Transformative Growth

LOYZ ENERGY LIMITED ANNUAL REPORT 2017

TRANSFORMATIVE GROWTH

The Group through its conscientious efforts, rises above adversities amid the downcycle of the oil and gas industry, seizing the opportunity to diversify and expand, and thereby balancing risks while enhancing growth potential.

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CORPORATE PROFILE

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

Loyz Energy Limited ("**Loyz Energy**", and together with its subsidiaries, the "**Group**") is an independent exploration and production energy company with its focus in the Asia-Pacific region. Loyz Energy is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") under stock code 594.

The Group's key asset is its 20% stake in the Thailand onshore oil concessions located at Phetchabun Basin, which currently generates a steady income stream from its existing oil producing wells. There are currently ten producing Production Area licences under the concessions, covering an area of 109 square kilometres. This asset holds significant proven reserves for development as well as significant potential exploration upside that may create value enhancement and sustainable long-term growth.

Based on the independent qualified person's report as at 31 December 2016, the Thailand onshore oil concessions have an aggregate of 38.21 (Proved + Probable + Possible) millions of barrels of oil reserves, of which 7.64 (Proved + Probable + Possible) millions of barrels of oil reserves are net attributable to the Group. Loyz Energy, together with its partners, intend to roll out the planned drilling campaign progressively to expand oil production capacity.

The drilling campaign in early 2017 was for a total of nine new wells, comprising six exploration wells and three appraisal wells, of which three of the exploration wells were discovered with commercial accumulations of oil. The combined rate of production of these three discovered commercial wells during testing was estimated to have approximately 1,500 barrels of oil per day. The operator of the Thailand onshore concessions is currently working with the Thailand authorities to obtain Production Area licenses to put these three new wells on production and develop both existing and newfound reserves.

LETTER TO SHAREHOLDERS

The Group seeks business diversification to reduce reliance on the Concessions by diversifying its revenue stream, as well as improving future prospects and better support the growth of the Group, in order to enhance shareholders' value for the Company.

NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

US$12.9m *FY2016: US$(18.3)m*

Dear Shareholders,

On behalf of the Board of Directors of the Company (the "**Board**"), we present to you the annual report of the Company for the financial year ended 30 June 2017 ("**FY2017**").

The protracted downcycle of the oil and gas industry and the uncertainties in the macro environment of the Group continued to weigh on the recovery of crude oil prices. Whilst we focused on growing our reserves and scaling up our production at our onshore oil concessions in Thailand (which we hold a 20% participating interest in) (the "**Concessions**") through efficient exploration drilling campaigns, we continued our conscientious efforts in reducing total liabilities and operating costs to further strengthen our financial position.

The Group registered a decline of 15.9% in revenue, from US$10.7 million for the financial year ended 30 June 2016 ("**FY2016**") to US$9.0 million for FY2017. This decline was on the back of a 31.5% decrease in oil production volume from the Concessions, from 313,702 barrels of oil in FY2016 to 214,895 barrels of oil in FY2017. The reduction in oil production volume was due to the natural decline of the existing wells over the year, as well as the anticipation of a recovery in oil prices, which trended up after the Organisation of the Petroleum Exporting Countries ("**OPEC**") and non-OPEC producers agreed to cut oil production for an initial period of six months, beginning January 2017. Average oil price per barrel increased by 25.4%, from US$34.20 in FY2016 to US$42.87 in FY2017.

Adversity is Opportunity in Disguise

Determined to turn the Group around, we successfully engaged with our principal bankers to restructure the Group's loan obligations to better match cash inflows with the principal and interest repayments. In addition, we obtained the support from our business partner, Carnarvon Thailand Limited ("**Carnarvon**"), to renegotiate the settlement of the outstanding purchase consideration for our 20% participating interest in the Concessions. Such outstanding amount owing to Carnarvon of approximately US$31.2 million is to be fully settled with a payment of US$4.0 million, with US$0.05 million in cash and the balance of US$3.95 million to be fully settled with the proposed allotment and issuance of approximately 331.65 million new ordinary shares in the capital of Loyz Energy at an issue price of S$0.01615 per new share, subject to shareholders' approval at the forthcoming extraordinary general meeting of the Company ("**EGM**").

Bucking the trend in the declining industry, the Group achieved a markedly improved set of results with four consecutive quarters of profits and registered a net profit attributable to shareholders of US$12.9 million for FY2017, a reversal from a net loss attributable to shareholders of US$18.3 million for FY2016. The improvements were mainly attributed to (i) a one-time gain of US$22.0 million arising from the aforementioned successful renegotiation of the consideration for the Group's purchase of the 20% participating interest in the Concessions; (ii) the Group's continuous cost optimisation effort; and (iii) the strengthened financial position of the Group through reduction of liabilities and increase in equity. The weak oil price, however, resulted in the write-off of US$0.7 million of prepaid professional fees relating to the Company's multicurrency medium term note programme and the impairment of oil and gas properties and intangible assets of US$7.0 million in FY2017.

Our relentless efforts in overcoming the adversities through these challenging years, were rewarded with a stronger financial position for the Group to pursue strategic and viable business opportunities to augment income and cash flows.

Transformation in Progress

The drilling campaign in early 2017, fully funded by cash flows generated from the Concessions, had resulted in a 50% success rate. Of the six exploration wells drilled, three were discovered with commercial accumulations of oil. The success rate is well above the industry average of 20-25%. The combined rate of production of these three commercial wells during testing is estimated to be 1,500 barrels of oil per day, which would bring the total rate of production of the Concessions to about 2,500 barrels of oil per day. With operating costs maintaining at about US$12 per barrel, the Concessions expect to generate about US$21 per barrel of cash flow after tax, which would fully fund the forthcoming drilling campaigns in a bid to further increase the reserves and production volume.

Following the rationalisation of non-performing oil and gas assets, the Group is left with the 20% participating interest in the Concessions. This prompted the Group to seek business diversification to reduce reliance on the Concessions by diversifying its revenue stream, as well as improving future prospects and better support the growth of the Group, in order to enhance shareholders' value for the Company. Our proposed diversification, which is subject to shareholders' approval at the forthcoming EGM, will see the Group expand beyond being just an energy player into financial investment activities, comprising: (a) investment, including investment in private equity deals, pre-initial public offerings (mature stage), initial public offerings (placement tranche), fixed income and hybrid instruments; (b) proprietary trading, including the trading of equities, commodities and other financial instruments; (c) fund management; and (d) market making on recognised exchange through the proposed joint venture with Arctos Investment Pte. Ltd..

We expect to work towards expanding the Group's earnings base, with stable income coming from fund management fees from the proposed joint venture and potential gains from managing investments and trading in the markets. We believe having the investment and trading platform will benefit both investors and shareholders alike, enhancing our risk management and creating value for all. The business diversification as well as the establishment of the proposed joint venture are subject to the approval of shareholders at the forthcoming EGM.

Acknowledgments and Appreciation

On behalf of the Board, we extend our sincere gratitude to our bankers, business partners and dedicated employees for their strong support throughout the years.

We would also like to convey our sincere appreciation to the Board and on its behalf, thank our former Board member, Mr. William Teo, who stepped down as a Director on 8 June 2017, for his commitment and invaluable contribution to the Group. The Board would also like to take this opportunity to extend a warm welcome to Mr. Cheong Weixiong, Jeff who joined the Board as an Independent Director on 18 April 2017, and subsequently accepted the appointment as the Non-Executive Chairman of the Board on 8 June 2017.

Last but not least, we extend our warmest gratitude to our shareholders for their support and confidence in us, and we look forward to your continued support and faith as we strive to enhance the Group's fundamentals and create value for all.

Mr Cheong Weixiong, Jeff
张伟雄
Non-Executive Chairman and
Independent Director

Mr Jeffrey Pang Kee Chai
彭润程
Chief Executive Officer and
Executive Director

STRENGTHENED FINANCIAL POSITION

Significant reduction in total liabilities and operating costs strengthened the Group's financial position, providing the platform to drive growth through further development of its onshore oil concessions in Thailand, as well as the flexibility to pursue accretive business opportunities.

OPERATIONS REVIEW

The improved financial position opens up options for the Group to pursue strategic and accretive business opportunities to expand beyond the oil and gas sector.

Loyz Energy Limited ("**Loyz Energy**" or the "**Company**", and together with its subsidiaries, the "**Group**") continued with its conscientious effort in reducing total liabilities and operating costs during the financial year ended 30 June 2017 ("**FY2017**") to further strengthen its financial position. The improved financial position opens up options for the Group to pursue strategic and accretive business opportunities to expand beyond the oil and gas sector, which is still in its doldrums.

Over the course of FY2017, the Group had taken initiatives to negotiate with its former directors, substantial shareholder and business partner regarding settlements of their respective accrued fees and/or due debt repayments in the form of equity in the Company. These were done in a bid to conserve cash to strengthen the Group's balance sheet.

The Group's gearing had reduced significantly with the full and final settlement of the outstanding loan balance (including principal sum and interests payable) of approximately US$8.56 million ("**Loan**") owing to the Company's substantial shareholder, Jit Sun Investments Pte. Ltd. ("**Jit Sun**"). Jit Sun had, on 27 February 2017, assigned the entire Loan to certain investors, and on the same date, the Company entered into a subscription agreement with these investors to issue and allot new ordinary shares in the capital of the Company ("**Shares**") as full and final settlement of the Loan.

Amid the protracted down cycle of the oil and gas industry and weak oil prices, the Group had also managed to renegotiate the remaining outstanding amount due to Carnarvon Thailand Limited ("**Carnarvon**"), in relation to the Group's acquisition of a 20% participating interest in three onshore oil concessions located at Phetchabun Basin in Thailand ("**Concessions**"), to US$4.0 million, of which US$0.05 million had been paid in cash and the balance of US$3.95 million to be fully settled with the proposed allotment and issuance of approximately 331.65 million new Shares at an issue price of S$0.01615 per new Share, subject to the approval of the Company's shareholders ("**Shareholders**") at the forthcoming extraordinary general meeting of the Company ("**EGM**"). It is envisaged that Carnarvon will hold approximately 17.70% of the Group's enlarged issued and paid-up capital of 1.87 billion shares upon completion of such issuance of new Shares and assuming there is no further issuance of new Shares by the Company.

OPERATIONS REVIEW

After the rationalisation of non-performing oil and gas assets in the previous financial year, the Group is left with its 20% participating interest in the Concessions. While the Group continues to explore and expand the producing areas of the Concessions, it is also seeking diversification of the business scope of the Group, subject to Shareholders' approval at the forthcoming EGM, to include financial investment activities, comprising investment, proprietary trading, fund management and market making. With the proposed diversification, the Group aims to expand its earnings base with stable income from fund management fees and potential gains from managing investments and trading in the markets, as well as to reduce reliance on the Concessions which are susceptible to volatile oil prices.

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 the Concessions are ECO Orient Energy (Thailand) Ltd, ECO Orient Resources (Thailand) Limited and Berlanga Group (together with Loyz Energy, collectively known as the "**JO**").

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 Campaign

During the second half of FY2017, the JO had drilled a total of nine wells, comprising six exploration wells and three appraisal wells. The drilling campaign was carried out in the identified areas, which 3D survey and gravity studies were done within the Concessions in the financial year ended 30 June 2015.

Out of the six exploration wells, three of them were discovered with commercial accumulates of oil. This 50% success rate was commendable, as it is well above the industry average of 20-25%. In view of the depressed oil price in the first half of FY2017 and due to the drilling campaign in the second half of FY2017, annual production volume from the Concessions had been reduced by 31.5%, from 313,702 barrels of oil in FY2016 to 214,895 barrels of oil in FY2017. In view of the oil price recovery, the JO continues its prudent management plan to extend the productive life and maximise recovery from the Concessions.

Out of the six exploration wells, three of them were discovered with commercial accumulates of oil. This 50% success rate was commendable, as it is well above the industry average of 20-25%.

The Concessions cover an aggregate area of 1,078 km^2, while the existing production area covers only an area of 109 km^2. With approximately 90% of the Concessions remain to be explored, the JO continues to plan drilling campaigns at those identified areas from its earlier survey and studies to maximise the expansion of the production areas over the next few years.

Operational Costs

Despite crude oil prices showing signs of recovery, the world is still grappling with the supply glut. Crude oil prices continue to fluctuate within the range of US$40 – US$55 per barrel. However, third-party costs with service providers, including trucking of oil to the refineries and services for maintenance of power and pumps for drilling, have maintained stable to stay competitive. This, in turn, maintained the OPEX per barrel of oil extracted.

During FY2017, the Group pressed on with its commitments to conserve capital resources to support its operational requirements, further strengthen its financial position, and seek viable business opportunities that may improve its earnings base.

The current lifting costs at the Concessions have maintained at approximately US$12 per barrel in FY2017. The OPEX also include costs associated with the day-to-day running of the operations such as security guards, cooks, menial labour, and production technicians.

For illustrative purposes, if oil price is at US$50 per barrel, the Concessions would generate about US$21 per barrel of cash flow after tax.

Corporate Developments

During FY2017, the Group pressed on with its commitments to conserve capital resources to support its operational requirements, further strengthen its financial position, and seek viable business opportunities that may improve its earnings base.

Some of the key financial arrangements that strengthened the Group's financial position in FY2017 include:

(i) the allotment and issuance of 16,269,000 new Shares at an issue price of S$0.0212 per new Share to settle the accrued fees due to the former directors and executives of the Group;

(ii) the restructuring of loan repayment schemes with its principal bankers to lighten the Group's obligations;

(iii) the allotment and issuance of 465,870,885 new Shares at an issue price of S$0.0260 per new Share to fully settle the Loan of approximately US$8.56 million, which had been assigned by Jit Sun, to certain new investors; and

(iv) the negotiation for the full and final settlement of the post-acquisition outstanding payment of approximately US$31.2 million to Carnarvon to US$4.0 million, of which US$0.05 million was paid in cash and the balance of US$3.95 million to be fully settled with the proposed allotment and issuance of approximately 331.65 million new Shares at an issue price of S$0.01615 per new Share (subject to Shareholders' approval at the forthcoming EGM).

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

Emerging Stronger

While the Group's efforts and commitment to overcome the adversities paid off, the oil and gas industry continues to be plagued by uncertainties in the macro environment. The strengthened financial position enables the Group to explore viable opportunities to expand its earnings base and diversify its business beyond that of the oil and gas sector. During the transformative stage of diversifying the Group's business to include financial investment activities, which include investment, proprietary trading, fund management and market making (subject to Shareholders' approval at the forthcoming EGM), the Group will continue to harness the potential of its Concessions which have proven reserves to be explored and produced, within the untapped concession areas.

CONCESSION OVERVIEW

THAILAND

Phetchabun Basin

The Phetchabun Basin is a 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, all of which are within the basin limits.

Production licenses within the SW1 concession were renewed for another 10 years from July 2016, while production licenses for L44/43 and L33/43 concessions will expire in 2032. Currently, there are ten production licenses covering an area of 109 square kilometres.

During the financial year ended 30 June 2017 ("**FY2017**"), the Group, together with its partners (namely, Berlanga Group, ECO Orient Energy (Thailand) Ltd and ECO Orient Resources (Thailand) Ltd)), drilled a total of nine wells, comprising six exploration wells and three appraisal wells. Three out of these six exploration wells were discovered with commercial accumulations of oil, equating to a commendable 50% success rate that is above the industry average of 20-25%. The combined rate of production of these three commercial wells was tested to be approximately 1,500 barrels of crude oil per day. The operator is currently working with the Thailand authorities to obtain the Production Area licenses to put these new wells into production and develop the new reserves, and concurrently, to obtain certification of the new reserves by an independent qualified person.

Crude oil prices chartered a recovery over the course of FY2017, particularly after the Organisation of Petroleum Exporting Countries ("**OPEC**") and non-OPEC producers agreed to cut oil production from an initial six months, starting January 2017 and extended by another nine months to March 2018, in a bid to reduce global oil supply and provide a support to oil prices. Oil prices have since recovered from record low of below US$30 per barrel in early 2016, and currently, fluctuating between US$40-US$55 per barrel.

The reduction in oil production volume from 313,702 barrels in the financial year ended 30 June 2016 (**"FY2016**") to 214,895 barrels in FY2017, was mainly due to lesser investments put into drilling infill wells and the natural decline of existing wells over the year. During FY2017, the drilling campaign of the nine wells, which commenced in early 2017, was funded by cash flows generated from production. At the prevailing oil price of US$50 per barrel, the concessions generate about US$21 per barrel of cash flow after tax. Hence, the project is profitable and is able to fund new drilling campaigns to increase the reserves and production of the concessions.

The Group and its partners plan to commence the next drilling campaign in early 2018, which involves several in-fill producing wells to increase production volume.

Non-Core Assets

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

UNITED STATES OF AMERICA

Colorado & North Dakota

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

The Group understands that Fram is currently looking to monetize these assets.

AUSTRALIA

Torquay Basin

The Group owns and operates a 100% working interest in VIC/P62, a petroleum exploration permit ("**PEP**"), which allows it to explore off the coast of Victoria.

The Group had conducted a series of feasibility studies but no development concepts made economic sense at this time. Hence, the Group has decided to relinquish the PEP and is liaising with the relevant Australian authorities to relinquish the PEP.

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.

During FY2017, work has continued to focus on the conceptual development/appraisal options for PEP 38479. Considering these studies, the Group deems that at present the PEP 38479 is uneconomic as a stand-alone resource. Hence, the Group has decided to surrender its permit, which will expire on 23 September 2019, and is in discussion with the relevant New Zealand authorities.

THE PHILIPPINES

East Palawan Basin

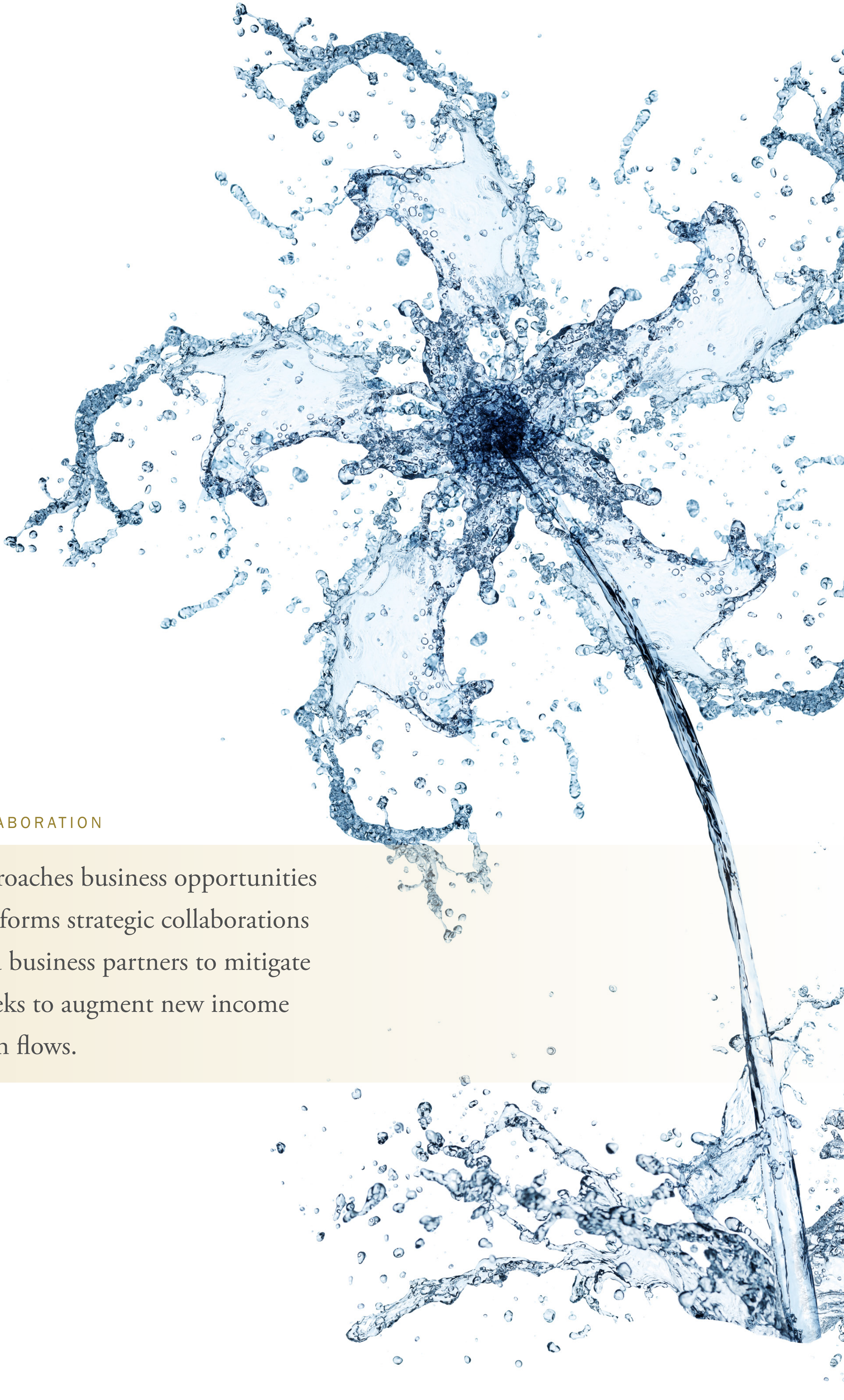
The Group won the bid for Area 14, located in the East Palawan Basin off the north-eastern coast of Borneo Island in 2013. However, the award process is currently delayed due to an ongoing dispute involving Area 14's previous operator and the regulatory authorities in the Philippines.

INDIA

Cambay Basin

On 27 March 2015, Interlink Petroleum Limited ("**IPL**") had entered into a binding memorandum of understanding with Sun Petrochemicals Private Limited, through its exploration and production division, Sun Oil & Natural Gas ("**SONG**"), for the transfer and assignment ("**the Assignment**") from IPL to SONG of the production-sharing contracts in respect of IPL's interests over the Modhera and Baola fields in India. The Assignment was completed with the Indian government's approval in FY2016.

The Group is currently examining various options to dispose its 51.8% interests held in IPL.



STRATEGIC COLLABORATION

The Group approaches business opportunities with prudence, forms strategic collaborations with established business partners to mitigate risks while it seeks to augment new income streams and cash flows.

SUSTAINABILITY REPORT

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

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

HEALTH & SAFETY POLICY

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

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

ENHANCED VALUE

The Group continues to look into creating value for its shareholders through striving towards a broader earnings base with stable income.

KEY FINANCIAL HIGHLIGHTS

REVENUE

US$9.0m *FY2016: US$10.7m*

EBITDAX[1]

US$4.6m *FY2016: US$4.5m*

NET CASH FLOWS FROM OPERATIONS

US$4.0m *FY2016: (US$0.4.m)*

PRODUCTION VOLUME

214,895 barrels *FY2016: 313,702 barrels*

CONSOLIDATED INCOME STATEMENT US$'000	FY2017 *July'16 -June'17*	FY2016 *July'15 -June'16* *(Restated)*
Revenue	8,959	10,728
Gross profit	4,668	5,668
Net Profit/(loss) for the financial year	12,894	(23,966)

BALANCE SHEET US$'000	As at 30 June 2017	As at 30 June 2016 *(Restated)*
Non-current assets	100,415	106,242
Current assets	5,209	10,449
Non-current liabilities	57,265	80,187
Current liabilities	11,029	20,891
Equity attributable to owners of the Company	48,171	26,223
NAV per share (US cents)	3.16	2.51

Notes

(1) Earnings before interest, taxation, depreciation, amortisation and exploratory expenses.

Mr. Cheong Weixiong, Jeff

Non-Executive Chairman and Independent Director

Mr. Cheong was appointed to the Board as an Independent Director on 18 April 2017, and was subsequently appointed as the Non-Executive Chairman of the Board on 8 June 2017.

Mr. Cheong has over 12 years of experience in the investment advisory industry and capital markets, where he provided advisory services to institutions, corporations and high net worth investors. He is currently the group chief executive officer and executive director of Sinjia Land Limited, a company listed on the Catalist board of the Singapore Exchange Securities Limited ("**SGX-ST**"). He also serves on the board of Fortune Asia Long Short Fund.

Mr. Cheong holds the Executive Master in Business Administration from the Singapore Management University.

Mr. Jeffrey Pang Kee Chai

Chief Executive Officer and Executive Director

Mr. Pang was appointed to the Board on 10 May 2016, and was last re-elected on 27 October 2016.

Mr. Pang is primarily responsible for the oversight and management of the Group's operations and corporate developments of the Group. He joined the Group in July 2011 as the Chief Financial Officer to oversee and control the Group's overall accounting and finance function, tax, compliance and reporting matters.

Prior to joining the Group, Mr. Pang was a financial controller of a private investment group involved in sectors such as oil and gas, real estate, as well as food and beverage. He had also held a senior finance position at an automotive group and served as an external auditor at Deloitte & Touche.

Mr. Pang, who has more than 17 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.

Mr. Lee Chye Cheng, Adrian

Non-Executive Director

Mr. Lee was appointed to the Board on 11 January 2011. He was formerly the Managing Director of the Company, and was re-designated from an Executive Director to a Non-Executive Director on 10 May 2016. He was last re-elected on 27 October 2016.

Mr. Lee accumulated rich multidisciplinary experience in the corporate sector from his experience in various industries including energy, financial services, real estate and hospitality. He also serves on the boards of other companies, such as Interlink Petroleum Limited which is listed in India and Raimon Land Plc, which is listed on the Stock Exchange of Thailand.

Mr. Lee holds a Bachelor of Finance from the University of Strathclyde, Glasgow, United Kingdom.

Mr. Ong Beng Chye

Independent Director

Mr. Ong Beng Chye was appointed to the Board as an Independent Director on 11 August 2016, and was last re-elected on 27 October 2016.

Mr. Ong has more than 26 years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. He is currently a director of Appleton Global Pte Ltd, a business management and consultancy firm. He also serves as an independent director of other listed companies in Singapore, namely Geo Energy Resources Limited and Hafary Holdings Ltd, both of which are listed on the SGX Mainboard, as well as Heatec Jietong Holdings Ltd., IPS Securex Holdings Limited and Kitchen Culture Holdings Ltd., all of which are listed on the Catalist.

Mr. Ong holds a Bachelor of Science (Honours) from City, University of London. He is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a non-practising member of the Institute of Singapore Chartered Accountants.

KEY MANAGEMENT

Mr. Ho Choo Soo

Financial Controller

Mr. Ho was appointed as the Financial Controller of the Group in May 2016. He is responsible for the Group's finance and accounting functions, including budgeting, managing of cash flows, taxation matters and ensuring compliance of statutory audit requirements for the Group. He joined the Group in July 2014 as Finance Manager and assisted the then-Chief Financial Officer on the Group's finance, accounting, tax, compliance and reporting matters. Prior to joining the Group, Mr. Ho has over 11 years of experience in audit and accounting and previously served as an external auditor at KPMG. He holds a Bachelor of Science in Accounting and Finance from the University of London.

Dr. Bruce Morris

Technical Advisor

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).

QUALIFIED PERSON'S REPORT

Category	Gross Attributable to licence *(MMbbl / Bcf)*	Net Attributable to the Company *(MMbbl / Bcf)*	Remarks
RESERVES			
Oil Reserves			
1P	24.63	3.65	Thailand and US
2P	47.60	7.74	Thailand and US
3P	64.71	10.64	Thailand and US
Natural Gas Reserves			
1P	–	–	–
2P	–	–	–
3P	–	–	–
Natural Gas Liquids Reserves			
1P	–	–	–
2P	–	–	–
3P	–	–	–
CONTINGENT RESOURCES			
Oil			
1C	0.56	0.06	New Zealand and US
2C	1.97	0.20	New Zealand and US
3C	4.58	0.46	New Zealand and US
Natural Gas			
1C	9.00	0.90	New Zealand
2C	26.00	2.60	New Zealand
3C	57.00	5.70	New Zealand
Natural Gas Liquids			
1C	–	–	–
2C	–	–	–
3C	–	–	–
PROSPECTIVE RESOURCES			
Oil			
Low Estimate	1.40	1.40	New Zealand
Best Estimate	8.00	8.00	New Zealand
High Estimate	17.00	17.00	New Zealand
Natural Gas			
Low Estimate	56.0	56.0	Australia and New Zealand
Best Estimate	545.0	545.0	Australia and New Zealand
High Estimate	1,227.0	1,227.0	Australia and New Zealand

Legend

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

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

MMbbl : Millions of barrels
Bcf : Billions of cubic feet

FINANCIAL CONTENTS

Corporate Governance Report

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

This report describes the corporate governance practices adopted by the Company for the financial year ended 30 June 2017 ("**FY2017**") with specific reference made to each of the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**"). The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

BOARD MATTERS

The Board's Conduct of Affairs

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

The primary function of the board of directors (the "**Board**" or "**Directors**") of the Company is to provide entrepreneurial leadership so as to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board's role includes the following:

(i) setting overall business direction and provide guidance on corporate strategic plans;
(ii) monitoring financial performance including review and approval of interim and annual financial reports;
(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 Group.

The Board is supported by the Audit Committee ("**AC**"), the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Risk Management Committee ("**RMC**") (collectively, the "**Board Committees**"). With effect from 16 August 2017, the Board has merged the RMC into the AC. The members of the Board Committees are drawn from the members of the Board and each of these Board Committees operates under the delegated authority from the Board.

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

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The attendance of each Director at all Board and Board Committee meetings held during FY2017 is set out below:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Risk Management Committee [5]
Number of meetings held:	4	4	2	2	1
Attendance:					
Lee Chye Cheng, Adrian [1]	0	2	–	0	–
Teo Choon Kow @ William Teo [2]	4	4	2	2	1
Cheong Weixiong, Jeff [3]	1	1	–	1	–
Jeffrey Pang Kee Chai	4	–	2	–	1
Ong Beng Chye [4]	4	4	2	2	1

Notes:

(1) Lee Chye Cheng, Adrian ceased to be a member of the AC and RC on 18 April 2017. He was re-appointed as a member of the AC and RC, and appointed as a member of the RMC, on 8 June 2017.

(2) Teo Choon Kow @ William Teo ceased to be Chairman of the RC but remained as a member of the RC on 18 May 2017. He resigned as a Director and Chairman of the Board with effect from 8 June 2017.

(3) Cheong Weixiong, Jeff was appointed as a Director as well as a member of the AC and RC on 18 April 2017. He was appointed as Chairman of the RC and a member of the NC on 18 May 2017. He was appointed as Chairman of the Board and NC on 8 June 2017.

(4) Ong Beng Chye was appointed as Chairman of the AC on 8 June 2017. He ceased to be Chairman of the NC but remained as a member of the NC on 8 June 2017.

(5) With effect from 16 August 2017, the Board has merged the RMC into the AC.

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

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

Newly appointed Directors would receive a formal letter setting out the Director's duties and obligations and the Company would arrange orientation programs to enable the new Directors to familiarise themselves with the Group's business and governance practices. The Company would also arrange and fund such trainings for the new Directors in areas such as accounting, legal and industry specific knowledge as and where appropriate.

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

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

Corporate Governance Report

Board Composition and Guidance

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

During FY2017, changes to the composition of the Board and Board Committees were made. Subsequent to FY2017, with effect from 16 August 2017, the RMC was merged into the AC. As at the date of this annual report, the composition of the Board and Board Committees are as follows:-

		Board Committee Membership		
Name	**Designation of Board Members**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**
Cheong Weixiong, Jeff	Non-Executive Chairman and Independent Director	Member	Chairman	Chairman
Jeffrey Pang Kee Chai	Chief Executive Officer and Executive Director	–	Member	–
Lee Chye Cheng, Adrian	Non-Executive Director	Member	–	Member
Ong Beng Chye	Independent Director	Chairman	Member	Member

As the Board currently comprises four Directors, of which two are independent to exercise objective judgement, the Board is satisfied that there is a strong and independent element on 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, including the Independent Directors, will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Non-Executive Directors will have discussions amongst themselves without the presence of the Management.

The NC reviews the size and composition of the Board and Board Committees taking into account the balance and diversity of skills, experience and gender, among other factors, on an annual basis. The Board and the NC are of the view that, 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. In carrying out their obligations as Directors, access to independent professional advice, where necessary, is available to all Directors, either individually or as a group, at the expense of the Company.

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

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

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Chairman and Chief Executive Officer

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

The Chairman of the Board is Mr Cheong Weixiong, Jeff who is an Independent Director. Mr Cheong 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 for all agenda items and promote a culture of openness and debate at the Board.

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

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

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

Board Membership

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

The NC comprises three Directors, of which two (including the Chairman of the NC) are independent. The members of the NC are as follows:

Cheong Weixiong, Jeff	(Chairman)
Ong Beng Chye	
Jeffrey Pang Kee Chai	

During FY2017, Mr Ong Beng Chye ceased to be Chairman of the NC on 8 June 2017. The Board and the NC, having considered Mr Cheong Weixiong, Jeff, an Independent Director, to be best fit for the position, was appointed in place thereof to be Chairman of the NC with effect from 8 June 2017.

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 reports to the Board and met twice during FY2017. The Company Secretary was present at all 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 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.

Corporate Governance Report

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

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

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

At the forthcoming AGM of the Company, the NC had nominated and recommended, and the Board had agreed that Mr Cheong Weixiong, Jeff and Mr Jeffrey Pang Kee Chai will retire pursuant to the Company's Constitution. They, being eligible for re-election, have offered themselves for re-election.

The NC has reviewed the independence of each Director and is of the view that Mr Ong Beng Chye and Mr Cheong Weixiong, Jeff are independent as defined in the Code and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

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

Currently, there is no alternate director on the Board.

The profile of each Director is set out below.

Name of Director	**Board appointment**	**Date of first appointment**	**Date of last re- appointment**	**Directorship/ Chairmanship in other listed companies on the SGX-ST and principal commitments (present and held over preceding 3 years)**
Cheong Weixiong [(1)]	Non-Executive and Independent	18/04/2017	–	Present: Sinjia Land Limited Past: NIL
Jeffrey Pang Kee Chai [(2)]	Executive	10/05/2016	27/10/2016	Present: NIL Past: NIL

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Name of Director	Board appointment	Date of first appointment	Date of last re- appointment	Directorship/ Chairmanship in other listed companies on the SGX-ST and principal commitments (present and held over preceding 3 years)
Ong Beng Chye	Non-Executive and Independent	11/08/2016	27/10/2016	Present: Independent Director: 1. Geo Energy Resources Limited 2. Hafary Holdings Ltd 3. Heatec Jietong Holdings Ltd. 4. IPS Securex Holdings Limited 5. Kitchen Culture Holdings Ltd. Past: NIL
Lee Chye Cheng, Adrian	Non-Executive	11/01/2011	27/10/2016	Present: NIL Past: Independent Director: 1. Select Group Ltd

Notes:

(1) Cheong Weixiong was appointed as a Director with effect from 18 April 2017. He will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.

(2) Jeffrey Pang Kee Chai will retire at the forthcoming AGM of the Company and being eligible, has offered himself for re-election.

Key information regarding the Directors' academic and professional qualifications and principal commitments is set out in the "Board of Directors and Key Management" section of this annual report. Information of the interests of the Directors who held office at the end of the financial year in shares, debentures and share options in the Company and its related corporations (other than wholly-owned subsidiaries) are set out in the "Directors' Statement" section of this annual report.

Board Performance

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

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

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

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

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

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

The overall assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board was good for FY2017, and it is the Board's endeavour to further improve and enhance its effectiveness over the Group's financial performance. The Board is also satisfied that each Director has allocated sufficient time and resources to the affairs of the Group. In addition, the Board has reviewed the performance of the respective Board Committees and is satisfied with their performance for FY2017. The NC has not engaged any external facilitator in conducting the assessment of the Board and the Board Committees' performance. Where relevant, the NC will consider such engagement.

Access to Information

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

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

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

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

All Directors, either individually or as a group, may seek independent professional advice as and when necessary, at the Company's expense, to enable them to discharge their responsibilities effectively.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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The RC comprises three Directors, of which two (including the Chairman of the RC) are independent. All of the members of the RC are non-executive. The members of the RC are as follows:

Cheong Weixiong, Jeff (Chairman)
Ong Beng Chye
Lee Chye Cheng, Adrian

During FY2017, Mr Teo Choon Kow @ William Teo ceased to be Chairman of the RC on 18 May 2017. The Board and the NC, having considered Mr Cheong Weixiong, Jeff an Independent Director, to be best fit for the position, was appointed in place thereof to be Chairman of the RC with effect from 18 May 2017.

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

It has adopted written terms of reference defining its membership, administration and duties. The RC meets when necessary to recommend and advise the Board on the remuneration of Executive Directors, senior executives and employees who are related to the Directors. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director. In addition, the RC reviews the performance of the Group's key management personnel taking into consideration the CEO's assessment of and recommendation for remuneration and bonus. The RC also administers the Loyz Energy Employee Share Option Scheme and the Loyz Energy Performance Share Plan. The RC reports to the Board and met twice during FY2017. The Company Secretary was present at all the meetings to record the proceedings.

The RC has access to expert advice inside and/or outside the Company. During FY2017, 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 Director and Key Executives, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

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

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

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

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

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The Non-Executive Directors (including Independent Directors) are paid fixed directors' fees 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 is mindful that the Independent Directors should not be over-compensated to the extent that their independence may be compromised.

The RC has recommended an ex gratia payment of S$35,000 in cash to Mr Teo Choon Kow @ William Teo for his 9 years of service and contribution to the company.

There are no termination, retirement or post-employment 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.

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 under the respective schemes are disclosed in the "Directors' Statement" section of this annual report.

Disclosure on Remuneration

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

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

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

The remuneration of the Directors for FY2017 in bands of S$250,000 is as follows:

Remuneration band	**Directors' fee %**	**Base salary %**	**Bonus %**	**CPF %**	**Allowance %**	**Share options and awards %**	**Total %**
S$750,000 to S$999,999							
Jeffrey Pang Kee Chai	–	39	42	2	2	15	100
Below S$250,000							
Teo Choon Kow @ William Teo [(1)]	100	–	–	–	–	–	100
Cheong Weixiong, Jeff [(2)]	100	–	–	–	–	–	100
Ong Beng Chye	100	–	–	–	–	–	100
Lee Chye Cheng, Adrian	100	–	–	–	–	–	100

Notes:

(1) Teo Choon Kow @ William Teo resigned as a Director with effect from 8 June 2017.

(2) Cheong Weixiong, Jeff was appointed as a Director with effect from 18 April 2017.

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The remuneration of the top five Key Executives for FY2017 in bands of S$250,000 is as follows:

Remuneration band	**Base salary** %	**Bonus** %	**CPF** %	**Allowance** %	**Share options and awards** %	**Total** %
Below S$250,000						
No. of Key Executives: Two	52	22	7	6	13	100

There are only two Key Executives in the Group for FY2017.

The total aggregate remuneration paid to the Group's top two Key Executives (who are not also Directors or the CEO) during FY2017 was approximately US$0.15 million.

The Company does not have any employee who is an immediate family member of a Director or the CEO for FY2017.

The breakdown of performance conditions which links to remuneration paid to the Executive Director and the top two Key Executives (who are not also Directors or the CEO) are not disclosed in this corporate governance report due to confidentiality reasons.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is accountable to 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.

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

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

Risk Management and Internal Controls

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

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The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard Shareholders' interests 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 FY2017, 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. The Board has also received assurance from the CEO and the Financial Controller (as the Company does not have a Chief Financial Officer) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the Management, the Board Committees and the Board, and assurance from the CEO and the Financial Controller, the Board, with the concurrence of the AC, is satisfied that the internal controls in place in the Group are adequate and effective to address risks relating to financial, operational, compliance, information technology controls and risk management systems for FY2017.

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

During FY2017, the Company had a RMC which comprised an Independent Director (who is the Chairman of the RMC), an Executive Director and a Non-Executive Director as follows:

Ong Beng Chye	(Chairman)
Jeffrey Pang Kee Chai	
Lee Cheng Chye, Adrian	

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.

With effect from 16 August 2017, the Board has merged the RMC into the AC. As disclosed below, one of the roles of the AC is to develop and maintain effective systems of internal and risk controls and 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. Activities that can arise as risk management issues will also be considered by the AC. Hence, the Board viewed that the RMC would be redundant given that the roles and activities of the RMC overlap with that of the AC.

Audit Committee

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

The AC comprises three Directors, of which two (including the Chairman of the AC) are independent. All of the members of the AC are non-executive. The members of the AC are as follows:

Ong Beng Chye	(Chairman)
Cheong Weixiong, Jeff	
Lee Cheng Chye, Adrian	

Corporate Governance Report

The Chairman of the AC, Mr Ong Beng Chye, has many years of experience in the finance industry. He possesses the appropriate accounting and related financial management experience and expertise. Mr Ong Beng Chye is also an independent director on several companies listed on the SGX-ST. Mr Cheong Weixiong, Jeff, a member of the AC, has many years of experience in the investment advisory business and is currently the group chief executive officer and executive director of a company listed on the SGX-ST. Mr Lee Chye Cheng, Adrian, a member of the AC, has accumulated rich multidisciplinary experience in the corporate sector from his experience in various industries including energy, financial services, real estate and hospitality. Mr Lee Chye Cheng, Adrian also serves on the boards of other listed companies. 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:

- review with the external auditors the external audit plan;
- review with the Company's external auditors on its evaluation of the Company's internal accounting controls and its report on the financial statements and the assistance given by the Company's officers to it;
- review with the internal auditors the scope and results of the internal audit procedures;
- review the financial statements of the Group and the Company prior to their submission to the Board for adoption;
- review the interested person transactions (as defined in Chapter 9 of the Catalist Rules); and
- make recommendations to the Board on the appointment, re-appointment and removal of the external 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 reports to the Board and met four times during FY2017, to review the quarterly unaudited as well as the audited annual financial statements and all related disclosures to Shareholders before submission to the Board for approval. The Company Secretary was present at all the meetings to record the proceedings.

The AC has full authority to investigate any matter when alerted on issues of internal controls, suspected fraud or irregularity. It has full access to and cooperation of the Management and full discretion to invite any staff to attend its meetings.

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

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 and internal auditors separately without the presence of the Management to review any area of audit concern for FY2017.

Corporate Governance Report

The AC is responsible for conducting an annual review of the independence and objectivity of the external auditors, including the nature and volume of non-audit services performed by the external auditors for the Group. The aggregate amount of audit fees paid to the Company's external auditors, Crowe Horwath First Trust LLP, for FY2017 was US$54,000. There were no non-audit fees paid to the external auditors of the Company in FY2017.

Having reviewed and been satisfied that the Company's external auditors, Crowe Horwath First Trust LLP, is independent, the AC has recommended to the Board that Crowe Horwath First Trust LLP be nominated for re-appointment as external auditors of the Company for the current financial year ending 30 June 2018 at the forthcoming AGM of the Company.

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 Company confirms that it is in compliance with Rule 712 and Rule 715 of the Catalist Rules in appointing the auditing firms for the Group.

In line with the Code, the Company has implemented a whistle blowing policy and has incorporated it into the Company's internal control procedures. The whistle blowing policy will provide a well-defined and accessible channels in the Group through which the employees may raise concerns about improper conduct within the Group. The AC will review arrangements by which employees may raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The AC's objectives of such a policy are to ensure that arrangements are in place for independent investigation of such matters and for appropriate follow-up action. Multiple employees' briefings have been conducted to update and explain the Company's whistle blowing policies adopted by the Company. There were no reported incidents pertaining to whistle-blowing for FY2017.

None of the members of the AC is a former partner or director of the Company's external or internal auditors.

The AC performed independent reviews of the quarterly and full year financial results. In conducting its review of the audited financial statements, the AC also assessed significant financial reporting issues and judgements, including the consistency and appropriateness of accounting policies and the quality and completeness of disclosures so as to ensure the integrity of the financial statements of the Company and any SGXNet announcements relating to the Company's financial statements. The AC has also reviewed the following key audit matter as reported by the external auditors for FY2017:

Key Audit Matter	**How the Key Audit Matter was addressed by the AC**
Impairment assessment of exploration, evaluation and development asset, oil and gas properties and intangible assets - goodwill	The AC held discussions with the Management to review and assess the valuation methodologies and assumptions applied and are satisfied that the valuation method and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards. The external valuations are conducted by the independent qualified person who has the appropriate recognised professional qualifications and experience in valuation of the oil reserves.

<u>Internal Audit</u>

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

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

Corporate Governance Report

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

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

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

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

Currently, the Constitution of the Company allows all Shareholders (members) to appoint up to two proxies to attend general meetings and vote on their behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Communication with Shareholders

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

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

Information is communicated to Shareholders through:

- SGXNet announcements including press releases
- Annual reports and circulars
- Notices of AGM and extraordinary general meeting ("**EGM**")

Corporate Governance Report

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

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

Shareholders are given the right to vote on the resolutions at general meetings. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The results of all general meetings of the Company will be notified and released through SGXNet after the meetings. Proxy form is sent with the notice of general meeting to all Shareholders so that those Shareholders who are unable to attend the general meeting in person can appoint a proxy or proxies to attend and vote on their behalf. The Constitution of the Company allow members of the Company to appoint not more than two proxies to attend and vote on their behalf. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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

The reception after the general meetings of the Company provides an opportunity for Shareholders to informally communicate their views and expectations to the Company.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board deem appropriate. The Board does not recommend any payment of dividends for FY2017 as the Group intends to conserve cash for its future working capital requirements and for the necessary capital expenditures.

<u>Conduct of Shareholder Meetings</u>

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

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

The Company has not amended its Constitution to provide for absentia voting methods. The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

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

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

Corporate Governance Report

OTHER CORPORATE GOVERNANCE MATTERS

DEALINGS IN SECURITIES

The Company has adopted internal code of conduct and policies in line with the requirements of Rule 1204(19) of the 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 of the Group.

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

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

INTERESTED PERSON TRANSACTIONS

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

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

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

Name of interested person	**Aggregate value of all interested person transactions during FY2017 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 during FY2017 (excluding transactions less than S$100,000) US$'000**
Jit Sun Investments Pte Ltd (Interest on loans)	216	–

Corporate Governance Report

NON-SPONSORSHIP FEES

With effect from 14 September 2016, ZICO Capital Pte. Ltd. was appointed as the Company's continuing sponsor in place of SAC Advisors Private Limited.

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsorship fees payable or paid to ZICO Capital Pte. Ltd. or SAC Advisors Private Limited for FY2017.

MATERIAL CONTRACTS

The Company had entered into loan agreements dated 1 April 2014 and 1 December 2014, as amended (collectively, the "**Loan Agreements**"), with its then controlling shareholder, Jit Sun Investments Pte. Ltd. ("**Jit Sun**") pursuant to which Jit Sun extended certain loan facilities to the Company. As at 27 February 2017, approximately US$8.56 million (equivalent to approximately S$12.11 million) (including principal sum and outstanding interests payable) remained outstanding and owing by the Company to Jit Sun (the "**Outstanding Balance**"). The Outstanding Balance bears interest at 5% per annum, is unsecured and repayable on demand. On 27 February 2017, Jit Sun entered into a deed of assignment to assign the Outstanding Balance to eight investors ("**Investors**"), and on the same date, the Company entered into a subscription agreement ("**Subscription Agreement**") with the investors to allot and issue 465,870,885 new ordinary shares in the capital of the Company ("**New Shares**") at an issue price of S$0.0260 per New Share to the Investors as the full and final settlement of the Outstanding Balance. Pursuant to the Subscription Agreement, the Company, on 17 March 2017, allotted and issued the New Shares to the Investors.

Save for the Loan Agreements and the service agreement between the CEO and Executive Director and the Company, there were no material contracts (including loans) entered into by the Company and its subsidiaries involving the interests of any Director or controlling shareholders of the Company, either still subsisting at the end of FY2017, or if not then subsisting, entered into since the end of the previous financial year ended 30 June 2016.

USE OF PROCEEDS FROM THE PLACEMENT

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

	Amount utilised as at date of this annual report (S$ million)
Net Proceeds	2.64
Use of Net Proceeds for development expenditure relating to Thailand oil concessions in Phetchabun Basin, and general corporate requirements [1]	(2.64)
Balance	–

Note:

[1] Comprises operating expenses and finance costs.

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

Corporate Governance Report

RISK MANAGEMENT POLICIES AND PROCESSES

Political Risks and Exposure

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

Exploration and Development Risks

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

Reliance on Third Party Providers

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

Directors' Statement

For the financial year ended 30 June 2017

The Directors of Loyz Energy Limited (the "Company") are pleased to present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 June 2017, the statement of financial position of the Company as at 30 June 2017 and the statement of changes in equity of the Company for the financial year ended 30 June 2017.

In the opinion of the directors,

(a) the statement of financial position and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 46 to 119 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2017 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Cheong Weixiong, Jeff	(Independent Director and Non-Executive Chairman, appointed on 18 April 2017)
Jeffrey Pang Kee Chai	(Chief Executive Officer and Executive Director)
Lee Chye Cheng, Adrian	(Non-Executive Director)
Ong Beng Chye	(Independent Director)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	Share options or awards to subscribe for ordinary shares			**Shareholdings registered in the name of the Directors**		
Company	**At 1 July 2016**	**At 30 June 2017**	**At 21 July 2017**	**At 1 July 2016**	**At 30 June 2017**	**At 21 July 2017**
Ordinary shares						
– Jeffrey Pang Kee Chai	–	–	–	1,430,000	1,743,000	1,743,000
– Lee Chye Cheng, Adrian	–	–	–	50,000	50,000	1,103,000
Share options						
– Jeffrey Pang Kee Chai	5,900,000	–	–	–	–	–
– Lee Chye Cheng, Adrian	1,200,000	–	–	–	–	–
Share awards						
– Jeffrey Pang Kee Chai	313,000	10,000,000	10,000,000	–	–	–

Directors' Statement

For the financial year ended 30 June 2017

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES OR DEBENTURES

Except as disclosed under "Share options" and "Share awards", 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.

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:

- Cheong Weixiong, Jeff (Chairman)
- Lee Chye Cheng, Adrian
- Ong Beng Chye

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, and subsidiary holdings) 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).

There were no outstanding options under the ESOS at the end of the financial year ended 30 June 2017.

Directors' Statement

For the financial year ended 30 June 2017

SHARE OPTIONS (CONTINUED)

Loyz Energy Employee Share Option Scheme (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.

	Number of options	Weighted average exercise price $
2017		
As at 1 July 2016	8,450,000	0.3785
Cancelled	(8,450,000)	0.3785
As at 30 June 2017	–	–
2016		
As at 1 July 2015	26,440,000	0.3820
Forfeited	(17,990,000)	0.3836
As at 30 June 2016	8,450,000	0.3785

The following table summarises information about Directors' share options outstanding as at 30 June 2017:

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 cancelled 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
Directors of the Company				
Jeffrey Pang Kee Chai	–	5,900,000	(5,900,000)	–
Lee Chye Cheng, Adrian	–	1,200,000	(1,200,000)	–
	–	7,100,000	(7,100,000)	–

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 Directors of the Company, (b) associates of the controlling shareholders and (c) Directors of its subsidiaries, from the commencement of the ESOS up to the end of the financial year.

There were no options being exercised during the financial year.

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

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

Directors' Statement
For the financial year ended 30 June 2017

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:

- Cheong Weixiong, Jeff (Chairman)
- Lee Chye Cheng, Adrian
- Ong Beng Chye

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, and subsidiary holdings) on the day preceding that date. In relation to each performance-related awards, the release of awards is based on the sole discretion of the Committee. The Committee reviews the performance conditions in respect of the awards and determines whether these have been satisfied. The Company shall release to the grantee the share awards on the vesting period in case where awards are not performance-related.

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

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

Activities under the PSP:

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

Market price at the date of grant	Grant date	Vesting date	Number of awards as at 30 June 2017
$0.0139	8 September 2016	8 September 2017	15,200,000 [i]

[i] Inclusive of 10,000,000 share awards being granted to Jeffrey Pang Kee Chai.

Directors' Statement

For the financial year ended 30 June 2017

SHARE AWARDS (CONTINUED)

Loyz Energy Performance Share Plan (Continued)

Activities under the PSP (Continued):

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

	Number of awards	Market price at the date of grant $
2017		
As at 1 July 2016	804,000	0.0810
Granted	15,200,000	0.0139
Exercised	(689,000)	0.0810
Forfeited	(115,000)	0.0810
As at 30 June 2017	15,200,000	0.0139
2016		
As at 1 July 2015	4,780,000	0.1794
Granted	1,161,000	0.0810
Exercised	(4,780,000)	0.1794
Forfeited	(357,000)	0.0810
As at 30 June 2016	804,000	0.0810

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

AUDIT COMMITTEE

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

Ong Beng Chye (Chairman)
Lee Chye Cheng, Adrian
Cheong Weixiong, Jeff

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;

Directors' Statement

For the financial year ended 30 June 2017

AUDIT COMMITTEE (CONTINUED)

(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.

There were no non-audit services provided by the external auditors during the financial year.

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 and assurance from the CEO and the financial controller, 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 2017.

The Audit Committee has recommended to the Board of Directors that the external auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

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

The Company has appointed Crowe Horwath First Trust 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.

INDEPENDENT AUDITORS

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

Jeffrey Pang Kee Chai	**Cheong Weixiong, Jeff**
Director	Director

9 October 2017

Independent Auditor's Report

To the Members of Loyz Energy Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Loyz Energy Limited (the Company) and its subsidiaries (the Group), set out on pages 46 to 119, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, is of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Independent Auditor's Report

To the Members of Loyz Energy Limited

Key Audit Matter (Continued)

Impairment assessment of Exploration, evaluation and development assets, Oil and gas properties and Intangible Assets – Goodwill

Refer to the following notes to the financial statements

- Note 4 "Critical Accounting Judgements and Key Sources of Estimation Uncertainty"
- Note 5 " Exploration, Evaluation and Development Assets"
- Note 6 " Oil and Gas Properties"
- Note 11 "Intangible Assets" – Goodwill

The key audit matter

For the current financial year, the Group's key asset and profit is derived from its participating interest in a joint operation in Thailand which owns and operates 3 petroleum concessions, as disclosed in Note 9(b) – Thailand Operations.

As at 30 June 2017, the carrying amounts of non-current assets in relation to Thailand Operations mainly comprises (i) Exploration, evaluation and development assets (US$19,926,000), (ii) Oil and gas properties (US$53,873,000) and (iii) Goodwill included in intangible assets (US$24,612,000), which in aggregate, represented 93.2% (2016: 89.7%) of the Group's total assets. In aggregate the impairment loss on oil and gas properties and impairment loss on intangible assets recognised during the current financial year amounting to US$6,979,000 represent 47.2% of the Group's profit before income tax for the financial year.

In accordance with the requirements of FRS 36, management assessed these assets for impairment, by comparing the estimated recoverable amounts with the carrying amounts as at reporting date.

For the purpose of management's impairment assessment, goodwill is allocated to the Thailand Operations.

In carrying out the impairment assessment, significant management judgement was used on key assumptions, such as (a) production volume (taking into account proved and probable reserve), (b) discount rate of 12% and (c) crude and oil prices (taking into consideration of current and future industry outlook).

We focused on this area in view of the significant judgement involved by the management, which is inherently subjective.

How the matter was addressed in our audit

Our audit procedures focused on evaluating and challenging the key estimates used by management in determining the recoverable amounts of these assets.

Our key procedures applied include :

- Engage a valuation specialist to review the appropriateness of management's valuation methodology and key assumptions used;
- Assess objectivity and competence of management's expert responsible for reserves estimation;
- Check mathematical accuracy of management's value in use calculations using cash flows projections from the production forecasts until the end of the concession periods;
- Challenge the reasonableness of key assumptions mainly the crude and oil prices, discount rate and the production volume (taking into account of proved and probable reserves); and
- Perform sensitivity analysis in consideration of the potential impact of reasonably possible downside changes in these key assumptions.

Based on the results of the above procedures, we note that the judgements applied by management were balanced; the key assumptions and estimates used in determining the recoverable values were reasonable; and the disclosures to be appropriate.

Independent Auditor’s Report

To the Members of Loyz Energy Limited

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but did not include in the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Matter

The financial statements for the financial year ended 30 June 2016 were audited by another auditor whose report dated 28 September 2016 expressed an unqualified opinion on those financial statements.

Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors’ responsibilities include overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

Independent Auditor's Report

To the Members of Loyz Energy Limited

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Goh Sia.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

9 October 2017

Statements Of Financial Position

As at 30 June 2017

	Note	Group			Company	
		30 June 2017 US$'000	30 June 2016 US$'000 (Restated) (Note 37)	1 July 2015 US$'000 (Restated) (Note 37)	30 June 2017 US$'000	30 June 2016 US$'000 (Note 37)
ASSETS						
Non-current assets						
Exploration, evaluation and development assets	5	19,926	19,926	30,340	–	–
Oil and gas properties	6	53,873	58,282	57,922	–	–
Other property, plant and equipment	7	1,502	1,563	1,629	–	–
Investment in subsidiaries	8	–	–	–	69,628	69,836
Available-for-sale financial asset	10	–	–	7,289	–	–
Intangible assets	11	24,612	26,471	28,484	–	–
Prepayments		–	–	2,830	–	–
Bonds receivable	12	502	–	–	–	–
Total non-current assets		100,415	106,242	128,494	69,628	69,836
Current assets						
Inventories	13	2,174	2,350	2,699	–	–
Trade and other receivables	14	729	1,245	2,880	2,132	2,089
Deposits	15	549	755	1,144	–	–
Bonds receivable	12	–	2,627	–	–	–
Prepayments	16	97	1,011	980	9	931
Cash and bank balances	17	1,660	2,461	7,604	7	621
Total current assets		5,209	10,449	15,307	2,148	3,641
TOTAL ASSETS		105,624	116,691	143,801	71,776	73,477
EQUITY AND LIABILITIES						
Equity						
Share capital	18	124,343	115,440	110,554	124,343	115,440
Reserves	19	2,152	2,753	4,266	733	1,396
Accumulated losses		(78,324)	(91,970)	(75,172)	(53,730)	(52,259)
Equity attributable to owners of the Company		48,171	26,223	39,648	71,346	64,577
Non-controlling interests		(10,841)	(10,610)	(5,226)	–	–
TOTAL EQUITY		37,330	15,613	34,422	71,346	64,577

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

Statements Of Financial Position

As at 30 June 2017

	Note	Group			Company	
		30 June 2017 US$'000	30 June 2016 US$'000 (Restated) (Note 37)	1 July 2015 US$'000 (Restated) (Note 37)	30 June 2017 US$'000	30 June 2016 US$'000 (Note 37)
LIABILITIES						
Non-current liabilities						
Bank borrowings	20	18,960	19,317	18,889	–	–
Finance lease payables	21	35	55	86	–	–
Provision for restoration costs	22	–	–	13	–	–
Other payables	23	768	23,844	27,352	–	–
Deferred tax liabilities	24	37,502	36,971	36,733	–	–
Total non-current liabilities		57,265	80,187	83,073	–	–
Current liabilities						
Trade and other payables	23	6,954	15,405	14,770	430	8,900
Bank borrowings	20	3,516	4,323	8,079	–	–
Finance lease payables	21	17	16	36	–	–
Derivative financial instruments	25	29	–	–	–	–
Deposit received		–	1	1	–	–
Income tax payables		513	1,146	3,420	–	–
Total current liabilities		11,029	20,891	26,306	430	8,900
TOTAL LIABILITIES		68,294	101,078	109,379	430	8,900
TOTAL EQUITY AND LIABILITIES		105,624	116,691	143,801	71,776	73,477

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

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 30 June 2017

	Note	2017 US$'000	2016 US$'000 (Restated) (Note 37)
Revenue	26	8,959	10,728
Cost of sales		(4,291)	(5,060)
Gross profit		4,668	5,668
Other items of income			
Interest income		102	20
Other income	27	23,217	3,550
Other items of expense			
Administrative expenses		(2,013)	(2,953)
Finance costs	28	(2,485)	(2,858)
Other expenses		(914)	(1,184)
Other charges	29	(7,781)	(24,053)
Profit / (Loss) before income tax	30	14,794	(21,810)
Income tax expense	31	(1,900)	(2,156)
Profit / (Loss) for the financial year		12,894	(23,966)
Other comprehensive income / (loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(152)	639
Net change in fair value of cash flow hedges		(29)	–
Other comprehensive (loss) / income for the financial year, net of tax		(181)	639
Total comprehensive income / (loss) for the financial year		12,713	(23,327)
Income / (Loss) attributable to:			
– Owners of the Company		12,882	(18,274)
– Non-controlling interests		12	(5,692)
		12,894	(23,966)
Total comprehensive income / (loss) attributable to:			
– Owners of the Company		12,944	(17,943)
– Non-controlling interests		(231)	(5,384)
		12,713	(23,327)
Earnings / (Loss) per share			
– Basic (US cents)	32	1.08	(2.17)
– Diluted (US cents)	32	1.07	(2.17)

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

Statements Of Changes In Equity

For the financial year ended 30 June 2017

2017 Group	Note	Share capital US$'000	Deemed capital contribution US$'000	Share option / award reserves US$'000	Foreign currency translation account US$'000	Hedging Reserve US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Equity attributable to owners of the Company								
Balance at 1 July 2016, restated		115,440	2,103	789	(139)	–	(91,970)	26,223	(10,610)	15,613
Profit for the financial year		–	–	–	–	–	12,882	12,882	12	12,894
Other comprehensive income / (loss) for the financial year										
- Currency translation differences arising from consolidation		–	–	–	91	–	–	91	(243)	(152)
- Net change in fair value of cash flow hedges		–	–	–	–	(29)	–	(29)	–	(29)
Total comprehensive income / (loss) for the financial year		–	–	–	91	(29)	12,882	12,944	(231)	12,713
Contributions by and distributions to owners										
Issuance of shares										
- By way of settlement of amount other payables	18	8,874	–	–	–	–	–	8,874	–	8,874
- By way of share awards exercised	18/19	40	–	(40)	–	–	–	-	–	–
Share issuance expenses	18	(11)	–	–	–	–	–	(11)	–	(11)
Share options / awards forfeited	19	–	–	(765)	–	–	764	(1)	–	(1)
Grant of share options to employees	19	–	–	142	–	–	–	142	–	142
Total contributions by and distributions to owners		8,903	–	(663)	–	–	764	9,004	–	9,004
Balance at 30 June 2017		124,343	2,103	126	(48)	(29)	(78,324)	48,171	(10,841)	37,330

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

Statements Of Changes In Equity
For the financial year ended 30 June 2017

2016 Group	Note	Equity attributable to owners of the Company Share capital US$'000	Deemed capital contribution US$'000	Share option / award reserves US$'000	Foreign currency translation account US$'000	Accumulated losses US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Balance at 1 July 2015, as previously stated		110,554	2,103	2,633	(470)	(71,671)	43,149	(5,226)	37,923
Prior year adjustments	37	–	–	–	–	(3,501)	(3,501)	–	(3,501)
Balance at 1 July 2015, as restated		110,554	2,103	2,633	(470)	(75,172)	39,648	(5,226)	34,422
Loss for the financial year		–	–	–	–	(18,274)	(18,274)	(5,692)	(23,966)
Other comprehensive loss for the financial year									
– Currency translation differences arising from consolidation		–	–	–	331	–	331	308	639
Total comprehensive income / (loss) for the financial year		–	–	–	331	(18,274)	(17,943)	(5,384)	(23,327)
Contributions by and distributions to owners									
Issuance of shares									
– By way of cash	18	1,638	–	–	–	–	1,638	–	1,638
– By way of settlement of amount other payables	18	2,685	–	–	–	–	2,685	–	2,685
– By way of share awards exercised	18 /19	666	–	(666)	–	–	–	–	–
Share issuance expenses	18	(103)	–	-	–	–	(103)	–	(103)
Share options / awards forfeited	19	–	–	(1,593)	–	1,476	(117)	–	(117)
Grant of share options to employees	19	–	–	415	–	–	415	–	415
Total contributions by and distributions to owners		4,886	–	(1,844)	–	1,476	4,518	–	4,518
Balance at 30 June 2016, as restated		115,440	2,103	789	(139)	(91,970)	26,223	(10,610)	15,613

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

Statements Of Changes In Equity

For the financial year ended 30 June 2017

Company	Note	Share capital US$'000	Share option / award reserves US$'000	Foreign currency translation account US$'000	Accumulated losses US$'000	Total equity US$'000
Balance at 1 July 2016		115,440	789	607	(52,259)	64,577
Total comprehensive loss for the financial year		–	–	–	(1,715)	(1,715)
Contribution by and distribution to owners						
Issuance of shares						
– By way of settlement of amount other payables	18	8,874	–	–	–	8,874
– By way of share awards exercised	18 /19	40	(40)	–	–	–
Share issuance expenses	18	(11)	–	–	–	(11)
Share options/awards forfeited	19	–	(765)	–	244	(521)
Grant of share options to employees	19	–	142	–	–	142
Total contributions by and distributions to owners		8,903	(663)	–	244	8,484
Balance at 30 June 2017		124,343	126	607	(53,730)	71,346
Balance at 1 July 2015		110,554	2,633	607	(47,516)	66,278
Total comprehensive loss for the financial year		–	–	–	(4,825)	(4,825)
Contribution by and distribution to owners						
Issuance of shares						
– By way of cash	18	1,638	–	–	–	1,638
– By way of settlement of amount other payables	18	2,685	–	–	–	2,685
– By way of share awards exercised	18 /19	666	(666)	–	–	–
Share issuance expenses	18	(103)	-	–	–	(103)
Share options/awards forfeited	19	–	(1,593)	–	82	(1,511)
Grant of share options to employees	19	–	415	–	–	415
Total contributions by and distributions to owners		4,886	(1,844)	–	82	3,124
Balance at 30 June 2016		115,440	789	607	(52,259)	64,577

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

Consolidated Statement Of Cash Flows

For the financial year ended 30 June 2017

	Note	2017 US$'000	2016 US$'000 (Restated) (Note 37)
Cash flows from operating activities			
Profit / (loss) before income tax		14,794	(21,810)
Adjustments:			
Amortisation of intangible assets	11	2	16
Depletion of oil and gas properties	30	2,235	2,402
Depreciation of other property, plant and equipment	30	96	142
Gain on partial redemption of bond receivable, net	27	(755)	–
Impairment loss on exploration, evaluation and development assets	29	–	10,431
Impairment loss on oil and gas properties	29	5,122	–
Impairment loss on intangible assets	29	1,857	1,999
Impairment loss on available-for-sale financial asset	29	–	7,289
Reversal of provision for restoration cost	27	–	(12)
Prepayments written off	29	716	2,830
Write-down of inventories	29	55	244
Refundable deposits written off	29	2	32
Gain on derecognition of deferred consideration	27	(22,011)	–
Loss on disposal of oil and gas properties	29	12	–
Gain on disposal of other plant and equipment	27	–	(29)
Other property, plant and equipment written off	29	17	–
Share-based payment expenses		142	415
Reversal of share options		(1)	(117)
Gain on re-measurement of deferred consideration	27	–	(3,441)
Interest expense	28	2,485	2,858
Interest income		(102)	(20)
Operating cash flows before working capital changes		4,666	3,229
Working capital changes:			
Inventories		121	105
Trade and other receivables		511	1,600
Deposits		204	357
Prepayments		119	(117)
Trade and other payables		406	(1,437)
Cash generated from operations		6,027	3,737
Interest received		10	20
Income tax paid		(2,002)	(4,163)
Net cash from / (used in) operating activities		4,035	(406)

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

Consolidated Statement Of Cash Flows

For the financial year ended 30 June 2017

	Note	2017 US$'000	2016 US$'000 (Restated) (Note 37)
Cash flows from investing activities			
Acquisition of exploration, evaluation and development assets	5	–	(17)
Additions to oil and gas properties	6	(2,964)	(2,762)
Acquisition of other property, plant and equipment	7	(52)	(111)
Proceeds from disposal of other property, plant and equipment		–	55
Proceeds from disposal of oil and gas properties		4	–
Net cash used in investing activities		(3,012)	(2,835)
Cash flows from financing activities			
Interest paid		(1,081)	(931)
Proceeds from bank borrowings		400	–
(Payment of share issuance expense) / Net proceeds from issuance of ordinary shares		(11)	1,535
Repayment of finance lease payables		(19)	(51)
Repayment of borrowings		(980)	(2,884)
Decrease / (Increase) in cash pledge		422	(20)
Advances and loans from a substantial shareholder		–	417
Repayment of loans to a substantial shareholder		(3)	(209)
Net cash used in financing activities		(1,272)	(2,143)
Net change in cash and cash equivalents		(249)	(5,384)
Foreign currency translation adjustments		(130)	646
Cash and cash equivalents at beginning of the financial year		1,941	6,679
Cash and cash equivalents at end of the financial year	17	1,562	1,941

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

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

1. GENERAL INFORMATION

Loyz Energy Limited (the "Company") is a public limited company, incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. The address of the Company's registered office is at 8 Wilkie Road, #03-01, Wilkie Edge, Singapore 228095. The address of its principal place of business is 15 Hoe Chiang Road, #06-01a, Tower 15, Singapore 089316.

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 2017 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 2017 were authorised for issue in accordance with a resolution of the Board of Directors on 9 October 2017.

2. FUNDAMENTAL ACCOUNTING CONCEPT

As at 30 June 2017, the Group's current liabilities exceeded their current assets by US$5,820,000, and cash and cash equivalents of the Group and the Company of US$1,562,000 and US$7,000 respectively appeared low, taking into consideration of the Group's bank borrowings and finance lease obligations of US$3,533,000 that are due within the next 12 months. In addition, the Group defaulted on a financial covenant for one of the bank borrowings which was wavied, as disclosed in Note 20, as at 30 June 2017.

Notwithstanding the above, management is of the view that there is no material uncertainty that will cast a significant doubt on the going concern of the Group and of the Company due to the following:

(i) The Directors of the Company carried out a detailed review of the Group's cash flows forecast prepared by the management for the next 12 months. Based on the cash flows forecast, the Directors of the Company are of the opinion that there is adequate liquidity to finance the working capital requirements of the Group for the next 12 months.

(ii) The Group will be able to raise adequate funds via issuance of the Proposed Rights Shares Issue as disclosed in Note 38(c) for its working capital requirements for the next 12 months.

(iii) The Group is currently pursuing new business opportunities for strategic growth and build new income stream via the Proposed Joint Venture as disclosed in Note 38(a) to the financial statements.

(iv) The Group is in a net asset position of US$37,330,000 (2016: $15,613,000) as at 30 June 2017 and registered a positive operating cash flows of US$4,035,000 (2016: negative operating cash flows of US$406,000) for the financial year ended 30 June 2017.

In view of the above, the accompanying financial statements have been prepared on a going concern basis and no adjustment has been made to the financial statements to reflect the situation that assets may be realised other than in the normal course of business or at significantly different amount from that being currently recorded in the statements of financial position in the unlikely event that the Group and the Company cannot continue to operate on a going concern in the foreseeable future. In such circumstances, the Group and the Company may have to provide for further liabilities which may arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of financial statements

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in United States dollar ("US$") and all values are rounded to the nearest thousand (U$'000) as indicated, unless otherwise stated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note 4 to the financial statements.

3.2 Adoption of new and revised standards

On 1 July 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

3.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Descriptions	**Effective for annual periods beginning on or after**
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs (Dec 2016)	
– FRS 112 *Disclosure of Interests in Other Entities*	1 January 2017
FRS 115 *Revenue from Contracts with Customers (including Clarifications)*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
Improvements to FRSs (Dec 2016)	
– FRS 101 *First-time Adoption of Financial Reporting Standards*	1 January 2018
– FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122: *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 123: *Uncertainty over Income Tax Treatments*	1 January 2019

Except for Amendments to FRS 7, Amendments to FRS 12, FRS 115, FRS 109, INT FRS 122, FRS 116 and convergence with IFRS, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of these new or revised FRSs are described below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective (Continued)

Amendments to FRS 7: *Disclosure Initiative*

The amendments introduce additional disclosure requirement intended to enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. The Group will apply these amendments prospectively in 2018.

Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences. The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits if there is sufficient evidence; and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions arising from the reversal of those deductible temporary differences. The amendments are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted.

FRS 115 *Revenue from Contracts with Customers (including Clarifications)*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective in 2018.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The Group will adopt the standard when it becomes effective in 2018. Based on the Group's preliminary assessment, the Group does not expect any significant adjustments on adoption of FRS 115.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement*, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Group will adopt the standard when it becomes effective in 2018 and does not expect significant adjustment on adoption of FRS 109 as the Group does not expect changes in measurement basis of financial assets and liabilities or significant increase in impairment allowance.

Notes To The Financial Statements
For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Standards issued but not yet effective (Continued)

INT FRS 122: *Foreign Currency Transactions and Advance Consideration*

FRS 21 requires a foreign currency transaction to be recorded using spot exchange rate at the date of transaction. This interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of transaction for the purpose of determining the transaction rate on initial recognition of the related asset, expense or income (or part of it) is the date on which the entity initially recognises the non-monetary asset or liability (such as prepayment or deferred income) arising from the advance consideration. As such, no exchange gain will arise from the transfer of non-monetary asset or liability recognised for advance consideration to the related asset, expense or income at initial recognition. The interpretation applies to annual periods beginning on or after 1 January 2018, which an entity may elect to apply either retrospectively or prospectively.

FRS 116 *Leases*

This new standard on leases supersedes the previous standard (FRS 17) and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease. For leasee, FRS 116 reforms leasee accounting by introducing a single model similar to the existing finance lease model. Specifically, lessees are required to recognise all leases on their statement of financial position to reflect their rights to use leased assets and the associated obligations for lease payments, with limited exemptions for short-term leases (less than 12 months) and leases of low value items. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged. FRS 116 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted for entities that apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of this standard. The Group will apply the new FRS 116 when it becomes effective in 2019, which may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements.

As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 34 (ii). Based on the Group's preliminary assessment, these leases will result in the recognition of asset and liability for future lease payments upon adoption of FRS116.

Convergence with International Financial Reporting Standards (IFRS)

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

Based on the Group's preliminary assessment, the Group expects that the impact on adoption of IFRS-Identical Financial Reporting Standards 15 *Revenue from Contracts with Customers* and IFRS-Identical Financial Reporting Standards 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described above.

The Group is currently performing an analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS-Identical Financial Reporting Standards 1.

3.4 Basis of consolidation

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

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Basis of consolidation (Continued)

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

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

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

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

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

3.5 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.

Notes To The Financial Statements
For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Business combinations (Continued)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

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

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

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

3.6 Exploration, evaluation and development ("E, E&D") assets

<u>Exploration and evaluation costs ("E&E")</u>

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.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Exploration and evaluation costs (Continued)

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

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

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

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

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

Development assets

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

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

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

Development assets are reviewed for impairment in accordance with the Group’s accounting policy on impairment of non-financial assets as set out in Note 3.11 to these financial statements.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 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.

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:

	Useful lives (Years)
Leasehold land	5
Leasehold building	61
Plant, machinery and equipment	
– plant and machinery	21
– other equipment	2 - 5
Furniture and fittings	
– furniture and fittings	15
– other furniture and fittings	3 - 5
Motor vehicles	5 - 10

Depreciation relating to other 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 estimated useful lives and depreciation method are reviewed at each financial year-end to ensure that the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Investment in 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.

3.9 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. Joint arrangements are classified as either:

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

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

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

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

To the extent that an arrangement provides the Group with rights to the assets and obligations for liabilities relating to the arrangement, the arrangement is accounted as an interest in joint operations.

When the Group acquires interests in a joint operations 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 3.5 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 3.10 to these financial statements.

3.10 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.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 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 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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.

3.11 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.

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

An assessment is made at the end of each financial year as to whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. An impairment loss recognised in prior periods is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss has been recognised. Reversals of impairment loss are recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss recognised in profit or loss in prior periods is treated as a revaluation increase. After such a reversal, the depreciation or amortisation is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

3.13 Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. 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.

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. As at the reporting date, the Group has no other financial assets in the categories of financial assets other than the category of loans and receivables and available-for-sale financial assets.

(ii) Subsequent measurement

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise of bonds receivable, trade and other receivables, deposits and cash and bank balances.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(b) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. Assets in this category are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the reporting date.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial assets (Continued)

(ii) Subsequent measurement (Continued)

(b) Available-for-sale financial assets (Continued)

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

3.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(iii) Available-for-sale financial assets

Considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired include (i) a significant or prolonged decline in the fair value of the investment below its costs, (ii) significant financial difficulties of the issuer or obligor, and (iii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

When the available-for-sale financial asset is impaired, the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss previously recognised in the profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

For debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as the financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed in profit or loss.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Share capital and issuance expenses

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

3.16 Bank borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

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

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

3.17 Leases

When the Group and 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 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the reporting date, the Group did not have any financial liabilities in the category of financial liabilities at fair value through profit and loss.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. 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 the profit or loss.

3.19 Provisions

General

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

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

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

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

Provision for restoration costs

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

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Provisions

Provision for restoration costs (Continued)

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.

3.20 Derivative financial instruments, including hedge accounting

Derivative financial instruments are used to manage exposures to commodity price risks arising from operational activities.

Derivative financial instruments are recognised initially at cost and are subsequently remeasured at fair value.The changes in the fair value of the derivative are recognised immediately in the income statement unless the derivative qualifies for hedge accounting where the recognition of any changes in the fair value depends on the nature of the item being hedged.

When a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion is recognised in other comprehensive income. When the forecast transaction subsequently results in a recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which the fair value hedge accounting is applied, the associated cumulative gain or loss previously recognised in other comprehensive income is transferred to the carrying amount of the non-financial asset or non-financial liability.

For other cash flow hedges, the associated cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective portion of any changes in the fair value of the derivative is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss previously recognised in other comprehensive income remains there and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement.

3.21 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised as a liability at their fair values, adjusted for transaction costs directly attributable to the issuance of the guarantees. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liabilities will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Revenue recognition

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

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

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

3.23 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.

3.24 Share-based payments

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

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

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.25 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing cost are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.26 Income 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.

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.26 Income taxes (Continued)

Deferred tax (Continued)

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

Royalties

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

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

3.27 Cash and cash equivalents

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

3.28 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Notes To The Financial Statements

For the financial year ended 30 June 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.29 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 United State dollar (“US$”), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

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

3.30 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

In the process of applying the Group's and Company's accounting policies as disclosed in Note 3 to the financial statements, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(a) *Oil and gas reserve estimates*

The Group estimates its oil and gas reserve 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 the reserve 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 additional geological information may be 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 amounts of development assets (Note 5), oil and gas properties (Note 6), other property, plant and equipment (Note 7), and goodwill (Note 11) may be affected due to changes in estimated future cash flows or viability considered in the impairment testing; and

– depletion and depreciation charges in profit or loss may change where such changes are determined using the units of production method, or where the useful life of the related assets change.

(b) *Recoverability of development costs and oil and gas properties*

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

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

The carrying amounts of the development costs and oil and gas properties are disclosed in Notes 5 and 6 to the financial statements respectively.

Notes To The Financial Statements

For the financial year ended 30 June 2017

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

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

(c) 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.

The carrying amount of goodwill and the key assumptions to determine value-in-used is disclosed in Note 11 to the financial statements.

(d) 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.

The carrying amounts of the investments in subsidiaries and other receivables from subsidiaries are disclosed in Notes 8 and 14 to the financial statements respectively.

4.2 Key sources of estimation uncertainties

The key assumptions concerning the future, and other key sources of estimation uncertainties 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.

(a) Units of production for 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 for depletion 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. A 1% difference in the forecasted production based on total petroleum reserves from management's estimates will result in approximately 0.04% (2016: 0.04%) variance in the net carrying amount of oil and gas properties. The carrying amount of the oil and gas properties is disclosed in the Note 6 to the financial statements.

Notes To The Financial Statements

For the financial year ended 30 June 2017

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

4.2 Key sources of estimation uncertainties (Continued)

(b) *Income taxes*

The Group and the Company recognised liabilities for expected income taxes based on the estimates of income tax payable. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the financial year when such determination is made. The carrying amounts of the Group's deferred tax liability and income tax payable as at 30 June 2017 were approximately US$37,502,000 (2016: US$36,971,000) and US$513,000 (2016: US$1,146,000) respectively.

5. EXPLORATION, EVALUATION AND DEVELOPMENT ASSETS

	Exploration and evaluation assets	Development assets	Total
	US$'000	US$'000	US$'000
Group			
Balance as at 1 July 2015	10,414	19,926	30,340
Additions	17	–	17
Impairment loss (Note 29)	(10,431)	–	(10,431)
Balance as at 30 June 2016	–	19,926	19,926
Balance as at 1 July 2016 and 30 June 2017	–	19,926	19,926

Exploration and evaluation assets ("E&E")

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. On 29 July 2016, Loyz NZ obtained an approval from the New Zealand Government to extend the expiry date to 23 September 2019.

In the previous financial year, management assessed its E&E for impairment. Following the results of their assessment, a full impairment loss of US$10,431,000 had been recognised in profit or loss and included in "Other charges" line item (Note 29). The impairment was triggered by the weak oil price outlook which had a significant impact on the viability of continuing exploration activities in New Zealand.

Development assets

These arose from the acquisition of the Thailand operations in 2014 as disclosed in Note 9(b) to the financial statements.

Notes To The Financial Statements

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6. OIL AND GAS PROPERTIES

	Group		
	30 June 2017 US$'000	30 June 2016 US$'000 (Restated) (Note 37)	1 July 2015 US$'000 (Restated) (Note 37)
Cost			
As at beginning of financial year	64,762	62,000	56,512
Additions	2,964	2,762	5,488
Disposal	(20)	–	–
As at end of financial year	67,706	64,762	62,000
Accumulated depletion and impairment			
As at beginning of financial year	6,480	4,078	721
Depletion for the financial year (Note 30)	2,235	2,402	3,357
Impairment loss (Note 29)	5,122	–	–
Disposal	(4)	–	–
As at end of financial year	13,833	6,480	4,078
Carrying amount			
As at end of financial year	53,873	58,282	57,922

These are attributable from the Thailand operations (Note 9(b)).

7. OTHER PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Leasehold land and building US$'000	Plant, machinery and equipment US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Total US$'000
Group						
Cost						
As at 1 July 2015	1,042	108	656	140	400	2,346
Additions	51	10	36	14	–	111
Disposals	–	–	(3)	–	(151)	(154)
Currency translation adjustment	–	(5)	(15)	(1)	(1)	(22)
As at 30 June 2016	1,093	113	674	153	248	2,281
As at 1 July 2016	1,093	113	674	153	248	2,281
Additions	37	–	11	4	–	52
Written off	–	(9)	(44)	–	(52)	(105)
Currency translation adjustment	–	3	6	1	1	11
As at 30 June 2017	1,130	107	647	158	197	2,239

Notes To The Financial Statements

For the financial year ended 30 June 2017

7. OTHER PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land US$'000	Leasehold land and building US$'000	Plant, machinery and equipment US$'000	Furniture and fittings US$'000	Motor vehicles US$'000	Total US$'000
Group						
Accumulated depreciation and impairment loss						
As at 1 July 2015	–	83	355	130	149	717
Depreciation	–	3	80	6	53	142
Disposals	–	–	(3)	–	(125)	(128)
Currency translation adjustment	–	(4)	(7)	(1)	(1)	(13)
As at 30 June 2016	–	82	425	135	76	718
As at 1 July 2016	–	82	425	135	76	718
Depreciation	–	12	54	9	21	96
Written off	–	(9)	(44)	–	(35)	(88)
Currency translation adjustment	–	2	8	–	1	11
As at 30 June 2017	–	87	443	144	63	737
Net carrying amount						
As at 30 June 2017	1,130	20	204	14	134	1,502
As at 30 June 2016	1,093	31	249	18	172	1,563

Assets held under finance leases

The carrying amount of motor vehicles held under finance leases at the reporting date is US$136,000 (2016: US$154,000). Leased assets are pledged as security for the related finance lease liabilities (Note 21).

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 US$'000	2016 US$'000
Unquoted equity shares, at cost	31,738	31,738
Capital contribution in the form of share options issued to employees of a subsidiary	1,368	1,829
Loans deemed as investment in subsidiaries [i]	87,609	87,517
Impairment loss	(51,087)	(51,248)
	69,628	69,836

[i] The management has transferred and deemed these loans as investment in subsidiaries as the Company has agreed not to demand repayment of such loans from these subsidiaries.

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries are as follows:

Name of company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest held by the Group		Proportion (%) of ownership interest held by non-controlling interests ("NCI")	
		2017 %	2016 %	2017 %	2016 %
Loyz Oil Pte. Ltd. [1] ("Loyz Oil") (Singapore)	Exploration and production of oil and gas and investment holding	100	100	–	–
Interlink Petroleum Limited [2] [6] (India)	Exploration and production of oil and gas and investment holding	51.8	51.8	48.2	48.2
Loyz NZ Ventures Limited [2] ("Loyz NZ") (New Zealand)	Exploration and production of oil and gas	51	51	49	49
Loyz Oil Australia Pty Ltd [2] [4] (Australia)	Exploration and production of oil and gas and investment holding	100	100	–	–
Loyz Oil Philippines Pte. Ltd. [3] (Singapore)	Dormant	100	100	–	–
Loyz Oil New Zealand Ltd [3] (New Zealand)	Dormant	100	100	–	–
Loyz Oil HK Limited [3] (Hong Kong)	Dormant	100	100	–	–
Loyz Oil Malaysia Sdn Bhd [3] (Malaysia)	Dormant	100	100	-	-
Loyz Oil Thailand Pte. Ltd. [1] [5] (Singapore)	Exploration and production of oil and gas and investment holding	100	100	-	-
Loyz USA Holdings LLC [2] (United States of America)	Investment holding	100	100	-	-
Loyz Rex Drilling Services LLC [3] [7] (United States of America)	Dormant	100	100	-	-
Loyz America Inc. [3] [7] (United States of America)	Dormant	100	100	-	-

Notes To The Financial Statements

For the financial year ended 30 June 2017

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries are as follows (Continued):

(1) Audited by Crowe Horwath First Trust LLP, Singapore.
(2) Reviewed by Crowe Horwath First Trust LLP, Singapore, for consolidation purposes.
(3) Not required to be audited as the subsidiary is dormant during the financial year.
(4) Inclusive of 100% (2016: 70%) interest held in the Permit as disclosed in Note 9(a).
(5) Inclusive of 20% (2016: 20%) Participating Interest in Thailand Operations as disclosed in Note 9(b).
(6) On 6 September 2016, it has received a winding up petition and the legal proceeding is still ongoing as at the date of this report.
(7) Subsequent to the financial year, these subsidiaries were liquidated.

(b) Interest in subsidiaries with material NCI

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

Name of subsidiary	Profit / (loss) allocated to NCI		Total comprehensive loss attributable to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Interlink Petroleum Limited	24	(479)	(219)	(171)	(5,733)	(5,514)
Loyz NZ Ventures Limited	(12)	(5,213)	(12)	(5,213)	(5,108)	(5,096)
Total	12	(5,692)	(231)	(5,384)	(10,841)	(10,610)

Summarised financial information in respect 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	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Assets and Liabilities				
Current assets	35	71	2	1
Non-current liabilities	(11,200)	(10,849)	(6,505)	(6,505)
Current liabilities	(587)	(554)	(3,921)	(3,908)
Net liabilities	(11,752)	(11,332)	(10,424)	(10,412)

Notes To The Financial Statements

For the financial year ended 30 June 2017

8. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Summarised statement of profit or loss and other comprehensive income / (loss)

	Interlink Petroleum Limited		Loyz NZ Ventures Limited	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Profit / (Loss) for the financial year	84	(778)	(12)	(6,743)
Other comprehensive (loss) / income	(504)	639	–	–
Total comprehensive loss	(420)	(139)	(12)	(6,743)

(c) Impairment of subsidiaries

Movement in allowance for impairment loss of subsidiaries during the financial year is as follows

	Company	
	2017	**2016**
	US$'000	**US$'000**
At beginning of the financial year	51,248	50,966
Allowance made (1)	–	282
Reversal of impairment loss	(161)	–
At end of the financial year (2)	51,087	51,248

(1) In the previous financial year, management assessed its investment in subsidiaries for impairment. Following the results of their assessment, an impairment loss of US$282,000 has been recognised in the Company's profit of loss in respect of its investment in a subsidiary in New Zealand. The subsidiary was still at its exploration phase and impairment was triggered by the weak oil price outlook, which had a significant impact on the viability of continuing exploration activities in New Zealand.

(2) The impairment loss of US$ 51,087,000 (2016: US$51,248,000), recognised in the Company's profit or loss in the prior years, were made in respect of investments in subsidiaries in New Zealand, India and Australia.

9. INTEREST IN JOINT OPERATIONS

(a) 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.

9. INTEREST IN JOINT OPERATIONS (CONTINUED)

(a) Interest in joint operation with Trident (Continued)

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.

Pursuant to the minimum requirements approved by the 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).

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 the issuance of the 3D Seismic Interpretation Report. Accordingly, the Group held 70% interest in the joint operation, with effect from financial year 2014.

On 21 July 2016, Loyz Australia and Trident entered into a termination agreement, whereby Trident disposed its 30% interest in the Permit to Loyz Australia at US$Nil consideration, being a farm-out decision. Pursuant to the termination, Loyz Australia held 100% interest (2016: 70% interest) in the Permit as at 30 June 2017, and accordingly, with effect from that date, the Group accounted for 100% of the assets, liabilities, revenue and expenses arising from the farm-in agreement in Loyz Australia (Note 8).

(b) Interest in the Thailand Operations

On 30 April 2014, Loyz Thai, a wholly-owned subsidiary of the Company, 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"), at a purchase consideration of US$65,000,000 satisfied by:

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

Following the acquisition, the Thailand Operations is held by 3 parties, namely the Operator, CVN and Loyz Thai ("3 Parties") with participating interests of 60%, 20% and 20% ("Participating Interests") respectively. Subsequently on 16 February 2015, CVN has assigned its 20% Participating Interests to Berlanga Thailand Limited. Pursuant to the terms of the International Operating Agreements ("IOA") between the 3 Parties, management assessed and concluded that the Thailand Operations qualify as a joint operation under FRS 111 *Joint Arrangements*, notwithstanding that all decisions, approvals and other actions of the operating committee are decided by the affirmative vote of one or more parties, with a collective vote of at least 75% Participating Interests.

In the event where votes are not unanimous, the IOA provides for an exclusive operation ("EO") clause, for consenting parties to bear all relevant costs and liabilities of the EO, in proportion to their respective Participating Interests, and to indemnify the non-consenting party from any costs and liabilities incurred in relation to the EO. The EO shall be excluded from the scope of the IOA. Accordingly, the management concluded that the Thailand Operations is jointly controlled by the 3 Parties, and the Group will share the respective rights and interests, the obligations, liabilities and expenses incurred by the Thailand Operations, according to its Participating Interest.

9. INTEREST IN JOINT OPERATIONS (CONTINUED)

(b) Interest in the Thailand Operations (Continued)

During the financial year, taking into account of the volatility in the oil and gas industry, the Group and CVN entered into a supplemental agreement to revise the deferred consideration, to be satisfied by:

(i) An upfront payment of US$4,000,000, in cash or a combination of cash and issuance of the Company's shares; and
(ii) In the event of a disposal of the Thailand Operations by the Group and the sale proceeds exceed US$45,000,000, a cash payment amounting to 12% of the sale proceeds that is in excess of US$45,000,000 shall be payable to CVN.

As a result of the above, the Group recorded the following during the financial year:

(a) Cash payment of US$50,000 to CVN and the remaining balance of US$3,950,000 recorded in the Group's trade and other payables (Note 23) as at 30 June 2017. Subsequent to the reporting date, the Company announced that the remaining balance of US$3,950,000 will be settled via the issuance of 331,653,000 new ordinary shares of the Company at an issue price of S$0.01615 per share, which is subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened in due course; and
(b) Remeasured the deferred consideration by derecognising the balance at the date of change, resulting in a net gain of US$22,011,000 (Note 27) in "Other income" in the Group's profit or loss.

The following amounts represent the assets controlled and liabilities obligated, income and expenses incurred by the joint operations that were included in the Group's financial statements:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Assets and Liabilities		
Non-current assets [(1)]	99,773	106,053
Current assets	4,441	5,343
Non-current liabilities	(38,537)	(38,007)
Current liabilities	(1,580)	(1,792)
Profit or loss		
Income	8,959	10,728
Expenses [(2)]	(12,148)	(8,822)

(1) Inclusive of the carrying amounts of development assets and intangible assets – goodwill of US$19,926,000 and US$24,612,000 (2016: US$19,926,000 and US$26,469,000) respectively.

(2) Exclude impairment loss of intangible assets - goodwill of US$1,857,000 (2016 : US$1,500,000) being recognised in the current financial year.

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

As disclosed in Note 20 to the financial statements, the shares of Loyz Thai, which hold the interest in the Thailand Operations, are pledged to a bank to secure the Group's bank borrowings and credit facilities.

Notes To The Financial Statements

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10. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2017	2016
	US$'000	US$'000
Unquoted equity securities, at cost	41,400	41,400
Impairment loss	(41,400)	(41,400)
	–	–

The unquoted equity securities represent a 13.75% equity interest in Fram Exploration ASA ("Fram"). The management had assessed its involvement in Fram and concluded that it had no significant influence as it cannot participate in Fram's financial and operating decisions.

In the previous financial year, management assessed its available-for-sale financial asset for impairment. Following the results of their assessment, an impairment loss, triggered by the weak oil price outlook, of US$7,289,000 had been recognised in the profit or loss and included in "Other charges" line item (Note 29).

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

11. INTANGIBLE ASSETS

	Goodwill	Acquired pre-exploration data	Software	Overriding royalty interest	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
Cost					
As at 1 July 2015	40,142	593	230	2,886	43,851
Currency translation adjustment	–	–	3	–	3
As at 30 June 2016, 1 July 2016 and 30 June 2017	40,142	593	233	2,886	43,854
Accumulated amortisation and impairment loss					
As at 1 July 2015	12,173	94	214	2,886	15,367
Amortisation	–	–	16	–	16
Impairment loss (Note 29)	1,500	499	–	–	1,999
Currency translation adjustment	–	–	1	–	1
As at 30 June 2016	13,673	593	231	2,886	17,383
As at 1 July 2016	13,673	593	231	2,886	17,383
Amortisation	–	–	2	–	2
Impairment loss (Note 29)	1,857	–	–	–	1,857
As at 30 June 2017	15,530	593	233	2,886	19,242
Carrying amount					
As at 30 June 2017	24,612	–	–	–	24,612
As at 30 June 2016	26,469	–	2	–	26,471

11. INTANGIBLE ASSETS (CONTINUED)

Pre-exploration data and software

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

Overriding royalty interest

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

Goodwill

Goodwill arising on acquisition of Loyz Oil, Interlink Petroleum Limited ("Interlink") and the participating interest in the Thailand operations (Note 9(b)) 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.

(a) Impairment testing of goodwill

For the purpose of management's impairment assessment, goodwill is allocated to the Thailand Operations as a cash-generating units ("CGU") (2016: Thailand Operations).

The recoverable amount of the Group's goodwill has been determined based on value-in-use calculations for the assets owned by the CGU using management-approved discounted cash flow projections covering a period of 6 to 22 years (2016: 6 to 23 years) based on developement plans for the producing wells and the remaining concession periods , at pre-tax discount rate of 12% (2016: 10%) and forecasted annual production volume. The forecasted growth rate is 2% (2016: 2%).

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

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

- Production volumes (taking into account proved and probable reserve);
- Discount rate; and
- Crude oil and gas prices (taking into consideration of current and future outlook in fluctuating oil prices).

Forecasted annual production volumes are based on detailed data for the reserves of the fields and taking into account the development plans for the fields approved by operating committee (Note 9(b)) as part of the long-term planning process. Whereby reserves are 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.

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

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For the financial year ended 30 June 2017

11. INTANGIBLE ASSETS (CONTINUED)

(a) *Impairment testing of goodwill (Continued)*

Crude oil and gas prices of US$46 to US$89 (2016: US$42 to US$56) per barrel are based on publicly available forecast commodity prices and are adjusted for quality, transportation fees, and regional price differences.

In the previous financial year, owing to the weak oil price outlook, the Group recognised partial impairment loss of approximately US$1,500,000 in relation to its Thailand Operations.

Sensitivity analysis

The recoverable amount is most sensitive to the discount rate, production volumes, and crude oil and gas prices used for the discounted cash flow model.

Financial year 2017

If the discount rate were 1% higher than forecasted in the discounted cash flows model, goodwill as at 30 June 2017 will be reduced by approximately US$3.8 million.

If the production volume were 5% lower than forecasted in the discounted cash flows model, goodwill as at 30 June 2017 will be reduced by approximately US$4.6 million.

If the oil prices were 5% lower than forecasted in the discounted cash flows model, goodwill as at 30 June 2017 will be reduced by approximately US$4.8 million.

Financial year 2016

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

12. BONDS RECEIVABLE

	Group	
	2017 US$'000	2016 US$'000
At beginning of the financial year	2,627	–
Addition (Note A)	–	2,627
Redeemed (Note B)	(2,198)	–
Accrued for bonds interest (Note B)	92	–
Currency translation adjustment	(19)	–
At end of the financial year	502	2,627

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12. BONDS RECEIVABLE (CONTINUED)

Note A

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

The aggregate consideration was satisfied as follows:

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

Accordingly, bond receivable is classified as current assets as at 30 June 2016.

Note B

During the financial year, pursuant to a bond meeting convened by Fram on 4 October 2016, it was concluded that:

(i) The Bonds can be early redeemed, either partially or in full, and the Group shall redeem the Bonds at a par value of US$3,349,000 via (a) set-off arrangement against an amount owing to Fram of US$2,000,000 plus interest of US$151,000 (Note 23), and (b) transferring 41,344,580 of the Company's existing shares held by Fram to the Bond Sellers ("Settlement") ;

The maturity date of the Bonds was extended to 31 December 2018, with an early mandatory full redemption of the Bonds in the event of the sale of certain oil assets held by Fram; and

(ii) Interest payable until 31 December 2016 were waived and interest payable from 1 January 2017 until the maturity date was amended to 10% per annum.

Accordingly, the Group exercised and redeemed its Bonds partially in accordance with the Settlement arrangement, resulting in a net gain of US$755,000 (Note 27) recorded in "Other income" in the Group's profit or loss due to the derecognition of the Bonds and liabilities during the current financial year.

Correspondingly, the unredeemed Bonds with par value of NOK 5,300,000 (US$649,571) held at amortised cost amounting to US$502,000 as at 30 June 2017 is classified as non-current assets as the Group does not intend to redeem the remaining Bonds, which matures on 31 December 2018, within the next 12 months from the reporting date.

The bonds receivable is denominated in Norwegian Krone.

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For the financial year ended 30 June 2017

13. INVENTORIES

	Group	
	2017	2016
	US$'000	US$'000
Stores and consumables	2,161	2,336
Crude oil	13	14
	2,174	2,350

During the financial year, the Group carried out a review of the net realisable value of its inventories which led to the write-down of inventories by approximately US$55,000 (2016: US$244,000) recognised in the "Other charges" line item in the Group's profit or loss (Note 29).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Trade receivables				
– A third party	475	969	–	–
Non-trade receivables				
– Third parties	117	115	–	–
– Subsidiaries	–	–	2,132	2,089
Substantial shareholder	137	161	–	–
Total trade and other receivables	729	1,245	2,132	2,089

The trade amounts due from a third party are unsecured, interest-free and repayable within the normal credit terms of 30 days (2016: 30 days).

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

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	131	–	–	–
United States dollar	6	161	2,132	2,089
Thai baht	591	1,083	–	–
New Zealand dollar	1	1	–	–
	729	1,245	2,132	2,089

Notes To The Financial Statements

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15. DEPOSITS

	Group	
	2017	2016
	US$'000	US$'000
Reservation deposits	452	562
Deposits to secure services	97	193
	549	755

Reservation deposits represent the Group's share of the refundable deposits paid to the Department of Mineral Fuels of Thailand by the Thailand operations to secure the exploration operations in Thailand.

During the financial year, the Group wrote off US$2,000 (2016: US$32,000) of the deposits, which is recognised in the "Other charges" in the Group's profit or loss (Note 29).

Deposits are denominated in the following currencies:

	Group	
	2017	2016
	US$'000	US$'000
Singapore dollar	17	18
Thai baht	514	711
United States dollar	1	1
Indian rupee	17	25
	549	755

16. PREPAYMENTS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Prepayment - MTN Programme (Note A)	–	716	–	716
Other prepayments	97	295	9	215
	97	1,011	9	931

Note A

This pertains to capitalised transactions costs in relation to the Group's S$250,000,000 Multicurrency Medium Term Note ("Note") Programme (the "MTN Programme") issued on 3 October 2014. In the current financial year, , the Group wrote off the entire balance of US$716,000 (Note 29) as a result of the protracted downcycle in the oil and gas industry that negatively affect the Company's chances of issuing bonds under the MTN Programme. There are no Notes issued in respect of the MTN Programme since inception.

In the previous financial year, the Group wrote off US$2,830,000 (Note 29) of prepayments in relation to the utilisation of certain proprietary technologies to obtain information on the possible presence of oil and gas reserves in selected areas.

Notes To The Financial Statements

For the financial year ended 30 June 2017

17. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash and bank balances as per statements of financial position	1,660	2,461	7	621
Less: Cash pledged and restricted in use*	(98)	(520)		
Cash and cash equivalents as per consolidated statement of cash flows	1,562	1,941		

* This relates to bank balance pledged to secure credit facilities granted to certain subsidiaries (Note 20).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	82	642	1	598
Australian dollar	21	21	–	–
United States dollar	453	638	6	23
Indian rupee	18	42	–	–
New Zealand dollar	1	–	–	–
Thai Baht	1,085	1,118	–	–
	1,660	2,461	7	621

18. SHARE CAPITAL

	Group and Company			
	2017		**2016**	
	Number of shares	**US$'000**	**Number of shares**	**US$'000**
Issued and fully paid ordinary shares				
At beginning of the financial year	1,043,698,798	115,440	825,984,945	110,554
Issuance of shares (1)	16,269,000	247	212,933,853	4,323
Conversion of loan by third parties (2)	465,870,885	8,627	–	–
Share awards vested (3)	689,000	40	4,780,000	666
Share issue expense	–	(11)	–	(103)
At end of the financial year	1,526,527,683	124,343	1,043,698,798	115,440

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.

Notes To The Financial Statements

For the financial year ended 30 June 2017

18. SHARE CAPITAL (CONTINUED)

(1) Financial year 2017

On 29 November 2016, the Company allotted and issued 16,269,000 new ordinary shares at an issue price of S$0.0212 (equivalent to US$0.015) per new share to settle liabilities included in other payables.

Financial year 2016

On 24 June 2016, the Company allotted and issued 88,882,853 new ordinary shares at issue price of S$0.0268 (equivalent to US$0.0194) as part of the consideration for the acquisition of the Bonds (Note 12).

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

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

(2) On 17 March 2017, the Company allotted and issued 465,870,885 new ordinary shares at the exercise price of S$0.026 (equivalent to US$0.019) by way of capitalising amount due to third parties (Note 23).

(3) Financial year 2017

On 14 November 2016, the Company allotted and issued an aggregate of 689,000 ordinary shares in the capital of the Company (“New share”) at an issue price of S$0.081 (equivalent to US$0.058) per New Share, pursuant to the vesting of the awards granted under PSP (Note 19).

Financial year 2016

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

The newly issued shares rank pari passu in all respects with previously issued shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

19. RESERVES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Share option / award reserves	126	789	126	789
Foreign currency translation account	(48)	(139)	607	607
Hedging reserve	(29)	–	–	–
Deemed capital contribution	2,103	2,103	–	–
	2,152	2,753	733	1,396

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For the financial year ended 30 June 2017

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 financial year was:

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

Notes To The Financial Statements

For the financial year ended 30 June 2017

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.

	2017		2016	
	Number of options	Weighted average exercise price S$	Number of options	Weighted average exercise price S$
Outstanding as at 1 July	8,450,000	0.3785	26,440,000	0.3820
Cancelled / Forfeited (i)	(8,450,000)	0.3785	(17,990,000)	0.3836
Outstanding as at 30 June	–	–	8,450,000	0.3785
Exercisable as at 30 June	–	–	8,450,000	0.3785

(i) In view of the recent performance of the share price of the Company, the exercise prices of the existing ESOS are higher than the recent market prices of the shares, accordingly the board of directors resolved to cancel the existing ESOS during the financial year since that the existing ESOS can no longer serve the purpose.

The share options outstanding as at the end of the previous financial year had a weighted average remaining contractual life of 2 years.

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 uses the following assumptions:

	Options granted on			
	10 November 2014	24 October 2013 and 11 February 2014	16 January 2013	18 December 2012
Weighted average share price (S$)	0.1794	0.42	0.42	0.40
Weighted average exercise price (S$)	0.1794	0.42	0.4258	0.42
Dividend yield expected	0%	0%	0%	0%
Risk-free annual interest rates	0.82%	0.457%	0.253%	0.293%
Expected volatility	42.8%	42%	55%	53%
Expected life	3 years	3 years	3 years	3 years

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

19. RESERVES (CONTINUED)

Share award 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 for no consideration. 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 financial year was:

Market price at the date of grant	Grant date	Vesting date	Number awards as at 30 June 2017	Number awards as at 30 June 2016
S$0.0810	13 November 2015	13 November 2016	–	804,000
S$0.0139	8 September 2016	8 September 2017	15,200,000	–
			15,200,000	804,000

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.

	2017		2016	
	Number of options	Weighted average market price * S$	Number of options	Weighted average market price * S$
As at 1 July	804,000	0.0810	4,780,000	0.1794
Granted	15,200,000	0.0139	1,161,000	0.0810
Exercised	(689,000)	0.0810	(4,780,000)	0.1794
Forfeited	(115,000)	0.0810	(357,000)	0.0810
Exercisable as at 30 June	15,200,000	0.0139	804,000	0.0810

* Fair value of the award is based on the quoted market price of the Company's shares as at the grant date, and is recognised in the profit or loss over the vesting period of one year.

19. RESERVES (CONTINUED)

Foreign currency translation account

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

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

Deemed capital contribution

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

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

20. BANK BORROWINGS

	Maturity	Current US$'000	Non-current US$'000	Total US$'000
Group				
2017				
Secured				
Bank Loan I	18 April 2019	1,029	1,560	2,589
Bank Loan II	30 July 2020	540	17,400	17,940
Specific advance facility	On demand	400	–	400
Unsecured				
Revolving credit facility I	On demand	1,000	–	1,000
Bank loan III	On demand	547	–	547
		3,516	18,960	22,476
2016				
Secured				
Bank Loan I	18 April 2019	400	2,540	2,940
Bank Loan II	30 July 2020	2,400	16,777	19,177
Revolving credit facility I	On demand	1,000	–	1,000
Unsecured				
Bank Loan III	On demand	523	–	523
		4,323	19,317	23,640

Notes To The Financial Statements

For the financial year ended 30 June 2017

20. BANK BORROWINGS (CONTINUED)

The bank borrowings bear the interest rates as follows:

	Interest rate (per annum)	2017	2016
Bank Loan I	LIBOR + 2.5%	2.987% to 3.709%	2.6880% to 2.9481%
Bank Loan II	SIBOR + 4%	4.72% to 5.19%	4.35% to 4.43%
Bank Loan III	Fixed	14.25%	14.25%
Revolving credit facility I	LIBOR + 2.75%	3.2366% to 3.8000%	3.2019% to 3.389%
Specific advance facility	Bank's cost of fund + 4%	5.18% to 5.36%	–

Bank Loan I

Bank Loan I amounting to US$9,000,000 at inception was obtained for working capital purposes. In 2015, the loan was partially repaid and the remaining balance of US$4,500,000 was repayable in 12 equal monthly instalments commencing from 18 September 2015. In 2016, the Group restructured the loan repayment schedule from 12 equal monthly instalments to 44 monthly instalments, payable on an incremental basis.

During the current financial year, the Group has further restructured the loan repayment as follows:

(i) Monthly principal repayment instalments from June 2017 to December 2017 totalling S$350,000 shall be deferred up to 18 December 2017 or the date of completion of the fund raising exercise by the Group, whichever is earlier;
(ii) Repayment of principal of US$500,000 on completion of the fund raising exercise; and
(iii) Balance of the remaining loan is repayable in 15 monthly instalments on an incremental basis, with a balloon repayment of US$870,000 in April 2019.

Bank Loan I is secured by the following:

(a) corporate guarantee from the Company;
(b) a substantial shareholder of the Company, Jit Sun Investments Pte Ltd and certain of its subsidiaries; and
(c) a pledge of the Company's shares in Loyz Oil Pte Ltd ("Loyz Oil").

During the financial year, the Group reviewed its compliance to loan covenants and noted that one of the loan covenants has 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. As a result of the non-compliance of the financial covenants, the Group has negotiated and obtained a waiver from the bank waiving the non-compliance on 28 June 2017.

Bank Loan II

On 30 April 2014, the Group obtained a bank loan of US$32,000,000 from Oversea-Chinese Banking Corporation Limited ("OCBC Bank") to finance the acquisition of 20% Participating Interest in the Thailand Operations (Note 9(b)). 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. starting 30 October 2014).

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For the financial year ended 30 June 2017

20. BANK BORROWINGS (CONTINUED)

Bank Loan II (Continued)

During the current financial year, the Group restructured the repayment terms of the outstanding loan as follows:

(i) Instalments due shall be revised downwards, with the principal to be paid over 47 monthly instalments and a final instalment of US$16,970,000 on July 2020; and
(ii) Amendments fees of 4% over the then outstanding loan amount of US$19,220,000, which amounted to US$768,000 (Note 23), shall be paid on the maturity of the loan or upon full repayment of the loan, whichever is earlier.

Funds received from Loyz Thai's Participating Interest in Thailand Operations in excess of the aggregate of the proposed reduced monthly principal and interest obligation and agreed monthly planned operating expenditure of the Company shall be kept in a bank account with OCBC Bank. The funds shall be reserved mainly for prepayments to OCBC Bank; and

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

Bank Loan III

On 26 March 2014, the Group obtained a loan facility from a financial institution, amounting to INR30,000,000 (equivalent to US$547,000). As at 30 June 2017, the Group fully utilised the facility for the financing of its working capital.

Revolving credit facility

In addition to the loan restructuring disclosed in Bank Loan I, the Group obtained a revolving loan facility from the financial institution, amounting to US$1,000,000. As at 30 June 2017, the Group fully utilised the facility for financing of its general working capital. The facility is secured by corporate guarantee by the Company.

Specific advance facility

On 8 May 2017, the Group obtained a revolving loan facility from a financial institution, amounting to US$1,000,000. As at 30 June 2017, the Group has utilised US$400,000 of the facility for the financing of its general working capital.

The facility 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, Loyz Thai's intercompany loan, as well as corporate guarantees by the Company, Loyz Thai and the substantial shareholder of the Company, Jit Sun Investments Pte Ltd.

Currency profile and Fair value

Bank borrowings are denominated in the following currencies:

	Group	
	2017	**2016**
	US$'000	**US$'000**
United States dollar	21,929	23,117
Indian rupee	547	523
	22,476	23,640

Notes To The Financial Statements
For the financial year ended 30 June 2017

20. BANK BORROWINGS (CONTINUED)

The fair values of the bank borrowings approximate the carrying amounts due to the recent restructuring of the bank borrowings and / or frequent repricing of interest rates.

21. FINANCE LEASE PAYABLES

	Minimum lease payments US$'000	Future finance charges US$'000	Present value of minimum lease payments US$'000
Group			
2017			
Within one financial year	19	(2)	17
After one financial year but within five financial years	37	(2)	35
	56	(4)	52
2016			
Within one financial year	19	(3)	16
After one financial year but within five financial years	59	(4)	55
	78	(7)	71

The finance lease obligation is secured by the motor vehicle purchased under finance lease arrangements (Note 7). The finance lease term is 5 years (2016: 5 years). The weighted average effective interest rate is at 2.6% (2016: 2.6%) per annum.

Interest rate is fixed at the contract date, and thus it is not subject to the interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The finance lease payables are denominated in Singapore dollar.

22. PROVISION FOR RESTORATION COSTS

	Group	
	2017 US$'000	2016 US$'000
Provision for restoration costs (i)	65	62
Deposit in site restoration fund (ii)	(65)	(62)
	–	–

Notes To The Financial Statements

For the financial year ended 30 June 2017

22. PROVISION FOR RESTORATION COSTS (CONTINUED)

Movements in provision for restoration costs were as follows:

	Group	
	2017	2016
	US$'000	US$'000
Balance as at beginning of financial year	62	78
Reversal of provision (Note 27)	–	(12)
Currency translation adjustment	3	(4)
Balance as at end of financial year	65	62

(i) The Group's site restoration obligation arose from one of the subsidiaries, Interlink's interests in Baola and Modhera fields in India.

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 2017, Interlink recognised a provision for restoration costs amounting to INR 4,200,000 (equivalent to US$65,000) (2016: INR 4,200,000 (equivalent to US$62,000)). 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% (2016: 8.5%).

(ii) Pursuant to the Site Restoration Fund Scheme 1999 approved by the Government of India, Interlink deposited INR4,200,000 (equivalent to US$65,000) (2016: INR 4,200,000 (equivalent to US$62,000)) in the fund maintained in the State Bank of India as at the end of the financial year.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Current				
Trade payables				
Third parties	505	145	–	–
Non-trade payables				
Third parties	1,018	3,331	1	3
A third party, CVN (Note 9(b))	3,950	1,287	–	–
A substantial shareholder of the Company	118	8,650	–	8,646
Accrued operating expenses	1,363	1,992	429	251
	6,954	15,405	430	8,900

23. TRADE AND OTHER PAYABLES (CONTINUED)

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Non-current				
Non-trade payables				
A third party , CVN (Note 9(b))	–	23,844	–	–
A third party, financial institution (Note 20)	768	–	–	–
	768	23,844	–	–
Total trade and other payables	7,722	39,249	430	8,900

The trade amounts due to third parties are unsecured, interest-free and are on 30 days (2016: 30 days) credit term.

The non-trade balances due to a substantial shareholder are unsecured, interest-free and repayable on demand, except for an amount of US$7,424,000 as at 30 June 2016 which was unsecured, borne interest at 5% per annum. During the financial year, the balance was assigned to some third parties and was fully repaid via issuance of the shares (Note 18).

Included in the Group's current non-trade payables to third parties as at 30 June 2016 was an amount of US$2,151,000, comprised of principal US$2,000,000 and interest of US$151,000, which was related to the termination consideration payable to Fram. The balance was unsecured, borne interest at 7.55% per annum and was settled via redemption of the Bonds (Note 16) during the current financial year.

Amount owing to CVN as at 30 June 2016 comprised a current payables of US$1,287,000 and a non-current payables of US$23,844,000, which represent in aggregate the original deferred consideration for the acquisition of participating interests in the Thailand operations (Note 9(b)) that was discounted at 4.5% and was unsecured. In the previous financial year, owing to the weak oil price outlook that resulted to a reduction in forecasted concession revenue, the management had re-measured the present value of the deferred consideration and expected that this would be repaid within 10 years instead of the previously estimation of 5 years. Accordingly, it had resulted to a re-measurement difference of US$3,441,000 being charged to profit or loss in the financial year 2016 (previously reported: reduced the oil and gas properties as detailed in Note 37).

As disclosed in Note 9(b), pursuant to a supplement of agreement, the deferred consideration has been derecognised during the current financial year.

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23. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	744	4,830	430	3,832
Australian dollar	2	–	–	–
Thai Baht	1,744	1,682	–	–
Indian rupee	40	30	–	–
United States dollar	5,179	32,706	–	5,068
Others	13	1	–	–
	7,722	39,249	430	8,900

24. DEFERRED TAX LIABILITIES

	Group	
	2017	2016
	US$'000	US$'000
Balance as at beginning of financial year	36,971	36,733
Charged to profit or loss (Note 31)	531	238
Balance as at end of financial year	37,502	36,971

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

	Group	
	2017	2016
	US$'000	US$'000
Exploration, evaluation and development assets	9,963	9,963
Oil and gas properties	27,539	27,008
	37,502	36,971

25. DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	Contract notional amount	Liability Fair value
	US$'000	US$'000
2017		
Zero-cost collar	158	29

During the financial year, the Group hedged the fluctuation of the crude oil prices by entering into zero-cost collar options contracts, with the underlying product being ICE Brent Oil futures, with a contract period between 3 months to 6 months. The volume of oil to be hedged will be capped at 50% of oil production at the time of entering into the hedging arrangement.

The zero-cost collar hedge is recognised at fair value at each reporting period and any fair value gain or loss on zero-cost collar is recognised in other comprehensive income. The fair value of zero-cost collar is determined based on the brokers' quote (Note 36(v)).

26. REVENUE

	Group	
	2017	2016
	US$'000	US$'000
Sales of crude oil	8,959	10,728

27. OTHER INCOME

	Group	
	2017	2016
	US$'000	US$'000 (Restated)
Gain on disposal of other plant and equipment	–	29
Foreign exchange gain, net	236	–
Gain on partial redemption of bond receivable (Note 12)	755	–
Gain on derecognition of deferred consideration (Note 9(b))	22,011	–
Gain on re-measurement of deferred consideration (Note 23)	–	3,441
Reversal of provision for restoration cost (Note 22)	–	12
Other income	215	68
	23,217	3,550

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28. FINANCE COSTS

	Group	
	2017	**2016**
	US$'000	**US$'000 (Restated)**
Interest expense on:		
– Bank borrowings	2,403	2,615
– Finance leases	3	4
– Others	79	239
	2,485	2,858

29. OTHER CHARGES

	Group	
	2017	**2016**
	US$'000	**US$'000**
Impairment loss of exploration, evaluation and development asset (Note 5)	–	10,431
Impairment loss of oil and gas properties (Note 6)	5,122	–
Impairment loss of available-for-sale financial asset (Note 10)	–	7,289
Impairment loss of intangible assets (Note 11)	1,857	1,999
Prepayments written off (Note 16)	716	2,830
Write down of inventories (Note 13)	55	244
Refundable deposits written off (Note 15)	2	32
Loss on disposal of oil and gas properties	12	–
Other property, plant and equipment written off	17	–
Foreign exchange loss, net	–	1,228
	7,781	24,053

Notes To The Financial Statements
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30. PROFIT / (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 and (credits):

	Group	
	2017 US$'000	2016 US$'000
Cost of sales		
Depletion of oil and gas properties (Note 6)	2,235	2,402
Thailand Petroleum royalties and other government taxes	476	617
Interest income		
Interest income from bond receivable	(92)	–
Administrative expenses		
Audit fees		
– Auditors of the Company	54	67
– Other auditors	50	35
Non-audit fees		
– Auditors of the Company	–	22
Directors' fees	131	45
Share-based payment expenses, net	141	298
Employee benefits expense		
– Salaries, bonuses and other short-term benefits	1,303	1,821
– Defined contributions plan expenses	40	54
Other expenses		
Depreciation of other property, plant and equipment (Note 7)	96	142
Rental expenses for operating leases	113	165
Legal and professional fees	464	596

The above employee benefits expense includes remuneration of directors and key management personnel as shown in Note 33 to the financial statements.

31. INCOME TAX EXPENSE

	Group	
	2017 US$'000	2016 US$'000
Current tax		
– current financial year	1,369	1,918
Deferred tax		
– current financial year	531	238
	1,900	2,156

Notes To The Financial Statements

For the financial year ended 30 June 2017

31. INCOME TAX EXPENSE (CONTINUED)

The reconciliation of income tax expense and the product of accounting profit / (loss) multiplied by the applicable rate is as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Profit / (loss) before income tax	14,794	(21,810)
Tax at the applicable tax rate of 17% (2015: 17%)	2,515	(3,708)
Tax effect of:		
– different income tax rates in other countries	1,206	(1,416)
– expenses not deductible for income tax purposes		
– Impairment loss	1,315	4,711
– others	739	910
– income not subject to income tax	(4,385)	(600)
– deferred tax asset not recognised	510	2,259
	1,900	2,156

The Company and Singapore subsidiaries

The Company and Singapore subsidiaries are subjected to an applicable tax rate of 17% (2015: 17%). Certain subsidiaries are in a tax loss position for both the financial years ended 30 June 2017 and 2016 and hence they are not subjected to tax in the respective years.

Thailand Operations (Note 9(b))

This joint operation is subjected to an applicable tax rate of 50% (2016: 50%).

Others

These are subsidiaries in India, Australia, Malaysia, New Zealand, Hong Kong and United States of America, which are subjected to an applicable tax rate ranging from 16.5% to 40% (2016: 16.5% to 40%). These subsidiaries are mainly in a tax loss position for both the financial years ended 30 June 2017 and 2016 and hence they are not subjected to tax.

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For the financial year ended 30 June 2017

31. INCOME TAX EXPENSE (CONTINUED)

Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Balance as at beginning of financial year	3,042	1,150
Amount not recognised during financial year	510	1,892
Balance as at end of financial year	3,552	3,042

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

Group	**2017**	**2016**	**Jurisdiction**	**Expiring year**
	US$'000	**US$'000**		
Unutilised tax losses	1,110	1,966	Singapore, New Zealand, Australia, India	Indefinite
Unutilised tax losses	2,440	1,074	United States of America	2033
Other property, plant and equipment	8	8		
Others	(6)	(6)		
	3,552	3,042		

Deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the financial statements of the Group in accordance with the accounting policy as disclosed in Note 3.26 to the financial statements.

32. EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) for the financial year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings / (loss) per share is calculated by dividing the profit / (loss) for the financial year, net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

2017

Share awards of 15,200,000 granted to director and employees during the financial year under the existing performance share plan (Note 19) have been included in the calculation of diluted earnings per share because the effect is dilutive.

Notes To The Financial Statements

For the financial year ended 30 June 2017

32. EARNINGS / (LOSS) PER SHARE (CONTINUED)

2016

Share awards of 804,000 and share options of 8,450,000 granted to directors and employees under the existing performance share plan (Note 19) have not been included in the calculation of diluted loss per share because they are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

The calculation of earnings / (loss) per share is based on the following:

	Group	
	2017	2016 (Restated)
Net profit / (loss) attributable to equity holders of the Company (U$'000)	12,882	(18,274)
Weighted average number of ordinary shares outstanding for basic earnings / (loss) per share ('000)	1,188,964	842,126
Weighted average number of ordinary shares outstanding for diluted earnings / (loss) per share ('000)	1,204,164	842,126
Earnings / (loss) per share (US cents)		
– Basic	1.08	(2.17)
– Diluted	1.07	(2.17)

33. SIGNIFICANT RELATED PARTY TRANSACTIONS

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
With subsidiaries				
Payments made on behalf of	–	–	300	9,540
With a substantial shareholder				
Payments made on behalf of	13	62	–	–
Payments made on behalf by	12	43	–	–
Loan from substantial shareholder	–	185	–	185
Repayment of loans	–	185	–	185
Interest expense	216	374	216	80

Outstanding balances as at 30 June 2017 and 30 June 2016, arising from loan from / advance to a substantial shareholder are disclosed in Notes 14 and 23 to the financial statements respectively.

Notes To The Financial Statements

For the financial year ended 30 June 2017

33. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration

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

	Group	
	2017	**2016**
	US$'000	**US$'000**
Directors' fees	131	45
Short-term benefits	617	737
Share-based payments	106	238
Post-employment benefits	22	16
	876	1,036
Analysed into:		
– Compensation of Directors of the Company	731	561
– Compensation of Directors of the subsidiaries and other key management personnel	145	475
	876	1,036

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company and respective subsidiaries, including all directors of the Company and respective subsidiaries. The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

34. CONTINGENCIES AND COMMITMENTS

(i) Contingent liabilities

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 2017 of US$21,929,000 (2016: US$23,117,000) (Note 20). The carrying amount of the loans represents the maximum amount of the guarantee that the Company would be called upon to pay and represents the contractual maturity based on the earliest period (one year or less) in which the guarantee could be called. In the opinion of the management, no material losses are expected to arise from these corporate guarantees.

During the financial year, the Company has also given undertakings to continue to provide financial support to certain subsidiaries as and when required to allow them to meet their obligations. The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results for the financial year ended 30 June 2017.

34. CONTINGENCIES AND COMMITMENTS (CONTINUED)

(ii) Operating lease commitments – Where the Group is a lessee

	Group	
	2017	2016
	US$'000	US$'000
Operating leases included in profit or loss:		
– minimum lease payments	113	165

The Group leases office premises under non-cancellable operating leases. The leases have varying terms and renewal rights. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debts or further leasing.

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	
	2017	2016
	US$'000	US$'000
Within one year	69	69
After one year but within five years	–	46
	69	115

The above operating lease commitments are based on existing rates. The lease agreements provide a periodic revision of such rates in the future.

35. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer (chief operating decision maker). A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has only one business segment which is the oil and gas segment, comprising exploration, development and production activities and drilling activities. Revenue and non-current assets information based on geographical segments are as follows:

35. SEGMENT INFORMATION (CONTINUED)

	Group			
	Revenue		Non-current assets	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000 (restated)
Singapore	–	–	643	167
United States	–	–	–	21
Thailand	8,959	10,728	99,772	106,054
	8,959	10,728	100,415	106,242

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 generated by Thailand Operations is attributable to only one customer (2016: One customer) in Thailand.

36. 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 Company. The Company'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.

(i) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group has significant credit exposure arising from its trade receivables amounting to US$475,000 (2016: US$969,000) due from a single customer and bonds receivable US$502,000 (2016: US$2,627,000) due from Fram as at the end of the financial year. On the other hand, the Company has significant credit exposure arising from the non-trade amounts due from subsidiaries amounting to approximately US$2,132,000 (2016: US$2,089,000) as at the end of the financial year. The management is of the opinion that these receivables are fully recoverable.

The Group's and the Company's classes of financial assets are available-for-sale financial asset, cash and bank balances, trade and other receivables, bonds receivable and deposits.

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

Cash and bank balances are mainly deposited with reputable banks.

As at the end of the financial year, the Group's trade receivables and bonds receivable are neither past due nor impaired.

(ii) Market risks

Foreign currency risk

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than its functional currency. The currencies giving rise to this risk is primarily Singapore dollar and Thai Baht. Exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year were mainly as follows:

	Group			
	Assets		**Liabilities**	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar	230	660	794	4,901
Thai baht	2,190	2,914	1,744	1,682
Norwegian Krone	502	2,627	–	–
Foreign currency exposure	2,922	6,201	2,538	6,583

	Company			
	Assets		**Liabilities**	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollar, representing the foreign currency exposure	1	23	430	3,832

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(ii) Market risks (continued)

Foreign currency sensitivity analysis

The Group's exposure to foreign currency risk is mainly Singapore dollar, Thai Baht and Norwegian Krone.

The following table details the sensitivity to a 10% (2016: 10%) increase and decrease in Singapore dollar, Thai Baht and Norwegian Krone against United States dollar (functional currency). The sensitivity analysis assumes an instantaneous 10% (2016: 10%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant.

	Group	
	2017	**2016**
	US$'000	**US$'000**
Singapore dollar strengthened against United States dollar	(56)	(424)
Singapore dollar weakens against United States dollar	56	424
Thai baht strengthens against United States dollar	45	123
Thai baht weakens against United States dollar	(45)	(123)
Norwegian Krone strengthens against United States dollar	50	263
Norwegian Krone weakens against United States dollar	(50)	(263)

	Company	
	2017	**2016**
	US$'000	**US$'000**
Singapore dollar strengthened against United States dollar	(43)	(381)
Singapore dollar weakens against United States dollar	43	381

<u>Interest rate risk</u>

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 17, 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% (2016: 0.5%), the Group's equity will decrease or increase by approximately US$112,000 (2016: US$123,000), arising mainly as a result of higher or lower interest on floating rates for bank loans. The interest expenses from bank borrowings and finance leases are recognised as an expense under "Finance costs" line item in the consolidated statement of profit or loss and other comprehensive income.

Notes To The Financial Statements

For the financial year ended 30 June 2017

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(iii) 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 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 interest rate	Within one financial year	After one financial year but within five financial years	Total
	%	US$'000	US$'000	US$'000
Group				
2017				
Financial liabilities				
Trade and other payables	Nil to 5%	7,020	768	7,788
Bank borrowings	3.71% to 14.25%	4,647	20,825	25,472
Finance lease payables	2.6%	19	37	56
Total undiscounted financial liabilities		11,686	21,630	33,316

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(iii) *Liquidity risk (continued)*

Contractual maturity analysis (continued)

	Effective interest rate	Within one financial year	After one financial year but within five financial years	Total
	%	US$'000	US$'000	US$'000
Group				
2016				
Financial liabilities				
Trade and other payables	Nil to 5%	15,776	31,299	47,075
Bank borrowings	2.95% to 14.25%	5,254	20,749	26,003
Finance lease payables	2.6%	19	59	78
Deposit received	Nil	1	–	1
Total undiscounted financial liabilities		21,050	52,107	73,157
Company				
2017				
Financial liabilities				
Trade and other payables, representing the total undiscounted financial liabilities	Nil	430	–	430
2016				
Financial liabilities				
Trade and other payables, representing the total undiscounted financial liabilities	Nil to 5%	9,271	–	9,271

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.

(iv) *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 2016.

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.

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(iv) Capital management policies and objectives (continued)

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000 (Restated)	US$'000	US$'000
Trade and other payables	7,722	39,249	430	8,900
Finance lease payables	52	71	–	–
Deposit received	–	1	–	–
Bank borrowings	22,476	23,640	–	–
Less: Cash and bank balances	(1,660)	(2,461)	(7)	(621)
Net debt	28,590	60,500	423	8,279
Equity attributable to owners of the Company	48,171	26,223	71,346	64,577
Total capital	76,761	86,723	71,769	72,856
Gearing ratio	37.25%	69.76%	0.59%	11.36%

As at 30 June 2017 and 2016, the Group and the Company are subject to and have complied with all externally-imposed capital requirements which comprise loan covenants imposed by banks in respect of bank facilities granted to the subsidiaries, except as disclosed in Note 20 to the financial statements.

(v) Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value hierarchy

The Group and the Company classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value (recurring measurements) by level of fair value hierarchy as at 30 June 2017 and 30 June 2016:

Notes To The Financial Statements
For the financial year ended 30 June 2017

36. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(v) Fair value of financial assets and financial liabilities (continued)

	Group			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
2017				
Derivative financial instruments (Note 25)	–	29	–	29

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.

Bonds receivables (Note 12):
It is not practicable to determine the fair value due to the lack of quoted market prices and the assumptions needed in valuation models to value this instrument cannot be reliably measured.

Non-current bank borrowing:
This is disclosed in Note 20 to the financial statements.

(vi) Financial instruments by category

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loan and receivables (including bond receivable, deposits and cash and bank balances)	3,440	7,088	2,139	2,710
Financial liabilities				
Derivative financial instruments	29	–	–	–
Financial liabilities at amortised cost	30,250	62,961	430	8,900
	30,279	62,961	430	8,900

37. PRIOR YEAR ADJUSTMENTS

Prior year comparatives have been audited by another firm of public accountants and chartered accountants.

Certain restatements have been made to the prior years' financial statements as a result of the following:

(a) In accordance with FRS 23 *Borrowing Costs*, the borrowing costs arising from the amortisation of deferred consideration and bank loan borrowed for the acquisition of the 20% Participating Interests in the Thailand Operations ("Assets") shall not be capitalised as the Assets do not meet the definition of a qualifying asset. This is because the Assets were already available for use in the condition in which it was acquired and also do not require a substantial period of time to get the Assets ready for use. Accordingly, adjustment are made to recognise borrowing costs in the Group's profit or loss instead of capitalising the borrowing costs to the oil and gas properties, in the respective years by the Group as previously reported.

(b) In accordance with FRS 103 *Business Combinations*, re-measurement difference arising from the change of the fair value of the deferred consideration amounting to US$3,441,000 shall be recognised in the Group's profit or loss as other income instead of adjusting the oil and gas properties in the financial year ended 30 June 2016 as previously reported.

The effect of the restatements on the prior years' financial statements is as follows:

	Balances as previously reported	Adjustment (a) and (b)	Balances as restated
	US$'000	US$'000	US$'000
Group			
30 June 2016			
Statement of financial position			
Oil and gas properties (Note 6)	60,511	(2,229)	58,282
Accumulated losses	89,741	2,229	91,970
Statement of profit or loss and other comprehensive income			
Finance costs	689	2,169	2,858
Other income	(109)	(3,441)	(3,550)
Statement of cash flows			
Net cash used in investing activities	(3,609)	774	(2,835)
Net cash used in financing activities	(1,369)	(774)	(2,143)
Loss per share			
– Basic (US cents)	(2.32)	–	(2.17)
– Diluted (US cents)	(2.32)	–	(2.17)
Group			
1 July 2015			
Statement of financial position			
Oil and gas properties	61,423	(3,501)	57,922
Accumulated losses	71,671	3,501	75,172
Statement of profit or loss and other comprehensive income			
Finance costs	1,885	2,706	4,591
Loss per share			
– Basic (US cents)	(13.96)	–	(14.56)
– Diluted (US cents)	(13.96)	–	(14.56)

Notes To The Financial Statements

For the financial year ended 30 June 2017

38. SUBSEQUENT EVENTS

(a) On 8 September 2017, the Company announced that it has, on 7 September 2017, entered into a binding memorandum of understanding ("MOU") with an unrelated party, Arctos Investment Pte Ltd. ("AIPL"), a multi-asset investment firm ("Parties"), to diversify the Group business by incorporating a new joint-venture, FIT Global Pte Ltd. ("JV Company"), a private company limited by shares in Singapore ("Proposed Joint Venture").

The principal business of the Proposed Joint Venture shall be categorised into four broad areas as follows:

(i) investment, including private equity deals, pre-initial public offerings (mature stage), initial public offerings, fixed income and hybrid instruments;
(ii) trading, including the trading of equities, commodities and other financial instruments, including cryptocurrencies;
(iii) fund management; and
(iv) market making for commodities.

The proposed diversification of business of the Group is conditional on the completion of due diligence, any required regulatory approval and the Company's shareholders approval being obtained at an extraordinary general meeting to be convened in due course.

The JV Company shall have an issued and paid-up capital of S$1,000,000, which the Company shall contribute $1,000,000 in cash while AIPL shall contribute by way of its network team of investment and trading professionals and risk management expertise. As part of AIPL's contribution, the Company shall also issue and allot such number of fully paid-up new ordinary shares in its capital (the "AIPL Shares"), at an issue price to be agreed amongst the Parties, amounting to $1,000,000, to AIPL at no consideration (the "AIPL Shares Issue").

Subsequently on 30 September 2017, the Company announced that the Parties have agreed on an issue price of S$0.01305 per AIPL Share ("Issue Price"). Accordingly, an aggregate of 76,628,352 AIPL Shares will be allotted and issued by the Company to AIPL at no consideration as part of AIPL's contribution to the JV Company ("Proposed AIPL Shares Issue").

The Proposed AIPL Shares Issue shall be subject to Shareholders' approval by way of ordinary resolution at an extraordinary general meeting to be convened.

(b) On 19 September 2017, the Company announced the proposition to change the name of the Company from "Loyz Energy Limited" to "CWX Global Limited" (威信国际) in order to better represent the Group's new corporate identity and business strategy following the proposed diversification of the business.

The change of Company's name is subject to the approval of the Company's shareholders at an extraordinary general meeting to be convened on 27 October 2017.

(c) On 30 September 2017, the Company announced the proposed renounceable non-underwritten Rights cum Warrants Issue of up to 1,950,009,035 new ordinary shares in the capital of the Company (the "Rights Shares") to be issued at an issue price of S$0.009 for each Rights Shares (the "Issue Price"), with up to 487,502,258 free detachable and transferrable warrants (the "Warrants"), and each Warrants carries the right to subscribe for one new ordinary share in the capital of the Company (the "New Share") at the exercise price of S$0.015 for each New Share (the "Exercise Price"), on the basis of one Rights Share for every one existing ordinary share held by the shareholders of the Company as at a books closure date to be determined, fractional entitlements to be disregarded.

The proposed allotment and issuance of the Rights Shares, the Warrants and the New Shares will be subject to Shareholders' approval at an extraordinary general meeting to be convened.

(d) On 2 October 2017, the Company allotted and issued an aggregate of 15,200,000 new ordinary shares in the capital of the Company (the "New Shares") to the Company selected eligible employees pursuant to the vesting of the Loyz Energy Performance Share Plan, and will be officially listed and quoted on the SGX-ST on 5 October 2017.

Following the allotment and issuance of the New Shares, the total number of issued shares has increased from 1,526,527,683 Shares to 1,541,727,683 Shares.

Statistics of Shareholdings

As at 18 September 2017

SHARE CAPITAL

Issued and fully paid-up capital	:	S$135,947,875.36
Number of issued shares	:	1,526,527,683
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Number of treasury shares	:	Nil
Number of subsidiary shares	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	Percentage	Number of Shares	Percentage
1 - 99	3	0.11	40	0.00
100 - 1,000	841	31.14	829,059	0.05
1,001 to 10,000	342	12.66	2,272,543	0.15
10,001 - 1,000,000	1,395	51.65	252,799,991	16.56
1,000,001 and above	120	4.44	1,270,626,050	83.24
TOTAL	2,701	100.00	1,526,527,683	100.00

SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 18 September 2017, approximately 74.92% of the issued ordinary shares of the Company is held by the public as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") and, therefore, Rule 723 of the Catalist Rules is complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	Number of Shares	Percentage
1	UOB KAY HIAN PTE LTD	195,343,935	12.80
2	MAYBANK KIM ENG SECURITIES PTE LTD	148,183,800	9.71
3	WAVE LINK L.P	132,318,000	8.67
4	CITIBANK NOMINEES SINGAPORE PTE LTD	77,131,554	5.05
5	HSBC (SINGAPORE) NOMINEES PTE LTD	66,214,500	4.34
6	RHB BANK NOMINEES PTE LTD	58,000,000	3.80
7	OCBC SECURITIES PRIVATE LTD	53,598,100	3.51
8	SIM SIANG CHOON	49,144,000	3.22
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	27,659,100	1.81
10	DBS NOMINEES PTE LTD	24,439,000	1.60
11	SEVEN CREEK PTE LTD	22,100,300	1.45
12	LAI KAI JIN MICHAEL	21,696,800	1.42
13	RHB SECURITIES SINGAPORE PTE LTD	18,390,400	1.20
14	VENSTAR INVESTMENTS II LTD	17,500,000	1.14
15	TAN SZE SENG	14,950,000	0.98
16	CHEW KONG HUAT	14,604,400	0.96
17	CIMB SECURITIES (SINGAPORE) PTE LTD	14,366,802	0.94
18	PHILLIP SECURITIES PTE LTD	13,574,800	0.89
19	RAFFLES NOMINEES (PTE) LTD	13,421,100	0.88
20	VENSTAR INVESTMENTS LTD	12,500,000	0.82
		995,136,591	65.19

Statistics of Shareholdings

As at 18 September 2017

SUBSTANTIAL SHAREHOLDERS

(as shown in the Company's Register of Substantial Shareholders)

No.	Name of Substantial Shareholder	Direct Interest No. of Shares	% of Shares	Deemed Interest No. of Shares	% of Shares
1	Jit Sun Investments Pte Ltd	109,091	0.01	151,300,000 [(a)]	9.91
2	Wave Link L.P.	137,318,000	9.00	–	–
3	Wave Link Investments Limited	–	–	137,318,000 [(b)]	9.00
4	Hui Yin Rong	–	–	137,318,000 [(c)]	9.00
5	Lee Chye Tek Lionel	–	–	151,409,091 [(d)]	9.92
6	Fram Exploration ASA	91,344,700	5.98	–	–
7	Rex International Holdings Limited	–	–	91,344,700 [(e)]	5.98

Notes:

(a) Jit Sun Investments Pte Ltd's deemed interests in the 151,300,000 ordinary shares are 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) Wave Link Investments Limited is the general partner of Wave Link L.P., a limited partnership. Wave Link Investments Limited has full control over the business and affairs of the limited partnership, including making all investments and divestment decisions and voting the securities and interests held by it on behalf of the limited partnership. Accordingly, Wave Link Investments Limited is deemed interested in all the 137,318,000 ordinary shares held by Wave Link L.P..

(c) Hui Yin Rong is the sole shareholder of Wave Link Investments Limited and is accordingly deemed interested in all the 137,318,000 ordinary shares held by Wave Link Investments Limited in Wave Link L.P..

(d) Mr Lee Chye Tek Lionel is the sole shareholder of Jit Sun Investments Pte Ltd and is accordingly deemed interested in all the 151,409,091 ordinary shares held by Jit Sun Investments Pte Ltd.

(e) Rex International Holdings Limited holds more than 20% interest in Fram Exploration ASA and is accordingly deemed interested in all the 91,344,700 ordinary shares held by Fram Exploration ASA.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting ("**AGM**") of Loyz Energy Limited (the "**Company**") will be held at TKP Conference Center, 55 Market Street #03-01, Singapore 048941 on Friday, 27 October 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2017 ("**FY2017**"), together with the Auditors' Report thereon. Resolution 1

2. To re-elect Mr Cheong Weixiong, Jeff, a Director of the Company retiring in accordance with Regulation 117 of the Company's Constitution and who, being eligible, offer himself for re-election, as a Director of the Company. Resolution 2

   [See Explanatory Note (i)]

3. To re-elect Mr Jeffrey Pang Kee Chai, a Director of the Company retiring in accordance with Regulation 107 of the Company's Constitution and who, being eligible, offer himself for re-election, as a Director of the Company. Resolution 3

   [See Explanatory Note (ii)]

4. To approve ex gratia payment of S$35,000 to a former Director of the Company, Mr Teo Choon Kow @ William Teo. Resolution 4

   [See Explanatory Note (iii)]

5. To re-appoint Messrs Crowe Horwath First Trust LLP ("**Crowe Horwath**") as the Auditors of the Company and to authorise the Directors of the Company 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:

6. **Authority to allot and issue shares** Resolution 6

   "That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore ("**Companies Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company 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 of the Company may in their absolute discretion deem fit provided that:

   (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 and subsidiary holdings of the Company (as calculated in accordance with subparagraph (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 and subsidary holdings 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 and subsidiary holdings shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings 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 which are outstanding or subsisting at the time of the passing of the resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or sub-division of shares;

(iii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution; and

(iv) 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

[See Explanatory Note (iv)]

7. **Authority to grant options and allot and issue shares under the Loyz Energy Employee Share Option Scheme** Resolution 7

"That pursuant to Section 161 of the Companies Act, authority be and is hereby given to the Directors of the Company 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 and subsidiary holdings 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (v)]

8. **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 Companies Act, the Directors of the Company 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 and subsidiary holdings 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (vi)]

9. To transact any other business which may be properly transacted at an AGM.

Notice of Annual General Meeting

BY ORDER OF THE BOARD

Yap Peck Khim
Company Secretary
Date: 12 October 2017

Explanatory Notes:

(i) Mr Cheong Weixiong, Jeff shall, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and the Nominating Committee, as well as a member of the Audit Committee. As at the date of this notice, Mr Cheong Weixiong, Jeff does not have any shareholding interest in the Company. There are no relationships (including immediate family relationships) between Mr Cheong Weixiong, Jeff and the other Directors of the Company, the Company or its 10% shareholders. The Board considers Mr Cheong Weixiong, Jeff to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Further detailed information on Mr Cheong Weixiong, Jeff who is proposed to be re-appointed at the 2017 AGM can be found under the sections entitled "Board of Directors and Key Management" and "Corporate Governance Report" of the Company's Annual Report 2017.

(ii) Mr Jeffrey Pang Kee Chai shall, upon re-election as a Director of the Company, remain as the Executive Director and a member of the Nominating Committee. As at the date of this notice, Mr Jeffrey Pang Kee Chai has a direct interest of 0.76% in the Company. Save for the above mentioned relationship, there are no relationships (including immediate family relationships) between Mr Jeffrey Pang Kee Chai and the other Directors of the Company, the Company or its 10% shareholders.

Further detailed information on Mr Jeffrey Pang Kee Chai who is proposed to be re-appointed at the 2017 AGM can be found under the sections entitled "Board of Directors and Key Management" and "Corporate Governance Report" of the Company's Annual Report 2017.

(iii) To pay an ex gratia payment amounting to S$35,000 in cash to Mr Teo Choon Kow @ William Teo, who had served as a director of the Company from July 2008 to June 2017, for his 9 years of services and contribution to the Company and complete and do and/or procure to be done all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give full effect to this Resolution.

(iv) The Ordinary Resolution 6 above, if passed, will empower the Directors of the Company from the date of the 2017 AGM of the Company until the date of the next AGM of the Company, to allot and issue shares and/ or convertible securities in the capital of the Company. The number of shares and convertible securities, which the Directors of the Company 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 and subsidiary holdings 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 and subsidiary holdings at the time of passing this resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company.

"**Subsidiary holdings**" has the meaning ascribed to it in the Catalist Rules.

(v) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company to offer and grant options under the Scheme and to allot and issue shares pursuant to the exercise of such options in accordance with the Scheme.

(vi) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company 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 (other than a Relevant Intermediary*) entitled to attend and vote at the 2017 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.

Notice of Annual General Meeting

(b) Where a member of the Company (other than a Relevant Intermediary*) appoints two proxies, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the instrument appointing the proxies.

(c) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

(d) The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an officer or attorney duly authorised in writing.

(e) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Wilkie Road #03-01 Wilkie Edge, Singapore 228095 not less than 48 hours before the time appointed for holding the 2017 AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 2017 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 2017 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 2017 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, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this notice.*

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

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

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IMPORTANT

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.**

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.

CPF investors who wish to attend the annual general meeting ("**AGM**") of the Company 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 12 October 2017.

LOYZ ENERGY LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 199905693M)

Proxy Form

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**") of the Company, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 2017 AGM of the Company to be held at TKP Conference Center, 55 Market Street #03-01, Singapore 048941 on Friday, 27 October 2017 at 10.00 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 of the Company 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	The Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2017, together with the Auditors' Report thereon		
2	To re-elect Mr Cheong Weixiong, Jeff as a Director of the Company		
3	To re-elect Mr Jeffrey Pang Kee Chai as a Director of the Company		
4	To approve ex gratia payment of S$35,000 to a former Director of the Company, Mr Teo Choon Kow @ William Teo		
5	To re-appoint Messrs Crowe Horwath First Trust LLP as the Auditors of the Company and authorise the Directors 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 ____________ 2017

Total number of Shares in:	No. of Shares
CDP Register	
Register of Members	

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

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) 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 (other than a Relevant Intermediary*) 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 (other than a Relevant Intermediary*) 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 of the Company. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM of the Company 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 of the Company.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Wilkie Road, #03-01 Wilkie Edge Singapore 228095, not less than 48 hours before the time appointed for holding the AGM of the Company.

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 of the Company, 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 72 hours before the time appointed for holding the AGM of the Company as certified by The Central Depository (Pte) Limited to the Company.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE INFORMATION

Board Of Directors

Cheong Weixiong, Jeff
Jeffrey Pang Kee Chai
Lee Chye Cheng, Adrian
Ong Beng Chye

Secretary

Yap Peck Khim

Registered Office

8 Wilkie Road, #03-01,
Wilkie Edge, Singapore 228095
Tel : (65) 6521 9048
Fax: (65) 6225 4945
Website: www.loyzenergy.com

Share Registrar

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Tel : (65) 6228 0505
Fax: (65) 6225 1452

Auditors

Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International
8 Shenton Way
#05-01 AXA Tower
Singapore 068811

Partner-In-Charge: Goh Sia
(with effect from the financial year ended 30 June 2017)

Continuing Sponsor

ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00 ASO Building
Singapore 048544

Principal Bankers

Development Bank of Singapore
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street,
#01-00 OCBC Centre
Singapore 049513

Designed and Produced by **Rockstar Atelier**

Transformative Growth

LOYZ ENERGY LIMITED ANNUAL REPORT 2017

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Investors and Media: enquiries@loyzenergy.com