Chye Cheng, Adrian         | Executive         | 11/01/2011                | 31/10/2013 <sup>(2)</sup>    | Present:<br>Independent Director:<br>Select Group Limited<br><br>Past: Nil                                               |
| Teo Choon Kow @ William Teo    | Non-Executive     | 23/07/2008                | 30/10/2013 <sup>(3)</sup>    | Present:<br>Independent Director:<br>Wee Hur Holdings Ltd and PSL Holdings Ltd<br><br>Past: Nil                          |
| Chia Yong Whatt                | Non-Executive     | 20/08/2008                | 30/10/2014                   | Present: Nil<br><br>Past: Nil                                                                                            |
| Chan Eng Yew<br>(Zeng Rongyao) | Non-Executive     | 22/07/2011                | 30/10/2014                   | Present:<br>Executive Director:<br>TRIYARDS Holdings Limited<br><br>Past: Nil                                            |

#### Notes:

<sup>(1)</sup> Simon Charles Lockett was appointed as a Director and Deputy Chairman of the Board with effect from 1 December 2014. 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 appointed as a Managing Director with effect from 31 March 2013 and hence, will not be subject to retirement as a Director pursuant to the Company's Articles.

<sup>(3)</sup> Teo Choon Kow @ William Teo will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.

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## CORPORATE GOVERNANCE STATEMENT

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### Principle 5: Board Performance

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

The evaluation of the Board is performed annually by having all members to complete a questionnaire individually. The assessment parameters such as the Director's attendance and participation in and outside meetings, the quality of the Director's involvement and industry and business knowledge made by the Director will enable an all rounded evaluation, covering the various aspects of an effective Board.

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.

### Principle 6: Access to Information

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 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 it to discharge its responsibilities effectively.

## REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

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

|                             |            |
|-----------------------------|------------|
| Chia Yong Whatt             | (Chairman) |
| Simon Charles Lockett       |            |
| Teo Choon Kow @ William Teo |            |
| Chan Eng Yew (Zeng Rongyao) |            |

## CORPORATE GOVERNANCE STATEMENT

The Chairman of the RC is an Independent Director. 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 Group ("**Key Executives**"). 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 has access to expert advice inside and/or outside the Company. During FY2015, 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.

### Principle 8: Level and Mix of Remuneration

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 successfully.

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.

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. The RC reports to the Board and met twice in FY2015.

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 meetings to record the proceedings.

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 financial statements.

### Principle 9: Disclosure on Remuneration

The CG Code recommends the disclosure of the remuneration of Directors, Chief Executive Officer ("**CEO**") (or its equivalent) and at the least, the Group's top five Key Executives (who are not also Directors or the CEO).

The Company is of the opinion that it is not in the best interest of the Company to disclose the total remuneration of each Director in dollar terms, nor the names of the Company's top five Key Executives and the total remuneration of each Key Executive in dollar terms, given the sensitivity of remuneration matters and the competitiveness of the industry for key talent.

## CORPORATE GOVERNANCE STATEMENT

The remuneration of the Directors for FY2015 in bands of S\$250,000 is as follows:

| Remuneration band                     | Directors' fee<br>% | Base salary<br>% | Bonus<br>% | CPF<br>% | Allowance<br>% | Share options and awards<br>% | Total<br>% |
|---------------------------------------|---------------------|------------------|------------|----------|----------------|-------------------------------|------------|
| <b>S\$250,000 to S\$499,999</b>       |                     |                  |            |          |                |                               |            |
| Lee Chye Cheng, Adrian                | 1                   | 83               | 5          | 11       | –              | –                             | 100        |
| <b>S\$0 to S\$249,999</b>             |                     |                  |            |          |                |                               |            |
| Simon Charles Lockett <sup>(1)</sup>  | 100                 | –                | –          | –        | –              | –                             | 100        |
| Teo Choon Kow @ William Teo           | 69                  | –                | –          | –        | –              | 31                            | 100        |
| Chia Yong Whatt                       | 68                  | –                | –          | –        | –              | 32                            | 100        |
| Chan Eng Yew (Zeng Rongyao)           | 64                  | –                | –          | –        | –              | 36                            | 100        |
| Lien Jown Jing Vincent <sup>(2)</sup> | 100                 | –                | –          | –        | –              | –                             | 100        |

**Notes:**

<sup>(1)</sup> Simon Charles Lockett was appointed as a Director and Deputy Chairman of the Board with effect from 1 December 2014.

<sup>(2)</sup> Lien Jown Jing Vincent resigned as a Director and Chairman of the Board with effect from 1 December 2014.

The remuneration of the top five Key Executives for FY2015 in bands of S\$250,000 is as follows:

| Remuneration band               | Base salary<br>% | Bonus<br>% | CPF<br>% | Allowance<br>% | Share options and awards<br>% | Total<br>% |
|---------------------------------|------------------|------------|----------|----------------|-------------------------------|------------|
| <b>S\$750,000 to S\$999,999</b> |                  |            |          |                |                               |            |
| No. of Key Executives: Two      | 33               | 1          | –        | –              | 66                            | 100        |
| <b>S\$500,000 to S\$749,999</b> |                  |            |          |                |                               |            |
| No. of Key Executives: One      | 39               | 4          | 2        | 4              | 51                            | 100        |
| <b>S\$250,000 to S\$499,999</b> |                  |            |          |                |                               |            |
| No. of Key Executives: One      | 72               | 2          | –        | 3              | 23                            | 100        |
| <b>S\$0 to S\$249,999</b>       |                  |            |          |                |                               |            |
| No. of Key Executives: One      | 95               | –          | 5        | –              | –                             | 100        |

The total aggregate remuneration paid to the Key Executives during FY2015 was US\$2.3 million.

The Company does not have any employee who is an immediate family member of a Director or the CEO (or its equivalent) for FY2015.

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

## CORPORATE GOVERNANCE STATEMENT

### ACCOUNTABILITY AND AUDIT

#### Principle 10: Accountability

The Board is accountable to the shareholders and always aims to present a balanced and understandable assessment of the Company's and the Group's financial position and prospects to shareholders 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 shareholders with a balanced and accurate assessment of the Group's performance, financial position and prospects.

Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is reviewed carefully 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.

#### Principle 11: Risk Management and Internal Controls

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 FY2015, the Company's external and internal auditors conducted their respective 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 to address risks relating to financial, operational, compliance and information technology matters. The Board, together with the AC and the Management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

The Board has also received assurance from the Managing Director and the 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 Non-Executive Director as follows:

|                             |            |
|-----------------------------|------------|
| Chia Yong Whatt             | (Chairman) |
| Teo Choon Kow @ William Teo |            |
| Chan Eng Yew (Zeng Rongyao) |            |

The Chairman of the RMC is an Independent Director.

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 the risk governance of the Company.

## CORPORATE GOVERNANCE STATEMENT

### Principle 12: Audit Committee

The AC comprises three Independent Directors as follows:

Teo Choon Kow @ William Teo (Chairman)  
Simon Charles Lockett  
Chia Yong Whatt

All members of the AC are Independent Non-Executive 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 Chia Yong Whatt is a qualified lawyer with many years of experience as an advocate and solicitor with substantial experience in corporate transactions, construction litigation and real estate. Mr Simon Charles Lockett has many years of experience in corporate transactions within the oil and gas industry. He was recently appointed as an independent director of a company listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). As such, he is familiar with corporate governance and disclosure requirements of the SGX-ST. 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;
- 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 Listing Manual, Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**")); and
- make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

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.

The AC met four times during FY2015. All AC members attended all the meetings and 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. It has full access to and cooperation of the Management and full discretion to invite any staff to attend its meetings.

## CORPORATE GOVERNANCE STATEMENT

Statutory audit review and the implementation of the Company's material internal controls are reviewed by the Company's 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 recommendations by the external auditors 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.

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.

The AC has also reviewed the results of the audit work, the cost effectiveness of the audit and the independence and objectivity of the external auditors. During FY2015, 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. An analysis of fees (aggregate amount and breakdown) paid in respect of audit and non-audit services provided by the external auditors for the past two years is disclosed in Note 30 to the financial statements.

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 external 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 the re-appointment of BDO LLP as the Group's external auditors and the Board has accepted the AC's recommendation and the re-appointment will be tabled in the forthcoming AGM of the Company.

In line with the CG 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 conducted to update and explain the Company's whistle blowing policies adopted by the Company.

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

### Principle 13: Internal Audit

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.

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## CORPORATE GOVERNANCE STATEMENT

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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 internal auditors. The AC will review annually the adequacy and effectiveness of the internal auditors.

### Principle 14: Shareholder Rights

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 Committees, are also present at these general meetings to address questions from the shareholders.

### Principle 15: 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
- 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. Results and annual reports are announced or issued within the period prescribed by the SGX-ST and are available on the Company's website. 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.

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 Articles 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 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.

## CORPORATE GOVERNANCE STATEMENT

The Group does not have a concrete 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 capital requirements for business growth and other factors as the Board deem appropriate. The Board does not recommend any payment of dividends for FY2015 as the Group intends to conserve cash for its future working capital requirements and for the necessary capital expenditure.

### Principle 16: Conduct of shareholder meetings

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. 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 will 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.

### DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Catalist 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.

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.

### INTERESTED PERSON TRANSACTIONS

The Group has not obtained a general mandate from shareholders for interested person transactions.

All interested person transactions are subject to review by the AC to ensure that they are on an arm's length basis.

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.

## CORPORATE GOVERNANCE STATEMENT

| Name of interested person                                                                                                                                                                          | Aggregate value of all interested person transactions during FY2015 (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 during FY2015 (excluding transactions less than S\$100,000) |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                    | US\$'000                                                                                                                                                                                      | US\$'000                                                                                                                                                                     |
| Jit Sun Investments Pte Ltd (Interest on loans to the Group)                                                                                                                                       | 875                                                                                                                                                                                           | –                                                                                                                                                                            |
| Jit Sun Investments Pte Ltd (Conversion of shareholders' loans to ordinary shares of the Company - please refer to the Company's circular to shareholders dated 14 June 2015 for more information) | 17,187                                                                                                                                                                                        | –                                                                                                                                                                            |
| Sky Park Investments Limited (Disposal of two rigs by the Company - please refer to the Company's circular to shareholders dated 14 June 2015 for more information)                                | 16,000                                                                                                                                                                                        | –                                                                                                                                                                            |

### Non-Sponsorship Fee

The continuing sponsor of the Company is Canaccord Genuity Singapore Pte. Ltd. ("**Canaccord**") who was appointed since 27 August 2013.

With reference to Rule 1204(21) of the Catalist Rules, non-sponsorship fees payable or paid to the Company's continuing sponsor for FY2015 amounted to S\$85,600, in relation to the disposal of two rigs to a controlling shareholder of the Company (the "**Disposal**") where Canaccord had acted as the independent financial adviser to the Directors who were independent of the Disposal.

### Material Contracts

Save for the below-mentioned, there was no material contract entered into by the Company and its subsidiaries involving the interests of any Director or controlling shareholders, either still subsisting at the end of FY2015, or if not then subsisting, entered into since the end of the previous financial year ended 30 June 2014:

- (i) Service agreement entered into between the Executive Director and the Company;
- (ii) Convertible loan agreement entered into between the Company and Jit Sun Investments Pte Ltd, a controlling shareholder of the Company, of up to S\$15 million at an interest rate of 5% per annum ("**Loan**"). As at 30 June 2015, S\$15 million has been drawn down. The Loan is unsecured and repayable on Jit Sun investments Pte Ltd's demand; and
- (iii) Subscription agreement entered into between the Company and Oversea-Chinese Banking Corporation Limited ("**OCBC**") for the issuance of 22,222,222 warrants, with each warrant carrying the right to subscribe for one fully-paid new ordinary share ("**Warrant Share**") in the capital of the Company at the exercise price of S\$0.45 per Warrant Share, to OCBC by the Company.

## CORPORATE GOVERNANCE STATEMENT

### Use of Proceeds

Net proceeds utilised as at 30 June 2015  
(S\$ million)

#### Placement of 146,951,000 new shares of the Company at S\$0.095 each in March 2015

|                                        |             |
|----------------------------------------|-------------|
| Repayment of loans                     | 10.8        |
| General working capital <sup>(1)</sup> | 3.1         |
| <b>Total</b>                           | <b>13.9</b> |

#### Note:

<sup>(1)</sup> General working capital comprises operating expenses and finance costs.

The net proceeds from the above-mentioned fund raising exercise have been fully utilized as at 30 June 2015.

### 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 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.

## REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 June 2015, the statement of financial position of the Company as at 30 June 2015 and the statement of changes in equity of the Company for the financial year ended 30 June 2015.

### 1. Directors

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

|                             |                                                                                        |
|-----------------------------|----------------------------------------------------------------------------------------|
| Simon Charles Lockett       | (Deputy Chairman and Independent Non-Executive Director, appointed on 1 December 2014) |
| Lee Chye Cheng Adrian       | (Managing Director)                                                                    |
| Chan Eng Yew (Zeng Rongyao) | (Non-Executive Director)                                                               |
| Teo Choon Kow @ William Teo | (Independent Director)                                                                 |
| Chia Yong Whatt             | (Independent Director)                                                                 |

### 2. 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 3, 5 and 6 of this report.

### 3. 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 to subscribe for ordinary shares |                         | Shareholdings registered in the name of the Directors |                         |
|-----------------------------|------------------------------------------------|-------------------------|-------------------------------------------------------|-------------------------|
|                             | Balance at 1 July 2014                         | Balance at 30 June 2015 | Balance at 1 July 2014                                | Balance at 30 June 2015 |
| <b>Company</b>              |                                                |                         |                                                       |                         |
| Lee Chye Cheng Adrian       | 1,200,000                                      | 1,200,000               | 50,000                                                | 50,000                  |
| Chan Eng Yew (Zeng Rongyao) | 270,000                                        | 770,000                 | –                                                     | –                       |
| Teo Choon Kow @ William Teo | 270,000                                        | 770,000                 | –                                                     | –                       |
| Chia Yong Whatt             | 270,000                                        | 770,000                 | –                                                     | –                       |

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 2015 in the shares of the Company have not changed from those disclosed as at 30 June 2015.

### 4. Directors' contractual benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

## REPORT OF THE DIRECTORS

### 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:

- Chan Eng Yew (Zeng Rongyao) (Non-Executive Director)
- Teo Choon Kow @ William Teo (Independent Director)
- Chia Yong Whatt (Independent Director)

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:

| Exercise price | Grant date       | Exercise period                      | Number of options as<br>at 30 June 2015 |
|----------------|------------------|--------------------------------------|-----------------------------------------|
| S\$0.4200      | 18 December 2012 | 18 December 2013 to 18 December 2017 | 1,160,000                               |
| 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   | 11,230,000                              |
| S\$0.4200      | 24 October 2013  | 24 October 2015 to 24 October 2018   | 4,200,000                               |
| S\$0.4200      | 24 October 2013  | 24 October 2016 to 24 October 2018   | 4,000,000                               |
| S\$0.4200      | 11 February 2014 | 11 February 2015 to 11 February 2019 | 450,000                                 |
| S\$0.1794      | 10 November 2014 | 10 November 2015 to 10 November 2019 | 4,200,000                               |
|                |                  |                                      | <b>26,440,000</b>                       |

## REPORT OF THE DIRECTORS

### 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.

|            | 2015              |                                     |
|------------|-------------------|-------------------------------------|
|            | Number of options | Weighted average exercise price S\$ |
| At 1 July  | 27,640,000        | 0.4202                              |
| Granted    | 4,300,000         | 0.1794                              |
| Forfeited  | (5,500,000)       | 0.4156                              |
| At 30 June | 26,440,000        | 0.3820                              |

|            | 2014              |                                     |
|------------|-------------------|-------------------------------------|
|            | Number of options | Weighted average exercise price S\$ |
| At 1 July  | 2,980,000         | 0.4223                              |
| Granted    | 25,530,000        | 0.4200                              |
| Forfeited  | (870,000)         | 0.4200                              |
| At 30 June | 27,640,000        | 0.4202                              |

The following table summarises information about Directors' share options outstanding as at 30 June 2015:

| 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> |                                                                                  |                                                                                                                          |                                                                                                                            |                                                                                                      |
| Lee Chye Cheng Adrian           | –                                                                                | 1,200,000                                                                                                                | –                                                                                                                          | 1,200,000 <sup>(a)</sup>                                                                             |
| Chan Eng Yew (Zeng Rongyao)     | 500,000                                                                          | 770,000                                                                                                                  | –                                                                                                                          | 770,000 <sup>(b)</sup>                                                                               |
| Teo Choon Kow @ William Teo     | 500,000                                                                          | 770,000                                                                                                                  | –                                                                                                                          | 770,000 <sup>(b)</sup>                                                                               |
| Chia Yong Whatt                 | 500,000                                                                          | 770,000                                                                                                                  | –                                                                                                                          | 770,000 <sup>(b)</sup>                                                                               |
| Total                           | 1,500,000                                                                        | 3,510,000                                                                                                                | –                                                                                                                          | 3,510,000                                                                                            |

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

## REPORT OF THE DIRECTORS

### 5. Share options (Continued)

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

#### Activities under the ESOS: (Continued)

- (b) Comprised 270,000 share options at exercise price of S\$0.4200 exercisable between the periods from 18 December 2013 to 11 February 2019 and 500,000 share options at exercise price of S\$0.1794 exercisable between the periods from 10 November 2015 to 10 November 2019.

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 option 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.

### 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:

- Chan Eng Yew (Zeng Rongyao) (Non-Executive Director)
- Teo Choon Kow @ William Teo (Independent Director)
- Chia Yong Whatt (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.

## REPORT OF THE DIRECTORS

### 6. Share awards (Continued)

#### Loyz Energy Performance Share Plan (Continued)

#### 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 2015 |
|-----------------------------------|------------------|------------------|-------------------------------------|
| S\$0.1794                         | 10 November 2014 | 10 November 2015 | 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.

|            | 2015             |                                       |
|------------|------------------|---------------------------------------|
|            | Number of awards | Market price at the date of grant S\$ |
| 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                                |
| At 30 June | 4,780,000        | 0.1794                                |

|            | 2014             |                                       |
|------------|------------------|---------------------------------------|
|            | Number of awards | Market price at the date of grant S\$ |
| At 1 July  | 240,000          | 0.4000                                |
| Granted    | 2,070,000        | 0.3947                                |
| Exercised  | (240,000)        | 0.4000                                |
| Forfeited  | (100,000)        | 0.3947                                |
| At 30 June | 1,970,000        | 0.3947                                |

This is no Director's share awards outstanding as at 30 June 2015.

No participant has received 5% or more of the total number of the awards available under the PSP.

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.

## REPORT OF THE DIRECTORS

### 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)  
Chia Yong Whatt  
Simon Charles Lockett

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 2015.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

### 8. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

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## REPORT OF THE DIRECTORS

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### 9. 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 Catalist 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 Catalist of SGX-ST have been complied with.

On behalf of the Board of Directors

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**Lee Chye Cheng Adrian**  
Director

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**Teo Choon Kow @ William Teo**  
Director

Singapore  
9 October 2015

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## STATEMENT BY DIRECTORS

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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 2015, 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 2015 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.

On behalf of the Board of Directors

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**Lee Chye Cheng Adrian**  
Director

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**Teo Choon Kow & William Teo**  
Director

Singapore  
9 October 2015

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## INDEPENDENT AUDITORS' REPORT

To the Members of Loyz Energy Limited

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### Report on the financial statements

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 2015, 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 on pages 46 to 136.

#### *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.

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Loyz Energy Limited

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### **Report on the financial statements (Continued)**

#### *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 2015 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.

#### *Emphasis of matters*

We draw attention to Notes 4 and 5(a) to the financial statements which describes the uncertainties in relation to the Group and the Company's ability to continue as going concerns, and the outcome of the Group's application to the New Zealand Government for the Change of Conditions ("COC") of New Zealand Permit PEP 38479 (the "Permit").

As explained in Note 4 to the financial statements, the Group and the Company incurred net loss of approximately US\$70,947,000 and US\$51,209,000 respectively, for the financial year ended 30 June 2015 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by approximately US\$10,319,000 and US\$1,148,000 respectively. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

As disclosed in Note 5(a) to the financial statements, as at the date of this report, one of the Group's subsidiaries, Loyz NZ Ventures Limited, is in ongoing negotiations with the New Zealand Government for the COC in relation to the change in approach in developing the Permit which may have a significant financial impact on the Group's and the Company's financial statements.

Our audit opinion is not qualified in respect of these matters.

### **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.

#### **BDO LLP**

Public Accountants and  
Chartered Accountants

Singapore  
9 October 2015

## STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

|                                                | Note | Group    |            |            | Company  |            |            |
|------------------------------------------------|------|----------|------------|------------|----------|------------|------------|
|                                                |      | 2015     | 2014       | 2013       | 2015     | 2014       | 2013       |
|                                                |      | US\$'000 | US\$'000   | US\$'000   | US\$'000 | US\$'000   | US\$'000   |
|                                                |      |          | (Restated) | (Restated) |          | (Restated) | (Restated) |
| <b>ASSETS</b>                                  |      |          |            |            |          |            |            |
| <b>Non-current assets</b>                      |      |          |            |            |          |            |            |
| Exploration, evaluation and development assets | 5    | 30,340   | 51,448     | 30,633     | –        | –          | –          |
| Oil and gas properties                         | 6    | 61,423   | 56,586     | –          | –        | –          | –          |
| Other property, plant and equipment            | 7    | 1,629    | 1,642      | 27,772     | –        | –          | –          |
| Investments in subsidiaries                    | 8    | –        | –          | –          | 62,492   | 33,597     | 31,208     |
| Available-for-sale financial asset             | 9    | 7,289    | 41,400     | –          | –        | –          | –          |
| Intangible assets                              | 10   | 28,484   | 43,721     | 27,459     | –        | –          | –          |
| Other receivables                              | 11   | –        | –          | –          | 4,934    | 56,128     | 24,312     |
| Prepayments                                    | 13   | 2,830    | 2,830      | 2,874      | –        | –          | –          |
| <b>Total non-current assets</b>                |      | 131,995  | 197,627    | 88,738     | 67,426   | 89,725     | 55,520     |
| <b>Current assets</b>                          |      |          |            |            |          |            |            |
| Inventories                                    | 14   | 2,699    | 2,863      | 259        | –        | –          | –          |
| Trade and other receivables                    | 11   | 2,880    | 2,835      | 2,600      | –        | –          | 13         |
| Other assets                                   | 15   | 1,144    | 947        | 90         | –        | –          | –          |
| Prepayments                                    | 13   | 980      | 152        | 300        | 836      | 39         | –          |
| Cash and cash equivalents                      | 16   | 7,604    | 6,761      | 4,505      | 570      | 902        | 1,892      |
| <b>Total current assets</b>                    |      | 15,307   | 13,558     | 7,754      | 1,406    | 941        | 1,905      |
| <b>Total assets</b>                            |      | 147,302  | 211,185    | 96,492     | 68,832   | 90,666     | 57,425     |
| <b>EQUITY AND LIABILITIES</b>                  |      |          |            |            |          |            |            |
| <b>Equity</b>                                  |      |          |            |            |          |            |            |
| Ordinary shares                                | 17   | 110,554  | 76,279     | 54,194     | 110,554  | 76,279     | 54,194     |
| Convertible preference shares                  | 18   | –        | –          | 3,467      | –        | –          | –          |
| Reserves                                       | 19   | 4,266    | 1,483      | (1,565)    | 3,240    | 2,672      | (448)      |
| (Accumulated losses)/retained earnings         |      | (70,991) | (8,272)    | (328)      | (47,516) | 3,678      | 3,540      |
| Equity attributable to owners of the parent    |      | 43,829   | 69,490     | 55,768     | 66,278   | 82,629     | 57,286     |
| Non-controlling interests                      |      | (5,226)  | 2,531      | 2,451      | –        | –          | –          |
| <b>Total equity</b>                            |      | 38,603   | 72,021     | 58,219     | 66,278   | 82,629     | 57,286     |

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

## STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

|                                      | Note | Group    |            |            | Company  |            |            |
|--------------------------------------|------|----------|------------|------------|----------|------------|------------|
|                                      |      | 2015     | 2014       | 2013       | 2015     | 2014       | 2013       |
|                                      |      | US\$'000 | US\$'000   | US\$'000   | US\$'000 | US\$'000   | US\$'000   |
|                                      |      |          | (Restated) | (Restated) |          | (Restated) | (Restated) |
| <b>Non-current liabilities</b>       |      |          |            |            |          |            |            |
| Bank borrowings                      | 20   | 18,889   | 23,758     | 21,844     | –        | –          | –          |
| Finance lease payables               | 21   | 86       | 38         | 59         | –        | –          | –          |
| Provision for restoration costs      | 22   | 13       | 45         | 51         | –        | –          | –          |
| Other payable                        | 23   | 27,352   | 26,847     | –          | –        | –          | –          |
| Deferred tax liabilities             | 24   | 36,733   | 35,322     | 63         | –        | –          | –          |
| <b>Total non-current liabilities</b> |      | 83,073   | 86,010     | 22,017     | –        | –          | –          |
| <b>Current liabilities</b>           |      |          |            |            |          |            |            |
| Convertible preference shares        | 18   | –        | –          | 1,183      | –        | –          | –          |
| Current income tax payable           |      | 3,420    | 1,484      | –          | –        | –          | –          |
| Trade and other payables             | 23   | 14,090   | 18,301     | 2,095      | 2,554    | 8,037      | 139        |
| Bank borrowings                      | 20   | 8,079    | 33,344     | 5,295      | –        | –          | –          |
| Finance lease payables               | 21   | 36       | 22         | 21         | –        | –          | –          |
| Other liabilities                    | 25   | 1        | 3          | 7,662      | –        | –          | –          |
| <b>Total current liabilities</b>     |      | 25,626   | 53,154     | 16,256     | 2,554    | 8,037      | 139        |
| <b>Total liabilities</b>             |      | 108,699  | 139,164    | 38,273     | 2,554    | 8,037      | 139        |
| <b>Total equity and liabilities</b>  |      | 147,302  | 211,185    | 96,492     | 68,832   | 90,666     | 57,425     |

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 30 June 2015

|                                                                                | Note | 2015<br>US\$'000 | 2014<br>US\$'000 |
|--------------------------------------------------------------------------------|------|------------------|------------------|
|                                                                                |      |                  | (Restated)       |
| Revenue                                                                        | 26   | 23,077           | 16,413           |
| Cost of sales                                                                  |      | (7,801)          | (12,971)         |
| Gross profit                                                                   |      | 15,276           | 3,442            |
| <i>Other items of income</i>                                                   |      |                  |                  |
| Interest income                                                                |      | 51               | 26               |
| Other income                                                                   | 27   | 708              | 5,510            |
| <i>Other items of expense</i>                                                  |      |                  |                  |
| Distribution costs                                                             |      | (13)             | (6)              |
| Administrative expenses                                                        |      | (5,875)          | (6,100)          |
| Finance costs                                                                  | 28   | (1,885)          | (868)            |
| Other expenses                                                                 |      | (1,473)          | (3,400)          |
| Other charges                                                                  | 29   | (71,380)         | –                |
| Loss before income tax                                                         | 30   | (64,591)         | (1,396)          |
| Income tax expense                                                             | 31   | (6,356)          | (2,362)          |
| Loss for the financial year                                                    |      | (70,947)         | (3,758)          |
| <b>Other comprehensive income:</b>                                             |      |                  |                  |
| <i>Items that may be reclassified subsequently to profit or loss:</i>          |      |                  |                  |
| Exchange differences on translation of foreign operations, net of tax of \$Nil |      | 201              | 1,560            |
| Other comprehensive income for the financial year, net of tax                  |      | 201              | 1,560            |
| <b>Total comprehensive income for the financial year</b>                       |      | <b>(70,746)</b>  | <b>(2,198)</b>   |
| Loss attributable to:                                                          |      |                  |                  |
| – Owners of the parent                                                         |      | (63,101)         | (2,915)          |
| – Non-controlling interests                                                    |      | (7,846)          | (843)            |
|                                                                                |      | (70,947)         | (3,758)          |
| <b>Total comprehensive income attributable to:</b>                             |      |                  |                  |
| – Owners of the parent                                                         |      | (62,989)         | (1,720)          |
| – Non-controlling interests                                                    |      | (7,757)          | (478)            |
|                                                                                |      | (70,746)         | (2,198)          |
| <b>Loss per share</b>                                                          | 32   |                  |                  |
| – Basic (US cents)                                                             |      | (13.81)          | (0.75)           |
| – Diluted (US cents)                                                           |      | (13.81)          | (0.75)           |

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

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2015

|                                                                   | Note | Ordinary<br>shares<br>US\$'000 | Deemed<br>capital<br>contribution<br>US\$'000 | Share<br>option/<br>award<br>reserves<br>US\$'000 | Foreign<br>currency<br>translation<br>account<br>US\$'000 | Accumulated<br>losses<br>US\$'000 | Equity<br>attributable<br>to owners of<br>the parent<br>US\$'000 | Non-<br>controlling<br>interests<br>US\$'000 | Total<br>equity<br>US\$'000 |
|-------------------------------------------------------------------|------|--------------------------------|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|-----------------------------------|------------------------------------------------------------------|----------------------------------------------|-----------------------------|
| <b>Group</b>                                                      |      |                                |                                               |                                                   |                                                           |                                   |                                                                  |                                              |                             |
| Balance at 1 July 2014 (Restated)                                 |      | 76,279                         | -                                             | 2,065                                             | (582)                                                     | (8,272)                           | 69,490                                                           | 2,531                                        | 72,021                      |
| <b>Loss for the financial year</b>                                |      | -                              | -                                             | -                                                 | -                                                         | (63,101)                          | (63,101)                                                         | (7,846)                                      | (70,947)                    |
| <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                                                       | (63,101)                          | (62,989)                                                         | (7,757)                                      | (70,746)                    |
| <b>Contributions by and distributions to owners of the parent</b> |      |                                |                                               |                                                   |                                                           |                                   |                                                                  |                                              |                             |
| Issue of shares                                                   | 17   | 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                                           |      | 110,554                        | 2,103                                         | 2,633                                             | (470)                                                     | (70,991)                          | 43,829                                                           | (5,226)                                      | 38,603                      |

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

# STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2015

| Note                                                              | Ordinary shares<br>US\$'000 | Convertible preference shares<br>US\$'000 | Share option/<br>award reserves<br>US\$'000 | Foreign currency translation account<br>US\$'000 | Accumulated losses<br>US\$'000 | Equity attributable to owners of the parent<br>US\$'000 | Non-controlling interests<br>US\$'000 | Total equity<br>US\$'000 |
|-------------------------------------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------------|--------------------------------------------------|--------------------------------|---------------------------------------------------------|---------------------------------------|--------------------------|
| (Restated)                                                        |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| <b>Group</b>                                                      |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Balance at 1 July 2013                                            | 54,194                      | 3,467                                     | 212                                         | (1,777)                                          | (328)                          | 55,768                                                  | 2,451                                 | 58,219                   |
| <b>Loss for the financial year</b>                                | -                           | -                                         | -                                           | -                                                | (2,915)                        | (2,915)                                                 | (843)                                 | (3,758)                  |
| <b>Other comprehensive income for the financial year</b>          |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Foreign currency differences on translation of foreign operations | -                           | -                                         | -                                           | 1,195                                            | -                              | 1,195                                                   | 365                                   | 1,560                    |
| <b>Total comprehensive income for the financial year</b>          | -                           | -                                         | -                                           | 1,195                                            | (2,915)                        | (1,720)                                                 | (478)                                 | (2,198)                  |
| <b>Contributions by and distributions to owners of the parent</b> |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Issue of shares                                                   | 17,389                      | -                                         | -                                           | -                                                | -                              | 17,389                                                  | -                                     | 17,389                   |
| Convertible preference shares exercised                           | 4,621                       | (3,467)                                   | -                                           | -                                                | -                              | 1,154                                                   | -                                     | 1,154                    |
| Share awards exercised                                            | 75                          | -                                         | (75)                                        | -                                                | -                              | -                                                       | -                                     | -                        |
| Share options/awards forfeited                                    | -                           | -                                         | (94)                                        | -                                                | 29                             | (65)                                                    | -                                     | (65)                     |
| Grant of share options to employees                               | -                           | -                                         | 2,022                                       | -                                                | -                              | 2,022                                                   | -                                     | 2,022                    |
| Acquisition of non-controlling interests in subsidiary            | -                           | -                                         | -                                           | -                                                | (5,058)                        | (5,058)                                                 | 558                                   | (4,500)                  |
| <b>Total transactions with owners of the parent</b>               | 22,085                      | (3,467)                                   | 1,853                                       | -                                                | (5,029)                        | 15,442                                                  | 558                                   | 16,000                   |
| Balance at 30 June 2014                                           | 76,279                      | -                                         | 2,065                                       | (582)                                            | (8,272)                        | 69,490                                                  | 2,531                                 | 72,021                   |

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

## STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 30 June 2015

|                                                                                                                                         | Note  | Ordinary<br>shares<br>US\$'000 | Share<br>option/<br>award<br>reserves<br>US\$'000 | Foreign<br>currency<br>translation<br>account<br>US\$'000 | (Accumulated<br>losses)/<br>Retained<br>earnings<br>US\$'000 | Total<br>equity<br>US\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------|-------|--------------------------------|---------------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------|-----------------------------|
| <b>Company</b>                                                                                                                          |       |                                |                                                   |                                                           |                                                              |                             |
| Balance at 1 July 2014                                                                                                                  |       | 76,279                         | 2,065                                             | –                                                         | 3,678                                                        | 82,022                      |
| Effect of change in presentation<br>currency                                                                                            |       | –                              | –                                                 | 607                                                       | –                                                            | 607                         |
| Balance at 1 July 2014 (Restated)                                                                                                       |       | 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<br/>financial year</b>                                                                            |       |                                |                                                   |                                                           |                                                              |                             |
| <b>Contribution by and distributions to<br/>owners of the parent</b>                                                                    |       |                                |                                                   |                                                           |                                                              |                             |
| Issue of shares                                                                                                                         | 17    | 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<br/>the parent</b>                                                                                 |       | 34,275                         | 568                                               | –                                                         | 15                                                           | 34,858                      |
| Balance at 30 June 2015                                                                                                                 |       | 110,554                        | 2,633                                             | 607                                                       | (47,516)                                                     | 66,278                      |
| Balance at 1 July 2013                                                                                                                  |       | 54,194                         | 212                                               | –                                                         | 3,540                                                        | 57,946                      |
| Effect of change in presentation<br>currency                                                                                            |       | –                              | –                                                 | (660)                                                     | –                                                            | (660)                       |
| Balance at 1 July 2013 (Restated)                                                                                                       |       | 54,194                         | 212                                               | (660)                                                     | 3,540                                                        | 57,286                      |
| <b>Profit for the financial year</b>                                                                                                    |       | –                              | –                                                 | –                                                         | 109                                                          | 109                         |
| Exchange difference arising from<br>translation to presentation<br>currency, representing effect of<br>changes in presentation currency |       | –                              | –                                                 | 1,267                                                     | –                                                            | 1,267                       |
| <b>Total comprehensive income for the<br/>financial year</b>                                                                            |       | –                              | –                                                 | 1,267                                                     | 109                                                          | 1,376                       |
| <b>Contribution by and distributions to<br/>owners of the parent</b>                                                                    |       |                                |                                                   |                                                           |                                                              |                             |
| Issue of shares                                                                                                                         | 17    | 17,389                         | –                                                 | –                                                         | –                                                            | 17,389                      |
| Convertible preference shares<br>exercised                                                                                              | 17,18 | 4,621                          | –                                                 | –                                                         | –                                                            | 4,621                       |
| Share options exercised                                                                                                                 | 19    | 75                             | (75)                                              | –                                                         | –                                                            | –                           |
| Share options/awards forfeited                                                                                                          | 19    | –                              | (94)                                              | –                                                         | 29                                                           | (65)                        |
| Grant of share options to employees                                                                                                     | 19    | –                              | 2,022                                             | –                                                         | –                                                            | 2,022                       |
| <b>Total transactions with owners of<br/>the parent</b>                                                                                 |       | 22,085                         | 1,853                                             | –                                                         | 29                                                           | 23,967                      |
| Balance at 30 June 2014 (Restated)                                                                                                      |       | 76,279                         | 2,065                                             | 607                                                       | 3,678                                                        | 82,629                      |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2015

|                                                                   | Note  | 2015<br>US\$'000 | 2014<br>US\$'000 |
|-------------------------------------------------------------------|-------|------------------|------------------|
|                                                                   |       |                  | (Restated)       |
| <b>Operating activities</b>                                       |       |                  |                  |
| Loss before income tax                                            |       | (64,591)         | (1,396)          |
| Adjustments for:                                                  |       |                  |                  |
| Amortisation of intangible assets                                 |       | 31               | 2                |
| Depletion of oil and gas properties                               |       | 3,357            | 721              |
| Depreciation of other property, plant and equipment               |       | 206              | 1,559            |
| Impairment loss on exploration, evaluation and development assets | 29    | 21,882           | -                |
| Impairment loss on intangible assets                              | 29    | 15,200           | -                |
| Impairment loss on other property, plant and equipment            | 29    | 155              | -                |
| Impairment loss on available-for-sale financial asset             | 29    | 34,111           | -                |
| Loss/(gain) on disposal of plant and equipment                    | 29/27 | 26               | (557)            |
| Other property, plant and equipment written off                   | 29    | 6                | -                |
| Waiver of loan by a non-controlling interest of a subsidiary      | 27    | -                | (4,657)          |
| Share-based payment expenses                                      |       | 1,631            | 2,022            |
| Reversal of share options                                         |       | (121)            | (65)             |
| Interest expense                                                  | 28    | 1,885            | 868              |
| Interest income                                                   |       | (51)             | (26)             |
| Operating cash flows before working capital changes               |       | 13,727           | (1,529)          |
| Working capital changes:                                          |       |                  |                  |
| Inventories                                                       |       | 164              | 119              |
| Trade and other receivables                                       |       | 475              | (1,686)          |
| Other assets                                                      |       | (197)            | (67)             |
| Prepayments                                                       |       | (828)            | 187              |
| Trade and other payables                                          |       | (3,482)          | 479              |
| Other liabilities                                                 |       | -                | (3,035)          |
| Cash generated from/(used in) operations                          |       | 9,859            | (5,532)          |
| Interest received                                                 |       | 51               | 26               |
| Income tax paid                                                   |       | (3,010)          | (149)            |
| Net cash generated from/(used in) operating activities            |       | 6,900            | (5,655)          |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 30 June 2015

|                                                                      | Note | 2015<br>US\$'000 | 2014<br>US\$'000 |
|----------------------------------------------------------------------|------|------------------|------------------|
|                                                                      |      |                  | (Restated)       |
| <b>Investing activities</b>                                          |      |                  |                  |
| Acquisition of interest in Thailand operations, net of cash acquired | 12.2 | (312)            | (30,210)         |
| Acquisition of exploration, evaluation and development assets        |      | (836)            | (2,748)          |
| Acquisition of other property, plant and equipment                   |      | (1,074)          | (1,694)          |
| Additions to oil and gas properties                                  |      | (6,450)          | (1,236)          |
| Proceeds from disposal of other property, plant and equipment        |      | 15,547           | 9                |
| Purchase of intangible assets                                        |      | (22)             | (2,866)          |
| Purchase of available-for-sale financial asset                       | 9    | –                | (4,000)          |
| Net cash generated from/(used in) investing activities               |      | 6,853            | (42,745)         |
| <b>Financing activities</b>                                          |      |                  |                  |
| Interest paid                                                        |      | (1,326)          | (762)            |
| Proceeds from bank borrowings                                        |      | 1,348            | 37,252           |
| Net proceeds from issue of ordinary shares                           |      | 4,595            | 13,848           |
| Repayment of finance lease payables                                  |      | (23)             | (22)             |
| Repayment of borrowings                                              |      | (31,436)         | (7,720)          |
| Decrease in cash pledge                                              |      | 76               | 1,135            |
| Acquisition of non-controlling interest                              | 8    | –                | (1,000)          |
| Advances and short-term loans                                        |      | 23,716           | 8,804            |
| Repayment of short-term loans                                        |      | (10,061)         | –                |
| Net cash (used in)/generated from financing activities               |      | (13,111)         | 51,535           |
| Net change in cash and cash equivalents                              |      | 642              | 3,135            |
| Foreign currency translation adjustments                             |      | 282              | (191)            |
| Cash and cash equivalents at beginning of financial year             |      | 5,755            | 2,811            |
| Cash and cash equivalents at end of financial year                   | 16   | 6,679            | 5,755            |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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

### 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 and registered office at 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316. 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 2015 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 2015 were authorised for issue in accordance with a Directors' resolution dated 9 October 2015.

### 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 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.

#### Change in functional and presentation currency

With effect from 1 July 2014, the Company and certain subsidiaries changed their functional currencies from their respective local currencies to US\$ due to its increasing influence over the entities' primary economic environments. The change in functional currencies have been accounted for prospectively from the date of change.

Following the above change in functional currencies of the entities, the Group changed its presentation currency from Singapore dollar ("S\$") to US\$. The change in presentation currency is a change in accounting policy which has been taken retrospectively at the earliest comparable period. Comparative information has been restated to conform with the requirements of FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as disclosed in Note 39 to the financial statements.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

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

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.

During the financial year, the Group and the Company adopted the new or revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. Changes to the Group's and the Company's accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT 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, except as disclosed below.

#### **FRS 112 *Disclosure of Interests in Other Entities***

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance. Certain new disclosures are included in these financial statements following the adoption of FRS 112 on 1 July 2014.

#### **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<br/>(annual periods<br/>beginning on or<br/>after)</b> |
|--------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------------------------|
| FRS 1 (Amendments)                   | : Disclosure Initiative                                                   | 1 January 2016                                                           |
| FRS 16 and FRS 38<br>(Amendments)    | : Clarification of Acceptable Methods of Depreciation<br>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<br>Operations         | 1 January 2016                                                           |
| FRS 115                              | : Revenue from Contracts with Customers                                   | 1 January 2017                                                           |
| Improvements to FRSs (November 2014) |                                                                           | 1 January 2016                                                           |

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## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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### 2. Summary of significant accounting policies (Continued)

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

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

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.

##### **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. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available-for-sale, and the new impairment requirements are expected to result in changes for impairment provisions on trade and other receivables and other financial assets not measured at fair value through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 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**

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.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. 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 2017 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.2 Basis of consolidation (Continued)

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 jointly controlled entity.

#### 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.3 Business combinations (Continued)

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

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

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

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

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.

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

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

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

##### Exploration and evaluation costs ("E&E") (Continued)

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.

##### Development costs

Development costs are incurred within an area of interest 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.

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## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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### 2. Summary of significant accounting policies (Continued)

#### 2.6 Intangible assets (Continued)

##### Goodwill (Continued)

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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.6 Intangible assets (Continued)

##### Other intangible assets (Continued)

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.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.8 Joint arrangements (Continued)

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.

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, unless it reverses a previous revaluation, credited to other comprehensive income, in which case it is charged to other comprehensive income up to the amount of any previous revaluation.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

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

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, if 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", "other assets" and "cash and cash equivalents" on the statements of financial position.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.10 Financial assets (Continued)

##### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.10 Financial assets (Continued)

##### Impairment (Continued)

##### **Available-for-sale financial assets (Continued)**

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, 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.

#### 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.

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## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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### 2. Summary of significant accounting policies (Continued)

#### 2.13 Provisions (Continued)

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.

#### 2.14 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. The Group and the Company have not designated any financial liabilities as at fair value through profit or loss upon initial recognition.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.14 Financial liabilities (Continued)

##### Bank borrowings (Continued)

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 reporting period 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.

##### Convertible preference shares

When convertible preference shares are issued, the liability component and the equity component are separately presented on the statements of financial position. Convertible preference shares are classified as a liability if these are redeemable on a specific date or at the option of the preference shareholder, or if dividend payments are not discretionary. The liability component is recognised at its fair value and is subsequently carried at amortised cost until the liability is extinguished on conversion or redemption of the preference shares. Dividends thereon are recognised as interest expense in profit or loss as accrued.

The remainder of the proceeds of the preference shares is allocated to the conversion option (equity component), which is presented in equity, net of the deferred tax effect. The carrying amount of the conversion option is not changed in subsequent periods. When a conversion option is exercised, the carrying amount of the conversion option will be taken to share capital.

##### 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.

#### 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.

Preference shares are classified as equity if these are non-redeemable, or redeemable only at the issuer's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within the equity upon approval by the issuer's shareholders.

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

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## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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### 2. Summary of significant accounting policies (Continued)

#### 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.

Revenue from drilling services are recognised when the services are rendered.

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

#### 2.17 Employee benefits

##### Defined contribution plan

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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 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.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.20 Taxes (Continued)

##### Deferred tax (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when 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 taxes on income, 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.

#### 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 reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing on the date when the 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 2.21 Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the results and financial positions of the Group's 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 reporting period;
- (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.

#### 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 reporting period, the Group 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 reporting period 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 2. Summary of significant accounting policies (Continued)

#### 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, 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.

##### Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. Consideration is also given to the currency of the cost of operations in determining the functional currency of Group entities that which have not generated revenues. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices and cost of operations.

As disclosed in Note 2 to the financial statements, the Company and certain subsidiaries changed their functional currencies from their respective local currencies to US\$ with effect from 1 July 2014.

##### Oil and gas reserve estimates

Oil and gas production properties are depreciated 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.

As the economic assumptions used may change and as additional geological information is obtained during the operation of a field, estimates of recoverable reserves may change. 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, available-for-sale financial asset, and goodwill may be affected due to changes in estimated future cash flows or viability to continue; 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 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)

##### 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 reporting period 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 circumstances 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.

##### 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

The Group determines whether the indefinite-lived intangible assets 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 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 investments in subsidiaries and other receivables from subsidiaries

The Company follow 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 evaluate, 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:

- 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 2015 was US\$61,423,000 (2014: US\$56,586,000).

A 1% difference in the forecasted production based on total petroleum reserves from management's estimates will result in approximately 0.05% (2014: 0.01%) variance in the net carrying amount of oil and gas properties.

##### Income taxes

The Group and the Company recognised liabilities for expected income tax liabilities 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 2015 were approximately US\$36,733,000 (2014: US\$35,322,000) and US\$3,420,000 (2014: US\$1,484,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 4. Going concern

The Group and the Company incurred a net loss of US\$70,947,000 (2014: US\$3,758,000) and US\$51,209,000 (2014: net profit of US\$109,000) respectively, for the financial year ended 30 June 2015, and as of that date, the Group's and the Company's current liabilities exceeded their current assets by US\$10,319,000 (2014: US\$39,596,000) and US\$1,148,000 (2014: US\$7,096,000), respectively. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

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 Directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the 18 months ending 31 December 2016 which is based on the estimated period of the Group's drilling and exploration programme. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Group and the Company for the next financial year. In preparing the cash flow forecasts, the Directors of the Company have considered the operating cash requirements of the Group and the Company as well as other key factors, including the ability of the Group and the Company to generate sufficient revenue or obtain additional funding to satisfy the Group's and the Company's future working capital requirements, 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
- (ii) The Company has received an undertaking from its substantial shareholder, Jit Sun Investments Pte Ltd, to continue to provide the Group and the Company with financial support as necessary to enable the Group and the Company to continue as going concerns and support their operating and investing activities for the next 18 months.

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 statements 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<br>and evaluation<br>assets<br>US\$'000 | Development<br>costs<br>US\$'000 | Total<br>US\$'000 |
|-----------------------------------|-----------------------------------------------------|----------------------------------|-------------------|
| <b>Group</b>                      |                                                     |                                  |                   |
| Balance at 1 July 2014 (Restated) | 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 at 30 June 2015           | 10,414                                              | 19,926                           | 30,340            |
| (Restated)                        |                                                     |                                  |                   |
| Balance at 1 July 2013            | 14,248                                              | 16,385                           | 30,633            |
| Additions                         | 883                                                 | 2,330                            | 3,213             |
| Derecognition                     | –                                                   | (3,382)                          | (3,382)           |
| Currency translation adjustment   | 1,205                                               | (147)                            | 1,058             |
| Balance at 30 June 2014           | 16,336                                              | 15,186                           | 31,522            |
| Adjustment (Note 12.2)            | –                                                   | 19,926                           | 19,926            |
| Balance at 30 June 2014           | 16,336                                              | 35,112                           | 51,448            |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 5. Exploration, evaluation and development assets (Continued)

- (a) 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 a Change of Conditions ("COC") for an extension of time for the drilling of the well. The COC was approved and an extension was granted and the drilling deadline was postponed to June 2015.

During the current financial year, Loyz NZ had made a further application to the New Zealand Government for a COC to allow for an extension of time for the drilling of the well. The COC was approved and an extension granted and the drilling deadline has been postponed to May 2016.

As at the date of this report, Loyz NZ is in an ongoing negotiations with the New Zealand Government for a COC in relation to the change of approach in developing the permit area. Management plans to use an alternative Gas-to-Liquid ("GTL") technology to monetise the current discovery in the permit area due to its potentially lower developing costs as compared to the current technology indicated in the current permit.

The outcome of the COC, if successful, would be a further extension to the current milestones entailed in the work programme to allow Loyz NZ to undertake further feasibility studies on the GTL technology. Should the COC be disapproved by the New Zealand Government, Loyz NZ has to either continue the exploration activities and fulfil the drilling requirements by May 2016, which requires estimated exploration expenditures of approximately US\$30,000,000; or withdraw from the concession. Withdrawing from the concession will result in the capitalised exploration & evaluation costs of US\$10,414,000, goodwill of US\$15,126,000 (Note 10) and pre-exploration data of US\$329,000 (Note 10) being written off to the consolidated statement of comprehensive income and, the Company's amount due from Loyz NZ of US\$3,535,000 being impaired.

Based on the positive response obtained from past applications to the New Zealand Government for the extension of work programmes and COC, as well as through the initial feedback from the New Zealand government, management is confident that the application for the COC will be granted and accordingly, these financial statements have been prepared on that basis.

- (b) In the previous financial year, the Group terminated the Participation and Exploration Agreement ("PEA") with Rex Oil & Gas Ltd and Fram Exploration ASA, resulting in the derecognition of development costs amounting to US\$3,382,000.

Management has tested the E,E&D assets for impairment and owing to the weak oil price outlook, has recognised full impairment losses of US\$6,094,000 (2014: Nil) and US\$15,788,000 (2014: Nil) in the capitalised E,E&D assets incurred in Australia and India, respectively. This has been recognised in profit or loss and included in "Other charges" line item. The remaining E,E&D assets relate to New Zealand and Thailand.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 5. Exploration, evaluation and development assets (Continued)

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

|                                     | Group    |            |
|-------------------------------------|----------|------------|
|                                     | 2015     | 2014       |
|                                     | US\$'000 | US\$'000   |
|                                     |          | (Restated) |
| Borrowing costs                     | 41       | 315        |
| Depreciation of plant and equipment | 13       | 50         |
| Amortisation of software            | 27       | 37         |
| Foreign exchange loss               | 123      | 63         |

### 6. Oil and gas properties

|                                                                | Group    |            |
|----------------------------------------------------------------|----------|------------|
|                                                                | 2015     | 2014       |
|                                                                | US\$'000 | US\$'000   |
|                                                                |          | (Restated) |
| <b>Cost</b>                                                    |          |            |
| As at beginning of financial year                              | 57,307   | –          |
| Acquisition of interest in the Thailand operations (Note 12.2) | –        | 55,274     |
| Additions                                                      | 8,194    | 2,033      |
| As at end of financial year                                    | 65,501   | 57,307     |
| <b>Accumulated depletion</b>                                   |          |            |
| As at beginning of financial year                              | 721      | –          |
| Depletion for the financial year                               | 3,357    | 721        |
| As at end of financial year                                    | 4,078    | 721        |
| <b>Carrying amount</b>                                         |          |            |
| As at end of financial year                                    | 61,423   | 56,586     |

The Group's additions to oil and gas properties include capitalised borrowing costs amounting to US\$2,706,000 (2014: US\$797,000) 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 20.3) whereby exploration works and drilling of new development wells are ongoing. Out of the total borrowing costs capitalised, an amount of US\$962,000 (2014: Nil) was paid in cash. The rate used to determine the amount of borrowing cost eligible for capitalisation was 4.5% (2014: 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 2015

## 7. Other property, plant and equipment

| Group                               | Freehold land<br>US\$'000 | Leasehold land and building<br>US\$'000 | Plant, machinery and equipment<br>US\$'000 | Furniture and fittings<br>US\$'000 | Motor vehicles<br>US\$'000 | Drilling rigs<br>US\$'000 | Total<br>US\$'000 |
|-------------------------------------|---------------------------|-----------------------------------------|--------------------------------------------|------------------------------------|----------------------------|---------------------------|-------------------|
| <b>Cost</b>                         |                           |                                         |                                            |                                    |                            |                           |                   |
| Balance at 1 July 2014 (Restated)   | 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 at 30 June 2015             | 1,042                     | 108                                     | 656                                        | 140                                | 400                        | -                         | 2,346             |
| <b>Accumulated depreciation</b>     |                           |                                         |                                            |                                    |                            |                           |                   |
| Balance at 1 July 2014 (Restated)   | -                         | 19                                      | 177                                        | 116                                | 111                        | -                         | 423               |
| Depreciation for the financial year | -                         | 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 at 30 June 2015             | -                         | 83                                      | 355                                        | 130                                | 149                        | -                         | 717               |
| <b>Carrying amount</b>              |                           |                                         |                                            |                                    |                            |                           |                   |
| Balance at 30 June 2015             | 1,042                     | 25                                      | 301                                        | 10                                 | 251                        | -                         | 1,629             |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 7. Other property, plant and equipment (Continued)

|                                                               | Freehold<br>land<br>US\$'000 | Leasehold<br>land and<br>building<br>US\$'000 | Plant,<br>machinery<br>and<br>equipment<br>US\$'000 | Furniture<br>and<br>fittings<br>US\$'000 | Motor<br>vehicles<br>US\$'000 | Drilling<br>rigs<br>US\$'000 | Total<br>US\$'000 |
|---------------------------------------------------------------|------------------------------|-----------------------------------------------|-----------------------------------------------------|------------------------------------------|-------------------------------|------------------------------|-------------------|
| <b>Group</b>                                                  |                              |                                               |                                                     |                                          |                               |                              |                   |
| <b>Cost</b>                                                   |                              |                                               |                                                     |                                          |                               |                              |                   |
| Balance at 1 July 2013                                        | -                            | 82                                            | 247                                                 | 123                                      | 217                           | 27,510                       | 28,179            |
| Additions                                                     | 48                           | 1                                             | 53                                                  | 6                                        | 168                           | 1,418                        | 1,694             |
| Acquisition of interest in Thailand operations<br>(Note 12.2) | 859                          | 27                                            | 242                                                 | 9                                        | -                             | -                            | 1,137             |
| Disposal                                                      | -                            | -                                             | (2)                                                 | -                                        | (19)                          | (28,928)                     | (28,949)          |
| Currency translation adjustment                               | -                            | (1)                                           | -                                                   | 1                                        | 4                             | -                            | 4                 |
| Balance at 30 June 2014                                       | 907                          | 109                                           | 540                                                 | 139                                      | 370                           | -                            | 2,065             |
| <b>Accumulated depreciation</b>                               |                              |                                               |                                                     |                                          |                               |                              |                   |
| Balance at 1 July 2013                                        | -                            | 17                                            | 77                                                  | 100                                      | 60                            | 153                          | 407               |
| Depreciation for the financial year                           | -                            | 2                                             | 100                                                 | 15                                       | 59                            | 1,433                        | 1,609             |
| Disposal                                                      | -                            | -                                             | (1)                                                 | -                                        | (11)                          | (1,586)                      | (1,598)           |
| Currency translation adjustment                               | -                            | -                                             | 1                                                   | 1                                        | 3                             | -                            | 5                 |
| Balance at 30 June 2014                                       | -                            | 19                                            | 177                                                 | 116                                      | 111                           | -                            | 423               |
| <b>Carrying amount</b>                                        |                              |                                               |                                                     |                                          |                               |                              |                   |
| Balance at 30 June 2014                                       | 907                          | 90                                            | 363                                                 | 23                                       | 259                           | -                            | 1,642             |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 7. Other property, plant and equipment (Continued)

As at 30 June 2015, the Group's motor vehicles with carrying amount of approximately US\$221,000 (2014: US\$80,000) were purchased under finance lease agreements as disclosed in Note 21 to the financial statements.

In the previous financial year, the Group's other property, plant and equipment with an aggregate carrying amount of approximately US\$52,000 were pledged as a security for the bank loan as disclosed in Note 20.1(i) to the financial statements.

In 2014, through the finance lease arrangement with Fram Exploration ASA ("Fram") as disclosed in Note 9 to the financial statements, the drilling rigs (purchased at a cost of US\$27,510,000 in 2013) were deemed to be disposed. The title of the drilling rigs remained with the Group and had continued to be pledged until full settlement of the bank loan.

On 13 May 2015, the Group entered into an agreement to terminate the lease arrangement ("termination agreement") with Fram at a termination consideration of US\$13,897,000 (Note 9). 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 excess of the net sale proceeds over the termination consideration amounting to US\$2,103,000 has 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:

|                                                                                                                            | Group    |            |
|----------------------------------------------------------------------------------------------------------------------------|----------|------------|
|                                                                                                                            | 2015     | 2014       |
|                                                                                                                            | US\$'000 | US\$'000   |
|                                                                                                                            |          | (Restated) |
| Cash payments to acquire other property, plant and equipment                                                               | 1,074    | 1,694      |
| 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                                                                     | 14,371   | 1,694      |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 8. Investments in subsidiaries

|                                                                                       | Company  |            |
|---------------------------------------------------------------------------------------|----------|------------|
|                                                                                       | 2015     | 2014       |
|                                                                                       | US\$'000 | US\$'000   |
|                                                                                       |          | (Restated) |
| Unquoted equity shares, at cost                                                       | 31,738   | 31,738     |
| Capital contribution in the form of share options issued to employees of a subsidiary | 2,933    | 1,859      |
| Loans deemed as investments in subsidiaries                                           | 78,787   | –          |
| Impairment loss                                                                       | (50,966) | –          |
|                                                                                       | 62,492   | 33,597     |

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.

Particulars of subsidiaries are listed as follows:

| Name of company<br>(Country of incorporation<br>and principal place of business) | Proportion of ownership<br>interest held by<br>the Group |      | Proportion of ownership<br>interest held by non-<br>controlling interests |      | Principal activities                                                   |
|----------------------------------------------------------------------------------|----------------------------------------------------------|------|---------------------------------------------------------------------------|------|------------------------------------------------------------------------|
|                                                                                  | 2015                                                     | 2014 | 2015                                                                      | 2014 |                                                                        |
|                                                                                  | %                                                        | %    | %                                                                         | %    |                                                                        |
| Loyz Oil Pte. Ltd. <sup>(1)</sup><br>(Singapore)                                 | 100                                                      | 100  | –                                                                         | –    | Exploration and production<br>of oil and gas and<br>investment holding |
| Interlink Petroleum Limited <sup>(2)</sup><br>(India)                            | 51.8                                                     | 51.8 | 48.2                                                                      | 48.2 | Exploration and production<br>of oil and gas and<br>investment holding |
| Loyz NZ Ventures Limited <sup>(3)</sup><br>(New Zealand)                         | 51                                                       | 51   | 49                                                                        | 49   | Exploration and production<br>of oil and gas                           |
| Loyz Oil Australia Pty Ltd <sup>(4)</sup><br>(Australia)                         | 100                                                      | 100  | –                                                                         | –    | Exploration and production<br>of oil and gas and<br>investment holding |
| Loyz Oil Philippines Pte. Ltd. <sup>(5)</sup><br>(Singapore)                     | 100                                                      | 100  | –                                                                         | –    | Dormant                                                                |
| Loyz Oil New Zealand Ltd <sup>(5)</sup><br>(New Zealand)                         | 100                                                      | 100  | –                                                                         | –    | Dormant                                                                |
| Loyz Oil HK Limited <sup>(5)</sup><br>(Hong Kong)                                | 100                                                      | 100  | –                                                                         | –    | Dormant                                                                |
| Loyz Oil Malaysia Sdn Bhd <sup>(5)</sup><br>(Malaysia)                           | 100                                                      | 100  | –                                                                         | –    | Dormant                                                                |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 8. Investments in subsidiaries (Continued)

| Name of company<br>(Country of incorporation<br>and principal place of business) | Proportion of ownership<br>interest held by<br>the Group |      | Proportion of ownership<br>interest held by non-<br>controlling interests |      | Principal activities                                                   |
|----------------------------------------------------------------------------------|----------------------------------------------------------|------|---------------------------------------------------------------------------|------|------------------------------------------------------------------------|
|                                                                                  | 2015                                                     | 2014 | 2015                                                                      | 2014 |                                                                        |
|                                                                                  | %                                                        | %    | %                                                                         | %    |                                                                        |
| Loyz Oil Thailand Pte. Ltd. <sup>(1)</sup><br>(Singapore)                        | 100                                                      | 100  | –                                                                         | –    | Exploration and production<br>of oil and gas and<br>investment holding |
| Loyz USA Holdings LLC <sup>(4)</sup><br>(United States of America)               | 100                                                      | 100  | –                                                                         | –    | Investment holding                                                     |
| Loyz Rex Drilling Services LLC <sup>(4)</sup><br>(United States of America)      | 100                                                      | 100  | –                                                                         | –    | Exploration and production<br>of oil and gas                           |
| Loyz America Inc. <sup>(4)</sup><br>(United States of America)                   | 100                                                      | 100  | –                                                                         | –    | Dormant                                                                |

Notes:

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

<sup>(2)</sup> Audited by MZSK & Associates, Chartered Accountants, a member firm of BDO International Limited.

<sup>(3)</sup> Audited by BDO Wellington, New Zealand.

<sup>(4)</sup> Audited by BDO LLP, Singapore, for consolidation purposes.

<sup>(5)</sup> Not required to be audited as the subsidiary is dormant during the financial year.

#### **Acquisition of a subsidiary**

On 9 July 2013, Loyz Oil Pte. Ltd. ("Loyz Oil") acquired 1,200 ordinary shares of Loyz Oil HK Limited ("Loyz HK"), a company incorporated in Hong Kong and formerly known as Zenith Oil & Gas Limited, representing 60% equity interest, for cash consideration of US\$1,200. The carrying amount of the acquired net identifiable assets of Loyz HK as at date of acquisition was US\$700. In the opinion of the management, the carrying amounts approximate their fair values as at date of acquisition.

On 29 May 2014, Loyz Oil acquired an additional 800 ordinary shares of Loyz HK, representing the remaining 40% equity interest, for cash consideration of US\$800. Loyz HK remains dormant since date of acquisition.

#### **Incorporation of subsidiaries**

On 26 February 2014, Loyz Oil incorporated Loyz Oil Thailand Pte. Ltd. ("Loyz Thai"), with a registered share capital of S\$10,000 (equivalent to US\$8,000).

On 17 April 2014, Loyz Oil and Loyz HK incorporated Loyz Oil Malaysia Sdn Bhd ("Loyz Malaysia"), with an issued and fully-paid-up share capital of RM400,000 (equivalent to US\$124,000).

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 8. Investments in subsidiaries (Continued)

#### Acquisition of non-controlling interests ("NCI")

On 7 February 2014, Loyz USA Holdings LLC ("Loyz USA"), completed the acquisition of 49% equity interest in Loyz Rex Drilling Services LLC ("Loyz Rex") from its non-controlling interest for a total consideration of US\$4,500,000 which was satisfied by:

- (i) cash of US\$1,000,000; and
- (ii) issuance of 12,260,217 new ordinary shares of the Company amounting to US\$3,500,000.

As a result of this acquisition, Loyz Rex became a wholly-owned subsidiary of Loyz USA. The carrying amount of the net liabilities of Loyz Rex and the additional interest acquired was US\$1,138,000 and US\$558,000 respectively. The difference between the consideration and the carrying amount of the additional interest acquired was recognised in retained earnings. The parties also agreed that the shareholders' loan due to the non-controlling interest in the books of Loyz Rex amounting to US\$4,657,000 as at the completion date will be waived by the shareholder and there will be no further claims thereafter (Note 27).

#### 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 |              |
|--------------------------------|-----------------------|--------------|------------------------------------------------|--------------|-----------------|--------------|
|                                | 2015                  | 2014         | 2015                                           | 2014         | 2015            | 2014         |
|                                | US\$'000              | US\$'000     | US\$'000                                       | US\$'000     | US\$'000        | US\$'000     |
| Interlink Petroleum Limited    | (7,794)               | (91)         | (7,705)                                        | (116)        | (5,343)         | 2,362        |
| Loyz NZ Ventures Limited       | (52)                  | (54)         | (52)                                           | 335          | 117             | 169          |
| Loyz Rex Drilling Services LLC | –                     | (698)*       | –                                              | (697)*       | –               | –            |
| <b>Total</b>                   | <b>(7,846)</b>        | <b>(843)</b> | <b>(7,757)</b>                                 | <b>(478)</b> | <b>(5,226)</b>  | <b>2,531</b> |

\* Results presented refer to the loss allocated to and total comprehensive income attributable to NCI when Loyz Rex Drilling Services LLC was still a partially-owned subsidiary of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 8. Investments in subsidiaries (Continued)

#### Interest in subsidiaries with material NCI (Continued)

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 |          |
|-------------------------------|-----------------------------|----------|--------------------------|----------|
|                               | 2015                        | 2014     | 2015                     | 2014     |
|                               | US\$'000                    | US\$'000 | US\$'000                 | US\$'000 |
| <b>Assets and Liabilities</b> |                             |          |                          |          |
| Non-current assets            | –                           | 15,543   | 10,497                   | 10,383   |
| Current assets                | 377                         | 488      | 8                        | 104      |
| Non-current liabilities       | (10,520)                    | (4,779)  | –                        | (25)     |
| Current liabilities           | (1,050)                     | (6,354)  | (3,763)                  | (3,614)  |
| Net assets/ (liabilities)     | (11,193)                    | 4,898    | 6,742                    | 6,848    |

#### Summarised statement of comprehensive income

|                            | Interlink Petroleum Limited |          | Loyz NZ Ventures Limited |          |
|----------------------------|-----------------------------|----------|--------------------------|----------|
|                            | 2015                        | 2014     | 2015                     | 2014     |
|                            | US\$'000                    | US\$'000 | US\$'000                 | US\$'000 |
| Loss for the year          | (16,277)                    | (189)    | (105)                    | (110)    |
| Other comprehensive income | 186                         | (52)     | –                        | 795      |
| Total comprehensive income | (16,091)                    | (241)    | (105)                    | 685      |

#### Impairment of subsidiaries

During the financial year, management assessed its investments in subsidiaries for impairment. Following the results of their assessment, an impairment loss of US\$50,966,000 has 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 has 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 is still at its exploration phase, impairment is triggered by the weak oil price outlook which has a significant impact on the viability of continuing exploration activities in Australia. Full impairment has 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 include sales projections, crude oil selling price of US\$57 to US\$73 (2014: US\$95 to US\$117) per barrel, operating costs and others. Future cash flows are discounted using a discount rate of 10%-15% (2014: 5%-15%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 9. Available-for-sale financial asset

|                                    | Group    |            |
|------------------------------------|----------|------------|
|                                    | 2015     | 2014       |
|                                    | US\$'000 | US\$'000   |
|                                    |          | (Restated) |
| Unquoted equity securities at cost | 41,400   | 41,400     |
| Impairment loss                    | (34,111) | –          |
|                                    | 7,289    | 41,400     |

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.

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 during the financial year.

The Group has assessed its involvement in Fram and concluded that it has 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 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 current financial year, the Group has 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 has recognised impairment loss of US\$34,111,000 in "Other charges" in profit or loss. Management has 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.

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 2015

### 10. Intangible assets

|                                   | Goodwill | Acquired<br>pre-<br>exploration<br>data | Software | Overriding<br>royalty<br>interest | Total    |
|-----------------------------------|----------|-----------------------------------------|----------|-----------------------------------|----------|
|                                   | US\$'000 | US\$'000                                | US\$'000 | US\$'000                          | US\$'000 |
| <b>Group</b>                      |          |                                         |          |                                   |          |
| <b>Cost</b>                       |          |                                         |          |                                   |          |
| Balance at 1 July 2014 (restated) | 40,142   | 593                                     | 207      | 2,886                             | 43,828   |
| Additions                         | -        | -                                       | 22       | -                                 | 22       |
| Currency translation adjustment   | -        | -                                       | 1        | -                                 | 1        |
| Balance at 30 June 2015           | 40,142   | 593                                     | 230      | 2,886                             | 43,851   |
| <b>Accumulated amortisation</b>   |          |                                         |          |                                   |          |
| Balance at 1 July 2014 (restated) | -        | -                                       | 107      | -                                 | 107      |
| Amortisation                      | -        | -                                       | 58       | -                                 | 58       |
| Impairment loss (Note 29)         | 12,173   | 94                                      | 47       | 2,886                             | 15,200   |
| Currency translation adjustment   | -        | -                                       | 2        | -                                 | 2        |
| Balance at 30 June 2015           | 12,173   | 94                                      | 214      | 2,886                             | 15,367   |
| <b>Carrying amount</b>            |          |                                         |          |                                   |          |
| Balance at 30 June 2015           | 27,969   | 499                                     | 16       | -                                 | 28,484   |
| (Restated)                        |          |                                         |          |                                   |          |
| <b>Cost</b>                       |          |                                         |          |                                   |          |
| Balance at 1 July 2013            | 26,842   | 491                                     | 191      | -                                 | 27,524   |
| Additions                         | 23,012   | 93                                      | 16       | 2,850                             | 25,971   |
| Currency translation adjustment   | 456      | 9                                       | -        | 36                                | 501      |
| Balance at 30 June 2014           | 50,310   | 593                                     | 207      | 2,886                             | 53,996   |
| Adjustment (Note 12.2)            | (10,168) | -                                       | -        | -                                 | (10,168) |
| Balance at 30 June 2014           | 40,142   | 593                                     | 207      | 2,886                             | 43,828   |
| <b>Accumulated amortisation</b>   |          |                                         |          |                                   |          |
| Balance at 1 July 2013            | -        | -                                       | 65       | -                                 | 65       |
| Amortisation                      | -        | -                                       | 39       | -                                 | 39       |
| Currency translation adjustment   | -        | -                                       | 3        | -                                 | 3        |
| Balance at 30 June 2014           | -        | -                                       | 107      | -                                 | 107      |
| <b>Carrying amount</b>            |          |                                         |          |                                   |          |
| Balance at 30 June 2014           | 40,142   | 593                                     | 100      | 2,886                             | 43,721   |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 10. Intangible assets (Continued)

Amortisation expense of software amounting to approximately US\$27,000 (2014: US\$37,000) 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.

#### **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\$94,000 and US\$47,000 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 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**

In the previous financial year, the Group acquired and was assigned 28.5% overriding royalty interest in Petroleum Exploration Permit 38479 in New Zealand for cash consideration of US\$2,850,000 from a related party, a company owned by a key management personnel of the Group. The overriding royalty interest entitles the Group rights to the proportionate interest in the gross production of oil and gas from the Awakino permit area under Loyz NZ.

As of 30 June 2015, the Group has 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 has 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.

Goodwill is allocated to the following CGUs for impairment testing:

- Loyz Oil (Australia, New Zealand and United States of America)
- Interlink (India)
- Thailand operations

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 10. Intangible assets (Continued)

#### Goodwill (Continued)

The carrying amount of goodwill allocated to each CGU is as follows:

|                                                                | 2015<br>US\$'000 | 2014<br>US\$'000 |
|----------------------------------------------------------------|------------------|------------------|
|                                                                |                  | (Restated)       |
| Loyz Oil (Australia, New Zealand and United States of America) | 15,126           | 22,567           |
| Interlink (India)                                              | –                | 4,732            |
| Thailand operations (Note 12.2)                                | 12,843           | 12,843           |
|                                                                | 27,969           | 40,142           |

#### **Impairment testing of goodwill**

The recoverable amount of the Group's goodwill has been determined based on value-in-use calculations or independent valuation reports, where applicable, for the assets owned by respective CGUs using management-approved discounted cash flow projections covering a period of 8 – 24 years, at pre-tax discount rate of 10%-15% (2014: 5%-15%) and forecasted annual production volume. The forecasted growth rate is 2% to 2.5% (2014: 2%).

Management has assessed that a longer period for the financial forecast of the above CGUs are 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.

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 CGUs and derived with reference to the weighted average cost of capital (WACC) of the CGUs, adjusted for the risks specific to the CGUs.

Crude oil and gas prices of US\$57 to US\$73 (2014: US\$95 to US\$117) per barrel are based on publicly available forecast commodity prices and are adjusted for quality, transportation fees, and regional price differences.

In the current financial year, owing to the weak oil price outlook, the Group recognised full impairment loss of approximately US\$12,173,000 on goodwill in relation to Loyz Oil's and Interlink's non-core concessions in Australia, United States of America and India.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 11. Trade and other receivables

|                                   | Group    |            | Company  |            |
|-----------------------------------|----------|------------|----------|------------|
|                                   | 2015     | 2014       | 2015     | 2014       |
|                                   | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                                   |          | (Restated) |          | (Restated) |
| <b>Current</b>                    |          |            |          |            |
| Trade receivables                 |          |            |          |            |
| – third party                     | 2,232    | 2,468      | –        | –          |
| Non-trade receivables             |          |            |          |            |
| – third parties                   | 128      | 367        | –        | –          |
| – substantial shareholder         | 520      | –          | –        | –          |
| – subsidiaries                    | –        | –          | –        | –          |
|                                   | 2,880    | 2,835      | –        | –          |
| <b>Non-current</b>                |          |            |          |            |
| Non-trade receivables             |          |            |          |            |
| – subsidiaries                    | –        | –          | 4,934    | 56,128     |
|                                   | –        | –          | 4,934    | 56,128     |
| Total trade and other receivables | 2,880    | 2,835      | 4,934    | 56,128     |

The trade amounts due from a third party are unsecured, interest-free and repayable within the normal credit terms of 30 (2014: 30) days.

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 in cash.

The non-trade receivables due from subsidiaries represent loans to subsidiaries which are unsecured and have no fixed term of repayment. The loans bear an interest rate of 2.8% (2014: 2.8%) per annum and is expected to be settled in cash. It is not practicable to determine the fair value of these loans as at 30 June 2015 as there is no fixed term of repayment.

In 2014, the Group's trade and other receivables amounting to approximately US\$200,000 was subject to a floating charge as security for the banking facilities as set out in Note 20.1 to the financial statements. The floating charge has been discharged following settlement of the related loan in the current financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 11. Trade and other receivables (Continued)

Trade and other receivables are denominated in the following currencies:

|                      | Group    |            | Company  |            |
|----------------------|----------|------------|----------|------------|
|                      | 2015     | 2014       | 2015     | 2014       |
|                      | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                      |          | (Restated) |          | (Restated) |
| Singapore dollar     | –        | –          | –        | 22,416     |
| United States dollar | 519      | 200        | 4,934    | 1,025      |
| Thai baht            | 2,355    | 2,540      | –        | –          |
| Australian dollar    | –        | –          | –        | 29,353     |
| New Zealand dollar   | 4        | 92         | –        | 3,334      |
| Indian rupee         | 2        | 3          | –        | –          |
|                      | 2,880    | 2,835      | 4,934    | 56,128     |

### 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.

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 is no change to the interest held by the Group as at 30 June 2015.

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).

The Loyz-Trident joint operation is audited by Grant Thornton Australia.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 12. Interest in joint operations/arrangements similar to joint operations (Continued)

#### 12.2 Interest in the Thailand operations

On 30 April 2014, Loyz Thai has 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 has assessed that, considering the voting procedure prescribed in the International Operating Agreements ("IOA") with the operator and CVN, Loyz Thai does 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 (Note 23) 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.

#### Correction of errors

The initial accounting for the acquisition of the Thailand operations in the previous financial year had only been provisionally determined as the acquisition occurred close to the end of the previous financial year. At the date of finalisation of the previous year's financial statements, the necessary market valuations and other calculations for the items listed below had not been finalised and they had therefore only been provisionally determined based on the management's best estimate of the likely values. No changes have been made within the one year measurement period as allowed by FRS 103 *Business combinations*.

After one year from the date of completion of acquisition, an independent valuation has been performed by management to determine the fair value of the identifiable assets and liabilities acquired as at the date of acquisition. Using the fair values determined, management identified adjustments in relation to the following:

- Intangible assets – overstatement of goodwill by US\$10,168,000;
- Exploration, evaluation and development assets – understatement of development costs by US\$19,926,000;
- Understatement of deferred tax liabilities by US\$9,963,000;
- Overstatement of trade and other payables by US\$205,000.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 12. Interest in joint operations/arrangements similar to joint operations (Continued)

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

##### Correction of errors (Continued)

The adjustments have been corrected by restating the respective line items in the prior year financial statements in accordance to FRS 8 *Accounting policies, changes in accounting estimates and errors*, as disclosed below:

|                                                         | Balance as<br>reported in<br>prior year<br>2014<br>US\$'000 | Prior year<br>adjustments<br>and<br>reclassification<br>US\$'000 | As<br>restated<br>2014<br>US\$'000 |
|---------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------|------------------------------------|
| <b>Assets</b>                                           |                                                             |                                                                  |                                    |
| Exploration, evaluation and development assets (Note 5) | 31,522                                                      | 19,926                                                           | 51,448                             |
| Intangible assets (Note 10)                             | 53,889                                                      | (10,168)                                                         | 43,721                             |
| <b>Liabilities</b>                                      |                                                             |                                                                  |                                    |
| Trade and other payables – current (Note 23)            | 17,989                                                      | 312                                                              | 18,301                             |
| Trade and other payables – non-current (Note 23)        | 27,364                                                      | (517)                                                            | 26,847                             |
| Deferred tax liabilities (Note 24)                      | 25,359                                                      | 9,963                                                            | 35,322                             |

The adjustments did not have any impact on the Group's statement of comprehensive income or the Group's cash flows in the previous financial year.

In accordance with FRS 103 *Business combinations*, the Group has finalised the purchase price allocation exercise and identified the fair value of the identifiable assets and liabilities at date of acquisition, as follows:-

|                                                | Fair value<br>recognised<br>as at date of<br>acquisition<br>US\$'000 | Provisional<br>amounts<br>recognised in<br>prior year<br>US\$'000 |
|------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------|
| Exploration, evaluation and development assets | 19,926                                                               | –                                                                 |
| Oil and gas properties                         | 55,274                                                               | 55,274                                                            |
| Other property, plant and equipment            | 1,137                                                                | 1,137                                                             |
| Inventories                                    | 2,687                                                                | 2,687                                                             |
| Trade and other receivables                    | 1,667                                                                | 1,667                                                             |
| Other assets                                   | 779                                                                  | 779                                                               |
| Prepayments                                    | 36                                                                   | 36                                                                |
| Cash and cash equivalents                      | 2,790                                                                | 2,790                                                             |
| Deferred tax liabilities                       | (34,241)                                                             | (24,278)                                                          |
| Current income tax payable                     | (290)                                                                | (290)                                                             |
| Trade and other payables                       | (2,758)                                                              | (2,758)                                                           |
| Net identifiable assets acquired               | 47,007                                                               | 37,044                                                            |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 12. Interest in joint operations/arrangements similar to joint operations (Continued)

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

The effects of the acquisition on the cash flows were as follows:

|                                                    | Recognised<br>as at<br>date of<br>acquisition<br>US\$'000 | Provisional<br>amounts<br>recognised in<br>prior year<br>US\$'000 |
|----------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------|
| Net identifiable assets acquired (as above)        | 47,007                                                    | 37,044                                                            |
| Goodwill (Note 10)                                 | 12,843                                                    | 23,011                                                            |
| Purchase consideration                             | 59,850                                                    | 60,055                                                            |
| Less:                                              |                                                           |                                                                   |
| Present value of deferred consideration            | 26,850                                                    | 27,055                                                            |
| Cash and cash equivalents acquired                 | 2,790                                                     | 2,790                                                             |
| Cash outflows on acquisition, net of cash acquired | 30,210                                                    | 30,210                                                            |
| Present value of deferred consideration (as above) | 26,850                                                    | 27,055                                                            |
| Add future finance charges                         | 5,150                                                     | 4,945                                                             |
| Total deferred consideration                       | 32,000                                                    | 32,000                                                            |

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

It is impracticable to disclose the Group's revenue and profits after tax if the combination had taken place at the beginning of the financial year ended 30 June 2014, as the financial information is not readily available to the Group, who has no control nor joint control over the Thailand operations.

Transaction costs of US\$25,000 incurred in respect of the acquisition have been recognised in the "Other expenses" line item in the Group's profit or loss in the previous financial year.

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:

|                               | Group            |                  |
|-------------------------------|------------------|------------------|
|                               | 2015<br>US\$'000 | 2014<br>US\$'000 |
|                               |                  | (Restated)       |
| <b>Assets and Liabilities</b> |                  |                  |
| Non-current assets            | 59,283           | 62,216           |
| Current assets                | 12,317           | 11,519           |
| Non-current liabilities       | (37,769)         | (26,370)         |
| Current liabilities           | (4,419)          | (3,275)          |
| <b>Profit or loss</b>         |                  |                  |
| Income                        | 23,077           | 6,902            |
| Expenses                      | (15,836)         | (4,513)          |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 13. Prepayments

|             | Group    |            | Company  |            |
|-------------|----------|------------|----------|------------|
|             | 2015     | 2014       | 2015     | 2014       |
|             | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|             |          | (Restated) |          | (Restated) |
| Current     | 980      | 152        | 836      | 39         |
| Non-current | 2,830    | 2,830      | –        | –          |
|             | 3,810    | 2,982      | 836      | 39         |

The Group's prepayments classified as non-current assets as at 30 June 2015 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.

Included in current prepayments, an amount of approximately US\$794,000 pertains 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.

### 14. Inventories

|                        | Group    |            |
|------------------------|----------|------------|
|                        | 2015     | 2014       |
|                        | US\$'000 | US\$'000   |
|                        |          | (Restated) |
| Stores and consumables | 2,682    | 2,849      |
| Crude oil              | 17       | 14         |
|                        | 2,699    | 2,863      |

### 15. Other assets

|                                      | Group    |            |
|--------------------------------------|----------|------------|
|                                      | 2015     | 2014       |
|                                      | US\$'000 | US\$'000   |
|                                      |          | (Restated) |
| Deposits to secure purchase of goods | –        | 90         |
| Deposits to secure services          | 266      | 249        |
| Reservation deposits                 | 878      | 608        |
|                                      | 1,144    | 947        |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 15. Other assets (Continued)

Other assets are denominated in the following currencies:

|                      | Group    |            |
|----------------------|----------|------------|
|                      | 2015     | 2014       |
|                      | US\$'000 | US\$'000   |
|                      |          | (Restated) |
| Singapore dollar     | 16       | 17         |
| Thai baht            | 1,036    | 740        |
| Malaysia ringgit     | –        | 5          |
| United States dollar | 1        | 3          |
| Indian rupee         | 91       | 182        |
|                      | 1,144    | 947        |

### 16. Cash and cash equivalents

|                | Group    |            | Company  |            |
|----------------|----------|------------|----------|------------|
|                | 2015     | 2014       | 2015     | 2014       |
|                | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                |          | (Restated) |          | (Restated) |
| Cash at banks  | 7,575    | 6,731      | 570      | 902        |
| Fixed deposits | 29       | 30         | –        | –          |
|                | 7,604    | 6,761      | 570      | 902        |

Fixed deposits have an average maturity of 6 months (2014: 11 months) from the end of the financial year with an effective interest rate of 9% (2014: 9.15% to 9.25%) per annum. Fixed deposits may be withdrawn anytime resulting to forfeiture of interests.

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

|                                                                            | Group    |            |
|----------------------------------------------------------------------------|----------|------------|
|                                                                            | 2015     | 2014       |
|                                                                            | US\$'000 | US\$'000   |
|                                                                            |          | (Restated) |
| Cash and cash equivalents per consolidated statement of financial position | 7,604    | 6,761      |
| Cash restricted in use *                                                   | (500)    | (575)      |
| Bank overdraft (Note 20)                                                   | (425)    | (431)      |
| Cash and cash equivalents per consolidated statement of cash flows         | 6,679    | 5,755      |

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 16. Cash and cash equivalents (Continued)

Cash and cash equivalents are denominated in the following currencies:

|                      | Group    |            | Company  |            |
|----------------------|----------|------------|----------|------------|
|                      | 2015     | 2014       | 2015     | 2014       |
|                      | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                      |          | (Restated) |          | (Restated) |
| Singapore dollar     | 643      | 509        | 551      | 385        |
| Australian dollar    | 21       | 34         | –        | –          |
| United States dollar | 545      | 594        | 19       | 517        |
| Indian rupee         | 59       | 63         | –        | –          |
| New Zealand dollar   | 4        | 1          | –        | –          |
| Thai Baht            | 6,332    | 5,560      | –        | –          |
|                      | 7,604    | 6,761      | 570      | 902        |

### 17. Ordinary shares

|                                                                    | Group and Company |          |                  |            |
|--------------------------------------------------------------------|-------------------|----------|------------------|------------|
|                                                                    | 2015              | 2015     | 2014             | 2014       |
|                                                                    | Number of shares  | US\$'000 | Number of shares | US\$'000   |
|                                                                    |                   |          |                  | (Restated) |
| Issued and fully paid:                                             |                   |          |                  |            |
| At beginning of financial year                                     | 411,281,127       | 76,279   | 333,780,910      | 54,194     |
| Issue of shares <sup>(1)</sup>                                     | 294,752,000       | 24,395   | 62,260,217       | 17,410     |
| Redeemable exchangeable preference shares exercised <sup>(2)</sup> | –                 | –        | 15,000,000       | 4,621      |
| Conversion of loan by a substantial shareholder <sup>(3)</sup>     | 118,181,818       | 9,646    | –                | –          |
| Share awards exercised <sup>(4)</sup>                              | 1,770,000         | 560      | 240,000          | 75         |
| Share issue expense                                                | –                 | (326)    | –                | (21)       |
| At end of financial year                                           | 825,984,945       | 110,554  | 411,281,127      | 76,279     |

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 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).

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 17. Ordinary shares (Continued)

On 7 February 2014, the Company allotted and issued a total 12,260,217 new ordinary shares at the exercise price of S\$0.3597 (equivalent to US\$0.285) as part of the consideration to acquire the 49% interests in Loyz Rex Drilling Services, LLC (Note 8).

On 24 October 2013, the Company allotted and issued 50,000,000 new ordinary shares at an issue price of S\$0.35 (equivalent to US\$0.28) per new share by way of a placement.

<sup>(2)</sup> On 25 July 2013, Venstar Investments Ltd and Venstar Investments II Ltd converted a total of 6,000,000 preference shares into 15,000,000 new ordinary shares at the exercise price of S\$0.40 (equivalent to US\$0.32) in relation to the exchange of the second tranche redeemable exchangeable preference shares (Note 18).

<sup>(3)</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>(4)</sup> On 24 October 2014, the Company allotted and issued an aggregate of 1,770,000 ordinary shares in the capital of the Company ("New Shares") 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).

On 18 December 2013, the Company allotted and issued an aggregate of 240,000 ordinary shares in the capital of the Company at an issue price of S\$0.40 (equivalent to US\$0.31) 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.

### 18. Convertible preference shares

On 25 July 2011, pursuant to the Subscription Agreement entered into by the Company and its subsidiary, Loyz Oil, with Venstar Investments Ltd and Venstar Investments II Ltd (the "Subscribers"), Loyz Oil issued 12 million redeemable exchangeable preference shares to the Subscribers for aggregate proceeds of S\$12,000,000 (equivalent to US\$9,304,000).

Pursuant to the Subscription Agreement, each holder of the preference shares shall have the right to exchange 50% of the preference shares held into ordinary shares of the Company at the Exchange Price of \$0.40 ("Exchange Price") at the First Tranche Maturity Period, and further 50% of the preference shares at the Exchange Price at the Second Tranche Maturity Period.

If such holder does not exercise its right to exchange the preference shares as discussed above, it may call upon Loyz Oil to redeem the preference shares at the redemption price of \$0.25 ("Put Option").

In the event that the holder does not exercise the Put Option, the preference shares not redeemed by Loyz Oil shall be exchanged into ordinary shares of the Company at the Exchange Price.

In 2013, 6,000,000 convertible shares had been converted into 15,000,000 ordinary shares. In the previous financial year, the remaining 6,000,000 convertible shares had been converted into 15,000,000 ordinary shares of the Company. A total of 30,000,000 ordinary shares of the Company had been issued upon such conversion.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 18. Convertible preference shares (Continued)

The convertible preference shares were accounted for by Group as follows:

|                                 | <b>Group</b>                               |                 |
|---------------------------------|--------------------------------------------|-----------------|
|                                 | <b>2014</b>                                |                 |
|                                 | <b>Number of<br/>preferences<br/>share</b> | <b>US\$'000</b> |
|                                 |                                            | (Restated)      |
| <b>Equity</b>                   |                                            |                 |
| At beginning of financial year  | 4,500,000                                  | 3,467           |
| Preference shares exercised     | (4,500,000)                                | (3,467)         |
| At end of financial year        | -                                          | -               |
| <b>Liabilities</b>              |                                            |                 |
| At beginning of financial year  | 1,500,000                                  | 1,183           |
| Preference shares exercised     | (1,500,000)                                | (1,154)         |
| Currency translation adjustment | -                                          | (29)            |
| At end of financial year        | -                                          | -               |

To secure the performance of the obligations owed by the Company and its subsidiary, Loyz Oil, to the Subscribers under the Subscription Agreement, the Company has agreed to pledge all of the ordinary shares in respect of the entire issued share capital of Loyz Oil in favour of the Subscribers.

As the shares of Loyz Oil are pledged as security, its net tangible assets is considered pledged as security at Group level.

As at 30 June 2014, the pledge on the ordinary shares of Loyz Oil was discharged following the full conversion of the convertible preference shares.

### 19. Reserves

|                                      | <b>Group</b>    |                 | <b>Company</b>  |                 |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                      | <b>2015</b>     | <b>2014</b>     | <b>2015</b>     | <b>2014</b>     |
|                                      | <b>US\$'000</b> | <b>US\$'000</b> | <b>US\$'000</b> | <b>US\$'000</b> |
|                                      |                 | (Restated)      |                 | (Restated)      |
| Share option/award reserves          | 2,633           | 2,065           | 2,633           | 2,065           |
| Foreign currency translation account | (470)           | (582)           | 607             | 607             |
| Deemed capital contribution          | 2,103           | -               | -               | -               |
|                                      | 4,266           | 1,483           | 3,240           | 2,672           |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 19. Reserves (Continued)

#### 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).

*Activities under the ESOS:*

The outstanding number of options at the end of the reporting period was:

| Exercise price | Grant date          | Exercise period                      | Number of options as at 30 June 2015 | Number of options as at 30 June 2014 |
|----------------|---------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| S\$0.4200      | 18 December 2012    | 18 December 2013 to 18 December 2017 | 1,160,000                            | 1,280,000                            |
| 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   | 11,230,000                           | 16,310,000                           |
| S\$0.4200      | 24 October 2013 (b) | 24 October 2015 to 24 October 2018   | 4,200,000                            | 4,200,000                            |
| S\$0.4200      | 24 October 2013 (c) | 24 October 2016 to 24 October 2018   | 4,000,000                            | 4,000,000                            |
| S\$0.4200      | 11 February 2014    | 11 February 2015 to 11 February 2019 | 450,000                              | 650,000                              |
| S\$0.1794      | 10 November 2014    | 10 November 2015 to 10 November 2019 | 4,200,000                            | –                                    |
|                |                     |                                      | <b>26,440,000</b>                    | <b>27,640,000</b>                    |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 19. Reserves (Continued)

#### Share option reserve (Continued)

#### **Loyz Energy Employee Share Option Scheme (the "ESOS") (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 reporting period as well as the movements during the financial year.

|                        | 2015              |                                     | 2014              |                                     |
|------------------------|-------------------|-------------------------------------|-------------------|-------------------------------------|
|                        | Number of options | Weighted average exercise price S\$ | Number of options | Weighted average exercise price S\$ |
| Outstanding at 1 July  | 27,640,000        | 0.4202                              | 2,980,000         | 0.4223                              |
| Granted                | 4,300,000         | 0.1794                              | 25,530,000        | 0.4200                              |
| Forfeited              | (5,500,000)       | 0.4156                              | (870,000)         | 0.4200                              |
| Outstanding at 30 June | 26,440,000        | 0.3820                              | 27,640,000        | 0.4202                              |
| Exercisable at 30 June | 14,040,000        | 0.4205                              | 2,480,000         | 0.4223                              |

The share options outstanding as at the end of the reporting period have a weighted average remaining contractual life of 3 (2014: 4) years.

The weighted average fair value of options granted during the financial year was S\$0.05845 (2014: S\$0.1310). 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.

The Trinomial option pricing model used the following assumptions:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 19. Reserves (Continued)

#### 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.

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 reporting period was:

| Market price at the date of grant | Grant date       | Exercise period  | Number of awards as at 30 June 2015 | Number of awards as at 30 June 2014 |
|-----------------------------------|------------------|------------------|-------------------------------------|-------------------------------------|
| S\$0.1794                         | 10 November 2014 | 10 November 2015 | 4,780,000                           | –                                   |
| S\$0.3947                         | 24 October 2013  | 24 October 2014  | –                                   | 1,970,000                           |
|                                   |                  |                  | 4,780,000                           | 1,970,000                           |

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.

|                     | 2015             |                                       | 2014             |                                       |
|---------------------|------------------|---------------------------------------|------------------|---------------------------------------|
|                     | 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           | 1,970,000        | 0.3947                                | 240,000          | 0.4000                                |
| Granted             | 4,950,000        | 0.1794                                | 2,070,000        | 0.3947                                |
| Exercised (Note 17) | (1,770,000)      | 0.3947                                | (240,000)        | 0.4000                                |
| Forfeited           | (370,000)        | 0.2958                                | (100,000)        | 0.3947                                |
| At 30 June          | 4,780,000        | 0.1794                                | 1,970,000        | 0.3947                                |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 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\$ 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    |            |
|--------------------|----------|------------|
|                    | 2015     | 2014       |
|                    | US\$'000 | US\$'000   |
|                    |          | (Restated) |
| <b>Current</b>     |          |            |
| <u>Secured</u>     |          |            |
| Bank loan I        | –        | 15,480     |
| Bank loan II       | 5,500    | 5,457      |
| Bank loan III      | 1,600    | 11,718     |
| Bank loan IV       | 554      | 258        |
| Bank overdraft     | 425      | 431        |
|                    | 8,079    | 33,344     |
| <b>Non-current</b> |          |            |
| <u>Secured</u>     |          |            |
| Bank loan II       | –        | 3,477      |
| Bank loan III      | 18,889   | 20,281     |
|                    | 18,889   | 23,758     |
|                    | 26,968   | 57,102     |

#### 20.1 Bank loan I

In 2013, the Group obtained a bank loan amounting to approximately US\$18,200,000 to finance the acquisition of the drilling rigs. The bank loan bears interest at the adjusted LIBOR for the applicable interest period plus the applicable margin and is repayable in 24 monthly instalments starting one month after the drawdown date (i.e. 7 May 2013). In prior year, the Group has restructured the loan, where only interest will be serviced on a monthly basis. The principal balance shall be repaid upon successful fund raising exercise or no later than 10 May 2015, whichever is earlier. As at 30 June 2015, the loan was fully repaid.

The average effective interest rate was 3.402% to 3.425% (2014: 3.402% to 3.443%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 20. Bank borrowings (Continued)

#### 20.1 Bank loan I (Continued)

The bank loan was secured by:

- (i) Loyz Rex's plant and equipment including the two drilling rigs (Note 7);
- (ii) the cash and cash equivalents amounting to US\$71,000 (Note 16);
- (iii) a floating charge on trade and other receivables amounting to US\$200,000 (Note 11);
- (iv) all rights, title, benefits and interest in and to the contracts entered by Loyz Rex free from any security; and
- (v) corporate guarantee from the Company for up to US\$18,200,000.

#### 20.2 Bank loan II

In 2013, Interlink obtained the following bank loans for working capital purposes:

- (i) US\$8,000,000. It is repayable in 8 equal quarterly instalments starting from the beginning of the 39th month from the date of first disbursement with final maturity of 5 years from each disbursement tranche; and
- (ii) US\$1,000,000. It is repayable in 8 equal quarterly instalments starting from the beginning of the 27th month from the date of the utilisation of the loan with final maturity of 4 years from each disbursement tranche.

Interest is charged at the USD Inter-bank Offered Rate for the applicable interest period plus the applicable margin. The average effective interest rate was 3.0021% (2014: 2.9833% to 3.2731%) per annum.

The bank loans are secured by a fixed deposit of US\$4,500,000 provided by Jit Sun Investments Pte Ltd, the substantial shareholder of the Company. The remaining US\$4,500,000 is secured by a corporate guarantee from Jit Sun Investments Pte Ltd. The loan facility requires Interlink to adhere to the agreed financial covenants and undertakings.

During the current financial year, the Group has restructured the loan 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;
- (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 2.6535% to 2.688% (2014: Nil) per annum; and
- (iv) Secured by corporate guarantee by the Company.

Finance costs incurred in relation to the bank loans of approximately US\$41,000 (2014: US\$315,000) 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.

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## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

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### 20. Bank borrowings (Continued)

#### 20.2 Bank loan II (Continued)

On top of restructuring the loan, 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 2.9035% to 3.0899% (2014: Nil) per annum.

As at 30 June 2015, 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. Despite the Group has, subsequent to the financial year, obtained a waiver from the bank waiving the non-compliance, the non-current portion of Bank loan II of US\$750,000, which would have been payable after twelve months based on original terms, have now been reclassified and presented as current liabilities as at the end of the financial year.

#### 20.3 Bank loan III

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 4.18% to 4.33% (2014: 4.31%) 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 guarantee by the Company, Loyz Thai and the substantial shareholder of the Company, Jit Sun Investments Pte Ltd.

#### 20.4 Bank loan IV

On 26 March 2014, Interlink obtained a loan facility from a financial institution, amounting to INR30,000,000 (equivalent to US\$517,000). As at 30 June 2015, Interlink fully utilised the facility for the financing of working capital. The loan bears interest at 14.25% (2014: 14.25%) per annum and is unsecured. The loan is repayable on demand.

#### 20.5 Bank overdraft

As at 30 June 2015, Interlink drew down approximately INR27,100,000 (equivalent to US\$425,000) from an overdraft facility entered with YES Bank Limited. The overdraft is supported by a standby letter of credit and bears interest at 12.5% (2014: 12.5%) per annum.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 20. Bank borrowings (Continued)

Bank borrowings are denominated in the following currencies:

|                      | Group    |            |
|----------------------|----------|------------|
|                      | 2015     | 2014       |
|                      | US\$'000 | US\$'000   |
|                      |          | (Restated) |
| United States dollar | 25,989   | 56,413     |
| Indian rupee         | 979      | 689        |
|                      | 26,968   | 57,102     |

### 21. Finance lease payables

|                                                          | Minimum<br>lease<br>payments | Future<br>finance<br>charges | Present<br>value<br>of minimum<br>lease<br>payments |
|----------------------------------------------------------|------------------------------|------------------------------|-----------------------------------------------------|
|                                                          | US\$'000                     | US\$'000                     | US\$'000                                            |
| <b>Group</b>                                             |                              |                              |                                                     |
| <b>2015</b>                                              |                              |                              |                                                     |
| Within one financial year                                | 41                           | (5)                          | 36                                                  |
| After one financial year but within five financial years | 93                           | (7)                          | 86                                                  |
|                                                          | 134                          | (12)                         | 122                                                 |
| <b>2014 (Restated)</b>                                   |                              |                              |                                                     |
| Within one financial year                                | 23                           | (1)                          | 22                                                  |
| After one financial year but within five financial years | 39                           | (1)                          | 38                                                  |
|                                                          | 62                           | (2)                          | 60                                                  |

The finance lease term is 5 years (2014: 5 years). The weighted average effective interest rate was 1.88% to 2.60% (2014: 1.88%) 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 22. Provision for restoration costs

|                                  | Group    |            |
|----------------------------------|----------|------------|
|                                  | 2015     | 2014       |
|                                  | US\$'000 | US\$'000   |
|                                  |          | (Restated) |
| Provision for restoration costs  | 78       | 95         |
| Deposit in site restoration fund | (65)     | (50)       |
|                                  | 13       | 45         |

Movements in provision for restoration costs were as follows:

|                                          | Group    |            |
|------------------------------------------|----------|------------|
|                                          | 2015     | 2014       |
|                                          | US\$'000 | US\$'000   |
|                                          |          | (Restated) |
| Balance at beginning of financial year   | 95       | 84         |
| Provision made during the financial year | –        | 12         |
| Reversal of provision                    | (11)     | –          |
| Currency translation adjustment          | (6)      | (1)        |
| Balance at end of financial year         | 78       | 95         |

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 2015, Interlink recognised a provision for restoration costs amounting to INR5,000,000 (equivalent to US\$78,000) (2014: INR 5,700,000 (equivalent to US\$95,000)). 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%.

Pursuant to the Site Restoration Fund Scheme 1999 approved by the Government of India, Interlink deposited INR4,200,000 (equivalent to US\$65,000) (2014: INR3,000,000 (equivalent to US\$50,000)) in the fund maintained in the State Bank of India as at the end of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 23. Trade and other payables

|                                                             | Group    |            | Company  |            |
|-------------------------------------------------------------|----------|------------|----------|------------|
|                                                             | 2015     | 2014       | 2015     | 2014       |
|                                                             | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                                                             |          | (Restated) |          | (Restated) |
| <b>Current</b>                                              |          |            |          |            |
| Trade payables                                              |          |            |          |            |
| – third parties                                             | 812      | 2,712      | –        | –          |
| Non-trade payables                                          |          |            |          |            |
| – third parties                                             | 4,438    | 5,725      | 79       | 1,312      |
| – substantial shareholder of the Company                    | 8,286    | 5,215      | 2,240    | 4,001      |
| – individual shareholder of the Company                     | –        | 2,407      | –        | 2,407      |
| Accrued operating expenses                                  | 554      | 1,930      | 235      | 317        |
|                                                             | 14,090   | 17,989     | 2,554    | 8,037      |
| Prior year adjustment on purchase consideration (Note 12.2) | –        | 312        | –        | –          |
|                                                             | 14,090   | 18,301     | 2,554    | 8,037      |
| <b>Non-current</b>                                          |          |            |          |            |
| Non-trade payable - third party                             | 27,352   | 27,364     | –        | –          |
| Prior year adjustment on deferred consideration (Note 12.2) | –        | (517)      | –        | –          |
|                                                             | 27,352   | 26,847     | –        | –          |
| Total trade and other payables                              | 41,442   | 45,148     | 2,554    | 8,037      |

The trade amounts due to third parties are unsecured, interest-free and are on 30 days (2014: 30 to 60 days) credit term.

The Group's and the Company's current non-trade payables to third parties in prior year included US\$1,310,000 representing loans which bore interest at 10% per annum, unsecured and was fully repaid in the current financial year.

The Group's current non-trade payables to third parties in prior year included US\$3,000,000 relating to the partial consideration for the acquisition of 20% equity interest in Fram which was satisfied by issuance of the Company's ordinary shares (Note 9) during the current financial year.

Included in the Group's current non-trade payables to third parties is an amount of US\$1,045,000 (2014: US\$1,415,000), 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\$2,000,000 which relates to a portion of the termination consideration payable to Fram (Note 9) that remains outstanding as at the end of the financial year. The balance is unsecured, interest-free and expected to be repaid within the next twelve months.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 23. Trade and other payables (Continued)

A part of the Group's current non-trade payables to third parties amounting to US\$701,000 (2014: Nil) 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%, unsecured and expected to be repaid within 5 years. The fair value of the non-current non-trade payable as at the end of the reporting period amounted to US\$27,352,000 (2014: US\$27,364,000).

Included in the Group's and the Company's current non-trade amount due to a substantial shareholder are amounts of US\$7,427,000 (2014: US\$5,215,000) and US\$1,633,000 (2014: US\$4,001,000) respectively, representing loans which bore interest at 5% per annum, are unsecured and repayable on demand.

The Group's and the Company's current non-trade amount due to an individual shareholder of the Company in prior year represented a loan which bears interest at 10% per annum, unsecured and which was fully repaid in the current financial year.

Trade and other payables are denominated in the following currencies:

|                      | Group    |            | Company  |            |
|----------------------|----------|------------|----------|------------|
|                      | 2015     | 2014       | 2015     | 2014       |
|                      | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                      |          | (Restated) |          | (Restated) |
| Singapore dollar     | 3,768    | 5,079      | 2,394    | 3,537      |
| Australian dollar    | 2        | 7          | -        | -          |
| Thai Baht            | 2,073    | 2,825      | -        | -          |
| Indian rupee         | 56       | 160        | -        | -          |
| United States dollar | 35,523   | 36,941     | 160      | 4,500      |
| Others               | 20       | 136        | -        | -          |
|                      | 41,442   | 45,148     | 2,554    | 8,037      |

### 24. Deferred tax liabilities

|                                                                               | Group    |            |
|-------------------------------------------------------------------------------|----------|------------|
|                                                                               | 2015     | 2014       |
|                                                                               | US\$'000 | US\$'000   |
|                                                                               |          | (Restated) |
| Balance at beginning of financial year                                        | 35,322   | 63         |
| Acquisition of interest in joint operations (Note 12.2)                       | -        | 24,278     |
| Charged to profit or loss                                                     | 1,411    | 1,013      |
| Currency realignment                                                          | -        | 5          |
| Balance at end of financial year                                              | 36,733   | 25,359     |
| Prior year adjustment on the effects of purchase price allocation (Note 12.2) | -        | 9,963      |
| Balance at end of financial year                                              | 36,733   | 35,322     |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 24. Deferred tax liabilities (Continued)

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

|                                                            | Group    |            |
|------------------------------------------------------------|----------|------------|
|                                                            | 2015     | 2014       |
|                                                            | US\$'000 | US\$'000   |
|                                                            |          | (Restated) |
| Exploration, evaluation and development assets (Note 12.2) | 9,963    | 9,989      |
| Oil and gas properties                                     | 26,770   | 25,333     |
|                                                            | 36,733   | 35,322     |

### 25. Other liabilities

|                  | Group    |            |
|------------------|----------|------------|
|                  | 2015     | 2014       |
|                  | US\$'000 | US\$'000   |
|                  |          | (Restated) |
| Security deposit | 1        | 3          |

### 26. Revenue

|                    | Group    |            |
|--------------------|----------|------------|
|                    | 2015     | 2014       |
|                    | US\$'000 | US\$'000   |
|                    |          | (Restated) |
| Drilling revenue   | –        | 9,552      |
| Sales of crude oil | 23,077   | 6,861      |
|                    | 23,077   | 16,413     |

### 27. Other income

|                                                                       | Group    |            |
|-----------------------------------------------------------------------|----------|------------|
|                                                                       | 2015     | 2014       |
|                                                                       | US\$'000 | US\$'000   |
|                                                                       |          | (Restated) |
| Gain on disposal of plant and equipment                               | –        | 557        |
| Waiver of loan by a non-controlling interest of a subsidiary (Note 8) | –        | 4,657      |
| Foreign exchange gain, net                                            | 387      | 57         |
| Other income                                                          | 321      | 239        |
|                                                                       | 708      | 5,510      |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 28. Finance costs

|                           | Group    |            |
|---------------------------|----------|------------|
|                           | 2015     | 2014       |
|                           | US\$'000 | US\$'000   |
|                           |          | (Restated) |
| Interest expense on:      |          |            |
| – Bank loans              | 1,747    | 868        |
| – Finance leases payables | 1        | –          |
| – Others                  | 137      | –          |
|                           | 1,885    | 868        |

### 29. Other charges

|                                                                       | Group    |            |
|-----------------------------------------------------------------------|----------|------------|
|                                                                       | 2015     | 2014       |
|                                                                       | US\$'000 | US\$'000   |
|                                                                       |          | (Restated) |
| Loss on disposal of other property, plant and equipment               | 26       | –          |
| Impairment of exploration, evaluation and development assets (Note 5) | 21,882   | –          |
| Impairment of financial assets (Note 9)                               | 34,111   | –          |
| Impairment of intangible assets (Note 10)                             | 15,200   | –          |
| Impairment of other property, plant and equipment                     | 155      | –          |
| Fixed assets written off                                              | 6        | –          |
|                                                                       | 71,380   | –          |

### 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    |            |
|---------------------------------------------------------|----------|------------|
|                                                         | 2015     | 2014       |
|                                                         | US\$'000 | US\$'000   |
|                                                         |          | (Restated) |
| <b>Cost of sales</b>                                    |          |            |
| Depletion of oil and gas properties                     | 3,357    | 721        |
| Depreciation of other property, plant and equipment     | –        | 223        |
| Thailand Petroleum royalties and other government taxes | 1,455    | 383        |
| <b>Distribution costs</b>                               |          |            |
| Advertisements                                          | 13       | 6          |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 30. Loss before income tax (Continued)

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

|                                                        | Group    |            |
|--------------------------------------------------------|----------|------------|
|                                                        | 2015     | 2014       |
|                                                        | US\$'000 | US\$'000   |
|                                                        |          | (Restated) |
| <b><u>Administrative expenses</u></b>                  |          |            |
| Audit fees                                             |          |            |
| – Auditors of the Company                              | 81       | 80         |
| – Other auditors                                       | 87       | 17         |
| Non-audit fees                                         |          |            |
| – Auditors of the Company                              | 18       | 10         |
| Directors' fees                                        | 246      | 189        |
| Share-based payment expenses, net                      | 1,510    | 1,957      |
| Employee benefits expense                              |          |            |
| – Salaries, bonuses and short-term benefits            | 2,660    | 2,890      |
| – Employer's contribution to defined contribution plan | 65       | 64         |
| <b><u>Other expenses</u></b>                           |          |            |
| Depreciation of other property, plant and equipment    | 206      | 1,336      |
| Operating leases-rental of premises                    | 199      | 211        |
| Legal and professional fees                            | 566      | 621        |

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

### 31. Income tax expense

|                                                       | Group    |            |
|-------------------------------------------------------|----------|------------|
|                                                       | 2015     | 2014       |
|                                                       | US\$'000 | US\$'000   |
|                                                       |          | (Restated) |
| Current tax                                           |          |            |
| – Current financial year                              | 4,880    | 1,351      |
| – Under/(over) provision in prior financial year      | 65       | (2)        |
|                                                       | 4,945    | 1,349      |
| Deferred tax                                          |          |            |
| – Current financial year                              | 1,411    | 1,013      |
| Total income tax expense recognised in profit or loss | 6,356    | 2,362      |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 31. Income tax expense (Continued)

#### Reconciliation of effective income tax rate

Domestic income tax is calculated at 17% (2014: 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% (2014: 17%) to loss before income tax as a result of the following differences:

|                                                                      | Group    |            |
|----------------------------------------------------------------------|----------|------------|
|                                                                      | 2015     | 2014       |
|                                                                      | US\$'000 | US\$'000   |
|                                                                      |          | (Restated) |
| Loss before income tax                                               | (64,591) | (1,396)    |
| Income tax at Singapore statutory tax rate                           | (10,980) | (237)      |
| Tax effect of:                                                       |          |            |
| – different income tax rates in other countries                      | (5,741)  | 1,221      |
| – expenses not deductible for income tax purposes                    |          |            |
| – impairment loss                                                    | 21,947   | –          |
| – others                                                             | 1,041    | 1,146      |
| – income not subject to income tax                                   | (749)    | (193)      |
| Deferred tax asset not recognised                                    | 773      | 418        |
| Under/(over) provision of current income tax in prior financial year | 65       | (2)        |
| Other items                                                          | –        | 9          |
|                                                                      | 6,356    | 2,362      |

#### Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

|                                             | Group    |            |
|---------------------------------------------|----------|------------|
|                                             | 2015     | 2014       |
|                                             | US\$'000 | US\$'000   |
|                                             |          | (Restated) |
| Balance at beginning of financial year      | 1,278    | 841        |
| Amount not recognised during financial year | 773      | 418        |
| Currency translation adjustment             | –        | 19         |
| Balance at end of financial year            | 2,051    | 1,278      |

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

|                               | Group    |            |
|-------------------------------|----------|------------|
|                               | 2015     | 2014       |
|                               | US\$'000 | US\$'000   |
|                               |          | (Restated) |
| Unutilised tax losses         | 2,049    | 1,276      |
| Property, plant and equipment | 8        | 8          |
| Others                        | (6)      | (6)        |
|                               | 2,051    | 1,278      |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 31. Income tax expense (Continued)

As at 30 June 2015, the Group had unutilised tax losses of approximately US\$7,132,000 (2014: US\$4,909,000) 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\$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 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    |          |
|----------------------------------------------------------------------------------------------------------------|----------|----------|
|                                                                                                                | 2015     | 2014     |
|                                                                                                                | US\$'000 | US\$'000 |
| Loss for the financial year attributable to owners of the parent (US\$'000)                                    | (63,101) | (2,915)  |
| Weighted average number of ordinary shares during the financial year applicable to basic loss per share ('000) | 456,794  | 386,868  |
| <b>Loss per share</b>                                                                                          |          |          |
| Basic and diluted (US cents)                                                                                   | (13.81)  | (0.75)   |

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 4,780,000 (2014: 1,970,000) and share options of 26,440,000 (2014: 27,640,000) 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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 33. Significant related party transactions (Continued)

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  |            |
|------------------------------------------------|----------|------------|----------|------------|
|                                                | 2015     | 2014       | 2015     | 2014       |
|                                                | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                                                |          | (Restated) |          | (Restated) |
| <b><u>With subsidiaries</u></b>                |          |            |          |            |
| Interest income                                | –        | –          | 1,095    | 594        |
| Payments made on behalf of                     | –        | –          | 15,049   | 14,176     |
| <b><u>With the substantial shareholder</u></b> |          |            |          |            |
| Sales of rigs to                               | 16,000   | –          | –        | –          |
| Payments made on behalf of                     | 14       | 29         | –        | –          |
| Payments made on behalf by                     | 38       | 37         | –        | –          |
| Loan from substantial shareholder              | 17,123   | 5,140      | 11,796   | 3,952      |
| Repayment of loans                             | 17,187   | –          | 14,164   | –          |
| Interest expense                               | 875      | 16         | 606      | 13         |
| <b><u>With a related party</u></b>             |          |            |          |            |
| Acquisition of intangible assets               | –        | 2,850      | –        | –          |

### **Key management personnel remuneration**

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

|                                                                                    | Group    |            |
|------------------------------------------------------------------------------------|----------|------------|
|                                                                                    | 2015     | 2014       |
|                                                                                    | US\$'000 | US\$'000   |
|                                                                                    |          | (Restated) |
| Directors' fees                                                                    | 207      | 189        |
| Short-term benefits                                                                | 1,216    | 1,339      |
| Share-based payments                                                               | 1,323    | 1,514      |
| Post-employment benefits                                                           | 31       | 30         |
|                                                                                    | 2,777    | 3,072      |
| Analysed into:                                                                     |          |            |
| – Compensation of Directors of the Company                                         | 479      | 497        |
| – Compensation of Directors of the subsidiaries and other key management personnel | 2,298    | 2,575      |
|                                                                                    | 2,777    | 3,072      |

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 2015

### 34. Operating lease commitments

#### The Group as a lessee

|                                              | Group    |            |
|----------------------------------------------|----------|------------|
|                                              | 2015     | 2014       |
|                                              | US\$'000 | US\$'000   |
|                                              |          | (Restated) |
| Operating leases included in profit or loss: |          |            |
| – minimum lease payments                     | 199      | 211        |

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    |            |
|--------------------------------------|----------|------------|
|                                      | 2015     | 2014       |
|                                      | US\$'000 | US\$'000   |
|                                      |          | (Restated) |
| Within one year                      | 129      | 57         |
| After one year but within five years | 22       | 36         |
|                                      | 151      | 93         |

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

#### Joint operations' commitments

|                                                   | Group    |            |
|---------------------------------------------------|----------|------------|
|                                                   | 2015     | 2014       |
|                                                   | US\$'000 | US\$'000   |
|                                                   |          | (Restated) |
| Share of capital commitments of joint operations: |          |            |
| Within one year                                   | –        | 216        |

#### 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 2015

### 35. Capital commitments (Continued)

#### Exploration expenditure commitments (Continued)

Exploration expenditure commitments forecast but not provided for in the financial statements are as follows:

|                                      | Group    |            |
|--------------------------------------|----------|------------|
|                                      | 2015     | 2014       |
|                                      | US\$'000 | US\$'000   |
|                                      |          | (Restated) |
| Within one year                      | 65       | 51,369     |
| After one year but within five years | 21       | –          |
|                                      | 86       | 51,369     |

As disclosed in Note 5(a) to the financial statements, should the application for COC be approved, the Group will undertake further feasibility studies which is expected to span over 2 years at an estimated cost of US\$86,000. Should the application for COC be disapproved, the Group has to either continue the exploration activities and fulfil the drilling requirements by May 2016, which requires estimated exploration expenditures of approximately US\$30,000,000; or withdraw from the concession. In the previous financial year, the Group estimated the exploration expenditure commitments forecast to be US\$51,369,000 in relation to this permit.

#### Capital expenditure commitments

|                                     | Group    |            |
|-------------------------------------|----------|------------|
|                                     | 2015     | 2014       |
|                                     | US\$'000 | US\$'000   |
|                                     |          | (Restated) |
| Acquisition of pre-exploration data | 1,500    | 1,500      |

As at 30 June 2015, the Group has a capital commitment amounting to approximately US\$1,500,000 (2014: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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 36. Segment information (Continued)

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 |            |
|               | 2015     | 2014       | 2015               | 2014       |
|               | US\$'000 | US\$'000   | US\$'000           | US\$'000   |
|               |          | (Restated) |                    | (Restated) |
| Singapore     | –        | –          | 3,580              | 6,535      |
| United States | –        | 9,552      | 31                 | 2,827      |
| Australia     | –        | –          | –                  | 10,608     |
| New Zealand   | –        | –          | 25,539             | 25,508     |
| Thailand      | 23,077   | 6,861      | 95,556             | 90,535     |
| India         | –        | –          | –                  | 20,214     |
|               | 23,077   | 16,413     | 124,706            | 156,227    |

#### 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 (2014: 2 major customers).

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 37.1 Credit risk (Continued)

The Group has significant credit exposure arising from its trade receivables amounting to US\$2,232,000 (2014: US\$2,468,000) as at the end of the financial year which is due from a single customer. On the other hand, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately US\$4,934,000 (2014: US\$56,128,000) as at the end of the financial year. The management is of the opinion that these receivables are fully recoverable.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for losses, represent the Group's maximum exposure to credit risk. The Group and the Company do not hold any collateral. 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 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 are neither past due nor impaired.

#### 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 (2014: United States 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 |            |
|                      | 2015     | 2014       | 2015        | 2014       |
|                      | US\$'000 | US\$'000   | US\$'000    | US\$'000   |
|                      |          | (Restated) |             | (Restated) |
| United States dollar | –        | 523        | –           | 45,433     |
| Singapore dollar     | 659      | –          | 3,890       | –          |
| Thai Baht            | 9,723    | 8,841      | 2,073       | 2,825      |
|                      | 10,382   | 9,364      | 5,963       | 48,258     |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 37.2 Market risks (Continued)

##### Foreign currency risks (Continued)

##### **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% (2014: 5%) increase and decrease in Singapore dollar (2014: United States dollar) and Thai Baht against United States dollar (2014: Singapore dollar). The sensitivity analysis assumes an instantaneous 10% (2014: 5%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant.

|                                                                                                                                | <b>Group</b>          |                 |
|--------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------|
|                                                                                                                                | <b>Profit or loss</b> |                 |
|                                                                                                                                | <b>2015</b>           | <b>2014</b>     |
|                                                                                                                                | <b>US\$'000</b>       | <b>US\$'000</b> |
|                                                                                                                                |                       | (Restated)      |
| Singapore dollar strengthens against United States dollar<br>(2014: United States dollar strengthens against Singapore dollar) | (323)                 | (2,245)         |
| Singapore dollar weakens against United States dollar<br>(2014: United States dollar weakens against Singapore dollar)         | 323                   | 2,245           |
| Thai baht strengthens against United States dollar<br>(2014: Thai baht strengthens against Singapore dollar)                   | 765                   | 301             |
| Thai baht weakens against United States dollar<br>(2014: Thai baht weakens against Singapore dollar)                           | (765)                 | (301)           |

##### 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% (2014: 0.5%), the Group's equity will decrease or increase by approximately US\$235,000 (2014: US\$172,000), arising mainly as a result of higher or lower interest on floating rates for bank loans. The interest expenses from bank loan I, bank loan IV and bank overdraft 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 and bank loan III are capitalised as part of exploration, evaluation and development assets (Note 5) and oil and gas properties (Note 6) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 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.

|                                          | Effective<br>interest<br>rate<br>% | Within one<br>financial<br>year<br>US\$'000 | After one<br>financial year<br>but within<br>five financial<br>years<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------------|------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------|-------------------|
| <b>Group</b>                             |                                    |                                             |                                                                                  |                   |
| <b>Financial liabilities</b>             |                                    |                                             |                                                                                  |                   |
| <b>2015</b>                              |                                    |                                             |                                                                                  |                   |
| Trade and other payables                 | Nil to 5%                          | 14,461                                      | 31,299                                                                           | 45,760            |
| 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 |                                    | 23,497                                      | 52,488                                                                           | 75,985            |
| (Restated)                               |                                    |                                             |                                                                                  |                   |
| <b>2014</b>                              |                                    |                                             |                                                                                  |                   |
| Trade and other payables                 | Nil to 10%                         | 18,665                                      | 32,000                                                                           | 50,665            |
| Bank borrowings                          | 3.13% to 14.25%                    | 35,177                                      | 26,189                                                                           | 61,366            |
| Finance lease payables                   | 1.88%                              | 23                                          | 39                                                                               | 62                |
| Other liabilities                        | Nil                                | 3                                           | –                                                                                | 3                 |
| Total undiscounted financial liabilities |                                    | 53,868                                      | 58,228                                                                           | 112,096           |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 37.3 Liquidity risk (Continued)

##### Contractual maturity analysis (Continued)

|                                                                                    | Effective<br>interest<br>rate<br>% | Within one<br>financial<br>year<br>US\$'000 | After one<br>financial year<br>but within<br>five financial<br>years<br>US\$'000 | Total<br>US\$'000 |
|------------------------------------------------------------------------------------|------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------|-------------------|
| <b>Company</b>                                                                     |                                    |                                             |                                                                                  |                   |
| <b>Financial liabilities</b>                                                       |                                    |                                             |                                                                                  |                   |
| <b>2015</b>                                                                        |                                    |                                             |                                                                                  |                   |
| Trade and other payables, representing<br>total undiscounted financial liabilities | Nil to 5%                          | 2,636                                       | –                                                                                | 2,636             |
| (Restated)                                                                         |                                    |                                             |                                                                                  |                   |
| <b>2014</b>                                                                        |                                    |                                             |                                                                                  |                   |
| Trade and other payables, representing<br>total undiscounted financial liabilities | Nil to 10%                         | 8,341                                       | –                                                                                | 8,341             |

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 2015 of US\$25,989,000 (2014: US\$56,413,000) (Note 20). The carrying amount of the loans represents the maximum amount of the guarantee that the Company would be called upon to pay. In the opinion of the management, no material losses are expected to arise from these corporate guarantees.

The table below shows the contractual maturity of the Company's financial guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

|                      | One year or less |                  |
|----------------------|------------------|------------------|
|                      | 2015<br>US\$'000 | 2014<br>US\$'000 |
|                      |                  | (Restated)       |
| <b>Company</b>       |                  |                  |
| Financial guarantees | 25,989,000       | 56,413,000       |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 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 2014.

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  |            |
|---------------------------------------------|----------|------------|----------|------------|
|                                             | 2015     | 2014       | 2015     | 2014       |
|                                             | US\$'000 | US\$'000   | US\$'000 | US\$'000   |
|                                             |          | (Restated) |          | (Restated) |
| Trade and other payables                    | 41,442   | 45,148     | 2,554    | 8,037      |
| Finance lease payables                      | 122      | 60         | –        | –          |
| Other liabilities                           | 1        | 3          | –        | –          |
| Bank borrowings                             | 26,968   | 57,102     | –        | –          |
| Less: Cash and cash equivalents             | (7,604)  | (6,761)    | (570)    | (902)      |
| Net debt                                    | 60,929   | 95,552     | 1,984    | 7,135      |
| Equity attributable to owners of the parent | 43,829   | 69,490     | 66,278   | 82,629     |
| Total capital                               | 104,758  | 165,042    | 68,262   | 89,764     |
| Gearing ratio                               | 58.16%   | 57.90%     | 2.91%    | 7.95%      |

As at 30 June 2015 and 2014, the Group and the Company are subject to and have complied with all externally-imposed capital requirements, except as disclosed in Note 20.2 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 37. Financial instruments, financial risks and capital management (Continued)

#### 37.5 Fair value of financial assets and financial liabilities (Continued)

##### *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 that are not carried at fair value in relation to bank borrowings, finance lease payables and other payable 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 2015

### 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 |            |
|------------------------------------------------|--------|------------|---------|------------|
|                                                | 2015   | 2014       | 2015    | 2014       |
|                                                | US\$   | US\$       | US\$    | US\$       |
|                                                |        | (Restated) |         | (Restated) |
| <b>Financial assets</b>                        |        |            |         |            |
| Loans and receivables                          | 11,628 | 10,543     | 5,504   | 57,030     |
| Available-for-sale financial asset             | 7,289  | 41,400     | –       | –          |
|                                                | 18,917 | 51,943     | 5,504   | 57,030     |
| <b>Financial liabilities</b>                   |        |            |         |            |
| Other financial liabilities, at amortised cost | 68,533 | 102,313    | 2,554   | 8,037      |

### 38. Events after the reporting period

On 8 June 2015, the Company has entered into a binding memorandum of understanding ("MOU") with Mr Victor Hwang Yiou Hwa ("VH") and Primeline Energy Holdings, Inc ("PEH") and its subsidiaries (together the "Target Group") for the acquisition of the Target Group by the Company for a consideration of S\$197 million.

On 30 September 2015, the Company and PEH have agreed to terminate the MOU due to the negative sentiments surrounding the oil and gas industry and the deteriorated share prices of both the Company and PEH caused by the recent turmoil in the global equity markets.

### 39. Restatement of comparative figures

The comparative figures were restated due to the change in the presentation currency as disclosed in Note 2.1 to the financial statements and adjustments to the Group's interest in the Thailand operations as disclosed in Note 12.2 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Consolidated Statement of Financial Position

|                                                | As previously<br>reported | As<br>restated | As previously<br>reported | As<br>restated |
|------------------------------------------------|---------------------------|----------------|---------------------------|----------------|
|                                                | 2014                      | 2014           | 2013                      | 2013           |
|                                                | S\$'000                   | US\$'000       | S\$'000                   | US\$'000       |
| <b>Group</b>                                   |                           |                |                           |                |
| <b>ASSETS</b>                                  |                           |                |                           |                |
| <b>Non-current assets</b>                      |                           |                |                           |                |
| Exploration, evaluation and development assets | 38,779                    | 51,448         | 38,135                    | 30,633         |
| Oil and gas properties                         | 70,540                    | 56,586         | –                         | –              |
| Other property, plant and equipment            | 2,047                     | 1,642          | 35,208                    | 27,772         |
| Available-for-sale financial asset             | 51,609                    | 41,400         | –                         | –              |
| Intangible assets                              | 67,177                    | 43,721         | 34,811                    | 27,459         |
| Prepayments                                    | 3,527                     | 2,830          | 3,644                     | 2,874          |
| Total non-current assets                       | 233,679                   | 197,627        | 111,798                   | 88,738         |
| <b>Current assets</b>                          |                           |                |                           |                |
| Inventories                                    | 3,569                     | 2,863          | 328                       | 259            |
| Trade and other receivables                    | 3,528                     | 2,835          | 3,296                     | 2,600          |
| Other assets                                   | 1,181                     | 947            | 114                       | 90             |
| Prepayments                                    | 190                       | 152            | 380                       | 300            |
| Cash and cash equivalents                      | 8,428                     | 6,761          | 5,712                     | 4,505          |
| Total current assets                           | 16,896                    | 13,558         | 9,830                     | 7,754          |
| Total assets                                   | 250,575                   | 211,185        | 121,628                   | 96,492         |
| <b>EQUITY AND LIABILITIES</b>                  |                           |                |                           |                |
| <b>Equity</b>                                  |                           |                |                           |                |
| Ordinary shares                                | 95,882                    | 76,279         | 68,014                    | 54,194         |
| Convertible preference shares                  | –                         | –              | 4,388                     | 3,467          |
| Reserves                                       | 1,384                     | 1,483          | (1,284)                   | (1,565)        |
| Accumulated losses                             | (11,183)                  | (8,272)        | (1,202)                   | (328)          |
| Equity attributable to owners of the parent    | 86,083                    | 69,490         | 69,916                    | 55,768         |
| Non-controlling interests                      | 3,177                     | 2,531          | 3,191                     | 2,451          |
| <b>Total equity</b>                            | 89,260                    | 72,021         | 73,107                    | 58,219         |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Consolidated Statement of Financial Position (Continued)

|                                      | As previously<br>reported | As<br>restated | As previously<br>reported | As<br>restated |
|--------------------------------------|---------------------------|----------------|---------------------------|----------------|
|                                      | 2014                      | 2014           | 2013                      | 2013           |
|                                      | S\$'000                   | US\$'000       | S\$'000                   | US\$'000       |
| <b>Group</b>                         |                           |                |                           |                |
| <b>Non-current liabilities</b>       |                           |                |                           |                |
| Bank borrowings                      | 29,616                    | 23,758         | 27,692                    | 21,844         |
| Finance lease payables               | 47                        | 38             | 75                        | 59             |
| Provision for restoration costs      | 56                        | 45             | 65                        | 51             |
| Other payable                        | 34,111                    | 26,847         | –                         | –              |
| Deferred tax liabilities             | 31,613                    | 35,322         | 80                        | 63             |
| <b>Total non-current liabilities</b> | <b>95,443</b>             | <b>86,010</b>  | <b>27,912</b>             | <b>22,017</b>  |
| <b>Current liabilities</b>           |                           |                |                           |                |
| Convertible preference shares        | –                         | –              | 1,500                     | 1,183          |
| Current income tax payable           | 1,850                     | 1,484          | –                         | –              |
| Trade and other payables             | 22,425                    | 18,301         | 2,656                     | 2,095          |
| Bank borrowings                      | 41,566                    | 33,344         | 6,713                     | 5,295          |
| Finance lease payables               | 27                        | 22             | 27                        | 21             |
| Other liabilities                    | 4                         | 3              | 9,713                     | 7,662          |
| <b>Total current liabilities</b>     | <b>65,872</b>             | <b>53,154</b>  | <b>20,609</b>             | <b>16,256</b>  |
| <b>Total liabilities</b>             | <b>161,315</b>            | <b>139,164</b> | <b>48,521</b>             | <b>38,273</b>  |
| <b>Total equity and liabilities</b>  | <b>250,575</b>            | <b>211,185</b> | <b>121,628</b>            | <b>96,492</b>  |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Consolidated Statement of Comprehensive Income

|                                                                                | As previously<br>reported<br>2014<br>S\$'000 | As<br>restated<br>2014<br>US\$'000 |
|--------------------------------------------------------------------------------|----------------------------------------------|------------------------------------|
| Revenue                                                                        | 20,711                                       | 16,413                             |
| Cost of sales                                                                  | (16,367)                                     | (12,971)                           |
| Gross profit                                                                   | 4,344                                        | 3,442                              |
| <i>Other items of income</i>                                                   |                                              |                                    |
| Interest income                                                                | 33                                           | 26                                 |
| Other income                                                                   | 6,955                                        | 5,510                              |
| <i>Other items of expense</i>                                                  |                                              |                                    |
| Distribution costs                                                             | (8)                                          | (6)                                |
| Administrative expenses                                                        | (7,698)                                      | (6,100)                            |
| Finance costs                                                                  | (1,096)                                      | (868)                              |
| Other expenses                                                                 | (4,291)                                      | (3,400)                            |
| Loss before income tax                                                         | (1,761)                                      | (1,396)                            |
| Income tax expense                                                             | (2,980)                                      | (2,362)                            |
| Loss for the financial year                                                    | (4,741)                                      | (3,758)                            |
| <b>Other comprehensive income:</b>                                             |                                              |                                    |
| <i>Items that may be reclassified subsequently to profit or loss</i>           |                                              |                                    |
| Exchange differences on translation of foreign operations, net of tax of \$Nil | 670                                          | 1,560                              |
| Other comprehensive income for the financial year, net of tax                  | 670                                          | 1,560                              |
| <b>Total comprehensive income for the financial year</b>                       | (4,071)                                      | (2,198)                            |
| Loss attributable to owners of the parent                                      |                                              |                                    |
| – Owners of the parent                                                         | (3,670)                                      | (2,915)                            |
| – Non-controlling interests                                                    | (1,071)                                      | (843)                              |
|                                                                                | (4,741)                                      | (3,758)                            |
| <b>Total comprehensive income attributable to:</b>                             |                                              |                                    |
| – Owners of the parent                                                         | 3,340                                        | (1,720)                            |
| – Non-controlling interests                                                    | (731)                                        | (478)                              |
|                                                                                | (4,071)                                      | (2,198)                            |
| <b>Loss per share</b>                                                          |                                              |                                    |
| – Basic (US cents)                                                             | (0.95)                                       | (0.75)                             |
| – Diluted (US cents)                                                           | (0.95)                                       | (0.75)                             |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Statement of Changes in Equity

| As previously reported                                            | Ordinary shares<br>S\$'000 | Convertible preference shares<br>S\$'000 | Share option/<br>award reserves<br>S\$'000 | Foreign currency translation account<br>S\$'000 | Accumulated losses<br>S\$'000 | Equity attributable to owners of the parent<br>S\$'000 | Non-controlling interests<br>S\$'000 | Total equity<br>S\$'000 |
|-------------------------------------------------------------------|----------------------------|------------------------------------------|--------------------------------------------|-------------------------------------------------|-------------------------------|--------------------------------------------------------|--------------------------------------|-------------------------|
| <b>Group</b>                                                      |                            |                                          |                                            |                                                 |                               |                                                        |                                      |                         |
| Balance at 1 July 2013                                            | 68,014                     | 4,388                                    | 265                                        | (1,549)                                         | (1,202)                       | 69,916                                                 | 3,191                                | 73,107                  |
| <b>Loss for the financial year</b>                                | -                          | -                                        | -                                          | -                                               | (3,670)                       | (3,670)                                                | (1,071)                              | (4,741)                 |
| <b>Other comprehensive income for the financial year</b>          |                            |                                          |                                            |                                                 |                               |                                                        |                                      |                         |
| Foreign currency differences on translation of foreign operations | -                          | -                                        | -                                          | 330                                             | -                             | 330                                                    | 340                                  | 670                     |
| <b>Total comprehensive income for the financial year</b>          | -                          | -                                        | -                                          | 330                                             | (3,670)                       | (3,340)                                                | (731)                                | (4,071)                 |
| <b>Contributions by and distributions to owners of the parent</b> |                            |                                          |                                            |                                                 |                               |                                                        |                                      |                         |
| Issue of shares                                                   | 21,893                     | -                                        | -                                          | -                                               | -                             | 21,893                                                 | -                                    | 21,893                  |
| Convertible preference shares exercised                           | 5,879                      | (4,388)                                  | -                                          | -                                               | -                             | 1,491                                                  | -                                    | 1,491                   |
| Share awards exercised                                            | 96                         | -                                        | (96)                                       | -                                               | -                             | -                                                      | -                                    | -                       |
| Share options/awards forfeited                                    | -                          | -                                        | (118)                                      | -                                               | 36                            | (82)                                                   | -                                    | (82)                    |
| Grant of share options to employees                               | -                          | -                                        | 2,552                                      | -                                               | -                             | 2,552                                                  | -                                    | 2,552                   |
| Acquisition of non-controlling interests in subsidiary            | -                          | -                                        | -                                          | -                                               | (6,347)                       | (6,347)                                                | 717                                  | (5,630)                 |
| <b>Total transactions with owners of the parent</b>               | 27,868                     | (4,388)                                  | 2,338                                      | -                                               | (6,311)                       | 19,507                                                 | 717                                  | 20,224                  |
| Balance at 30 June 2014                                           | 95,882                     | -                                        | 2,603                                      | (1,219)                                         | (11,183)                      | 86,083                                                 | 3,177                                | 89,260                  |

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

## 39. Restatement of comparative figures (Continued)

### Statement of Changes in Equity (Continued)

| As restated                                                       | Ordinary shares<br>US\$'000 | Convertible preference shares<br>US\$'000 | Share option/<br>award reserves<br>US\$'000 | Foreign currency translation account<br>US\$'000 | Accumulated losses<br>US\$'000 | Equity attributable to owners of the parent<br>US\$'000 | Non-controlling interests<br>US\$'000 | Total equity<br>US\$'000 |
|-------------------------------------------------------------------|-----------------------------|-------------------------------------------|---------------------------------------------|--------------------------------------------------|--------------------------------|---------------------------------------------------------|---------------------------------------|--------------------------|
| <b>Group</b>                                                      |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Balance at 1 July 2013                                            | 54,194                      | 3,467                                     | 212                                         | (1,777)                                          | (328)                          | 55,768                                                  | 2,451                                 | 58,219                   |
| <b>Loss for the financial year</b>                                | -                           | -                                         | -                                           | -                                                | (2,915)                        | (2,915)                                                 | (843)                                 | (3,758)                  |
| <b>Other comprehensive income for the financial year</b>          |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Foreign currency differences on translation of foreign operations | -                           | -                                         | -                                           | 1,195                                            | -                              | 1,195                                                   | 365                                   | 1,560                    |
| <b>Total comprehensive income for the financial year</b>          | -                           | -                                         | -                                           | 1,195                                            | (2,915)                        | (1,720)                                                 | (478)                                 | (2,198)                  |
| <b>Contributions by and distributions to owners of the parent</b> |                             |                                           |                                             |                                                  |                                |                                                         |                                       |                          |
| Issue of shares                                                   | 17,389                      | -                                         | -                                           | -                                                | -                              | 17,389                                                  | -                                     | 17,389                   |
| Convertible preference shares exercised                           | 4,621                       | (3,467)                                   | -                                           | -                                                | -                              | 1,154                                                   | -                                     | 1,154                    |
| Share awards exercised                                            | 75                          | -                                         | (75)                                        | -                                                | -                              | -                                                       | -                                     | -                        |
| Share options/awards forfeited                                    | -                           | -                                         | (94)                                        | -                                                | 29                             | (65)                                                    | -                                     | (65)                     |
| Grant of share options to employees                               | -                           | -                                         | 2,022                                       | -                                                | -                              | 2,022                                                   | -                                     | 2,022                    |
| Acquisition of non-controlling interests in subsidiary            | -                           | -                                         | -                                           | -                                                | (5,058)                        | (5,058)                                                 | 558                                   | (4,500)                  |
| <b>Total transactions with owners of the parent</b>               | 22,085                      | (3,467)                                   | 1,853                                       | -                                                | (5,029)                        | 15,442                                                  | 558                                   | 16,000                   |
| Balance at 30 June 2014                                           | 76,279                      | -                                         | 2,065                                       | (582)                                            | (8,272)                        | 69,490                                                  | 2,531                                 | 72,021                   |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Consolidated Statement of Cash flows

|                                                              | As previously<br>reported | As<br>restated |
|--------------------------------------------------------------|---------------------------|----------------|
|                                                              | 2014                      | 2014           |
|                                                              | S\$'000                   | US\$'000       |
| <b>Operating activities</b>                                  |                           |                |
| Loss before income tax                                       | (1,761)                   | (1,396)        |
| Adjustments for:                                             |                           |                |
| Amortisation of intangible assets                            | 3                         | 2              |
| Depletion of oil and gas properties                          | 910                       | 721            |
| Depreciation of other property, plant and equipment          | 1,967                     | 1,559          |
| Gain on disposal of plant and equipment                      | (703)                     | (557)          |
| Waiver of loan by a non-controlling interest of a subsidiary | (5,879)                   | (4,657)        |
| Share-based payment expenses                                 | 2,552                     | 2,022          |
| Reversal of share options                                    | (82)                      | (65)           |
| Interest expense                                             | 1,096                     | 868            |
| Interest income                                              | (33)                      | (26)           |
| Operating cash flows before working capital changes          | (1,930)                   | (1,529)        |
| Working capital changes:                                     |                           |                |
| Inventories                                                  | 150                       | 119            |
| Trade and other receivables                                  | (2,128)                   | (1,686)        |
| Other assets                                                 | (84)                      | (67)           |
| Prepayments                                                  | 236                       | 187            |
| Trade and other payables                                     | 604                       | 479            |
| Other liabilities                                            | (3,830)                   | (3,035)        |
| Cash used in operations                                      | (6,982)                   | (5,532)        |
| Interest received                                            | 33                        | 26             |
| Income tax paid                                              | (188)                     | (149)          |
| Net cash used in operating activities                        | (7,137)                   | (5,655)        |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Consolidated Statement of Cash flows (Continued)

|                                                                      | As previously<br>reported | As<br>restated |
|----------------------------------------------------------------------|---------------------------|----------------|
|                                                                      | 2014                      | 2014           |
|                                                                      | S\$'000                   | US\$'000       |
| <b>Investing activities</b>                                          |                           |                |
| Acquisition of interest in Thailand operations, net of cash acquired | (38,122)                  | (30,210)       |
| Acquisition of exploration, evaluation and development assets        | (3,468)                   | (2,748)        |
| Acquisition of other property, plant and equipment                   | (2,138)                   | (1,694)        |
| Additions to oil and gas properties                                  | (1,560)                   | (1,236)        |
| Proceeds from disposal of other property, plant and equipment        | 11                        | 9              |
| Purchase of intangible assets                                        | (3,617)                   | (2,866)        |
| Purchase of available-for-sale financial asset                       | (5,047)                   | (4,000)        |
| Net cash used in investing activities                                | (53,941)                  | (42,745)       |
| <b>Financing activities</b>                                          |                           |                |
| Interest paid                                                        | (961)                     | (762)          |
| Proceeds from bank borrowings                                        | 47,008                    | 37,252         |
| Net proceeds from issue of ordinary shares                           | 17,474                    | 13,848         |
| Repayment of finance lease payables                                  | (28)                      | (22)           |
| Repayment of borrowings                                              | (9,742)                   | (7,720)        |
| Decrease in cash pledge                                              | 1,432                     | 1,135          |
| Acquisition of non-controlling interest                              | (1,255)                   | (1,000)        |
| Advances and short-term loans                                        | 11,110                    | 8,804          |
| Net cash generated from financing activities                         | 65,038                    | 51,535         |
| Net change in cash and cash equivalents                              | 3,960                     | 3,135          |
| Foreign currency translation adjustments                             | (349)                     | (191)          |
| Cash and cash equivalents at beginning of financial year             | 3,563                     | 2,811          |
| Cash and cash equivalents at end of financial year                   | 7,174                     | 5,755          |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Statement of Financial Position

|                                     | As previously<br>reported<br>2014<br>S\$'000 | As<br>restated<br>2014<br>US\$'000 | As previously<br>reported<br>2013<br>S\$'000 | As<br>restated<br>2013<br>US\$'000 |
|-------------------------------------|----------------------------------------------|------------------------------------|----------------------------------------------|------------------------------------|
| <b>Company</b>                      |                                              |                                    |                                              |                                    |
| <b>ASSETS</b>                       |                                              |                                    |                                              |                                    |
| <b>Non-current assets</b>           |                                              |                                    |                                              |                                    |
| Investments in subsidiaries         | 41,882                                       | 33,597                             | 39,564                                       | 31,208                             |
| Other receivables                   | 69,969                                       | 56,128                             | 30,821                                       | 24,312                             |
| Total non-current assets            | 111,851                                      | 89,725                             | 70,385                                       | 55,520                             |
| <b>Current assets</b>               |                                              |                                    |                                              |                                    |
| Trade and other receivables         | –                                            | –                                  | 16                                           | 13                                 |
| Prepayments                         | 48                                           | 39                                 | –                                            | –                                  |
| Cash and cash equivalents           | 1,125                                        | 902                                | 2,398                                        | 1,892                              |
| Total current assets                | 1,173                                        | 941                                | 2,414                                        | 1,905                              |
| <b>Total assets</b>                 | 113,024                                      | 90,666                             | 72,799                                       | 57,425                             |
| <b>EQUITY AND LIABILITIES</b>       |                                              |                                    |                                              |                                    |
| <b>Equity</b>                       |                                              |                                    |                                              |                                    |
| Ordinary shares                     | 95,882                                       | 76,279                             | 68,014                                       | 54,194                             |
| Reserves                            | 2,603                                        | 2,672                              | 265                                          | (448)                              |
| Retained earnings                   | 4,520                                        | 3,678                              | 4,345                                        | 3,540                              |
| <b>Total equity</b>                 | 103,005                                      | 82,629                             | 72,624                                       | 57,286                             |
| <b>Current liabilities</b>          |                                              |                                    |                                              |                                    |
| Trade and other payables            | 10,019                                       | 8,037                              | 175                                          | 139                                |
| <b>Total liabilities</b>            | 10,019                                       | 8,037                              | 175                                          | 139                                |
| <b>Total equity and liabilities</b> | 113,024                                      | 90,666                             | 72,799                                       | 57,425                             |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Statement of Changes in Equity

|                                                                  | Ordinary<br>shares | Share<br>option/<br>award<br>reserves | Retained<br>earnings | Total<br>equity |
|------------------------------------------------------------------|--------------------|---------------------------------------|----------------------|-----------------|
| As previously reported                                           | S\$'000            | S\$'000                               | S\$'000              | S\$'000         |
| <b>Company</b>                                                   |                    |                                       |                      |                 |
| Balance at 1 July 2013                                           | 68,014             | 265                                   | 4,345                | 72,624          |
| <b>Profit for the financial year</b>                             | –                  | –                                     | 139                  | 139             |
| <b>Total comprehensive income for the financial year</b>         | –                  | –                                     | 139                  | 139             |
| <b>Contribution by and distributions to owners of the parent</b> |                    |                                       |                      |                 |
| Issue of shares                                                  | 21,893             | –                                     | –                    | 21,893          |
| Convertible preference shares exercised                          | 5,879              | –                                     | –                    | 5,879           |
| Share options exercised                                          | 96                 | (96)                                  | –                    | –               |
| Share options/awards forfeited                                   | –                  | (118)                                 | 36                   | (82)            |
| Grant of share options to employees                              | –                  | 2,552                                 | –                    | 2,552           |
| <b>Total transactions with owners of the parent</b>              | 27,868             | 2,338                                 | 36                   | 30,242          |
| Balance at 30 June 2014                                          | 95,882             | 2,603                                 | 4,520                | 103,005         |

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 30 June 2015

### 39. Restatement of comparative figures (Continued)

#### Statement of Changes in Equity (Continued)

| As restated                                                                                                                                   | Ordinary<br>shares<br>US\$'000 | Share<br>option/<br>award<br>reserves<br>US\$'000 | Foreign<br>currency<br>translation<br>account<br>US\$'000 | Retained<br>earnings<br>US\$'000 | Total<br>equity<br>US\$'000 |
|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------|-----------------------------------------------------------|----------------------------------|-----------------------------|
| <b>Company</b>                                                                                                                                |                                |                                                   |                                                           |                                  |                             |
| Balance at 1 July 2013                                                                                                                        | 54,194                         | 212                                               | –                                                         | 3,540                            | 57,946                      |
| Effect of change in presentation<br>currency                                                                                                  | –                              | –                                                 | (660)                                                     | –                                | (660)                       |
| Balance at 1 July 2013                                                                                                                        | 54,194                         | 212                                               | (660)                                                     | 3,540                            | 57,286                      |
| <b>Profit for the financial year</b>                                                                                                          | –                              | –                                                 | –                                                         | 109                              | 109                         |
| Exchange difference arising<br>from translation to<br>presentation currency,<br>representing effect of<br>changes in presentation<br>currency | –                              | –                                                 | 1,267                                                     | –                                | 1,267                       |
| <b>Total comprehensive income<br/>for the financial year</b>                                                                                  | –                              | –                                                 | 1,267                                                     | 109                              | 1,376                       |
| <b>Contribution by and<br/>distributions to owners of<br/>the parent</b>                                                                      |                                |                                                   |                                                           |                                  |                             |
| Issue of shares                                                                                                                               | 17,389                         | –                                                 | –                                                         | –                                | 17,389                      |
| Convertible preference shares<br>exercised                                                                                                    | 4,621                          | –                                                 | –                                                         | –                                | 4,621                       |
| Share options exercised                                                                                                                       | 75                             | (75)                                              | –                                                         | –                                | –                           |
| Share options/awards forfeited                                                                                                                | –                              | (94)                                              | –                                                         | 29                               | (65)                        |
| Grant of share options to<br>employees                                                                                                        | –                              | 2,022                                             | –                                                         | –                                | 2,022                       |
| <b>Total transactions with owners<br/>of the parent</b>                                                                                       | 22,085                         | 1,853                                             | –                                                         | 29                               | 23,967                      |
| Balance at 30 June 2014                                                                                                                       | 76,279                         | 2,065                                             | 607                                                       | 3,678                            | 82,629                      |

## SHAREHOLDINGS STATISTICS

As at 18 September 2015

### Share Capital

Issued and fully paid-up capital : S\$117,034,122.89  
 Number of issued shares : 825,984,945  
 Class of shares : Ordinary shares  
 Voting rights : One vote per share  
 Number of treasury shares : Nil

### Distribution of Shareholdings

| Range of Shareholdings | Number of Shareholders | Percentage | Number of Shares | Percentage |
|------------------------|------------------------|------------|------------------|------------|
| 1 - 99                 | 3                      | 0.14       | 40               | 0.00       |
| 100 - 1,000            | 845                    | 39.58      | 837,659          | 0.10       |
| 1,001 to 10,000        | 365                    | 17.09      | 2,503,100        | 0.30       |
| 10,001 - 1,000,000     | 877                    | 41.08      | 100,524,600      | 12.17      |
| 1,000,001 and above    | 45                     | 2.11       | 722,119,546      | 87.43      |
| TOTAL                  | 2,135                  | 100.00     | 825,984,945      | 100.00     |

### Shareholding held by the public

Based on the information available to the Company as at 18 September 2015, approximately 37.90% 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  | Fram Exploration ASA                  | 136,500,000           | 16.53      |
| 2  | Jit Sun Investments Pte Ltd           | 79,109,091            | 9.58       |
| 3  | Maybank Kim Eng Securities Pte Ltd    | 75,316,000            | 9.12       |
| 4  | HSBC (Singapore) Nominees Pte Ltd     | 63,000,000            | 7.63       |
| 5  | RHB Bank Nominees Pte Ltd             | 58,000,000            | 7.02       |
| 6  | Sim Siang Choon                       | 49,144,000            | 5.95       |
| 7  | Citibank Nominees Singapore Pte Ltd   | 27,728,200            | 3.36       |
| 8  | UOB Kay Hian Pte Ltd                  | 26,851,000            | 3.25       |
| 9  | DBS Nominees Pte Ltd                  | 23,896,000            | 2.89       |
| 10 | United Overseas Bank Nominees Pte Ltd | 17,795,000            | 2.15       |
| 11 | Venstar Investments II Ltd            | 17,500,000            | 2.12       |
| 12 | OCBC Securities Private Ltd           | 13,145,700            | 1.59       |
| 13 | Venstar Investments Ltd               | 12,500,000            | 1.51       |
| 14 | Raffles Nominees Pte Ltd              | 11,601,600            | 1.40       |
| 15 | Adarash Kumar Chranji Lal Amarnath    | 11,313,610            | 1.37       |
| 16 | Bank of Singapore Nominees Pte Ltd    | 10,561,000            | 1.28       |
| 17 | CIMB Securities (Singapore) Pte Ltd   | 9,303,202             | 1.13       |
| 18 | Saw Meng Tee (Su Mingzhi)             | 6,316,000             | 0.77       |
| 19 | DB Nominees (S) Pte Ltd               | 6,041,000             | 0.73       |
| 20 | HL Bank Nominees (S) Pte Ltd          | 5,810,000             | 0.70       |
|    |                                       | 661,431,403           | 80.08      |

## SHAREHOLDINGS STATISTICS

As at 18 September 2015

### Substantial Shareholders

(As recorded in the Register of Substantial Shareholders)

| No. | Name of shareholders               | Direct interest<br>No. of shares | % of<br>shares | Deemed interest<br>No. of shares | % of<br>shares |
|-----|------------------------------------|----------------------------------|----------------|----------------------------------|----------------|
| 1.  | Jit Sun Investments Pte Ltd        | 79,109,091                       | 9.58           | 151,300,000(a)                   | 18.32          |
| 2.  | Lee Chye Tek, Lionel               | –                                | –              | 230,409,091 (b)                  | 27.90          |
| 3.  | Fram Exploration ASA               | 136,500,000                      | 16.53          | –                                | –              |
| 4.  | Rex International Holdings Limited | –                                | –              | 136,500,000 (c)                  | 16.53          |
| 5.  | Wave Link L.P.                     | 58,318,000                       | 7.06           | –                                | –              |
| 6.  | Wave Link Investments Limited      | –                                | –              | 58,318,000 (d)                   | 7.06           |
| 7.  | Hui Yin Rong                       | –                                | –              | 58,318,000 (e)                   | 7.06           |
| 8.  | Sim Siang Choon                    | 49,144,000                       | 5.95           | 6,417,900(f)                     | 0.78           |
| 9.  | Kwan Lin Siew                      | 5,245,000                        | 0.63           | 49,144,000(g)                    | 5.95           |

Notes:

- (a) Jit Sun Investments Pte Ltd is deemed interested in 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.
- (b) Mr Lee Chye Tek, Lionel is the sole shareholder of Jit Sun Investments Pte Ltd and is accordingly deemed interested in 230,409,091 ordinary shares held by Jit Sun Investments Pte Ltd.
- (c) Rex International Holdings Limited holds more than 20% interest in Fram Exploration ASA and is accordingly deemed interested in 136,500,000 ordinary shares held by Fram Exploration ASA.
- (d) 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 58,318,000 ordinary shares held by Wave Link L.P..
- (e) Mr Hui Yin Rong is the sole shareholder of Wave Link Investments Limited and is accordingly deemed interested in 58,318,000 ordinary shares held by Wave Link Investments Limited in Wave Link L.P..
- (f) 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).
- (g) 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 (49,144,000 ordinary shares).

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2015 Annual General Meeting ("**AGM**") of Loyz Energy Limited (the "**Company**") will be held at Klapsons, The Boutique Hotel – Eighteen, 1 & 2 at Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316 on Friday, 30 October 2015 at 11.00 a.m. for the following purposes:

### 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 2015 (" <b>FY2015</b> "). | Resolution 1 |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

- |    |                                                                                                                                                            |  |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| 2. | To re-elect the following directors of the Company (" <b>Directors</b> ") retiring pursuant to the Company's articles of association (" <b>Article</b> "): |  |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

- |    |                                              |              |
|----|----------------------------------------------|--------------|
| a) | Mr Teo Choon Kow @ William Teo (Article 107) | Resolution 2 |
|----|----------------------------------------------|--------------|

Mr Teo Choon Kow @ William Teo shall, upon re-election as a Director, remain as Chairman of the Nominating Committee and the Audit Committee as well as a member of the Remuneration Committee and the Risk Management Committee. The Board considers Mr Teo Choon Kow @ William Teo to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

- |    |                                        |              |
|----|----------------------------------------|--------------|
| b) | Mr Simon Charles Lockett (Article 117) | Resolution 3 |
|----|----------------------------------------|--------------|

Mr Simon Charles Lockett shall, upon re-election as a Director, remain as a member of the Remuneration Committee and the Audit Committee. The Board considers Mr Simon Charles Lockett to be independent for the purpose of Rule 704(7) of the Catalist Rules of the SGX-ST.

[See Explanatory Note (i)]

- |    |                                                                                                                                       |              |
|----|---------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 3. | To approve the payment of Directors' fees of S\$278,458 for FY2015 (FY2014: S\$239,000).                                              | Resolution 4 |
| 4. | To re-appoint Messrs BDO LLP as the Company's auditors for the ensuing year and to authorise the Directors to fix their remuneration. | Resolution 5 |

### AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions, with or without any modifications:

- |    |                                            |              |
|----|--------------------------------------------|--------------|
| 5. | <b>Authority to allot and issue shares</b> | Resolution 6 |
|----|--------------------------------------------|--------------|

"That pursuant to Section 161 of the Singapore Companies Act, Chapter 50 and Rule 806 of the Catalist Rules of the SGX-ST, 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

- (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 this resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; 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 (ii)]

### 6. **Authority to grant options and allot and issue shares under the Loyz Energy Employee Share Option Scheme**

Resolution 7

"That pursuant to Section 161 of the Singapore Companies Act, Chapter 50, 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 (iii)]

## NOTICE OF ANNUAL GENERAL MEETING

### 7. **Authority to grant awards and allot and issue shares under the Loyz Energy Performance Share Plan**

Resolution 8

"That pursuant to Section 161 of the Singapore Companies Act, Chapter 50, 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 (iv)]

### 8. 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: 15 October 2015

Explanatory Notes:

- (i) The key information of Mr Teo Choon Kow @ William Teo and Mr Simon Charles Lockett can be found in the Company's Annual Report 2015.

There are no relationships including immediate family relationships between each of Mr Teo Choon Kow @ William Teo and Mr Simon Charles Lockett, and the other Directors, the Company or its 10% shareholders.

- (ii) The ordinary resolution proposed in item 5 above, if passed, will empower the Directors from the date of the above annual general meeting of the Company until the date of the next annual general meeting 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 annual general meeting of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

- (iii) The ordinary resolution proposed in item 6 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.
- (iv) The ordinary resolution proposed in item 7 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 above 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 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 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 15 Hoe Chiang Road, #19-01 Tower Fifteen, Singapore 089316 not less than 48 hours before the time appointed for holding the AGM.

### Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). 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 and Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160.*

**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.

3. CPF investors who wish to attend the annual general meeting ("AGM") as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to their CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

**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 15 October 2015.

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 annual general meeting ("**AGM**"), as \*my/our \*proxy/proxies to vote for \*me/us on \*my/our behalf at the 2015 AGM of the Company to be held at Klapsons, The Boutique Hotel – Eighteen, 1 & 2 at Level 18, 15 Hoe Chiang Road, Tower Fifteen, Singapore 089316 on Friday, 30 October 2015 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 Directors' and Auditors' Reports and the audited consolidated financial statements of the Company for FY2015               |     |         |
| 2   | To re-elect Mr Teo Choon Kow @ William Teo as a Director of the Company                                                                             |     |         |
| 3   | To re-elect Mr Simon Charles Lockett as a Director of the Company                                                                                   |     |         |
| 4   | To approve the payment of Directors' fees of S\$278,458 for FY2015 (FY2014: S\$239,000)                                                             |     |         |
| 5   | To re-appoint Messrs BDO LLP as the Company's auditors for the ensuing year and to authorise the Directors of the Company to fix their remuneration |     |         |
| 6   | Authority to allot and issue shares                                                                                                                 |     |         |
| 7   | Authority to grant options and allot and issue shares under the Loyz Energy Employee Share Option Scheme                                            |     |         |
| 8   | Authority to grant awards and allot and issue shares under the Loyz Energy Performance Share Plan                                                   |     |         |

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

|                            |               |
|----------------------------|---------------|
| Total number of Shares in: | No. of Shares |
| (a) CDP Register           |               |
| (b) Register of Members    |               |

Signature(s)/Common Seal of Shareholder(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



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 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.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the 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 AGM.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #19-01 Tower Fifteen, Singapore 089316, not less than 48 hours before the time appointed for holding the 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 appointer, 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 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 as at 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

## CORPORATE INFORMATION

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### Board of Directors

Simon Charles Lockett  
Lee Chye Cheng Adrian  
Chan Eng Yew (Zeng Rongyao)  
Teo Choon Kow @ William Teo  
Chia Yong Whatt

### Secretary

Yap Peck Khim

### Registered Office

15 Hoe Chiang Road  
#19-01 Tower Fifteen  
Singapore 089316  
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  
21 Merchant Road #05-01  
Singapore 058267

### Partner-In-Charge

Adrian Lee Yu-Min  
(with effect from the financial year  
ended 30 June 2015)

### Continuing Sponsor

Canaccord Genuity Singapore Pte. Ltd.  
77 Robinson Road #21-02  
Singapore 068896

### Principal Bankers

Development Bank of Singapore  
Oversea-Chinese Banking  
Corporation Limited  
The Hongkong and Shanghai Banking  
Corporation Limited



**LOYZ ENERGY LIMITED**

15 Hoe Chiang Road  
#19-01 Tower Fifteen  
Singapore 089316  
Tel : (65) 6521 9048  
Fax: (65) 6225 4945  
Website: [www.loyzenergy.com](http://www.loyzenergy.com)  
Investors and Media: [enquiries@loyzenergy.com](mailto:enquiries@loyzenergy.com)