

PETROSEYCHELLES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017

THE PETROSEYCHELLES LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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The Directors have pleasure in submitting the audited financial statements of PetroSeychelles Limited - 'The Company' for the year ended December 31, 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year has been to promote, conduct and supervise any activity undertaken for the purpose of exploring, prospecting and mining of hydrocarbon deposits in Seychelles' Exclusive Economic Zone (EEZ). The Company's activity has also been to generate, acquire, interpret, parse and classify data or any other information necessary to sustain or further commercial interest in the exploration of hydrocarbon deposits in Seychelles' EEZ.

INCORPORATION

The Company was incorporated in Seychelles under the Companies Act 1972, in July 2012. The Company's principal place of business is in the Seychelles. The Company's registered place of business is New Port, Victoria, Mahe, Seychelles.

DEVELOPMENT IN OIL SECTOR

Hydrocarbon exploration in Seychelles started in the early 1970's following the discovery of thick sedimentary sequences offshore the granitic islands during the international Indian Ocean Expedition in the 1960s. Since then, several oil companies have conducted geophysical surveys and four wells have been drilled with the aim of finding commercial accumulations of hydrocarbon. Although no commercial discovery has been made to date, the results from three wells and data from the geophysical surveys are very encouraging.

Since losing its contracts with WHL Energy Ltd and East Africa Exploration company, PetroSeychelles has not had new and additional contracts during the year 2017. The industry was seen as fairly stable during the year with little to no fluctuation in oil prices. As a result, PetroSeychelles is hopeful that this will attract new clients for the coming years.

RESULTS FOR THE YEAR

The statement of comprehensive income is shown on page 7. The net loss for the year ended December, 31 2017 was SCR 4,170,543 (Loss ended 2016: SCR3,064,836)

DIRECTORS AND THEIR INTERESTS IN THE COMPANY

The directors of the Company during the year ended December 31, 2017 and since incorporation were as follows:

NAMES	NATIONALITY	CATEGORY
Barry Jude Jean Faure (Chairman)	Seychellois	Non-Executive Director
Patrick Joseph (CEO)	Seychellois	Executive Director
Allain Patrick Payet	Seychellois	Non-Executive Director
Eddy Dennis Matatiken	Seychellois	Non-Executive Director
Raymond F. ChangTave	Seychellois	Non-Executive Director
Rony James Govinden	Seychellois	Non-Executive Director
Caroline Abel	Seychellois	Non-Executive Director

None of the directors has any direct or indirect interest in the shares of the company. The new CEO, Mr Patrick Joseph, was appointed as at 1st March 2017.

DIRECTORS' RESPONSIBILITIES

The directors of the Company are responsible for the preparation and fair presentation of these financial statements, comprising the Company's statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which includes a summary of significant accounting policies and other explanatory notes and, in accordance with international financial reporting standards the manner and the requirements of the Companies Act 1972.

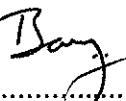
This directors' responsibility include designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors are of the opinion that they have met their responsibilities as set out in the Companies Act 1972.

AUDITORS

The auditors, ACM & Associates have indicated their willingness to continue in office and their re-appointment will be proposed in the next Annual General Meeting in accordance with and subject to the provision to section 155(2) of the Companies Act 1972.

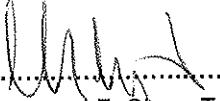
Approved by the Board of Directors in Victoria, Seychelles on 14/5/2019.....
and signed on its behalf by:

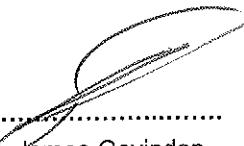

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Barry Jude Jean Faure


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Patrick Joseph


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Rony James Govinden


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Caroline Abel

PETROSEYCHELLES LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS****Report on the Financial Statements**

We have audited the financial statements of PetroSeychelles Limited ('The Company') set out on pages 5 to 26, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Seychelles Companies Act 1972 and for such internal control as the management determine is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

PETROSEYCHELLES LIMITED**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS****Opinion**

In our opinion, the financial statements on pages 4 to 26 present fairly, in all material respects, the financial position of the Company at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Seychelles Companies Act 1972.

Report on the Seychelles Companies Act 1972

We have no relationship with or interests in the Company other than in our capacity as auditors and dealings with the Company in the ordinary course of business.

We have obtained all the information and explanations required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

Report on Other Legal and Regulatory Requirements***Public Enterprise Monitoring Act, 2013***

The financial statements have been prepared in the manner and meet the requirements specified by the Public Enterprise Monitoring Act, 2013.



ACM & Associates

Mahe, Seychelles

Date.....

THE PETROSEYCHELLES LIMITED
STATEMENTS OF FINANCIAL POSITION AS AT DECEMBER 31, 2017

6.

	Notes	2017	2016
		SCR	SCR
ASSETS			
Non-Current Assets			
Property and equipment	4	537,280	746,274
Intangible Asset	5	35,357	134,447
Other Non-current Financial Asset	6	69,422	175,750
		642,059	1,056,472
Current Assets			
Trade and other receivables	8	212,668	234,500
Unpaid Share Capital	10	-	1,000,000
Cash and cash equivalents	7	4,107,960	6,989,001
Other Current Financial Assets	9	55,922	53,747
		4,376,550	8,277,249
Total Assets		5,018,609	9,333,721
EQUITY AND LIABILITIES			
Equity			
Share Capital	10	1,000,000	1,000,000
Retained Earnings		(1,782,196)	2,388,347
Total funds available		(782,196)	3,388,347
Non-Current Liabilities			
Retirement Benefit Obligation	13	254,009	409,278
Deferred Income	12	4,195,182	4,510,279
		4,449,191	4,919,557
Current Liabilities			
Trade and other payables	11	507,684	181,886
Deferred Income	12	843,931	843,931
		1,351,615	1,025,817
Total Liabilities		5,800,806	5,945,374
Total Equity and Liabilities		5,018,609	9,333,721

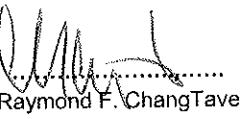
These financial statements have been approved for issue by the Board of Directors on:

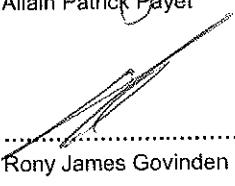

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The notes on pages 9 to 26 form an integral part of these financial statements.
Auditors' report on pages 4 and 5.

THE PETROSEYCHELLES LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED DECEMBER 31, 2017

7.

	Notes	2017 SCR	2016 SCR
Revenue	14	315,098	2,781,672
Operationg Costs	15	(1,556,481)	(2,207,297)
Gross Profit		(1,241,384)	574,376
Administrative expenses	15	(3,441,441)	(2,906,966)
Allowance for credit impairment	8(d)	493,030	(1,087,238)
Operating profit		(4,189,795)	(3,419,828)
Finance Inome	8(f)	19,251	354,992
Total comprehensice loss for the year		(4,170,543)	(3,064,836)

STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017

	Notes	Issued Capital	Retained Earnings	Total
		SCR	SCR	SCR
Balance at January 1, 2017	10	1,000,000	2,388,347	3,388,347
Total comprehensive loss for the year		-	(4,170,543)	(4,170,543)
Balance at December 31, 2017		1,000,000	(1,782,196)	(782,196)
Balance at January 1, 2016	10	1,000,000	5,453,183	6,453,183
Total comprehensive loss for the year		-	(3,064,836)	(3,064,836)
Balance at December 31, 2016		1,000,000	2,388,347	3,388,347

The notes on pages 9 to 26 form an integral part of these financial statements.
Auditors' report on pages 4 and 5.

THE PETROSEYCHELLES LIMITED

STATEMENT OF CASH FLOWS - YEAR ENDED DECEMBER 31, 2017

8.

	2017	2016
	SCR	SCR
Operating Activities		
Loss for the year	(4,170,543)	(3,064,836)
Adjustments for:		
Foreign exchange movement on trade and other receivable	23,533	(201,361)
Amounts released for deferred income	315,098	(1,896,459)
Interest earned	(19,251)	(354,992)
Depreciation	252,445	257,005
Amortisation	99,092	78,067
Change in provision for credit impairment	(493,030)	1,087,238
Change in provision for retirement benefit obligation	(155,268)	112,313
Retirement benefits paid	(160,699)	-
	<u>(4,308,625)</u>	<u>(3,983,026)</u>
<i>Changes in working capital</i>		
Change in trade and other receivables	1,128,160	(850,323)
Change in trade and other payables	325,798	(50,523)
Net cash generated from operating activities	<u>(2,854,666)</u>	<u>(4,883,870)</u>
Investing Activities		
Purchase of equipment	(43,450)	(18,440)
Purchase of Financial Assets	-	(4,883,244)
Proceeds from redemptions of Treasury Bill	-	10,626,744
Interest received on staff loans	17,077	21,578
Net cash generated from/(used in) Investing activities	<u>(26,373)</u>	<u>5,746,638</u>
Net (decrease)/increase in cash and cash equivalents	<u>(2,881,040)</u>	<u>862,768</u>
Movement in cash and cash equivalents		
At January 1,	6,989,001	6,126,234
Net (decrease)/increase in cash and cash equivalents	(2,881,040)	862,768
At December 31,	<u>4,107,960</u>	<u>6,989,001</u>

The notes on pages 9 to 26 form an integral part of these financial statements.

Auditors' report on pages 4 and 5.

1. CORPORATE INFORMATION AND ACTIVITIES

The Company was incorporated in Seychelles under the Companies Act 1972, in July 2012. The Company's principal place of business is in the Seychelles. The Company's registered place of business is New Port, Victoria, Mahe, Seychelles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of preparation**

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

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and comply with the Companies Act 1972.

2.2 Changes in accounting policy and disclosures**New and amended standards and interpretations**

On 1 January 2017, the following new standards, new interpretations and amendments to the standards were made and adopted by the company where applicable.

IAS 7 Statement of Cash Flows: Disclosure Initiative**IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses****Amendments to IFRS 12 Disclosure of Interests in other Entities: Clarification of the Scop of the Disclosure requirements in IFRS 12**

All amendments and annual improvements did not have an impact on the entity

2.3 Standards issued but not yet effective

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Company has not early adopted them:

<u>New or revised standards</u>	<i>Effective for accounting period beginning on or after</i>
IFRS 15 Revenue from Contracts with Customers	01-Jan-18
IFRS 16 Leases	01-Jan-19
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or indefinitely Joint Venture	Effective date deferred
IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2	01-Jan-18
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	01-Jan-18
Transfers of Investment Property (Amendments to IAS 40)	01-Jan-18
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01-Jan-18
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	01-Jan-18
IFRS 17 Insurance Contact	01-Jan-21
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	01-Jan-19
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	01-Jan-18

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.3 Standards issued but not yet effective (Cont'd)**

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Company except for IFRS 9 as listed below:

2.4 Significant accounting judgements, estimates and assumptions

The preparation of these financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

(i) Recoverable amount on trade and other receivables

In preparing the financial statements, the directors have made estimates of the recoverable amounts of trade and other receivables and impaired those receivables where the carrying amounts exceeded recoverable amounts. The estimation of recoverable amounts involve an assessment of the financial condition of the debtors concerned and estimate of the timing and the extent of cash flows likely to be received by the Company.

(ii) Data rights and related sale of data

With reference to Note 2.4 (v) below, the management makes assumptions on the possible future cash inflow relating to sale of data and discount factor in order to determine the fairvalue of data rights as an intangible asset.

(iii) Retirement Benefit Obligations

With reference to Note 2.5 (d) below, the management makes assumptions on the probability that the employees of the company will work for at least five years with the company in order to determine an estimation of the provision.

(iv) Training fee deferred income and related income statement movement

With reference to Note 2.5 (g) (iv) below, the management makes estimates relating to the expense associated with training income in order to amortise the income over the financial years. Estimate is also used to determine the discount factor used to calculate the fair value of the deferred income.

2.5 Significant accounting policies**(a) Property & equipment**

Equipment is initially recognised at cost and subsequently stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure for additions, improvements and renewals are capitalised only when they increase the current economic benefits and meet the recognition criteria. Subsequent expenditure that do not meet the recognition criteria are expensed.

Depreciation is calculated using the straight line method and charged to profit and loss to write down the cost of the property and equipment to their residual values over their estimated useful lives. Depreciation commences from the date when the item of property and equipment is available for use as intended by management. Depreciation ceases temporarily while the carrying value is equal to or below the residual value. Depreciation ceases when the asset is derecognised or classified as held for sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies****(a) Property & equipment (Cont'd)**

The estimated useful lives and residual values are as follows:

	Years	Residual Value (% of Cost)
Motor vehicles	5	40%
Furniture and fittings	1 - 10	1%
Office equipment	5	5%
Computer Software	3	0%

These residual values and expected useful lives are re-assessed at each financial year and adjusted prospectively if applicable, at the end of each reporting period. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is deemed as impaired and it is written down immediately to its recoverable amount.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' or 'Other operating expenses' in the Statement of Comprehensive Income in the year the asset is derecognised.

(b) Operating Lease

The Company occupies a floor of the SEYPEC building for their operation. The floor is leased out to the Company by Seypc at nil cost with a defined period terminating when the company has established itself in its own building. This is characterised as an operating lease with no future cash outflow, hence no asset or cost recognised in the financial statements.

(c) Intangible assets

Intangible assets include computer software. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

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

Development Costs

Development expenditures on an individual project is recognised as an intangible asset when the Company can demonstrate the following:

- The Technical feasibility to complete the intangible asset so that it will be available for use;
- Its intention to complete and its ability to use the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset and;
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in administrative expense. During the period of development, the asset is tested for impairment annually.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)***Development costs (cont'd)*

Development relates to a system for processing of application of exploration companies' agreements and licenses. It is called Exploration and Processing Information (EPIC). The software is still in development and amortisation of the asset will commence when development is complete and available for use. The Company capitalises development costs for a project in accordance with the accounting policy. Management applies judgement when assessing the technological and economic feasibility of when a product development project has reached a defined milestone in order to capitalise it. Management has therefore determined that the project has not yet met the criterion in order to capitalise it.

Data rights

Data acquisition in the Seychelles for petroleum exploration purpose can occur under either an Exploration Licence or a Petroleum Agreement as specified in the Petroleum Mining Act. In both cases ownership of all data acquired is vested in the Government and a copy of the raw and processed data has to be made available to Government. The Company has been mandated to perform Goverments role with regards to petroleum data and is thus the receiver, manager and repository for such data.

Under a multi-client business model, seismic contractors acquire seismic data for sale to multiple oil and gas companies. In the Seychelles this type of activity can be performed under an Exploration License. In such cases, an agreement between the seismic contractor, the Company and Government gives the seismic contractor certain exclusive rights to market and sell the data for a specified length of time and through revenue sharing terms and conditions, the Company can benefit from the data sales. At the end of the exclusivity period, all rights to the data are returned to Government and the Company can market and sell the data to third parties.

Data acquired under a Petroleum Agreement as part of a work program remains proprietary and confidential for a length of time specified in the Petroleum Agreement. Following the end of the confidentiality period, the Company can market and sell the data to interested third parties.

PetroSeychelles has available for sale data in storage and has potential to sell packages of data on external hard drives to any interested parties. The data rights have indefinite useful lives and are measured on initial recognition at cost. The Company does not incur any costs in acquiring the data, they only incur the cost of the external hard drives to bring the data packages to condition at point of available for sale. Following initial recognition, assets with indefinite useful lives are not amortised, but are tested for impairment annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company utilises the discounted future cash flow model to determine any impairment. Future cash flow is estimated using past trends, expected number of interested parties, selling price and appropriate discount factor. Based on the uncertainty around reliably estimating the future cash inflow, the Company has not recognised any data rights as at 31 December 2016.

Licenses

The Company made upfront payments to licences for the use of softwares granted for a period of one year. The Company expenses the license as they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Significant accounting policies (Cont'd)

Licenses (Cont'd)

A summary of the policies applied to the Group's intangible assets are as follows:

	Useful lives (years)	Amortisation method	Internally generated or acquired
Computer Software		Over useful lives	Acquired
Development Costs		Over useful lives	Internally generated
Data rights	Indefinite	None, impairment	Acquired
Licenses		Over useful lives	Acquired

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(d) Foreign currency translation

Items included in the financial statements of the Company are measured using Seychelles rupees, the currency of the primary economic environment in which the entities operate ("functional currency").

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date when recognised. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(d) Retirement Benefit Obligations

The Company commenced operations in July 2012. As per the Employment Act of Seychelles, retirement benefit obligation is only paid to employees retiring after five years of continued service.

This type of employee benefit has characteristics of a jubilee benefit. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. In Seychelles, this is conditional on the employee remaining in employment for at least five years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(d) Retirement Benefit Obligations (Cont'd)**

The obligation is calculated and initially recognised by using a projected unit credit method, adjusted for a probability that the employee will remain in service up to five years. The management computed the obligation and did not utilise any external, independent actuaries. They are of the assumption that 100% of its employees will remain in service for at least five years, therefore full provision is made for all employees that have completed five years of service.

The obligation is calculated annually, along with unrecognised gains and losses which are recognised in Other Comprehensive Income when incurred. Obligations are derecognised upon settlement or curtailment of the obligation.

(e) Financial instruments - initial recognition and subsequent measurement**(i) Loans and other receivables**

Loans and receivables and cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in profit or loss. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the profit or loss.

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(ii) Cash and Cash equivalent

Cash and cash equivalents as referred to in the cash flow statement, comprises of cash on hand, denominated both in Seychelles Rupees and foreign currency.

(iii) Other payables

Other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method.

(g) Derecognition of financial instruments**(i) Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(i) Financial Assets (Cont'd)**

- The Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

(i) Financial Liabilities

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

(h) Impairment of non-financial assets (tangible and intangible)

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash- generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

(f) Taxes*Current income tax*

The company is exempt from the provisions of the Business Tax Act, 2009 under Schedule II(20).

Deferred income tax

Exemption from Business Tax Act implies that deferred income tax is not applicable to the Company.

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised. Revenue from the different sources are recognised when the significant risks and rewards have passed to the applicant, usually on signing of the agreement.

(i) Application fee income

Application fee relates to a non-refundable income paid at inception of application for exploration. The income is recognised in the year in which the application is made with the Company whether or not application for agreement is successful. The agreements are tripartite, between the Government of Seychelles, the Company and the exploration company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(g) Revenue recognition****(ii) Income from petroleum agreements**

This is an exclusive agreement which grants exploration and exploitation rights to companies for 34 years, [first 9 years being the exploration phase]. The exploration phase consists of three periods of three years each and the exploration companies can opt to progress to other periods or drop out at the end of each period. Income derived from the exploration phase of the petroleum agreements to date by the Company are as follows:

- Concessionary fees of sea acreage

The fee to be paid by the exploration company in respect of each contract year is specified in the agreement is a factor of the square kilometres leased out. Revenue in each contract year are time-apportioned for the amount which relates to the financial year.

- *Training fee income*

This is an amount paid annually at the commencement of each contract year along with settlement of the rental of acreage. It is fixed at different amounts for each of the stages of exploration, it is however subject to change in the event of commercial discovery. As per the agreements training income is used for the following purpose:

* sending Seychelles' nationals on petroleum and energy-related courses at universities, colleges and other training institutions;

* expenses in attending petroleum and energy-related conferences and workshops; and/or

* purchases for the Company and Government technical books, professional publications, scientific instruments or other equipment required by the Company and the Government.

The company recognises training income in line with the terms and conditions of the agreement giving rise to the income. This occurs as and when the Company incurs any of the training costs specified above, regardless of when the payment is being made. Revenue in respect to a financial year is therefore recognised as a deferred income and released to the Statement of Comprehensive Income to the extent that the Company has incurred training expenses during the same financial year.

(iii) Profit commission on sale of data by exploration companies

Once Multi-client data have been acquired, the service company is given a fixed period within which it can commercially sell the data which it has gathered during the survey. The service company must remit specific commission on future sales of these data. The factors considered to arrive at the profit commission are detailed per individual contracts. Once the fixed period is over the service company can no longer market the data and it is considered to be the property of the Government of Seychelles, but managed by PetroSeychelles.

(iv) Sale of data packages

As specified in Note 2.5 (c) Intangibles - Data Rights, PetroSeychelles has available for sale data in storage and has potential to sell packages of data on external hard drives to any interested parties. Revenue with respect to data sales are recognised on accruals basis.

(v) Other revenues

Other revenues are recognised on the accrual basis in accordance with the substance of the relevant agreements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**2.5 Significant accounting policies (Cont'd)****(h) Related party and intercompany transaction**

Transactions between the Company and the government are made at nominal market price. The balance represents issue of share capital outstanding. The outstanding balance at year-end is unsecured, interest free and settlement normally occurs in cash. There has been no guarantees provided for any related party payable.

3 MANAGEMENT OF FINANCIAL RISKS

The Company's activities expose it to a variety financial risks. A description of the significant risk factors is given below together with the risk management policies applicable.

3.1 Financial Risks

The Company is exposed to financial risks through its financial assets and financial liabilities. The main risks to which the Company is exposed include:

The main risks to which the Company is exposed include:

- Market risk (which includes interest rate and foreign exchange risk);
- Credit risk; and
- Liquidity risk.

3.1.1 Market risk

This is the risk of adverse financial impact due to changes in fair value or future cash flows of financial instruments from fluctuations in foreign currency exchange and interest rates.

(i) Foreign exchange risk

Currency risks that the fair value or future cashflows will fluctuate because of changes in foreign exchange rates. Daily exposure to foreign currency risk is not hedged but closely monitored by management.

As of 31 December, the Company had the following significant net foreign currency exposures in the form of cash held on hand and bank balances.

	2017 - Foreign currency	2017 - SCR equivalent	2016 - Foreign currency	2016 - SCR equivalent
	USD	SCR	USD	SCR
United States Dollars	270,142	3,696,292	312,378	4,201,198

(i) Foreign exchange risk (Cont'd)

The impact on the Company's profits and equity of a reasonable change in exchange rates is demonstrated in the table below:

Currency	2017		2016	
	Impact on profit	Impact on equity	Impact on profit	Impact on equity
USD	5%	263,196	263,196	210,060
USD	-5%	(263,196)	(263,196)	210,060

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3. MANAGEMENT OF FINANCIAL RISKS

3.1.2 Credit risk

Credit risks is a risk that a counter party will be unable to pay amount in full when due. The Company's credit risk is primarily attributable to its trade and other receivables and cash and cash equivalents. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment. The company assesses the creditworthiness of parties to exploration agreements based on details of recent payment history, past experience and by taking into account their financial position.

The Company is also exposed to the possibility of default by its staff on car and general purpose loan provided. Management binds the employees to minimum employment period in order to meet loan repayment, and obligation to refund the balances due if the clause of minimum employment is breached. The management also always issue of only two car loans in any year to minimise their credit risks.

The table shows the maximum exposure to credit risk for the components of the financial position.

	2017	2016
	SCR	SCR
Non-Current Financial Assets	69,422	175,750
Trade and other receivable	212,668	234,500
Cash and Cash Equivalent	4,107,960	6,989,001
Other current Financial Assets	55,922	53,747
	4,445,972	7,452,999

There is a concentration of risk with respect to the trade receivable and cash balance. The former is not widely spread over a number of customers and the latter is held with a single financial institution, the Mauritius Commercial Bank in Seychelles.

The company manages this risk by imposing a tight credit period and charging interest on default payments. The company also invested its fund into fixed deposit in order to generate additional revenue than maintain in the single financial institution.

Age analysis of financial assets past due but not impaired:

	Total	Neither past due or impaired	Past due but not impaired		
			< 90 days	90 - 365 days	> 365 days
	SCR	SCR	SCR	SCR	SCR
2017	4,445,972	4,445,972	-	-	-
2016	8,452,998	8,452,998	-	-	-

At 31 December 2017 there are impaired trade receivables of SCR 3,688,604 (2016: SR 4,181,634).

3 MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONT'D)**3.1.3 Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Liquidity risk is considered to be low since the Company maintains an adequate level of cash resources or assets that are readily available on demand.

The table below summarises the maturity profile of the Company's financial assets and liabilities at December 31, 2017 based on a contractual undiscounted payments:

Financial asset	< 3 months	3 - 12 months	1 - 5 years	Total
	SCR	SCR	SCR	SCR
Non-Current Financial Assets	-	-	69,422	69,422
Cash and Bank	4,107,960	-	-	4,107,960
Trade and other receivables				-
Other current Financial Assets	55,922			55,922
	<u>4,163,882</u>	<u>-</u>	<u>69,422</u>	<u>4,233,304</u>
Financial liabilities				
Trade and other payables	457,090	50,594	-	507,684
Retirement Benefit Obligation	-	-	254,009	254,009
	<u>457,090</u>	<u>50,594</u>	<u>254,009</u>	<u>761,693</u>

The table below summarises the maturity profile of the Company's financial liabilities at December 31, 2016 based on a contractual undiscounted payments:

Financial asset	< 3 months	3 - 12 months	1 - 5 years	Total
	SCR	SCR	SCR	SCR
Non-Current Financial Assets	-	-	175,750	175,750
Cash and Bank	6,989,001	-	-	6,989,001
Trade and other receivables	1,062,740	171,760		1,234,500
Other current Financial Assets	53,747	-	-	53,747
	<u>8,105,488</u>	<u>171,760</u>	<u>175,750</u>	<u>8,452,999</u>
Financial liabilities				
Trade and other payables	140,351	41,535	-	181,886
Retirement Benefit Obligation	-	-	409,278	409,278
	<u>140,351</u>	<u>41,535</u>	<u>409,278</u>	<u>591,164</u>

3.2 Capital Management

Capital includes funds contributed by the holding company as equity and retained earnings.

The company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, by ensuring that the policies and processes in place are revised/updated, in terms of pricing of the agreements, at least every 5 years to reflect and meet its obligations.

No changes were made in the objectives, policies, or process during the years end 31 December 2016 and 31 December 2017.

4 PROPERTY AND EQUIPMENT

	Motor vehicles SCR	Furniture & Fixtures SCR	Office Equipment SCR	Total SCR
Cost:				
At 1 January 2016	428,519	18,067	1,058,451	1,505,037
Additions	-	-	18,440	18,440
Disposals	-	-	-	-
At 31 December 2016	428,519	18,067	1,076,891	1,523,477
Additions	-	-	43,450	43,450
Disposals	-	-	-	-
At 31 December 2017	428,519	18,067	1,120,341	1,566,927
Depreciation:				
At January 1, 2016	(162,837)	(3,455)	(353,905)	(520,197)
Depreciation charge for the period	(51,422)	(3,022)	(202,561)	(257,005)
At December 31, 2016	(214,259)	(6,477)	(556,466)	(777,202)
Depreciation charge for the year	(42,852)	(3,022)	(206,571)	(252,445)
Disposals	-	-	-	-
At December 31, 2017	(257,111)	(9,499)	(763,037)	(1,029,647)
Net Carrying Amount:				
At 31 December 2016	214,260	11,590	520,425	746,275
At 31 December 2017	171,408	8,568	357,304	537,280

The Useful lives and residual values are estimated as follows:

	Years	Residual Value (% of Cost)
Motor vehicles	5	40%
Furniture and fittings	1 - 10	1%
Office equipment	5	5%
Computer Software	3	0%

Cash outflow for the purchase of property and equipment was SCR43k (Period 2016: SCR18k).

There is no pledge held against any assets of the company as at December 31, 2017 (2016: nil).

The Company occupies a floor of the SEYPEC building for their operation. The floor is leased out to the Company by Seypc at nil cost with a defined period terminating when the company has established itself in its own building. This is characterised as an operating lease with no future cash outflow, hence no asset or cost recognised in the financial statements.

5. INTANGIBLE

	Licences SCR	Software SCR	Computer Total SCR
Cost:			
At 1 January 2016	74,513	259,967	334,480
Additions	-	-	-
Disposals	-	-	-
At 31 December 2016	74,513	259,967	334,480
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	74,513	259,967	334,480
Amortisation:			
At January 1, 2016	-	(121,966)	(121,966)
Depreciation charge for the period	24,873	(102,940)	(78,067)
Disposals	-	-	-
At December 31, 2016	24,873	(224,906)	(200,033)
Depreciation charge for the year	(74,619)	(24,473)	(99,092)
Disposals	-	-	-
At December 31, 2017	(49,746)	(249,379)	(299,125)
Net Carrying Amount:			
At 31 December 2016	99,386	35,061	134,447
At 31 December 2017	24,767	10,588	35,357

Cash outflow for the purchase of intangible assets was Nil (2016: Nil).

6. NON-CURRENT FINANCIAL ASSET

	2017 SCR	2016 SCR
Non-current portion of staff loans (Notes 8f)	69,422	175,750

7. CASH AND CASH EQUIVALENT

	2017 SCR	2016 SCR
Cash in hand	499	299
Bank balances	4,107,462	6,988,703
	4,107,960	6,989,001

The carrying amount of the bank balance approximates its fair value, given its short term nature. It represents bank balance with Mauritius Commercial Bank (MCB) Seychelles, and does not earn any interest.

8. TRADE AND OTHER RECEIVABLES

	2017	2016
	SCR	SCR
Trade receivables	3,727,899	4,245,695
Less: Allowances for credit impairment (see note (b) below)	(3,688,604)	(4,181,634)
	39,295	64,061
Unpaid share capital	-	1,000,000
Current portion of staff loan	152,295	157,717
Other receivables	2,579	1,535
Prepayment	18,500	11,187
	212,668	1,234,500

(a) The ageing of the above debtors are as follows:

	2017	2016
	SCR	SCR
Up to 3 months	39,295	1,062,740
Up to 12 months	173,374	171,760
> 12 months	-	-
	212,668	1,234,500

(b) Movement in allowances for credit impairment losses is given below.

	2017	2016
	SCR	SCR
At January 1,	4,181,634	3,094,396
Charged to profit and loss	(493,030)	885,214
Recovered during the year	-	-
Effect on Foreign exchange difference	-	202,024
At December 31,	3,688,604	4,181,634

(c) Trade and other receivables are denominated in United States dollars and Seychelles rupees.

(d) The carrying amounts of trade receivable and other receivable approximate their fair values except for staff loans receivable.

(e) Trade receivable balances are due within 1 month of inception, unless specified otherwise in the agreement. All debtors above one month are considered past due, analysis of age analysis of financial assets past due but not impaired is disclosed in Note 3.1.2 Credit risk.

(f) The staff loan balance relates to staff car loans expected to be repaid in the subsequent financial period and general purpose loans issued by the Company which are receivable in instalments over the period of the loan agreement. The non-current portion of the staff car loan is classified as non-current assets in Note 6. Car loans have a maturity of 5 years and general purpose loans have a maturity of 1 year. The balances are neither past due nor impaired. With respect to the car loans, the vehicles are pledged to PetroSeychelles and a lien clause to insurance policy, wherein the event of any claims, proceeds will be paid directly to PetroSeychelles. The Company does not hold any collateral as security in respect of general purpose loans receivables.

(g) The Company earns interest on the staff loans, classified as finance income on the face of the Statement of Comprehensive Income. The rates are heavily discounted compared to market rate implying a difference in fair value compared to carrying amount.

8. TRADE AND OTHER RECEIVABLES (CONT'D)

(f) Refer to Note 3.2 where assumptions used to determine fair value are described. The following illustrates the carrying amount and fair value of the staff loans:

	2017	2016
	SCR	SCR
Amortised cost	<u>1,000,000</u>	333,647
Fair Value	<u>1,000,000</u>	275,221

(g)

In 2017, the Shareholder indicated that the Company can manage itself with the current funds for a period of more than one year and took the decision to delay the payment to the end of its term specified in Note 10 below.

9. LOANS AND RECEIVABLES

	2017	2016
	SCR	SCR
Fixed Term Investment	<u>55,922</u>	53,747

The fixed term deposit is held with the company's banker, Mauritius Commercial Bank (Seychelles). The instrument have a one year term to maturity, where interest is due upon maturity. Its carrying amount approximate its fair value given its short term nature.

10. SHARE CAPITAL

	2017	2016
	SCR	SCR
Authorised, issued and ordinary shares 100 shares of SCR 10,000 each	<u>1,000,000</u>	1,000,000

11. TRADE AND OTHER PAYABLES

	2017	2016
	SCR	SCR
Trade payables and accruals	<u>507,684</u>	181,886

All trade and other payable balances are due within a year and relate to bills and audit fees.

12. DEFERRED INCOME

	2017	2016
	SCR	SCR
At January 1.	<u>5,354,211</u>	7,250,670
Received during the year	<u>(315,098)</u>	(1,896,459)
Released to profit and loss (note 14)	<u>5,039,113</u>	5,354,211

Represented by

Current Deferred Income

Unutilised portion of training income	<u>843,931</u>	843,931
Unutilised concessionary fees of sea acreage	<u>-</u>	-

Non-Current Deferred Income

Unutilised portion of training income	<u>4,195,182</u>	4,510,280
	<u>5,039,113</u>	5,354,211

The company recognises training income in line with the conditions of agreements, occurring when training expenses are recognised. The concessionary fees of sea acreage is time-apportioned for the amount which relates to the financial year, and recognised as such. Accordingly, any unused portion of the training income and concessionary fees of sea acreage which relates to the subsequent period is deferred until incurred. Refer to Note 2.5(j)(ii) for the accounting policy.

13. RETIREMENT BENEFIT OBLIGATION

(i) Amount recognised in the statement of financial position:

	2017	2016
	SCR	SCR
Present value of unfunded obligation	254,009	409,278

(ii) Amount recognised in the Statement of comprehensive income:

	2017	2016
	SCR	SCR
Current service cost	56,638	93,832
Interest cost	8,451	20,278
Settlement loss	-	-
Experience adjustment	(220,357)	(1,797)
	(155,268)	112,313

(iii) Movement in liability recognised in statement of Financial position

	2017	2016
	SCR	SCR
At January 01,	409,278	296,965
Total expenses as above	(155,268)	112,313
Settlement cost	-	-
At December 31,	254,009	409,278

(iv) The principal assumption used were as follows

	2017	2016
	%/year old	%/year old
Discount rate	4.73%	6.87%
Future salary increases	3%	0%
Years liability fall due	5	5
% of liability to fall due after 5 years	100%	90%

The figure of 3% used to calculate future salary increases in no way commits the Company to such increase in salary and has been used for calculation purposes only.

14 REVENUE

	2017	2016
	SCR	SCR
Concessionary fees of sea acreage (Note 12)	-	1,708,300
Release of training income (Note 12)	315,098	188,159
Profit commission on data sales	-	885,214
	315,098	2,781,672

15. OPERATING COSTS AND ADMINISTRATIVE EXPENSES

The company classified costs which can relates directly to its operation as operational costs and the remaining expenses as administrative costs. This is summarised as shown below:

	2017	2016
	SCR	SCR
Operating expenses	1,556,481	2,207,297
Administrative expenses	3,441,441	2,906,966
	4,997,922	5,114,263

15. OPERATING COSTS AND ADMINISTRATIVE EXPENSES (Cont'd)

The operating costs and administrative expenses are detailed as per the nature of the expenses:

	2017	2016
	SCR	SCR
Depreciation	252,445	257,005
Amortisation	99,093	78,067
Employee benefit expenses (Note 17)	3,381,069	3,891,445
Directors' emoluments	199,500	222,000
Training expenses	33,886	227,174
Repairs and Maintenance	18,038	26,242
Transportation expenses	20,100	25,120
Other office and administrative expenses	970,258	588,571
Foreign exchange (gains)/Losses	23,533	(201,361)
Total	4,997,922	5,114,263

- a) In the petroleum agreements, the petroleum company shall, annually, pay an amount relating to training expense of PetroSeychelles. The agreement stipulates that the Company shall use these amounts for the following expenses: educational courses and related expense, expenses relating to attendance of petroleum and energy related conferences and workshops and, or, purchases of technical books, publications, scientific instruments and other equipments required.
- b) Lease arrangements

Operating lease commitments - Company as lessee

The Company has entered into a rental lease agreement for the premises. The lease is for a period of years until PetroSeychelles has established itself in its own building. The lease agreement is open with no restrictions placed upon the lessee by entering into the lease.

16. LOSS FOR THE YEAR

The loss for the year has been arrived at after charging	2017	2016
	SCR	SCR
Auditors' fees	55,980	54,800
Employee benefit expenses (Note 17)	3,381,069	3,891,445
Directors Remuneration	199,500	222,000
Depreciation on equipment (Note 4)	252,445	257,005
Amortisation on intangible assets (Note 5)	99,092	78,067

17. EMPLOYEE BENEFIT EXPENSES

	2017	2016
	SCR	SCR
Wages and salaries	3,312,952	3,560,687
Retirement benefit obligation charges (Note 13)	(48,624)	112,315
Pension Cost	104,595	144,621
Other Employee Benefits (17 (a))	12,146	73,824
Total	3,381,069	3,891,445

- (a) Other employee benefits includes gratuity expenses, staff uniforms and other miscellaneous expenses pertaining to staff.

18. Directors Remunerations

	Fee	Other emoluments	Total	Total
Patrick Joseph		651,622	651,622	-
Barry Jude Jean Faure	72,000		72,000	72,000
Allain Patrick Payet	30,000		30,000	30,000
Eddy Dennis Matatiken	30,000		30,000	30,000
Raymond F. ChangTave	30,000		30,000	30,000
Rony James Govinden	7,500		7,500	30,000
Caroline Abel	30,000		30,000	30,000
	199,500	-	851,122	222,000

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial and operating decisions. The following are transactions between the Company and their related parties:

		Relationship	2017	2016
			SCR	SCR
(a) Authorised, Issue share capital	Government of Seychelles	Shareholders	1,000,000	1,000,000
(b) Expense transactions with related party	Attorney General's Office	Government entity	72,000	72,000
(c) Outstanding Balances receivable	Gouvernement of Seychelles	Shareholders	10,000	1,000,000
(d) Remuneration of Key Management personnel:	Salaries and other short-term benefits		651,622	996,321
(e) Remuneration of directors	Salaries and other short-term benefits		199,500	222,000

Key management personnel consist of the CEO of the Company and the Board of Directors.

Terms and conditions of transactions with related party

Transactions between the Company and the government are made at nominal market price. The balances represents income and expenses incurred in transactions to and from the related parties, as well as share capital outstanding. The outstanding balance at year-end is unsecured, interest free and settlement normally occurs in cash. Refer to Directors' report for guarantee provided by the related parties.

20. CAPITAL COMMITMENTS

The Company had no capital commitments as at December 31, 2017 (2016: Nil)

21. EVENTS AFTER THE REPORTING DATE

There were no significant event after the reporting date requiring disclosure in or amendments to the December 31, 2017 annual financial statements