

PetroNeft Resources plc

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 US\$	2016 US\$
<i>Continuing operations</i>			
Revenue		1,712,574	2,279,585
Cost of sales		<u>(1,550,119)</u>	<u>(2,038,209)</u>
Gross profit		162,455	241,376
Administrative expenses		(1,402,867)	(2,154,699)
Exchange gain on intra-Group loans		<u>52,093</u>	<u>77,458</u>
Operating loss		(1,188,319)	(1,835,865)
Share of joint venture's net loss - WorldAce Investments Limited		(4,285,833)	(5,721,232)
Share of joint venture's net loss - Russian BD Holdings B.V.		(381,654)	(288,198)
Finance revenue		<u>3,510,435</u>	<u>3,247,876</u>
Loss for the year for continuing operations before taxation		(2,345,371)	(4,597,419)
Income tax expense		(893,670)	(830,241)
Loss for the year attributable to equity holders of the Parent		<u>(3,239,041)</u>	<u>(5,427,660)</u>
Loss per share attributable to ordinary equity holders of the Parent			
Basic and diluted - <i>US dollar cent</i>	4	(0.46)	(0.77)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

		2017 US\$	2016 US\$
Loss for the year attributable to equity holders of the Parent		(3,239,041)	(5,427,660)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>			
Currency translation adjustments - subsidiaries		(37,190)	25,298
Share of joint ventures' other comprehensive income - foreign exchange translation differences		<u>2,551,042</u>	<u>7,741,440</u>
Total comprehensive (loss)/profit for the year attributable to equity holders of the Parent		<u>(725,189)</u>	<u>2,339,078</u>

PetroNeft Resources plc
Consolidated Balance Sheet
As at 31 December 2017

	<i>Note</i>	2017 US\$	2016 US\$
Assets			
Non-current Assets			
Property, plant and equipment	5	88,202	143,466
Equity-accounted investment in joint ventures - WorldAce Investments Limited	6	-	-
Equity-accounted investment in joint ventures - Russian BD Holdings B.V.	7	-	-
Financial assets - loans and receivables	8	49,439,502	47,713,421
		<u>49,527,704</u>	<u>47,856,887</u>
Current Assets			
Inventories	9	21,908	28,973
Trade and other receivables	10	587,601	1,143,904
Cash and cash equivalents	11	9,389	319,618
		<u>618,898</u>	<u>1,492,495</u>
Total Assets		<u>50,146,602</u>	<u>49,349,382</u>
Equity and Liabilities			
Capital and Reserves			
Called up share capital	12	9,429,182	9,429,182
Share premium account		140,912,898	140,912,898
Share-based payments reserve		6,796,540	6,796,540
Retained loss		(83,441,491)	(80,202,450)
Currency translation reserve		(28,604,558)	(31,118,410)
Other reserves		336,000	336,000
Equity attributable to equity holders of the Parent		<u>45,428,571</u>	<u>46,153,760</u>
Non-current Liabilities			
Deferred tax liability		3,001,617	2,113,541
		<u>3,001,617</u>	<u>2,113,541</u>
Current Liabilities			
Trade and other payables	13	1,716,414	1,082,081
		<u>1,716,414</u>	<u>1,082,081</u>
Total Liabilities		<u>4,718,031</u>	<u>3,195,622</u>
Total Equity and Liabilities		<u>50,146,602</u>	<u>49,349,382</u>

PetroNeft Resources plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Called up share capital US\$	Share premium account US\$	Share- based payment and other reserves US\$	Currency translation reserve US\$	Retained loss US\$	Total US\$
At 1 January 2016	9,429,182	140,912,898	7,132,540	(38,885,148)	(74,774,790)	43,814,682
Loss for the year	-	-	-	-	(5,427,660)	(5,427,660)
Currency translation adjustments - subsidiaries	-	-	-	25,298	-	25,298
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	7,741,440	-	7,741,440
Total comprehensive profit for the year	-	-	-	7,766,738	(5,427,660)	2,339,078
At 31 December 2016	9,429,182	140,912,898	7,132,540	(31,118,410)	(80,202,450)	46,153,760
At 1 January 2017	9,429,182	140,912,898	7,132,540	(31,118,410)	(80,202,450)	46,153,760
Loss for the year	-	-	-	-	(3,239,041)	(3,239,041)
Currency translation adjustments - subsidiaries	-	-	-	(37,190)	-	(37,190)
Share of joint ventures' other comprehensive income - foreign exchange translation differences	-	-	-	2,551,042	-	2,551,042
Total comprehensive loss for the year	-	-	-	2,513,852	(3,239,041)	(725,189)
At 31 December 2017	9,429,182	140,912,898	7,132,540	(28,604,558)	(83,441,491)	45,428,571

PetroNeft Resources plc

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	2017 US\$	2016 US\$
Operating activities		
Loss before taxation	(2,345,371)	(4,597,419)
Adjustment to reconcile loss before tax to net cash flows		
Non-cash		
Depreciation	62,748	68,568
Share of loss in joint ventures	4,667,487	6,009,430
Finance revenue	(3,510,435)	(3,247,876)
Working capital adjustments		
Decrease in trade and other receivables	294,434	860,444
Decrease in inventories	7,066	25,330
Increase/(decrease) in trade and other payables	555,937	(59,474)
Income tax paid	(9,783)	(16,650)
Net cash flows used in operating activities	<u>(277,917)</u>	<u>(957,647)</u>
Investing activities		
Loan facilities advanced to joint venture undertakings	(40,000)	(10,000)
Interest received	823	2,449
Net cash used in investing activities	<u>(39,177)</u>	<u>(7,551)</u>
Net decrease in cash and cash equivalents	(317,094)	(965,198)
Translation adjustment	6,865	604
Cash and cash equivalents at the beginning of the year	<u>319,618</u>	<u>1,284,212</u>
Cash and cash equivalents at the end of the year	11 <u><u>9,389</u></u>	<u><u>319,618</u></u>

Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

1. Basis of Accounting and Presentation of Financial Information

While the financial information included in this announcement has been prepared in accordance with the Group's accounting policies under International Financial Reporting Standards ("IFRS") as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The Company is distributing the full financial statements that comply with IFRS on 29 June 2018.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2017 or 2016 but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's annual general meeting. The auditors have made reports under Section 391 of the Irish Companies Act, 2014 in respect of those accounts. Both reports were unmodified but did draw attention to the material uncertainty relating to going concern.

Adoption of IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

A number of amendments to existing IFRS (principally related to clarifications and refinements of definitions) became effective for, and have been applied in preparing, these Financial Statements. The application of these amendments did not result in material changes to the results or financial position of the Group or the Company.

2. Going Concern

As described in the Chairman's Statement on page 6 PetroNeft agreed a loan facility for up to US\$2 million with Swedish company Petrogrand AB ("Petrogrand"). The loan matures on 31 December 2018 and is secured by way of a floating charge on the assets of PetroNeft. The loan facility will be used for general corporate purposes and to finance the drilling programme in 2018. This loan facility will provide time and space for a more long-term financing solution to be put in place.

The Group has analysed its cash flow requirements through to 30 June 2019 in detail. The cash flows are highly dependent on the successful re-financing of the Petrogrand loan and on future production rates and oil prices achieved in its joint-venture undertaking, WorldAce Investments Limited. Should the loan not be re-financed or should production or oil price be lower than expected the Group may need additional funding in order to continue as a going concern. The Group has put in place cost saving measures and the Board and management have agreed to reduce and defer significant portions of their remuneration in order to assist the Company. Note 14 outlines the amounts owed to the Board and management in this regard.

The Company is currently in confidential advanced and detailed discussions in order to provide a longer-term financing solution that will allow for the repayment of the loan from Petrogrand in advance of the maturity date. Heads of terms have been agreed and due diligence and legal documentation is well advanced. The Company expects to make a firm announcement in Q3 2018. The Company is also considering the potential sale or farmout of Licence 67 and the drilling of the C-4 well is a key part of this process. The Company has signed non-disclosure agreements and opened data rooms in relation to the potential sale or farmout of Licence 67. As there are delaying factors, including regulatory requirements, around transferring licences and in a share for share type transaction, the timeframe to close such a successful transaction could be at least six months following binding agreement between the parties. The Board is confident that one of these options will bring a solution.

The above circumstances represent material uncertainties that may cast significant doubt upon the Group and the Company's ability to continue as a going concern. Nevertheless, after making enquiries, and considering the uncertainties described above, the Directors are confident that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group or Company was unable to continue as a going concern.

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

3. Segment information

At present the Group has one reportable operating segment, which is oil exploration and production through its joint venture undertakings. As a result, there are no further disclosures required in respect of the Group's reporting segment.

The risk and returns of the Group's operations are primarily determined by the nature of the activities that the Group engages in, rather than the geographical location of these operations. This is reflected by the Group's organisational structure and the Group's internal financial reporting systems.

Management monitors and evaluates the operating results for the purpose of making decisions consistently with how it determines operating profit or loss in the consolidated financial statements.

Geographical segments

Although the joint venture undertakings WorldAce Investments Limited and Russian BD Holdings B.V. are domiciled in Cyprus and the Netherlands, the underlying businesses and assets are in Russia. Substantially all of the Group's sales and capital expenditures are in Russia.

Assets are allocated based on where the assets are located:

	2017 US\$	2016 US\$
Non-current assets		
Russia	49,526,318	47,854,604
Ireland	1,386	2,283
	<u>49,527,704</u>	<u>47,856,887</u>

4. Loss per Ordinary Share

Basic loss per Ordinary Share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of Ordinary Shares outstanding during the year. Basic and diluted earnings per Ordinary Share are the same as the potential Ordinary Shares are anti-dilutive.

	2017 US\$	2016 US\$
Numerator		
Loss attributable to equity shareholders of the Parent for basic and diluted loss	<u>(3,239,041)</u>	<u>(5,427,660)</u>
	<u>(3,239,041)</u>	<u>(5,427,660)</u>
Denominator		
Weighted average number of Ordinary Shares for basic and diluted earnings per Ordinary Share	<u>707,245,906</u>	<u>707,245,906</u>
Diluted weighted average number of shares	<u>707,245,906</u>	<u>707,245,906</u>
Loss per share:		
Basic and diluted - US dollar cent	(0.46)	(0.77)

The Company has instruments in issue that could potentially dilute basic earnings per Ordinary Share in the future, but are not included in the calculation for the reasons outlined below:

- Employee Share Options – These potential Ordinary Shares are anti-dilutive for the years ended 31 December 2017 and 2016.

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

5. Property, Plant and Equipment

Group	Plant and machinery US\$
Cost	
At 1 January 2016	800,400
Translation adjustment	145,468
At 1 January 2017	945,868
Translation adjustment	47,060
At 31 December 2017	992,928
Depreciation	
At 1 January 2016	618,697
Charge for the year	68,568
Translation adjustment	115,137
At 1 January 2017	802,402
Charge for the year	62,748
Translation adjustment	39,576
At 31 December 2017	904,726
Carrying amount	
At 31 December 2017	88,202
At 31 December 2016	143,466

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited

PetroNeft Resources plc has a 50% interest in WorldAce Investments Limited, a joint venture which holds 100% of LLC Stimul-T, an entity involved in oil and gas exploration and the registered holder of Licence 61. The interest in this joint venture is accounted for using the equity accounting method. WorldAce Investments Limited is incorporated in Cyprus and carries out its activities, through LLC Stimul-T, in Russia.

	Share of net assets US\$
At 1 January 2016	-
Elimination of unrealised profit on intra-Group transactions	(157,876)
Retained loss	(5,721,232)
Translation adjustment	7,149,140
Debited to loans receivable from WorldAce Investments Limited	<u>(1,270,032)</u>
At 1 January 2017	-
Elimination of unrealised loss on intra-Group transactions	(27,336)
Retained loss	(4,285,833)
Translation adjustment	2,356,702
Credited against loans receivable from WorldAce Investments Limited	<u>1,956,467</u>
At 31 December 2017	<u>-</u>

The balance sheet position of WorldAce Investments Limited shows net liabilities of US\$29,773,264 (2016: US\$25,915,002) following a loss in the year of US\$8,571,665 (2016: US\$11,442,464) together with a positive currency translation adjustment of US\$4,713,403 (2016: US\$14,298,281). PetroNeft's 50% share is included above and results in a negative carrying value of US\$10,203,053 (2016: US\$8,246,586). Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the amount of US\$10,203,053 (2016: US\$8,246,586) is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from WorldAce Investments (see Note 8).

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	50% Share of WorldAce Group	
	2017 US\$	2016 US\$
<i>Continuing operations</i>		
Revenue	13,818,415	11,604,182
Cost of sales	(12,636,469)	(11,199,845)
Gross profit	1,181,946	404,337
Administrative expenses	(1,546,643)	(1,614,435)
Operating loss	(364,697)	(1,210,098)
Write-off of oil and gas properties	-	(438,034)
Write-off of exploration and evaluation assets	(13,051)	(710,047)
Finance revenue	33,176	9,421
Finance costs	(3,941,261)	(3,372,474)
Loss for the year for continuing operations before taxation	(4,285,833)	(5,721,232)
Income tax expense	-	-
Loss for the year	(4,285,833)	(5,721,232)
Loss for the year	(4,285,833)	(5,721,232)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>		
Currency translation adjustments	2,356,702	7,149,140
Total comprehensive (loss)/profit for the year	(1,929,131)	1,427,908

Finance costs mainly relate to interest on shareholder loans from Oil India International B.V. and PetroNeft. The details of gross interest accrued on loans to PetroNeft are disclosed in Note 14 Related party disclosures.

The currency translation adjustment results from the movement of the Russian Rouble during the year. All Russian Rouble carrying values in Stimul-T, the 100% subsidiary of WorldAce are converted to US Dollars at each period end. The resulting gain or loss is recognised through other comprehensive income and transferred to the currency translation reserve. The Russian Rouble appreciated against the US Dollar during the year from RUB60.9:US\$1 at 31 December 2016 to RUB57.7:US\$1 at 31 December 2017.

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

	50% Share of WorldAce Group	
	2017 US\$	2016 US\$
Non-current Assets		
Oil and gas properties	39,312,150	37,945,273
Property, plant and equipment	184,027	199,338
Exploration and evaluation assets	9,321,748	7,556,920
Assets under construction	824,992	932,631
	49,642,917	46,634,162
Current Assets		
Inventories	605,240	536,685
Trade and other receivables	282,925	176,318
Cash and cash equivalents	68,613	40,415
	956,778	753,418
Total Assets	50,599,695	47,387,580
Non-current Liabilities		
Provisions	(658,513)	(433,573)
Interest-bearing loans and borrowings	(61,435,277)	(56,686,519)
	(62,093,790)	(57,120,092)
Current Liabilities		
Interest-bearing loans and borrowings	(715,405)	-
Trade and other payables	(2,677,132)	(3,224,989)
	(3,392,537)	(3,224,989)
Total Liabilities	(65,486,327)	(60,345,081)
Net Liabilities	(14,886,632)	(12,957,501)

Interest-bearing loans and borrowings are shareholder loans from Oil India International B.V. and PetroNeft. The details of loans due to PetroNeft are disclosed in Note 14 Related party disclosures.

Capital commitments

	2017 US\$	2016 US\$
Details of capital commitments at the balance sheet date are as follows:		
Contracted for but not provided in the financial statements	466,114	1,080,620

PetroNeft Resources plc

Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

6. Equity-accounted Investment in Joint Venture – WorldAce Investments Limited (continued)

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2017 US\$	2016 US\$
Within one year	65,570	57,039
After one year but not more than five years	244,391	219,319
More than five years	421,508	414,738
	<u>731,469</u>	<u>691,096</u>

The above capital commitments in the joint venture are incurred jointly with Oil India International B.V. The Group has a 50% share of these commitments.

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V.

PetroNeft Resources plc has a 50% interest in Russian BD Holdings B.V., a joint venture which holds 100% of LLC Lineynoye, an entity involved in oil and gas exploration and the registered holder of Licence 67. The interest in this joint venture is accounted for using the equity accounting method. Russian BD Holdings B.V. is incorporated in the Netherlands and carries out its activities in Russia.

	Share of net assets US\$
At 1 January 2016	-
Retained loss	(288,198)
Translation adjustment	592,300
Debited against loans receivable from Russian BD Holdings BV	(304,102)
At 1 January 2017	-
Retained loss	(381,654)
Translation adjustment	194,339
Credited against loans receivable from Russian BD Holdings BV	187,315
At 31 December 2017	-

The balance sheet position of Russian BD Holdings B.V. shows net liabilities of US\$1,440,006 (2016: US\$1,065,376) following a loss in the year of US\$763,308 (2016: US\$576,396) together with a positive currency translation of US\$388,678 (2016: US\$1,184,600). PetroNeft's 50% share is included above and results in a negative carrying value of US\$720,003 (2016: US\$532,688). Therefore, the share of net assets is reduced to Nil and, in accordance with IAS 28 *Investments in Associates and Joint Ventures*, the amount of US\$720,003 (2016: US\$532,688) is deducted from other assets associated with the joint venture on the Balance Sheet which are the loans receivable from Russian BD Holdings B.V. (Note 8).

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

Additional financial information in respect of PetroNeft's 50% interest in the equity-accounted joint venture entity is disclosed below:

	50% Share of Russian BD Holdings B.V. Group	
	2017 US\$	2016 US\$
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Administrative expenses	(94,626)	(66,718)
Operating loss	(94,626)	(66,718)
Finance revenue	259	294
Finance costs	(287,287)	(239,079)
Loss for the year for continuing operations before taxation	(381,654)	(305,503)
Taxation	-	17,305
Loss for the year	(381,654)	(288,198)
Loss for the year	(381,654)	(288,198)
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years:</i>		
Currency translation adjustments	194,339	592,300
Total comprehensive (loss)/ profit for the year	(187,315)	304,102

Finance costs comprise of interest on shareholder loans from Belgrave Naftogas B.V. and PetroNeft. The details of gross interest accrued on loans to PetroNeft are disclosed in Note 14 Related party disclosures.

	50% Share of Russian BD Holdings B.V. Group	
	2017 US\$	2016 US\$
Non-current assets	4,370,482	4,069,104
Current assets	12,048	198,788
Total assets	4,382,530	4,267,892
Non-current liabilities	(4,981,608)	(4,512,667)
Current liabilities	(120,925)	(287,913)
Total liabilities	(5,102,533)	(4,800,580)
Net Liabilities	(720,003)	(532,688)

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Notes to the Preliminary Financial Statements

For the year ended 31 December 2017

7. Equity-accounted Investment in Joint Venture - Russian BD Holdings B.V. (continued)

Future minimum rentals payable under non-cancellable operating leases at the balance sheet date are as follows:

	2017 US\$	2016 US\$
Within one year	2,194	2,524
After one year but not more than five years	8,775	7,898
More than five years	26,416	25,751
	<u>37,385</u>	<u>36,173</u>

There were no capital commitments as at 31 December 2017 or 31 December 2016.

8. Financial assets - loans and receivables

	2017 US\$	2016 US\$
Loans to WorldAce Investments Limited	55,474,668	52,235,829
Less: share of WorldAce Investments Limited loss (Note 6)	<u>(10,203,053)</u>	<u>(8,246,586)</u>
	<u>45,271,615</u>	<u>43,989,243</u>
Loans to Russian BD Holdings B.V.	4,887,890	4,256,866
Less: share of Russian BD Holdings B.V. loss (Note 7)	<u>(720,003)</u>	<u>(532,688)</u>
	<u>4,167,887</u>	<u>3,724,178</u>
	<u>49,439,502</u>	<u>47,713,421</u>

The Company has granted a loan facility to its joint venture undertaking WorldAce Investments Limited of up to US\$45 million. This loan facility is US\$ denominated and unsecured. Interest currently accrues on the loan at USD LIBOR plus 6.0% but the Company has agreed not to seek payment of interest until 2019 at the earliest. The loan is set to mature on 31 December 2025. As at 31 December 2017 the loan was fully drawn down. The loan from the Company to Russian BD Holdings B.V. is repayable on demand. Interest currently accrues on the loan at USD LIBOR plus 5.0% per annum. The realisation of financial assets of \$45.2m in respect of WorldAce is dependent on the continued successful development of economic reserves which is subject to a number of uncertainties including future rates of oil production and the ability to raise finance to continue to successfully generate revenue from the assets.

The realisation of financial assets of US\$4.2m in respect of Russian BD Holdings B.V. is ultimately dependent on the successful development of reserves which is subject to a number of uncertainties including the ability to finance the well development and bringing the assets to economic maturity and profitability or the monetisation of the asset through a sale or farmout. The group plan to drill the Cheremshanskoye No. 4 well in 2018. The board believe the well has great potential as it will test multiple targets up-dip from prior wells on the structure that have already tested oil in the same intervals.

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9. Inventories

	2017 US\$	2016 US\$
Materials	21,908	28,973
	<u>21,908</u>	<u>28,973</u>

10. Trade and other receivables

	2017 US\$	2016 US\$
Other receivables	21,039	155,651
Receivable from joint ventures (Note 14)	503,527	920,390
Advances to contractors	1,676	8,047
Prepayments	61,359	59,816
	<u>587,601</u>	<u>1,143,904</u>

Other receivables are non-interest-bearing and are normally settled on 60-day terms.

Amounts owed by subsidiary undertakings are interest-bearing. Interest is charged at 10%.

11. Cash and Cash Equivalents

	2017 US\$	2016 US\$
Cash at bank	9,389	319,618
	<u>9,389</u>	<u>319,618</u>

Bank deposits earn interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates.

12. Share capital - Group and Company

	2017 €	2016 €
Authorised		
1,000,000,000 (2016: 1,000,000,000) Ordinary Shares of €0.01 each	10,000,000	10,000,000
	<u>10,000,000</u>	<u>10,000,000</u>
	Number of Ordinary Shares	Called up share capital US\$
Allotted, called up and fully paid equity		
At 1 January 2016	707,245,906	9,429,182
At 1 January 2017	<u>707,245,906</u>	<u>9,429,182</u>
At 31 December 2017	<u>707,245,906</u>	<u>9,429,182</u>

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13. Trade and other payables

	2017	2016
	US\$	US\$
Trade payables	570,476	337,208
Trade payables to joint ventures (Note 14)	212,442	108,338
Corporation tax	54,898	55,750
Other taxes and social insurance costs	83,305	278,983
Accruals and other payables	795,293	301,802
	<u>1,716,414</u>	<u>1,082,081</u>

The Directors consider that the carrying amount of trade and other payables approximates their fair value. Trade and other payables are non-interest-bearing and are normally settled on 60-day terms. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

14. Related party disclosures

Transactions with joint ventures

PetroNeft Resources plc had the following transactions with its joint ventures during the years ended 31 December 2017 and 2016:

	Russian BD Holdings BV Group US\$	WorldAce Investments Limited Group US\$
Receivable by PetroNeft Group at 1 January 2016	3,389,708	40,883,592
Advanced during the year	10,000	-
Transactions during the year	159,260	2,622,188
Interest accrued in the year	234,402	3,011,025
Payments for services made during the year	(10,821)	(3,426,007)
Share of joint venture's translation adjustment	304,102	1,270,032
Translation adjustment	(5,769)	83,761
At 1 January 2017	4,080,882	44,444,591
Advanced during the year	360,251	-
Transactions during the year	142,086	1,798,417
Interest accrued in the year	270,773	3,238,839
Payment for services made during the year	(480,723)	(2,019,374)
Share of joint venture's translation adjustment	(187,315)	(1,956,467)
Translation adjustment	32,962	5,665
At 31 December 2017	<u>4,218,916</u>	<u>45,511,671</u>
Balance at 31 December 2016 comprised of:		
Loans receivable (Note 8)	3,724,178	43,989,243
Trade and other receivables	356,704	563,686
Trade Payables	-	(108,338)
	<u>4,080,882</u>	<u>44,444,591</u>
Balance at 31 December 2017 comprised of:		
Loans receivable (Note 8)	4,167,887	45,271,615
Trade and other receivables	51,029	452,498
Trade and other payables	-	(212,442)
	<u>4,218,916</u>	<u>45,511,671</u>

PetroNeft Resources plc

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For the year ended 31 December 2017

14. Related party disclosures (continued)

Remuneration of key management

Key management comprise the Directors, the Vice Presidents of Business Development and Operations of the Company and the consulting fees paid to HGR Consulting Limited for the services of the CFO. Their remuneration and fees during the year were as follows:

Remuneration of key management	2017 US\$	2016 US\$
Compensation of key management	1,103,224	1,923,326
Contributions to defined contribution pension plan	52,693	69,308
Consulting fees (HGR Consulting – see below)	304,556	199,035
	<u>1,460,473</u>	<u>2,191,669</u>

The following amounts, which are included in the above, were owed to key management at 31 December 2017 and 2016

Remuneration, fees and expenses due to Directors	424,564	54,021
Remuneration due to other key management	122,946	15,000
Consulting fees (HGR Consulting – see below)	276,570	116,031
	<u>824,080</u>	<u>185,052</u>

Details of transactions between the Group and other related parties are disclosed below.

Transactions with HGR Consulting Limited

Paul Dowling, Secretary and Chief Financial Officer of PetroNeft, provides his services through HGR Consulting Limited (“HGR”) from May 2016. Services provided by HGR during 2017 amounted to US\$304,556 (2016: US\$199,035). An amount of US\$276,570 was owed to HGR at 31 December 2017 (2016: US\$116,031).

15. Important Events after the Balance Sheet Date

In January 2018 we agreed a secured loan facility for up to US\$2 million with Swedish company Petrogrand AB (“Petrogrand”). The loan matures on 31 December 2018. The loan facility will be used for general corporate purposes and to finance the drilling programme in 2018. This loan facility will provide time and space for a more long-term financing solution to be put in place.

16. Board approval

This announcement was approved by the Board of Directors of PetroNeft Resources plc on 25 June 2018.