



**NAUTILUS**  
Marine Services PLC

# Pursuing Opportunities and Assessing Alternatives

Nautilus Marine Services PLC  
Annual Report and Accounts 2016

---

# Creating value in the global offshore services industry

Nautilus Marine Services PLC (formerly Global Energy Development PLC) is a highly-liquid company with capital access and available cash resources and has taken first steps to enter the global offshore services industry and continues to seek viable contrarian investments in offshore service assets and technology.

## AIM

As of 9 February 2017, the Company's shares were re-admitted to the AIM, a market operated by the London Stock Exchange, as Nautilus Marine Services PLC (LSE-AIM: "NAUT"). Previously, the Company's shares had been traded on the AIM since March 2002 as Global Energy Development PLC (LSE-AIM: "GED").

---

## Business Review

- 01 Strategy
- 02 Chairman's Statement and Review of Operations

---

## Corporate Governance

- 04 Corporate Social Responsibility
- 05 Strategic Report
- 06 Directors' Biographies
- 07 Corporate Governance Statement
- 09 Directors' Report
- 12 Statement of Directors' Responsibilities

---

## Financial Statements

- 13 Independent Auditors' Report to the Members of Nautilus Marine Services PLC
- 14 Consolidated Statement of Comprehensive Income
- 15 Consolidated Statement of Changes in Equity
- 16 Consolidated Statement of Financial Position
- 17 Consolidated Statement of Cash Flows
- 18 Notes to the Primary Financial Statements
- 44 Company Accounts
- 53 Forward-looking Statements
- 54 Corporate Directory

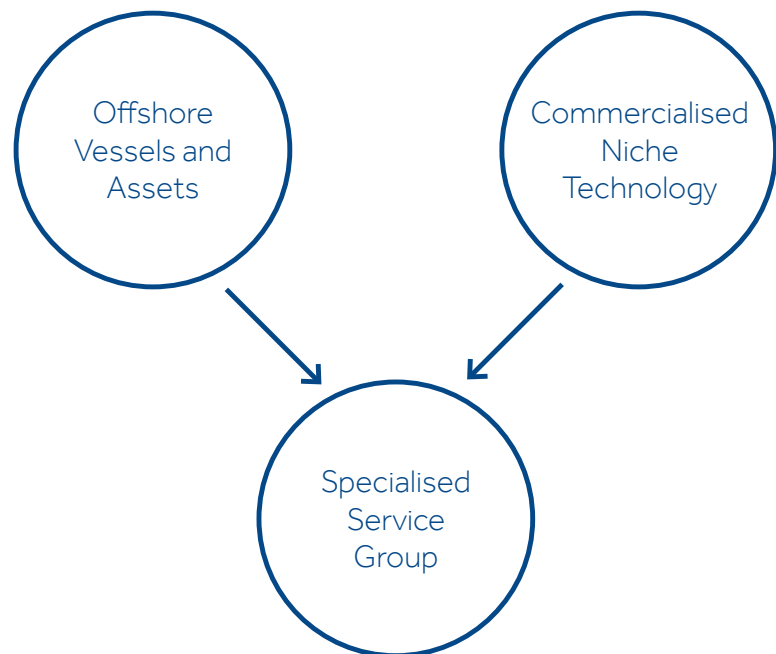
## NAUTILUS STRATEGY

---

“Focusing on acquiring or investing in offshore assets and technology in order to differentiate Nautilus as a specialised service group.”

---

Over the past few years, the offshore energy services industry has experienced a decline in pricing and demand due to the domino effect of lower oil prices and decreased activity of offshore producers.



The Company seeks to use this window of time before sustained prices and demand returns to acquire or invest in both offshore assets as well as commercialised, niche technologies to position itself as a specialised service group with a competitive advantage.

## CHAIRMAN'S STATEMENT AND REVIEW OF OPERATIONS

# 2017 is a year of change.

### Change in Strategy

2017 is a year of change. In February 2017, the Group completed its fundamental change of business with the closing of the transactions to acquire subsea service vessels and changed its name to Nautilus Marine Services PLC. These acquisitions were effected through the purchase of the entire issued share capital of certain vessel-owning companies. All vessels are located at the Group's docking facility in Louisiana, USA with access to the Gulf of Mexico. The purchase of these vessels was the first step in the Group's new strategy to acquire and invest in assets and technology in the currently-distressed offshore services sector.

The offshore sector services multiple industries including telecom and renewables, but primarily the focus has been on the transportation of equipment, technology or divers to offshore facilities, wells and pipelines for the energy industry. Like the energy industry, over the past few years the subsea sector has seen a dramatic decline in demand for its services for both operational as well as capital activities. Much of this work, such as inspection, repair and maintenance of existing offshore assets as well as the development of new production, has not disappeared so much as it has been delayed by offshore energy companies until a sustained recovery in oil prices and demand occurs. Current industry specialists predict that utilisation and demand for offshore services could continue to remain low or further decline throughout 2017. With this past decline in demand for offshore services and with the predictions for continued short-term decline, the Group believes a window of time exists for buying opportunities. The Group intends to use this time for viable investment, consolidation and technology opportunities to take advantage of distressed market conditions.

With this new strategy the Group has shifted its business focus away from the exploration, development and production of oil reserves in Colombia, South America. The Group continues to hold its two Association Contracts in Colombia but is actively seeking possible alternatives for this investment. In the meanwhile, the Group is continuing to preserve its contract acreage in Colombia by maintaining its ongoing environmental, social and safety requirements.

### Acquisitions

During 2016 as the Group was vetting energy-based strategic opportunities, we were presented with the opportunity to gain access into the global offshore services sector through an initial entry into the Gulf of Mexico with the purchase of offshore service vessels and equipment. After completing due diligence, a leading global maritime firm was engaged by the Group to independently appraise the fair market value of the vessels and equipment. In addition, the fair market value of the convertible notes was independently appraised by an international accounting firm. Subsequently, the Group pursued the negotiation and compilation of the share purchase agreements along with the required regulatory documents and advisor review during late 2016.

In February 2017 following approval from our shareholders at the general meeting, the Group closed the two transactions to cumulatively receive:

- New capital cash of \$10.5 million; and
- vessels and equipment with a fair market value of \$13.6 million.

in exchange for:

- Deeply discounted convertible notes with a fair market value of \$16.1 million; and
- forgiveness of \$8 million of the outstanding principal amount of an existing note receivable.

The three series of convertible notes (Series A, B and C) have ten, twelve and fifteen year terms, respectively, and are convertible into shares of the Group. Only the Series A notes are payable in cash upon maturity, if not converted. The Series B and C notes are payable in cash or shares at maturity at the option of the Group, if not already converted. Interest is payable only upon maturity or conversion and does not compound. All three series of convertible notes contain the right for the Group to force conversion if the Group's average share price equals or exceeds 110 per cent. of the conversion price for a period of ten consecutive business days.

Two of the sellers in the transactions, Everest Hill Group Inc. ("Everest") and Mr. Alan Quasha, represent related-parties to the Group, but the remaining parties to the transactions, McLarty Capital Partners and Caleura Limited, are non-related parties. These transactions represented an opportunity for the Group to acquire offshore service assets at reduced prices, to raise new capital for future acquisitions and to diversify the existing shareholder base with non-related parties if the notes are converted into shares of the Group in the future.

The Group has built a database of offshore service prospects and is advancing efforts on the assessment of these opportunities. In addition, the Group intends to integrate, assess and possibly enhance the current vessels and equipment from these transactions alongside other current market opportunities as part of its overall global offshore investment strategy. Through the recent leasing of top-level docking facilities, the Group has adequate space to maintain its assets with access to the Gulf Coast.

Management is currently evaluating the accounting treatment to be applied to these two post reporting date transactions.

### 2016 Financials

During 2016, the Group increased its holdings in the note receivable from Everest ("Everest Loan Note") by loaning an additional \$2 million principal amount to Everest and acquiring HKN Inc.'s rights to their outstanding principal amount of \$2 million of the Everest Loan Note. As a result, the Group became the sole lender of the amended Everest Loan Note which had a principal balance of \$12 million at 31 December 2016. Also during the year, the Group ultimately extended the maturity date of the Everest Loan Note to 15 January 2017 and granted forbearance in respect of any non-payment default in expectation of the closing of the transactions as discussed above. Upon completion of these transactions in February 2017, the Group amended the terms of the Everest Loan Note (of which a principal balance of \$4 million currently remains outstanding). The new terms of the amended Everest Loan Note include a reduced interest charge of 8 per cent. per annum, payable quarterly in arrears, and an extended maturity date of 15 September 2018 (subject to acceleration).

The Group increased its decommissioning provision estimates during 2016 related to its Colombian Association Contracts for both current and long-term remediation projects. These increases to decommissioning liabilities were partially offset by payments made for environmental and social projects during the year.

Accounts receivable for the Group (related to discontinued operations) decreased during the year due to the write-off of disallowed tax credits on a tax refund due from the tax authorities in Peru. The anticipated tax refund was related to VAT charged on invoices for oil and gas activities related to the Group's Block 95 contract in Peru which was sold during 2012. Upon the Group's request for a refund, the taxing authority in Peru commenced an audit of the refund claim which was completed during 2016. A partial VAT refund was issued to the Group's wholly-owned Peruvian subsidiary, and the remainder of the receivable was written-off during the year.

Turnover from the Company's sole producing well in Colombia decreased to \$178 thousand (2015: \$365 thousand) yielding lifted volumes of 7,287 barrels of oil ("bbls") (2015: 11,240 bbls) and an average realised sales price of \$24.42/bbl (2015: \$32.46/bbl) during 2016. Costs of sales decreased to \$602 thousand during the year (2015: \$978 thousand) as a result of lower production volumes and decreased maintenance activities. Gross loss decreased to \$424 thousand compared to \$613 thousand for the prior year.

Administrative expenses increased to \$6.1 million during 2016 compared to \$4.5 million for the prior year. Approximately \$1.2 million of this increase related to non-recurring, third-party advisor, legal and appraisal costs associated with work performed for the transactions described above. The remaining increase in administrative costs was primarily related to consulting and research costs for the Group's evaluation of other acquisition opportunities along with executive search fees for the Group's new Director of Operations.

Finance income increased significantly to \$1.2 million during 2016 compared to \$440 thousand for the prior year as a result of the monthly interest income earned from the Everest Loan Note outstanding during all of 2016.

During 2016, the Group recorded an impairment charge of \$703 thousand related to its Colombian properties as a result of increased decommissioning and remediation estimates along with the decision to perform some of these projects earlier than originally anticipated.

Tax expense for 2016 was \$197 thousand as compared to an overall tax benefit of \$2.1 million for the prior year. Tax expense for 2016 was comprised of the CREE and wealth taxes related to our Colombian subsidiaries. The prior year tax benefit was primarily due to a net decrease in Colombian deferred tax liabilities.

Lastly, the Group recognised a \$147 thousand loss from discontinued operations during 2016 from the disallowed tax credits on a tax refund due from the tax authorities in Peru related to the Group's Block 95 contract in Peru which was sold during 2012. The income from discontinued operations of \$1.0 million during the prior year was related to tax and purchase price adjustments on the Group's sale of certain of its Colombian properties through the sale of its wholly-owned subsidiary which was finalised during 2015.

#### Conclusion

2017 turns the page for the Group to a new strategy along with a new name. Nautilus has sufficient financial strength and working capital to survive a continued downturn in the offshore services market in 2017 while we execute our strategy to acquire additional opportunities to take advantage of distressed market conditions. In addition, we are seeking to enhance our offshore operations personnel and expertise in the Group from the available personnel currently in the market. We have accumulated a database of possible targets which are currently being prioritised for action this year in order to create long-term value for our shareholders.

**Mikel Faulkner**  
**Chairman**

8 March 2017

## CORPORATE SOCIAL RESPONSIBILITY

---

The Company carefully evaluates all future projects and contract areas, assessing their economic viability, future value for the Company and also the effect on the local communities and surrounding areas.

The Company acknowledges its responsibility as a participant in the communities in which it operates. To that end, the Company's social policies include a framework that addresses local community needs and expectations within the context of the contractual commitments of the Company and prudent business operations. The Company's commitments to the local communities are manifested, by way of example, in the following activities:

- Employment of local personnel at market rates that provides for sustainable living standards.
- Active participation in the construction and maintenance of access roads that provide multiple beneficial uses.
- Periodic seminars that provide training and education on various topics including technical labour, environmental and social issues.
- Support for local schools and medical clinics through the furnishing of supplies.
- Participation and sponsoring of reforestation programmes in areas affected by our operations.

All of the contracts that the Company owns are covered by strict environmental permits and the Company's adherence to these should continue to reduce any adverse impact on the areas or communities surrounding the contracts held. The Company has taken a commitment to comprehensively and proactively review its compliance with all environmental requirements in its environmental licences, environmental management plans and in the environmental regulations and norms applicable to our operations.

The Company intends to continue its commitments to be a responsible corporate citizen and through continual review of its policies and procedures and education of employees.



## STRATEGIC REPORT

Section 414C of the Companies Act 2006 (the "Act") requires that the Company inform members as to how the Directors have performed their duty to promote the success of the Company, by way of a Strategic Report.

Set out below are the applicable reporting requirements under the Act for the purposes of the Strategic Report, together with guidance to other applicable sections of the 2016 Annual Report, which are incorporated by reference into the Company's Strategic Report.

### **Fair review of the business** (Section 414C (2) (a) of the Act)

The principal activities of the Group are identifying and assessing opportunities to purchase offshore service assets in the energy industry. During 2016, the Group made progress in its assessment of strategic opportunities and completed the due diligence, negotiation, and structuring of two separate transactions to acquire a package of offshore service assets in the Gulf of Mexico in the United States. These transactions were completed in February 2017 as discussed in note 28 to the Group financial statements.

The Company is preserving its contract acreage in Colombia by maintaining its ongoing environmental, social, safety and reporting requirements while delaying capital expenditures related to the development of its oil reserves in country. The Company continues to be in discussions regarding possible strategic alternatives associated with its Colombia contracts.

A review of the 2016 financials is contained within the Chairman's Statement and Review of Operations on pages 2 and 3 and the Directors' Report on pages 9 to 11, which form part of this report.

### **Principal risks and uncertainties** (Section 414C (2) (b) of the Act)

The Group is subject to various risks and uncertainties which derive from its strategy to acquire offshore service assets and technology. These risks and uncertainties may have a material impact on the Company's performance and could cause future results to differ materially from expected and historical results. The Group's business risks and uncertainties include, but are not limited to price risk, market risk, foreign exchange risk and liquidity risk. The Group determines the appropriate course of action to manage those risks as discussed in the Directors' Report and detailed in note 23 of the Group financial statements.

### **Analysis of the development and performance of the business** (Section 414C (3) of the Act)

The Group continually evaluates and monitors the achievement of corporate objectives and the development of the Group's portfolio in core areas. In addition, management communicates frequently with the Board of Directors to provide consistent information and data to evaluate and measure the achievement of objectives. A full review of the Group's activities during the year, recent events, principal risks and uncertainties and expected future developments is contained within the Chairman's Statement and Review of Operations on pages 2 and 3 and the Directors' Report on pages 9 to 11, which form part of this report.

### **Analysis using key financial performance indicators** (Section 414C (4) (a) of the Act)

As at 31 December 2016, the Group has a strong balance sheet holding sufficient cash reserves and positive working capital. The Group's primary key performance indicators and key events for 2016 are contained within the Directors' Report on pages 9 to 11, which form part of this report.

### **Approval of the Board** (Section 414D (1) of the Act)

This strategic report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil exploration and production business. While the Directors believe the expectation reflected herein to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Group's control or otherwise within the Group's control but, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements.

By order of the Board.

**Mikel Faulkner**  
Chairman  
8 March 2017

**Nautilus Marine Services PLC**  
(formerly Global Energy Development PLC)  
3 More London Riverside  
London SE1 2AQ, UK

## DIRECTORS' BIOGRAPHIES

---

# Strong team

### DIRECTORS

---

#### Mikel Faulkner Chairman

Mikel Faulkner holds a Bachelors degree in Mathematics and Physics and a Masters degree in Business Administration. His employment experience includes service as an officer in the United States Naval Nuclear Power Programme, a member of the audit staff at Arthur Andersen & Co., a financial officer for American Quasar Petroleum, and at HKN, Inc., where he served as chairman from 1991 to 2003 and has been the chief executive officer since 1982.

#### Alan Henderson Non-executive Director

Alan Henderson is chairman of Smart Matrix Limited. He is a director of North One Garden Centre Limited and West Six Garden Centre Limited. He was previously chairman of Forum Energy PLC, Aberdeen New Thai Investment Trust PLC, Aberdeen New Dawn Investment Trust PLC and Ranger Oil (UK) Ltd and a director of ADT Ltd and Ranger Oil Ltd.

#### David Quint Non-executive Director

David Quint is a graduate of the University of Notre Dame from which he received a Bachelors degree in Modern Languages in 1972 and a Juris Doctorate in 1975. From 1975 until 1982, he was an attorney with Arter & Hadden in Cleveland, Ohio and Washington D.C. From 1983 until 1992, he served as the managing director of the London-based international financing arm of a US oil and gas company. In 1992, David founded RP&C International, Inc., an investment-banking firm with offices in London and New York. In 2016, RP&C International was acquired by Arundel AG, a Swiss company listed on the SIX Stock Exchange in Zurich which invests in assets and provides financial services on a global basis. He currently serves as a director of Arundel AG and as the chief executive officer of Arundel Group Limited.

#### Zac Phillips Non-executive Director

Zac Phillips was elected to the Board of Directors in 2014. Zac holds a chemical engineering degree and a doctorate of chemical engineering from BP and the University of Bath. From 2006 to 2010, Mr. Phillips served as chief financial officer and founding director of Dubai World's Oil & Gas Business, DB Petroleum (formerly BSG Energy). He currently acts as an independent energy consultant to companies during periods of development and expansion, assisting with areas such as investment banking, assets valuation and capital market activity through Phillips Energy Consultants, a financial management firm he founded. He currently holds the role of non-executive director for Kairos Petroleum. He is also a member of the SPE and the Institute of Chemical Engineers.



## CORPORATE GOVERNANCE STATEMENT

### Statement by the Directors on Corporate Governance

The Board of Directors of the Company ("Board") acknowledges that adhering to rules of good corporate governance is in the best interests of the Company and its shareholders. Although the Company is not required to comply with the UK Corporate Governance Code (formerly the Combined Code) published by the Financial Reporting Council in September 2014, all the Directors remain committed to high standards of corporate governance and consider that the Board progressively adopts best practices. Although the Company does not apply the full requirements of the UK Corporate Governance Code, the following sections describe how the Board has applied the principles of the UK Corporate Governance Code that they consider relevant to a company of their size and stage of development.

### The Workings of the Board and its Committees

#### The Board

The Board comprises three Non-executive Directors and one Executive Director. The Executive Director is Mikel Faulkner, who serves as the Chairman of the Company. The three Non-executive Directors are Alan Henderson, David Quint and Zac Phillips. The Company considers that each of the Non-executive Directors is an independent Director in that: i) none are executive officers or employees of the Company; and ii) none have a relationship with the Company that will interfere with the

exercise of independent judgement in carrying out the responsibilities of such Directors. Although share option awards and/or long-term incentive grants have been made to the Non-executive Directors these are not considered to impact their independence. Details of the Directors' skills and experience are included in the Directors' Biographies on page 6. The combined Board provides the Company with a wide range of expertise on issues relating to the Company's mission, operations, strategies and, most importantly, its standards or conduct.

The Board is responsible to the shareholders for the leadership and control of the Company. The Board meets formally four times a year and on an ad hoc basis as required. In compliance with the UK Corporate Governance Code, the Board considers and monitors all such matters as are specifically reserved to it under the Company's articles of association (the "Articles"). The Company's management provides appropriate and timely information to the Board to enable the Board to carry out its duties. The Company's Articles provide for formal and transparent procedures to appoint new Board members.

The Articles further provide for re-election of all Directors annually. The Board has considered the formation of a Nomination Committee but does not consider it to be appropriate for the recurrent nature and size of the Board and Company. The Board will continue to monitor this issue.

A summary of the number of meetings called and attended by the Directors of the Company during 2016 is provided below.

	Board Meetings	Audit Committee <sup>1</sup>	Remuneration Committee <sup>1</sup>	Total
Mikel Faulkner	5	–	–	5
Alan Henderson	5	2	2	9
David Quint	4	2	2	8
Zac Phillips	5	1	2	8

1 Only Non-executive Directors are entitled to attend the meetings of the Audit Committee and Remuneration Committee.

## CORPORATE GOVERNANCE STATEMENT CONTINUED

---

The following committees deal with specific aspects of the Group's affairs:

### **Audit Committee**

The Audit Committee, which is chaired by David Quint, comprises only the Non-executive Directors and meets as required and at least twice a year. The Audit Committee provides a forum for reporting by the Group's external auditors.

The responsibilities of the Audit Committee comprise recommending to the Board the appointment and remuneration of the auditors, coordinating with the auditors on any problems or reservations they may have and reviewing with them the management reports prepared as a result of audits carried out, review of the Company's policy on internal controls and review of interim and annual financial statements before submission to the Board.

### **Remuneration Committee**

The Remuneration Committee, which is chaired by Alan Henderson, is responsible for recommending to the Board the remuneration of the Executive Directors and the ongoing review of the remuneration and other benefits of the Executive Directors and senior executives, recommending from time to time the introduction, variation or discontinuance of any benefits, including bonuses and share options. The Remuneration Committee comprises only Non-executive Directors.

### **Relations with shareholders**

Communication with shareholders is conducted through correspondence, meetings, London Stock Exchange releases and the Company's website, [www.nautilusmarineplc.com](http://www.nautilusmarineplc.com)

### **Internal controls**

The Board acknowledges that it is responsible for establishing and maintaining the Group's system of internal control, the effectiveness of which is reviewed on a regular basis. The internal control system is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and is designed to meet particular needs of the Group and the risks to which it is exposed, and by its nature can provide reasonable but not absolute assurance against material misstatement or loss. In 2016, the Company completed ongoing updates of the internal policies and procedures. In view of the size of the Company, the Board does not consider that an internal audit function is required at present; however, the Board intends to keep this under review. The key procedures, which the Directors have established with a view to providing effective internal control, are as follows:

#### **Management structure**

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. Each executive has been given responsibility for specific aspects of the Group's affairs.

#### **Corporate accounting and procedures manual**

Responsibility levels are communicated throughout the Group as part of the corporate accounting and procedures manual which sets out, inter-alia, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and control procedures together with accounting policies and procedures.

#### **Quality and integrity of personnel**

The integrity of personnel is ensured through supervision and training. High-quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate accounting and procedures manual.

### **Identification of business risks**

The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks.

### **Budgetary process**

Regularly the Board reviews the annual budget. Key risk areas are identified. Performance is monitored and relevant actions taken throughout the year through the periodic reporting to the Board of variances from the budget, and updated forecasts for the year together with information on the key risk areas.

### **Investment appraisal**

The budgetary process and authorisation levels regulate capital expenditures. For expenditures beyond specified levels, detailed written proposals have to be submitted to Management. Reviews are carried out after the investment is complete and, for some projects, during the investment period, to monitor expenditure. Major overruns are investigated.

## DIRECTORS' REPORT

# The Directors present their annual report and the audited financial statements for the year ended 31 December 2016.

### Principal activities and future developments

The principal activities of the Group are identifying and assessing opportunities to purchase assets in the offshore services industry. During 2016, the Group made progress in its assessment of strategic opportunities and completed the due diligence, negotiation, and structuring of two separate transactions to acquire a package of offshore service assets in the Gulf of Mexico in the United States. These transactions were completed in February 2017 as discussed in note 28 to the Group financial statements. Plans for future activities are included in the Chairman's Statement and Review of Operations on pages 2 and 3.

### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review section, as well as the Chairman's Statement and Review of Operations on pages 2 and 3. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

As at 31 December 2016, the Group has a strong balance sheet holding sufficient cash reserves, no debt and positive working capital of \$26.7 million. The Group meets its day-to-day working capital requirements through its cash on hand.

The Group's forecast and projections, taking account of the 2017 acquisition of offshore service assets and reasonably possible changes in performance, indicate the Group should be able to operate within the level of its current cash balance and internally generated cash flows. The Group has no mandatory capital expenditures in 2017, and all discretionary capital expenditure plans can be modified at any time, if the need arises.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

### Business review

A full review of the Group's activities during the year, recent events, principal risks and uncertainties and expected future developments is contained within the Chairman's Statement and Review of Operations on pages 2 and 3 and the Strategic Report on page 5, which form part of this report. The Group's primary key performance indicators and key events for 2016 were:

- Cash balance at 31 December 2016 of \$16.4 million (31 December 2015: \$25.6 million).
- Placement of secured Note Receivable for \$12.0 million at 31 December 2016 with an interest rate of 12 per cent per annum (31 December 2015: \$8.0 million).
- Low oil prices of \$56.82 per bbl at 31 December 2016 (2015: \$38.21 per bbl) led to the continued impairment of the capitalised costs for the Bolivar and Bocachico Contracts.

### Principal business risk factors

The Group is subject to various risks and uncertainties relating to the offshore services industry and its investment in offshore service assets. These risks and uncertainties may have a material impact on the Company's future performance and could cause future results to differ materially from expected and historical results. The Group's business risks and uncertainties include, but are not limited to, the items described below.

### The oil price

The Group is exposed to the influence and effects of oil and gas prices. Oil and gas exploration and production companies may reduce or curtail operations if prices become, or are expected to become, uneconomical and therefore continuation of these prices above these levels is of key significance to the industry and the success of the Group's business plan.

The Group intends to provide services to the offshore drilling industry. Oil and gas produced offshore is a relatively expensive source of hydrocarbons. Consequently, offshore drilling is more sensitive to a decline in commodity prices compared with conventional sources onshore. Indeed, operations in Louisiana, USA, have been severely curtailed since the oil price fell in 2010.

As a countercyclical investment, the success of the Group's business plan is predicated on a recovery in the offshore drilling activity in the areas in which it operates. If such recovery does not take place or if there is further curtailment of offshore drilling activities this could have an adverse impact on the Groups' financial performance and future prospects.

### Competition

There are a number of subsea services vessels operating in the Gulf of Mexico and globally. Competitors have submitted to customer pressure and reduced prices, often substantially, to the extent that many competitors are operating unprofitably. The Group does not intend to undertake unprofitable tenders and has a sufficiently robust working capital position to enable it to choose the work it accepts for the foreseeable future. However, any failure in the medium term of the pricing levels within the subsea services industry in the Gulf of Mexico to improve to a level that justifies the costs incurred in returning the vessels to service will have an adverse impact on the Group's financial performance and prospects. Those competitors who the Board believes are operating uneconomically may have the resources to be able to continue to do so longer than the Board anticipates, thereby keep pricing levels lower than the Board considers would justify the costs incurred in returning vessels to service.

### Technological advances

The subsea services industry relies on various technologies, many of which have been established for a number of decades. However, technological advancements in the oil and gas industry at large continue at pace and failure to keep up with any such changes may result in the Group losing market share. The Group intends to invest in technological research and development or make strategic acquisitions in such areas that will enable it to provide a strong service or product offering. However, it is currently uncertain how much such research and development will cost or whether such cost can be justified. A failure to conduct such research and development or to keep up with technological advances could adversely affect the Group.

## DIRECTORS' REPORT CONTINUED

### Ability to make further acquisitions

The transactions closed in February 2017 are intended to be a first step by the Company into the global offshore services sector. The Group therefore intends to make further, strategically appropriate investments in other vessels or companies that can enhance the Group's service offering. While the Directors believe that the recent downturn in the industry provides a counter-cyclical investment opportunity in this sector, there can be no guarantee that the Group will be able to identify suitable further acquisition or investment opportunities or, even if it does, that it will be able to make such acquisition or investment on suitable terms.

### Health, safety and environmental

The Group operates in an industry and country that is subject to numerous health, safety and environmental laws and regulations as well as community expectations. Evolving regulatory standards and expectations can result in increased costs which can have a material and adverse effect on earnings and cash flows. The Group complies with all applicable environmental laws and regulations and seeks to apply cost-effective management practices to ensure the protection of the environment as well as worker and community health. The Group strives to make environmental management a high corporate priority. In addition, the Company's social and community policies include a framework that addresses local community needs and expectations within the context of the Company and its prudent business operations.

### Results and dividends

The Group's net loss after taxation for the year amounted to \$6.6 million (net loss in 2015: \$23.6 million). The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2016 (2015: \$nil).

### Financial instruments

The Group is exposed through its continuing operations to the following risks through holding and issuing financial instruments:

- Price risk
- Market risk
- Foreign exchange risk
- Liquidity risk
- Conversion risk

### Price risk

The Group is exposed to the risk of fluctuations in prevailing market prices of crude oil, specifically the Brent and other light oil benchmark prices which were the source reference price in Nautilus' crude sales contracts during 2016. The Group performs internal sensitivity analysis to estimate the potential impact of variation in crude oil market prices. The Group does not enter into derivatives to manage price risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

### Market risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires. No subsidiary company of the Group is permitted to enter into any borrowing facility without the prior consent of the Board.

### Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose local operational currency is not the same as the functional currency of the Group. Although its wider market penetration reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on translation into US Dollars. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their operational currency and that surplus funds over and above working capital requirements are transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the investment activities. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. As of 31 December 2016, the Group has no outstanding debt obligations or mandatory drilling obligations. The Group also seeks to reduce future liquidity risk through monthly updates of its cash flow projections, in order to provide the Company with solid tools to monitor define and approve all cash uses with the purpose of ensuring the funds required to develop the expected operational activities.

These policies have been followed during the year 2016 and additional details are located in note 23 of the Group financial statements.

### Conversion risk

Following issue of the convertible loan notes by the Group in 2017, substantial interest payment obligations will start accruing and will in due course have to be settled in cash or through the issue of ordinary shares.

If the convertible loan notes are not converted, repayment of principal and payment of accrued interest will need to be settled in cash, or where permitted and if the Group so determines, by the issue of new ordinary shares. Any exercise of conversion rights pursuant to the convertible loan notes will result in the issue of new ordinary shares which will reduce the proportionate ownership and voting interests in the Group of the then existing shareholders and could be dilutive of their value.

### Directors

The Directors of the Company who served during the year up to and including the year-end were as follows:

Mikel Faulkner	Chairman
David Quint	Non-executive Director
Zac Phillips	Non-executive Director
Alan Henderson	Non-executive Director

There were no contracts existing during, or at the end of the year, in which a Director was or is materially interested.

Details of the Directors' interests in the ordinary shares of the Company and options over ordinary shares are set out below:

	As at 31 December 2016		As at 31 December 2015	
	Ordinary shares	Options	Ordinary Shares (Restated)	Options
Mikel Faulkner	<b>370,000</b>	<b>1,890,000</b>	370,000	1,890,000
Alan Henderson	<b>14,527</b>	<b>150,000</b>	14,527	150,000
David Quint	<b>135,000</b>	<b>150,000</b>	135,000	150,000
Zac Phillips	<b>15,241</b>	<b>50,000</b>	15,241	50,000
<b>Total</b>	<b>534,768</b>	<b>2,240,000</b>	534,768	2,240,000

All the holdings are beneficially held.

There were no Director's holdings of cash-settled – long-term service benefits, as previously issued, as at 31 December, 2016 and 2015, respectively as detailed in note 25.

A qualifying third-party indemnity provision as defined in Section 234 of the Companies Act 2006 is in force for the benefit of each of the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law.

#### Corporate social responsibility

The Group is fully committed to high standards of environmental, health and safety management. The Company regularly reviews its internal policies and procedures in all areas paying special attention to Community Relations, Integrity and Business Conduct, Health and Safety, Environmental Issues, and Performance and Operational Excellence. The Company acknowledges its responsibility as a participant of the communities in which it operates. To that end, the Company's social policies include a framework that addresses local community needs and expectations within the context of the contractual commitments of the Company and prudent business operations.

#### Auditors

All of the Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are not aware.

This report was approved by the Board of Directors and signed on its behalf by:

#### Mikel Faulkner

Chairman  
8 March 2017

#### Nautilus Marine Services PLC

(formerly Global Energy Development PLC)  
3 More London Riverside  
London SE1 2AQ, UK  
Company Number 4330608

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

---

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Nautilus Marine Services Plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAUTILUS MARINE SERVICES PLC

### Opinion on financial statements

We have audited the group and parent company financial statements ("the financial statements") on pages 14 to 52. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 31 December 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### PAUL WATTS (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP,  
Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
8 March 2017

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
<b>Continuing Operations</b>			
<b>Revenue</b>	2	<b>178</b>	365
Cost of sales		<b>(602)</b>	(978)
<b>Gross loss</b>		<b>(424)</b>	(613)
Other income		–	8
Administrative expenses		<b>(6,102)</b>	(4,478)
Share-based expense	7	<b>(10)</b>	(14)
Exchange rate expense		<b>(113)</b>	(59)
Impairment loss	13	<b>(703)</b>	(21,813)
<b>Operating loss from continuing operations</b>		<b>(7,352)</b>	(26,969)
Finance income	8	<b>1,242</b>	440
Finance and other expense	9	<b>(173)</b>	(196)
<b>Loss before taxation from continuing operations</b>		<b>(6,283)</b>	(26,725)
Tax (expense)/benefit	10	<b>(197)</b>	2,114
<b>Loss from continuing operations, net of tax</b>		<b>(6,480)</b>	(24,611)
<b>(Loss)/income from discontinued operations, net of tax</b>	3	<b>(147)</b>	1,047
<b>Total comprehensive loss for the year attributable to the equity owners of the parent</b>		<b>(6,627)</b>	(23,564)
<b>Loss per share for continuing operations attributable to the equity owners of the parent</b>			
– Basic	5	<b>\$(0.18)</b>	\$(0.68)
– Diluted	5	<b>\$(0.18)</b>	\$(0.68)
<b>(Loss)/earnings per share for discontinued operations attributable to the equity owners of the parent</b>			
– Basic	5	<b>\$(0.00)</b>	\$0.03
– Diluted	5	<b>\$(0.00)</b>	\$0.03
<b>Total loss per share attributable to the equity owners of the parent</b>			
– Basic	5	<b>\$(0.18)</b>	\$(0.65)
– Diluted	5	<b>\$(0.18)</b>	\$(0.65)

The notes on pages 18 to 43 form an integral part of these financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Retained losses \$'000	Total equity \$'000
At 1 January 2015	608	27,139	51,855	(23,802)	55,800
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(23,564)	(23,564)
Share-based payment – options equity settled	–	–	–	17	17
<b>At 1 January 2016</b>	<b>608</b>	<b>27,139</b>	<b>51,855</b>	<b>(47,349)</b>	<b>32,253</b>
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(6,627)	(6,627)
Share-based payment – options equity settled	–	–	–	10	10
<b>At 31 December 2016</b>	<b>608</b>	<b>27,139</b>	<b>51,855</b>	<b>(53,966)</b>	<b>25,636</b>

The notes on pages 18 to 43 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Notes	2016 \$'000	2015 \$'000 (Restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	12	144	93
Other non-current assets	18	888	862
Property, plant and equipment	13	21	145
<b>Total non-current assets</b>		<b>1,053</b>	1,100
<b>Current assets</b>			
Inventories	15	259	246
Note receivable	16	12,060	8,040
Trade and other receivables	17	66	339
Prepayments and other assets	18	283	169
Cash and cash equivalents	19	16,446	25,608
<b>Total current assets</b>		<b>29,114</b>	34,402
<b>Total assets</b>		<b>30,167</b>	35,502
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities (net)	11	–	(6)
Long-term provisions	20	(2,161)	(2,005)
<b>Total non-current liabilities</b>		<b>(2,161)</b>	(2,011)
<b>Current liabilities</b>			
Trade and other payables	21	(1,306)	(932)
Short-term provisions	20	(948)	(184)
Corporate and equity tax liability	22	(116)	(122)
<b>Total current liabilities</b>		<b>(2,370)</b>	(1,238)
<b>Total liabilities</b>		<b>(4,531)</b>	(3,249)
<b>Net assets</b>		<b>25,636</b>	32,253
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	24	608	608
Share premium account		27,139	27,139
Capital reserve		51,855	51,855
Retained deficit		(53,966)	(47,349)
<b>Total equity</b>		<b>25,636</b>	32,253

These financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017 and were signed on its behalf by:

### Mikel Faulkner

Chairman  
8 March 2017

### Nautilus Marine Services PLC

(formerly Global Energy Development PLC)  
3 More London Riverside  
London SE1 2AQ  
UK

The notes on pages 18 to 43 form an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Cash used by operations	4	(6,137)	(5,108)
Tax paid (continuing and discontinued operations)		(201)	(586)
<b>Net cash used in operating activities</b>		<b>(6,338)</b>	(5,694)
<b>Cash flows from investing activities</b>			
Interest income from note receivable	16	1,182	240
Commission income from note receivable	16	40	160
Placement of note receivable	16	(4,000)	(8,000)
Proceeds from sale of asset		39	–
Purchase price adjustments for sale of subsidiary		–	(1,161)
Cost paid for sale of subsidiary		–	(1,000)
Interest received		–	8
Purchase of intangible assets and property, plant and equipment		(85)	(98)
<b>Net cash used in investing activities</b>		<b>(2,824)</b>	(9,851)
<b>Decrease in cash and cash equivalents for the year</b>			
Cash and cash equivalents at beginning of year	19	25,608	41,153
<b>Cash and cash equivalents at the end of year</b>	19	<b>16,446</b>	25,608

The notes on pages 18 to 43 form an integral part of these financial statements.

# NOTES TO THE PRIMARY FINANCIAL STATEMENTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

## 1. Accounting policies

### Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions. The Board also prepares a number of alternative scenarios modelling the business variables and key risks and uncertainties. Based upon these, the Board remains confident that the Group's current cash on hand and current cash flow from operations will enable the Group to fully finance its future working capital discretionary expenditures beyond the period of 12 months of the date of this report.

The financial statements of the Group for the 12 months ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

Certain prior year amounts in the statement of financial position have been reclassified to conform with current year presentation for purposes of comparability. Short-term provisions of \$184 thousand previously included within trade and other payables at 31 December 2015 have been presented separately in the current period due to the materiality of the provision at 31 December 2016. In addition, prepaid taxes of \$5 thousand previously recorded within trade and other receivables as of 31 December 2015 have been reclassified to prepayments and other assets in order to be presented with items of similar nature. Lastly, prepaid taxes of \$862 thousand previously recorded within prepaid and other assets and corporate and equity tax liability as of 31 December 2015 have been reclassified to other non-current assets for comparability as a result of their non-current nature.

### New standards and interpretations

(a) New standards, amendments to published standards and interpretations to existing standards effective in 2016 and adopted by the Group:

Standard description	Date of adoption	Impact on initial application
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 1: Disclosure Initiative	1 January 2016	Amended to further clarify the concept of materiality, namely that it is applicable to the financial statements as a whole, not just the primary statements and that it applies to specific disclosures required by an IFRS and, therefore, an entity does not have to disclose information required by an IFRS if that information would not be material.
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	Clarifies that preparers should not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	Introduces guidance as to how a joint operator should account for the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations. Proposes that a joint operator should apply the relevant principles for business combinations accounting in IFRS 3 and other relevant IFRSs when accounting for these acquisitions.
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016	Restoration of the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities*	1 January 2016	Clarifies that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. This clarification extends to the equity method for entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 clarifies that an investment entity is not excluded from the scope of the standard.

The implementation of these standards did not have a material impact on the Group's consolidated financial statements.

(b) Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

Standard description	Date of adoption	Impact on initial application
Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2017	The improvements in this Amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017	Clarifies deferred tax on unrealised losses generated by debt instruments carried at fair value.
Amendments to IAS 7: Disclosure Initiative *	1 January 2017	The amendments clarify and improve information provided to users of financial statements about an entity's financing activities.
IFRS 9 Financial Instruments*	1 January 2018	Replacement to IAS 39 and is built on a logical, single classification and measurement approach for financial assets which reflects both the business model in which they are operated and their cash flow characteristics. Also addresses the so-called 'own credit' issue and includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment.
IFRS 15 Revenue from Contracts with Customers*	1 January 2018	Introduces requirements for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Also results in enhanced disclosure about revenue and provides or improves guidance for transactions that were not previously addressed comprehensively and for multiple-element arrangements.
IAS 28 Investments in Associates and Joint Ventures	1 January 2018	Clarifies whether an entity has an investment-by- investment choice for measuring investees at fair value in accordance with IAS 28 by a venture capital organisation, or a mutual fund, unit trust or similar entities including investment linked insurance funds.
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Amendments to provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
Amendments to IFRS 4: Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	To address the temporary accounting consequences of the different effective dates of IFRS 9 Financial Instruments and the forthcoming insurance contracts Standard.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.
IFRS 16 Leases*	1 January 2019	The new standard recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

\* Not yet endorsed in the EU

Management is still evaluating these standards but does not currently expect the implementation of these standards to have a material impact on the consolidated financial statements.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of Nautilus Marine Services PLC, formerly Global Energy Development PLC, and entities controlled by the Company up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Any excess of the cost of acquisition over the fair values of identifiable net assets is recognised as goodwill. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant inter-Company transactions and balances between Group entities are eliminated on consolidation.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the management team including the Chairman and the Finance Director.

During 2016, the Group operated two operating segments, the Bolivar Contract area (the "Bolivar area") and the Bocachico Contract area (the "Bocachico area") in the Magdalena Valley of Colombia, South America. The primary function of the Group's segments is the development and sale of hydrocarbons and related activities in Colombia.

# NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED

## FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 1. Accounting policies continued

#### Revenue and other income

Revenue reflects actual volumes, delivered to customers only when the risk is transferred, valued at invoiced prices, as well as accruals for volumes delivered to the sales point but not yet invoiced pending finalisation of pricing negotiations. Those volumes are accrued as sales and valued at the weighted average sales price for the month.

Revenues relating to the sale of oil are recognised when the oil is received by the customer and the risk is transferred and are net of taxes and royalty interests.

Other income relates to crude transportation fees and gains on materials inventory adjustment. Other income is recognised as earned.

#### Oil assets

The following policy definitions provide the guidelines for accounting treatment of oil assets including properties, wells, facilities, pipelines and the other related oil producing assets during all stages of development and production activities:

#### Intangible assets – evaluation and exploration assets

The Company accounts for Evaluation and Exploration ("E&E") activity in accordance with the provisions of IFRS 6. The Company will continue to monitor the application of its policy with respect to any future guidance on accounting for oil activities which may be issued.

#### Capitalisation of E&E Assets

All costs (other than payments to acquire the legal right to explore, evaluate or appraise an area) incurred during the Pre-licensing Phase are charged directly to the statement of comprehensive income. All costs incurred during the Evaluation and Exploration Phases, such as Geological & Geophysical ("G&G") costs, other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability analyses) and appraisal are accumulated and capitalised as intangible E&E assets in accordance with the principles of full cost accounting.

At the completion of the Exploration Phase, if technical feasibility is demonstrated and commercial reserves are discovered, then, following the decision to continue into the development phase, the carrying value of the relevant E&E asset will be reclassified as a Development and Production ("D&P") asset, but only after the carrying value of the asset has been assessed for impairment in accordance with the Impairment of E&E Assets policy. E&E costs are not amortised prior to reclassification to the D&P Phase.

#### Impairment of E&E Assets

Upon reclassification of a project from the E&E phase to D&P phase, an impairment review of the affected E&E assets is performed. The E&E impairment test is performed by comparing the carrying value of the costs against the estimated recoverable value of the reserves (proved plus probable) related to these assets. Any resulting impairment loss is charged to the statement of comprehensive income. The recoverable value is determined as the higher of a) its fair market value less costs of disposal or b) the sum of related cash flows, on a net present value basis.

Further, if at any time when indicators or circumstances exist which suggest the E&E assets may be impaired such as:

- the licence to explore a particular area has expired or will expire soon and will not be renewed; or
- further exploration or evaluation work in a particular area is not budgeted or planned; or
- Evaluation and Exploration work has concluded that commercially viable amounts of oil are not available in a particular area and the Company has decided to discontinue Evaluation and Exploration in that area; or
- data shows that, although development of an area will continue, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development, indicating the possibility that the carrying value of an E&E asset may exceed its recoverable amount; or
- an impairment review of the affected E&E assets is performed. The E&E impairment test is carried out by adding the value of the E&E assets being evaluated to the D&P assets at a sales and geographical area to determine the relevant Cash Generating Unit ("CGU").

The combined carrying value of the E&E and D&P assets in the CGU is compared against the estimated recoverable value, and any resulting impairment loss is charged to the statement of comprehensive income.

#### Property, plant and equipment – D&P assets

The Company accounts for D&P assets in accordance with the provisions of IAS 16 following the full cost accounting principles. The Company will continue to monitor the application of its policy with respect to any future guidance on accounting for oil and gas activities which may be issued.

#### Capitalisation

Development and production assets are accumulated into single field cost centres and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures incurred in finding commercial reserves previously transferred from E&E assets as outlined in the policy above. From time to time different scenarios occur that call for specific policy guidance. The following specific policies are applied by the Company:

- CGUs – The Company has defined its CGUs as assets or groups of assets representing the smallest identifiable segments generating cash flows that are largely independent of cash flows from other assets or groups of assets. As defined, each CGU includes the relevant properties, wells, facilities, pipelines and other key components of the included operations. Currently, the Company has two CGUs, the Bolivar contract area and the Bocachico contract area.
- Dry Hole Costs – Dry hole costs are included in the capitalised costs of the field and would therefore be included in any impairment tests conducted, as described below.
- Water Injection/Disposal Wells – The Company may convert an existing well into a water injection or disposal well. At the time of conversion, all costs associated with the asset are transferred to facility costs. Any capitalisable costs incurred thereafter will be included as facility costs.
- Allocated Costs – Costs such as G&G, Seismic, Capitalised General and Administrative costs, Financing costs, etc. which may cover multiple countries, business segments, CGUs or other assets will be allocated to the appropriate CGUs during the period in which the costs were incurred.

### Depreciation, Depletion and Amortisation (DDA)

Asset costs relating to each CGU as defined above, which include the components of properties, wells, facilities, pipelines and other, are depreciated, depleted or amortised ("DDA") on a unit of production method based on the commercial proven and probable reserves for that CGU. Development and Production assets are depreciated over the relevant net production within the corresponding CGU. As noted above, asset costs associated with E&E projects, even though those assets may or may not have reserves associated with them and are within a CGU with active producing operations, are not depreciated until such costs are analysed for impairment and then transferred to D&P phase. The DDA calculation takes into account the estimated future costs of development for recognised proven and probable reserves for each field based on current price levels and escalated annually based on projected cost inflation rates. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date.

### Impairment of D&P Assets

A review is performed for any indication that the value of the Company's D&P assets may be impaired such as:

- significant changes with an adverse effect in the market or economic conditions which will impact the assets; or
- obsolescence or physical damage of an asset; an asset becoming idle or plans to dispose of the asset before the previously expected date; or
- evidence is available from internal reporting that indicates that the economic performance of an asset is or will be worse than expected.

For D&P assets when there are such indications, an impairment test is carried out on the CGU. Cash generating units are identified in accordance with IAS 36 'Impairment of Assets', where cash flows are largely independent of other significant asset groups and are normally, but not always, single development or production areas. When an impairment is identified, the depletion is charged through the statement of comprehensive income if the net book value of capitalised costs relating to the CGU exceeds the associated estimated future discounted cash flows of the related commercial oil reserves.

As at 31 December 2015, the Group's Bolivar and Bocachico area oil assets were fully impaired and remained fully impaired as at 31 December 2016 due to the oil reserves within the Bocachico and Bolivar areas being uneconomic at current pricing. As a result, any capital costs following the impairment at 31 December 2015, including plugging and abandonment activities and related changes of estimates in the associated provisions, are recorded to impairment expense as incurred.

### Workovers/overhauls and maintenance

From time to time a workover or overhaul or maintenance of existing D&P assets is required, which normally fall into one of two distinct categories. The type of workover dictates the accounting treatment and recognition of the related costs:

#### Capitalisable costs

Costs will be capitalised where the performance of an asset is improved, where an asset being overhauled is being changed from its initial use, the assets useful life is being extended, or the asset is being modified to assist the production of new reserves. The asset will then be subject to depreciation.

- If the workover is being performed on an asset which has been the subject of a previous workover, the net book value of costs previously capitalised will be derecognised and charged to Cost of Sales at the same time as the subsequent capitalisable workover expenditures are being recognised as part of the asset's revised carrying value.
- If the workover replaces parts, equipment or components of an asset or group of assets, and these replacement items qualify for capitalisation, then the original cost of those parts or equipment, including related installation and set up costs that were capitalised as part of the original asset, will be derecognised and charged to cost of sales in the Statement of Comprehensive Income. In the event that the original cost of parts, equipment or components being replaced are not reasonably identifiable, the cost of the new items, adjusted for inflation, may be deemed adequate for consideration as the original cost.

#### Non-capitalisable costs

Expense type workover costs are costs incurred such as maintenance type expenditures, which would be considered day-to-day servicing of the asset. These types of expenditures are recognised within cost of sales in the statement of comprehensive income as incurred. Expense workovers generally include work that is maintenance in nature and generally will not increase production capability through accessing new reserves, producing from a new zone or significantly extend the life or change the nature of the well from its original production profile.

### Decommissioning

Where a material liability for the removal of production facilities and site restoration at the end of the productive life of a field exists, a provision for decommissioning is recognised. The decommissioning provision represents the present value of decommissioning costs for existing assets in the Group's oil operations, which are expected to be incurred between 2017 and 2024. These provisions have been generated based on the Group's internal estimates, and where available, studies and analyses from external sources. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are included within short-term and long-term provisions within the statement of financial position and are reviewed periodically to take into account any material changes to those assumptions.

The unwinding discount arising on the recognition of the provision is released to the Statement of Comprehensive Income and included within finance expense.

An amount equivalent to the provision is also recognised with the cost of the respective tangible asset and depreciated on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and the associated fixed asset.

During 2016, the Group made the decision to perform a portion of its remediation obligations related to the Bocachico and Bolivar Contract Areas in Colombia during the upcoming year rather than upon expiration of the contracts. This decision was made in order to take advantage of lower oilfield service pricing during depressed industry conditions in Colombia and to also reduce future environmental obligations. This decision resulted in the increase in short-term provisions from \$184 thousand to \$948 thousand during 2016, as the projects and their related costs were reclassified from non-current and increased to their present values.

# NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED

## FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

---

### 1. Accounting policies continued

#### Joint ventures

Joint ventures are those ventures in which the Group holds an interest on a long-term basis which are jointly controlled by the Group and one or more ventures under a contractual arrangement. When these arrangements do not constitute entities in their own right, the consolidated financial statements reflect the relevant proportion of costs, revenues, assets and liabilities applicable to the Group's interests in accordance with IFRS 11.

#### Property, plant and equipment other than oil assets

Property, plant and equipment other than oil assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is charged on such assets, with the exception of freehold land, so as to write off the cost, less estimated residual value, on a straight-line basis over their useful lives of between two and five years.

#### Intangible assets other than oil assets

Other 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 are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life of three years 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 is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. 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.

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 profit or loss when the asset is derecognised.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of crude oil is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory amounts include all costs incurred in the normal course of business in bringing product to its present location and condition. The cost of crude oil inventory includes the appropriate proportion of depreciation, depletion and amortisation and administrative cost.

#### Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax. Current tax, including UK Corporation and any overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. Taxable profit differs from profit before tax as reported in the Statement of Comprehensive Income as it excludes items of income or expense that are taxable or deductible in other years or are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted at, or substantively enacted by, the balance sheet date.

#### Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the primary financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the 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 tax profit nor the accounting profit.

Deferred tax assets and liabilities are recognised for 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 each reporting date 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 is realised. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.



## Financial instruments

### Financial assets

The Group classifies its financial assets into receivables and cash and cash equivalents, which comprise the categories discussed below, depending on the purpose for which the asset was required. The Group has not classified any of its financial assets as held to maturity or available for sale. The Group has not classified any of its assets at fair value through profit and loss.

### Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (i.e. trade receivables). The receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost (which is considered to approximate to carrying cost) less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the expense being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

From time to time the Group may elect to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations may lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows would be discounted at the original effective interest rate.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with a maturity of three months or less and other short-term highly liquid investments that are readily convertible into known amounts of cash and overdrafts repayable on demand. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### Financial liabilities

The Group classifies its financial liabilities into categories depending on the purpose for which the liability was acquired. The Group has not classified any of its liabilities at fair value through profit and loss.

The Group's accounting policy for each category is as follows:

### Held at amortised cost

Trade payables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### Share capital

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares and unclassified ordinary shares are classed as equity instruments.

### Provisions

From time to time it is necessary for the Group to defend itself against legal claims that may or may not result in the Group having to make a financial settlement. Provisions for anticipated settlement costs and associated expenses arising from any legal and other disputes are made where a reliable estimate can be made of the probable outcome of the dispute. Where it is not possible to make such an estimate, no provision is made.

Under Colombian law relating to certain exploration and producing contracts, the Group is required to perform additional reinvestment in the amount of 1 per cent of specific investment activity to provide for the recovery, conservation, preservation, and monitoring of the hydrographic basin of the exploration areas. In such cases, a provision is provided and an amount equal to the provision is recognised within the cost of the respective asset and amortised on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provisions and the associated fixed asset.

As at 31 December 2016 and 2015, the Company's long-term and short-term provisions comprised of estimated decommissioning, required reinvestment activities and social and environmental obligations.

### Share-based payments

In accordance with IFRS 2 'Share-based payments', the Group reflects the economic cost of awarding shares and share options to employees and Directors by recording an expense in the Statement of Comprehensive Income equal to the fair value of the benefit awarded. The expense is recognised in the Statement of Comprehensive Income over the vesting period of the award. Fair value is measured by use of a binomial model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where share-based payments are awarded in lieu of services, the fair value of the share-based payment is considered to be the value of services.

### Long-term service benefits

The Group previously operated a cash settled share-based payment scheme ("the long-term incentive bonus award"). An option pricing model is used to measure the Group's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the Statement of Comprehensive Income. All awards granted pursuant to this scheme were terminated as of 31 March 2016.

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 1. Accounting policies continued

#### Post retirement benefits

The Group contributes to a defined contribution scheme at the discretion of the Board of Directors. Contributions are charged to the Statement of Comprehensive Income as they become payable.

#### Foreign currencies

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Statement of Comprehensive Income. On consolidation, the results of overseas operations are translated into US Dollars at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date.

Exchange differences recognised in the statement of comprehensive income of Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are recognised in the foreign exchange reserve on consolidation.

At the date of transition to IFRS on 1 January 2006, the Group used an exemption available under IFRS 1, 'First time adoption of International Financial Reporting Standards', which resulted in the cumulative translation differences for all foreign operations being deemed to be zero at the date on transition to IFRS. Any gain or loss on the subsequent disposal of those foreign operations would exclude translation differences that arose before the date of transition to IFRS and include only subsequent translation differences.

#### Functional and presentational currency

The functional currency of the Company and its subsidiaries has been determined to be the US Dollar and accordingly the financial statements have been presented in US Dollars.

#### Critical accounting judgements and key sources of estimation uncertainty

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

- Impairment of property, plant and equipment (note 13);
- Commercial reserves estimates (note 13);
- Decommissioning provision (note 20);

### 2. Segmental analysis

For management purposes, the Group organised its business units based upon the field locations of its production, development and sale of hydrocarbons and related activities in Colombia, South America as follows:

- Bolivar area (comprised of the Bolivar Contract in the Magdalena valley)
- Bocachico area (comprised of the Bocachico Contract in the Magdalena valley)
- Other (comprised of the Group's corporate overhead and investing activities which are not allocated to the Bolivar or Bocachico areas)

Segment performance is evaluated and measured consistently with operating profit in the consolidated financial statements. However, the Group financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

	Bolivar segment \$'000	Bocachico segment \$'000	Other segment \$'000	Total 2016 \$'000	Bolivar segment \$'000	Bocachico segment \$'000	Other segment \$'000	Total 2015 \$'000 (Restated)
Total revenues <sup>1</sup>	–	178	–	178	3	362	–	365
Loss before tax <sup>1</sup>	(672)	(748)	(4,863)	(6,283)	(22,583)	(37)	(4,105)	(26,725)
Total non-current assets	918	5	130	1,053	901	4	195	1,100
Total non-current liabilities	(1,113)	(1,048)	–	(2,161)	(1,278)	(727)	(6)	(2,011)

<sup>1</sup> From continuing operations

All oil revenues from the Group's business units are generated entirely in Colombia and result from sales to Colombia-based customers. Revenue from continuing operations from one major customer exceeded 10 per cent, and amounted to \$177.9 thousand and \$364.9 thousand arising from sales of crude in 2016 and 2015, respectively.

The loss before tax for the Bolivar segment and the Bocachico segment for the year ended 31 December 2016 includes \$314 thousand and \$389 thousand in impairment losses, respectively, due to the decision to perform certain remediation obligations earlier than originally anticipated resulting in an increase to their present values in the current period. The loss before tax for the Bolivar segment for the year ended 31 December 2015 contains the \$22.2 million impairment of the carrying value of the Bolivar oil assets due to the decline in oil prices and the resulting uneconomic nature of the proved and probable oil reserves. The loss before tax for the Bocachico segment for the year ended 31 December 2015 contains a \$426 thousand impairment recovery recognised during the year primarily for the reduction of the decommissioning and environmental liabilities.

Non-current assets comprise intangible assets (note 12), other non-current assets (note 18), property, plant and equipment (note 13) and exclude deferred tax assets (note 11).

### 3. Discontinued Operations

#### Peru Discontinued Operations:

During 2012 the Group closed on the sale of its remaining 40 per cent working interest in the Peruvian Block 95 License Contract ("Block 95") through its wholly-owned subsidiary to Gran Tierra Energy, Inc. ("GTE"). Block 95 was the Company's only Peruvian asset, located in the Marañon Basin in the north-east area of the country. Block 95 did not generate any revenues or expenses during the year ended 31 December 2015. Following the sale of Block 95, the Group's wholly-owned subsidiary retained a receivable for tax credits related to drilling costs incurred by that entity along with GTE. Under the terms of the sale agreement, the Group agreed to continue with the refund collection process with the Peruvian tax authority and to pass along to GTE any refunded tax credits attributable to drilling costs paid by them. Upon the filing for this refund in 2012, the Peruvian tax authority initiated an audit of this balance which was not fully concluded until 2016. Upon the conclusion of this audit and receipt of certain allowable refunds from the Peruvian tax authority, the Group satisfied its obligation to GTE and recorded expenses related to legal costs and disallowed tax credits. During the year ended 31 December 2016, the Group's results from discontinued operations consist of \$131 thousand of disallowed tax credits along with approximately \$21 thousand in legal and professional fees associated with the tax audit along with the associated foreign currency gain of \$5 thousand upon extinguishment of the tax asset and liability to GTE.

The table below provides further details of the amounts shown in the statement of operations for the discontinued operations of Peru:

	Year ended 31 December 2016 \$ '000	Year ended 31 December 2015 \$'000
Peru		
Revenue	–	–
<b>Gross profit</b>	<b>–</b>	<b>–</b>
Administrative expenses	<b>(152)</b>	–
Exchange gain	<b>5</b>	–
<b>Loss before taxation</b>	<b>(147)</b>	–
Tax (expense) benefit	–	–
<b>Loss from discontinued operations</b>	<b>(147)</b>	–

#### CEDCO Discontinued Operations:

On 6 December 2014, the Group closed on the sale of its wholly-owned subsidiary, Colombia Energy Development Company ("CEDCO"), with an effective date of 1 August 2014. CEDCO held the Company's contract areas (Rio Verde, Alcaravan and Los Hatos contracts) within the Llanos Basin of Colombia, South America. These contracts previously comprised the majority of the Company's oil producing properties. As a result of this disposal, the operations of CEDCO have been treated as discontinued operations. There were no results from discontinued operations pertaining to CEDCO during the year ended 31 December 2016.

The table below provides further details of the amounts shown in the statement of operations for the discontinued operations of CEDCO:

	Year ended 31 December 2016 \$ '000	Year ended 31 December 2015 \$'000
Colombia		
Revenue	–	–
<b>Gross profit</b>	<b>–</b>	<b>–</b>
Administrative expenses	–	–
<b>Profit before taxation</b>	<b>–</b>	<b>–</b>
Tax benefit <sup>1</sup>	–	661
<b>Income after taxation</b>	<b>–</b>	661
Gain on disposal of business (including fees and purchase price adjustments) <sup>2</sup>	–	386
<b>Income from discontinued operations</b>	<b>–</b>	<b>1,047</b>

1 Based upon new Colombian regulation introduced in 2015, the 2014 pre-effective date CREE tax liabilities for discontinued operations previously accrued as at 31 December 2014 and owed by the Group were able to be eliminated upon the filing of the 2014 Colombian tax returns in May 2015. The elimination of the accrued CREE tax liability of approximately \$661 thousand is recorded to profit from discontinued operations in the statement of operations as of 30 June 2015.

2 Per the share purchase agreement, the purchaser of CEDCO could send proposed adjustments to the purchase price following 90 days after the closing date. In February 2015, the Group received the purchaser's adjustment statement with proposed additional purchase price adjustments totalling \$1.5 million. The Group accrued the \$1.5 million of proposed adjustments in its financial statements as of 31 December 2014. On 31 March 2015, the Group and the purchaser agreed upon the finalised purchase price adjustment of \$1.1 million following review of the proposed adjustments in accordance with the share purchase agreement. The \$1.1 million was paid to the purchaser in March 2015. The resulting difference of approximately \$386 thousand is recorded to profit from discontinued operations in the statement of operations as of 30 June 2015.

**NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED  
FOR THE 12 MONTHS ENDED 31 DECEMBER 2016**

**4. Reconciliation of loss before taxation to net cash flow from operations**

	Note	2016 \$'000	2015 \$'000
<b>Continuing operations</b>			
<b>Loss before tax</b>		<b>(6,283)</b>	(26,725)
Adjustments for:			
Depreciation of property, plant & equipment	13	113	78
Amortisation of intangible assets	12	–	4
Other income		–	(8)
Loss on sale of assets	9	1	–
Impairment charge	13	703	21,813
Share based expense	25	10	14
Provision for uncollectible accounts		4	–
Finance income		(1,222)	(440)
Finance cost	9	172	196
<b>Operating cash flow before movements in working capital</b>		<b>(6,502)</b>	(5,068)
Decrease in inventories	15	(13)	44
Increase in trade and other receivables		(44)	(569)
Increase/(decrease) in trade and other payables		438	(159)
<b>Cash used from continuing operations</b>		<b>(6,121)</b>	(5,752)
<b>Discontinued operations</b>			
<b>Loss before tax</b>		<b>(147)</b>	–
Adjustments for:			
Provision for uncollectible accounts		131	–
Income (loss) on sale of subsidiary		–	1,047
<b>Operating cash flow before movements in working capital</b>		<b>(16)</b>	1,047
Increase in trade and other receivables		(5)	–
Increase/(decrease) in trade and other payables		5	(403)
<b>Cash (used in) generated from discontinued operations</b>		<b>(16)</b>	644
<b>Cash used in operations</b>		<b>(6,137)</b>	(5,108)
The Statement of Cash Flows contains the following elements related to discontinued operations:			
		2016 \$'000	2015 \$'000
Net cash generated from operating activities		–	108
Net cash used in investing activities		–	(87)
Net cash used in financing activities		–	–
<b>Total</b>		<b>–</b>	21

## 5. (Loss)/earnings per share (EPS)

Basic earnings per share amounts are calculated by dividing the (loss)/profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding at the end of the year, plus the weighted average number of shares that would be issued on the conversion of dilutive potential ordinary shares into ordinary shares. The calculation of the dilutive potential ordinary shares related to employee and Director Share option plans includes only those options with exercise prices below the average share trading price for each period.

	2016 \$'000	2015 \$'000
Loss from continuing operations after taxation	<b>(6,480)</b>	(24,611)
(Loss)/ profit from discontinued operations after taxation	<b>(147)</b>	1,047
<b>Net loss attributable to equity holders</b>	<b>(6,627)</b>	(23,564)
<b>Loss per share for continuing operations</b>		
– Basic	<b>\$(0.18)</b>	\$(0.68)
– Diluted	<b>\$(0.18)</b>	\$(0.68)
<b>(Loss)/earnings per share for discontinued operations</b>		
– Basic	<b>\$(0.00)</b>	\$0.03
– Diluted	<b>\$(0.00)</b>	\$0.03
<b>Total loss per share</b>		
– Basic	<b>\$(0.18)</b>	\$(0.65)
– Diluted	<b>\$(0.18)</b>	\$(0.65)
<b>Basic weighted average number of shares</b>	<b>36,112,187</b>	36,112,187
Dilutive potential ordinary shares		
Employee and Director share option plans	–	–
<b>Diluted weighted average number of shares</b>	<b>36,112,187</b>	36,112,187

The calculation of the diluted EPS assumes all criteria giving rise to the dilution of the EPS are achieved and all outstanding share options with exercise prices lower than the average period share price are exercised.

## 6. Operating loss from continuing operations

Loss from continuing operations is stated after charging/(crediting):

	2016 \$'000	2015 \$'000
Depletion, depreciation and amortisation (included in cost of sales):		
Other property plant and equipment	<b>113</b>	82
Other cost of sales	<b>489</b>	896
Employee costs	<b>2,819</b>	2,892
Share-based payment – options – equity-settled (note 25)	<b>10</b>	17
Share-based payment – cash-settled (note 25)	–	(3)
Net foreign currency losses	<b>113</b>	59
Auditors' remuneration	<b>297</b>	172
Other administrative costs <sup>1</sup>	<b>2,986</b>	1,414
<b>Total cost of sales, administrative and other operating costs</b>	<b>6,827</b>	5,529

1 Other administrative costs in 2016 include \$1.04 million related to due diligence and advisory costs related to the transaction (see note 28).

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 6. Operating loss from continuing operations continued

During the year, the Group obtained the following services from the Group's auditors at costs as detailed below:

Analysis of auditors' remuneration	2016 \$'000	2015 \$'000
<b>Principal Auditors</b>		
<b>Audit Services</b>		
Statutory audit	71	37
Review of interim report	13	12
<b>Non-audit Services</b>		
Transaction-related due diligence services <sup>1</sup>	129	–
Other services (tax)	5	6
<b>Other Auditors</b>		
Audit of subsidiaries pursuant to legislation	12	24
Other services (tax)	67	93
<b>Total auditors' remuneration</b>	<b>297</b>	<b>172</b>

1 See note 28 for additional information regarding the transaction.

### 7. Employee costs

Group employee costs (including Executive Directors) during the year amounted to:

	2016 \$'000	2015 \$'000
Wages and salaries	2,382	2,614
Social security costs and other payroll taxes	199	145
Insurances and other benefits	179	133
Company contributions to defined contribution plan	59	–
Share-based payment – cash-settled (note 25)	–	(3)
Share-based payments – options – equity-settled (note 25)	10	17
<b>Total employee costs</b>	<b>2,829</b>	<b>2,906</b>

The average number of Group employees (including Executive Directors) was:

	2016	2015
Technical and operations	7	7
Management and administrative	13	9
<b>Total Group employees</b>	<b>20</b>	<b>16</b>

The employee costs and number of employees above do not include contract and casual labour in field operations which are charged directly to operating expense as incurred. These employees are not on the Group's payroll and are contracted through third parties.

### Directors' remuneration

	Salary \$'000	Benefits \$'000	Bonus \$'000	Fees \$'000	Total 2016 \$'000	Total 2015 \$'000
<b>Executives</b>						
Mikel Faulkner	245	–	1 <sup>2</sup>	–	246	764 <sup>3</sup>
<b>Non-executives<sup>1</sup></b>						
Alan Henderson	–	–	–	74	74	74
David Quint	–	–	–	74	74	74
Zac Phillips	–	–	–	74	74	74
<b>Total</b>	<b>245</b>	<b>–</b>	<b>1<sup>2</sup></b>	<b>222</b>	<b>468</b>	<b>986</b>

1 The non-executive fees were paid in Pounds Sterling of the amount £47.5 thousand each (2015: £47.5 thousand).

2 This consists of a bonus amount of \$1 thousand paid in 2016.

3 This included bonus amounts of \$350 thousand paid following the 2014 sale of the discontinued subsidiary (CEDCO) and a performance bonus of \$150 thousand for 2015.

Compensation paid to key management personnel including Directors and Executive Directors:		
	2016 \$'000	2015 \$'000
Non-executive Director fees	222	222
Compensation and benefits paid to key management personnel:		
Compensation paid	837	696
Performance bonuses	13	730 <sup>1</sup>
Health and life insurances	30	43
Company contributions to defined contribution plan	–	11
Company contributions to payroll taxation	48	46
Share-based payment – cash-settled (note 25)	–	(3)
Share-based payments – options – equity-settled (note 25)	9	17
<b>Total</b>	<b>1,159</b>	<b>1,762</b>

In accordance with IAS 24, at 31 December 2016, there were no amounts due to or from key management personnel (2015: nil).

<sup>1</sup> This included bonus amounts paid following the 2014 sale of the discontinued subsidiary (CEDCO).

## 8. Finance income

	2016 \$'000	2015 \$'000
Income on note receivable and others	1,242	440

## 9. Finance and other expense

	2016 \$'000	2015 \$'000
Unwinding of discount on decommissioning provision	172	196
Loss on sale of assets	1	–
<b>Total finance and other expenses</b>	<b>173</b>	<b>196</b>

## 10. Income tax

The Group is subject to UK and Colombian taxation.

### UK taxation

The Group does not expect to be liable for UK corporation tax in the foreseeable future because, as of the date of the last UK tax return, the Group had trading losses carried forward of approximately \$27 million as at 31 December 2016 and \$26.2 million as at 31 December 2015.

### Colombian taxation

The Group pays taxes in Colombia through the branch offices of its wholly owned subsidiaries. The Colombian corporation tax is calculated as the CREE tax and the higher of net income tax or presumptive income tax as follows:

- Presumptive income tax. An alternative minimum tax calculated on the prior year gross equity less liabilities at a rate of 3 per cent to determine the presumptive income and 3.5% effective for fiscal year 2017. A rate of 25 per cent is applied to the presumptive income to arrive at the tax obligation; or
- Net income tax. Calculated at a rate of 25 per cent taking into account revenues minus costs, standard and special deductions.
- CREE tax. Calculated at a rate of 14 per cent for 2015 and 9 per cent for 2016. On 29 December 2016, the Colombia tax authority approved a new tax bill. In this law, CREE tax was abolished for fiscal year 2017 and the Income tax rates have been adjusted to 40 per cent for 2017, 37 per cent for 2018 and 33 per cent for 2019 on.
- Equity tax. Calculated each year for a three year period using a taxable base of the Net Equity (as at 1 January) at regressive rates of 1.15 per cent for 2015, 1.00 per cent for 2016 and 0.40 per cent for 2017. The payment of the tax is required with instalments made twice per year (May and September).

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 10. Income tax continued

The major components of income tax expense for the periods ended 31 December 2016 and 2015 are:

	2016 \$'000	2015 \$'000
Current taxes:		
Current income tax charge (continuing operations) <sup>1</sup>	87	92
CREE tax (continuing operations)	31	33
Equity tax <sup>2</sup>	85	125
Other withholding tax (continuing operations)	–	5
<b>Total current taxes</b>	<b>203</b>	<b>255</b>
Deferred tax:		
Relating to origination and reversal of temporary differences (See note 11)	(6)	(2,369)
<b>Total deferred tax (benefit)</b>	<b>(6)</b>	<b>(2,369)</b>
<b>Total income tax expense/(benefit) for continued operations</b>	<b>197</b>	<b>(2,114)</b>
<b>Total income tax benefit for discontinued operations</b>	<b>–</b>	<b>(661)</b>
<b>Total income tax expense/(benefit) reported in the income statement</b>	<b>197</b>	<b>(2,775)</b>

1 Current income tax for 2016 and 2015 was calculated under the presumptive income tax basis due to taxable losses generated in Colombia during the period.

2 The equity tax for 2016 was calculated at 1 per cent of the Group's net equity of its Colombian branches as of 1 January 2016. The equity tax for 2015 was calculated at 1.15 per cent of the Group's net equity of its Colombian branches as of 1 January 2015.

### Taxation reconciliation

The charge for the year can be reconciled to the loss per the statement of comprehensive income which includes amounts related to discontinued operations:

	2016 \$'000	2015 \$'000
Loss before tax in the Statement of Comprehensive Income	(6,283)	(26,725)
Tax benefit on Group loss at UK Corporation tax rate of 20%	(1,257)	(5,345)
Effects of:		
CREE tax	31	33
Presumptive income tax on alternative basis and other withholdings	172	222
UK tax on losses carried forward and losses not deductible	1,333	3,390
Effect of higher tax rates in the UK	(314)	(1,336)
Permanent differences on deferred taxes primarily arising from foreign exchange	232	922
Tax benefit from discontinued operations	–	(661)
<b>Total income tax expense / (benefit) from comprehensive income reported in the income statement</b>	<b>197</b>	<b>(2,775)</b>

### 11. Deferred tax

The gross movement in net deferred tax liabilities are reported as follows:

	2016 \$'000	2015 \$'000
Opening balance as of 1 January	(6)	(2,375)
Change in deferred tax related to temporary differences and other	6	2,369
<b>Closing balance as at 31 December</b>	<b>–</b>	<b>(6)</b>

The Group offsets deferred tax assets and liabilities if, and only if, it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to corporation taxes levied by the same tax authority. Deferred tax assets and liabilities listed below are related to corporation taxes levied by the Colombian tax authority with jurisdiction over the Group's Colombian branches. Deferred taxes primarily have been provided at a 34 per cent rate (2015: 34 per cent rate).



The movement in deferred income tax assets and liabilities during the year is as follows:

Deferred tax assets	Tax losses \$'000	Provisions \$'000	Total \$'000
As at 1 January 2015	324	–	324
Decrease in temporary differences <sup>1</sup>	(401)	–	(401)
Change in deferred tax related to exchange difference and other <sup>3</sup>	77	–	77
As at 1 January 2016	–	–	–
Change in temporary differences and other	–	–	–
<b>As at 31 December 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>

Deferred tax liabilities	Fixed assets value \$'000	Inventory \$'000	Total \$'000
As at 1 January 2015	(2,772)	73	(2,699)
Increase (decrease) in temporary differences <sup>2</sup>	3,414	(73)	3,341
Changes in deferred tax related to exchange difference and other <sup>3</sup>	(648)	–	(648)
As at 1 January 2016	(6)	–	(6)
Change in temporary differences and other	6	–	6
<b>As at 31 December 2016</b>	<b>–</b>	<b>–</b>	<b>–</b>

1 The decrease in deferred tax assets during 2015 was primarily related to the change in the fiscal losses for Colombia.

2 The decrease in deferred tax liabilities during 2015 was primarily related to increased differences between tax and accounting depreciation following the full impairment of Bolivar's capitalised costs during the period for accounting purposes.

3 This change in deferred taxes was primarily related to the effect of the change in the exchange rate of the Colombian peso to the US dollar.

## 12. Intangible assets

The balance in intangible assets was associated with the costs of accounting systems. Additions for 2016 of \$7 thousand relate to modification cost of the existing SAP-ERP accounting system and \$44 thousand related to implementation costs for a new accounting system, SAGE 300, both to be used for continuing operations. Software costs are reviewed annually for impairment.

	2016 \$'000	2015 \$'000
<b>Costs</b>		
At 1 January	98	34
Additions	51	14
Reclassification of PP&E	–	50
<b>Total costs</b>	<b>149</b>	<b>98</b>
<b>Accumulated amortisation</b>		
At 1 January	(5)	(1)
Reclassification of PP&E	–	(4)
<b>Accumulated amortisation at 31 December</b>	<b>(5)</b>	<b>(5)</b>
<b>Total intangible assets at 31 December</b>	<b>144</b>	<b>93</b>

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 13. Property, plant and equipment

	Oil properties \$'000	Facilities and pipelines \$'000	Office equipment & other \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2015	44,854	2,946	897	48,697
Additions	–	10	102	112
Change in decommissioning and environmental provision	(293)	–	–	(293)
Reclassification of intangible assets	–	–	(50)	(50)
<b>At 31 December 2015</b>	<b>44,561</b>	<b>2,956</b>	<b>949</b>	<b>48,466</b>
Additions	–	–	34	34
Disposals	–	–	(116)	(116)
Change in decommissioning and environmental provision	703	–	–	703
<b>At 31 December 2016</b>	<b>45,264</b>	<b>2,956</b>	<b>867</b>	<b>49,087</b>
<b>Depreciation:</b>				
At 1 January 2015	(23,709)	(1,896)	(829)	(26,434)
Provided during the year	–	–	(78)	(78)
Reclassification of intangible assets	–	–	4	4
Impairment loss	(20,852)	(1,060)	99	(21,813)
<b>At 31 December 2015</b>	<b>(44,561)</b>	<b>(2,956)</b>	<b>(804)</b>	<b>(48,321)</b>
Provided during the year	–	–	(113)	(113)
Disposals	–	–	71	71
Impairment loss	(703)	–	–	(703)
<b>At 31 December 2016</b>	<b>(45,264)</b>	<b>(2,956)</b>	<b>(846)</b>	<b>(49,066)</b>
<b>Net book value at 31 December 2016</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>21</b>
Net book value at 31 December 2015	–	–	145	145
Net book value at 1 January 2015	21,145	1,050	68	22,263

The Group performed its annual impairment assessment as at 31 December 2016. As the Group's operating segments were fully impaired as at 31 December 2015, the Group considered market conditions and recent oil price trends, among other factors, when reviewing for indicators of any impairment recovery. The recoverable amounts of the two CGUs, the Bolivar area and the Bocachico area, were determined based upon value in use calculations using risked cash flow projections. The value in use calculations include estimates about the future financial performance of each CGU. All estimates and assumptions included in the value in use calculations are derived from the reserve report developed by Ralph E. Davis Associates, Inc., an independent petroleum engineering firm, and are based on the PRMS joint reserve and resource definitions of the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers consistent with UK reporting purposes. The projected risked discounted cash flows are calculated using the Brent oil pricing as at December 2016 of \$56.82 per bbl (2015: \$38.21 per bbl), with an escalation of 3% each following year, with historical pricing discounts and historical operating costs. The pre-tax discount rate applied to the cash flow projections is 10 per cent (2015: 10 per cent).

Continued low oil prices of \$56.82 per bbl caused the oil reserves within the Bolivar and Bocachico contract areas to continue to be uneconomic at 31 December 2016. As a result the Group recognized impairment losses of \$314 thousand and \$389 thousand on the Bolivar and Bocachico contract areas, respectively, due to increases in the decommissioning and environmental provisions during 2016.

Decreased oil prices of \$38.21 per bbl caused the oil reserves within the Bolivar area to be uneconomic at 31 December 2015. The resulting uneconomic nature of the proved and probable reserves within the Bolivar area required the Group to fully impair the \$22.2 million of carrying value of its Bolivar area oil assets within its consolidated financial statements at 31 December 2015. This amount was slightly mitigated due to a net gain recognised during the year of \$425.6 thousand primarily for the reduction of the decommissioning and environmental liabilities for the Bocachico area which reduced the overall impairment loss to \$21.8 million for the year ended 31 December 2015.

## 14. Investments in subsidiaries

The principal subsidiary undertakings in which the Group's interest at year end is equal to or more than 50 per cent are as follows (these undertakings are included in consolidation):

Held directly	Country of incorporation	Class of share capital held	Proportion held by the Company
Lagosur Petroleum Colombia, Inc.	Panama	Ordinary	100%
Cinco Ranch Petroleum Colombia, Inc.	Panama	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources – Colombia, Inc.	Panama	Ordinary	100%
Global Energy Management Resources Inc.	United States	Ordinary	100%
Nautilus Marine Management Inc.	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

Lagosur Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Cinco Ranch Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Global Energy Management Resources – Colombia Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%

With the exception of Nautilus Marine Management, Inc., all of the above companies and branches are engaged in oil development and production. Nautilus Marine Management, Inc. was formed during 2016 in association with the acquisition of offshore service assets, as detailed in note 28, and will be engaged in providing management, docking and crewing arrangements for those assets.

## 15. Inventories

	2016 \$'000	2015 \$'000
Oil stocks	17	3
Materials and supplies	242	243
<b>Total inventories</b>	<b>259</b>	<b>246</b>

The amount of inventory which has been recognised as an expense within cost of sales during the year is \$23.5 thousand (2015: \$106.9 thousand). The inventories are carried at cost related to materials and oil stocks are carried at market value.

## 16. Note receivable

	2016 \$'000	2015 \$'000
Note receivable	12,000	8,000
Accrued interest receivable	60	40
<b>Total note receivable and accrued interest receivable as at 31 December</b>	<b>12,060</b>	<b>8,040</b>
Cash received for interest income	1,182	240
Cash received for commission	40	160

On 15 September 2015, the Group and HKN, Inc. ("HKN") (collectively as "Co-Lenders") entered into a secured, short-term financing note agreement ("Note Receivable") with Everest Hill Energy Group Ltd. ("Everest") for the principal amount of \$10 million. Everest is an affiliated company of the Quasha family trusts which also have an interest in Lyford Investments, Inc., an existing shareholder of the Group. HKN Inc. ("HKN"), the Group's principal shareholder, Lyford Investments, Inc. and its parties acting in concert with it are interested in 22,567,016 shares of the Group, representing 62.49 per cent of the issued share capital of the Company. By virtue of these holdings, entry into this Note Receivable constituted a related party transaction.

Under the Note Receivable, the Group participated as a Co-Lender by loaning \$8.0 million and HKN participated by loaning \$2.0 million of the principal amount to Everest. The Note Receivable is secured by all of Everest's and its subsidiaries' holdings of the Group and HKN. The Group serves as the collateral agent for the Co-Lenders. The Note Receivable is subject to an interest charge of 12 per cent per annum, payable monthly in arrears, with the principal amount being repayable in full on 15 March 2016. Everest paid to the Group a 2 per cent transaction fee of \$160 thousand in September 2015 upon the closing of the Note Receivable.

On 29 February 2016, the Co-Lenders amended the Note Receivable (the "Amendment") with Everest. Under the Amendment, the Group loaned an additional \$2.0 million principal amount to Everest and extended the maturity date six months to 15 September 2016. In addition, the Group was granted right of first refusal to purchase certain offshore oil service vessels owned by Everest and its affiliates. Everest paid to the Group a 2 per cent transaction fee of \$40 thousand upon the closing of the Amendment.

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 16. Note receivable continued

On 9 September 2016, the Co-Lenders extended the maturity date of the amended Note Receivable by thirty days to 15 October 2016. On 14 October 2016, the Co-Lenders extended the maturity date thirty days from 15 October 2016 to 15 November 2016. On 28 October 2016, the Group acquired HKN's rights of their outstanding principal amount of \$2.0 million in respect of the Note Receivable and as a result the Group is now the sole lender of the Note Receivable with collateral remaining in place and securing the obligation. On 14 November 2016, the Group extended the maturity date to 15 January 2017. The Note Receivable continues to be subject to an interest charge of 12 per cent per annum, payable monthly in arrears.

The Note Receivable was further amended on 8 February 2017 as a result of the completion of Transaction A (as defined and detailed in note 28), which extended the maturity date to 15 September 2018.

### 17. Trade and other receivables

	2016 \$'000	2015 \$'000 (Restated)
Trade receivables <sup>1</sup>	63	14
Other receivables <sup>2</sup>	3	325
<b>Total trade and other receivables</b>	<b>66</b>	<b>339</b>

- Included are trade receivables from customers totalling \$63.5 thousand (2015: \$14.2 thousand) in crude sales receivables which are not considered at risk due to the short-term nature of the receivables, the positive credit rating of the customers and the historical trading relationship with the customer. All customer balances as at 31 December 2016 were due within 60 to 90 days (2015: 15 to 30 days). No provision for uncollectible accounts were considered necessary due to the historical relationship with the customer and balances 30-90 days were received in January 2017. The Board of Directors considers that there is no significant difference between the carrying values and the fair values of all receivables. The maximum exposure of the gross carrying amount net of provisions for impairment to credit risk at the reporting date is the fair value of each class of receivable set out above. Other classes of financial assets included within trade and other receivables do not contain impaired assets.
- Prepaid taxes \$5 thousand previously recorded within other receivables as of 31 December 2015 have been reclassified to prepayments and other assets in order to be presented with items of similar nature. The decrease in current year relates to the disallowance of certain tax credits, as well as the refund of certain allowable amount from the Peruvian tax authority of \$306 thousand recorded at 31 December 2015 and as detailed in note 3.

The carrying values of the Group's trade and other receivables are denominated in the following currencies:

	2016 \$'000	2015 \$'000 (Restated)
US Dollar	66	32
Colombian Peso	-	1
Peruvian Nuevo Sol	-	306
<b>Total</b>	<b>66</b>	<b>339</b>

### 18. Prepayments and other assets

	2016 \$'000	2015 \$'000 (Restated)
Prepayments	161	113
Prepaid taxes <sup>1</sup>	122	56
<b>Total prepayments and other assets, current</b>	<b>283</b>	<b>169</b>
Prepaid taxes <sup>2</sup>	888	862
<b>Total other assets, non-current</b>	<b>888</b>	<b>862</b>

- Prepaid taxes represent tax deposits that could be refunded or offset against taxes payable in 2017. Prepaid taxes of \$5 thousand previously recorded within trade and other receivables as of 31 December 2015 have been reclassified to prepayments and other current assets in order to be presented with items of similar nature.
- Prepaid taxes represent VAT deposits that do not expire and are not expected to be offset against taxes payable during the next year. Prepaid taxes of \$862 thousand previously recorded within prepaid and other assets and corporate and equity tax liability as 31 December 2015 have been reclassified to other non-current assets for comparability as a result of their non-current nature.

### 19. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash and cash equivalents	16,446	25,608

All cash balances constitute demand deposits or short-term investments available at call and held in US Dollars and Colombian Pesos. Details of balances, interest rates on deposits and currency exposures are summarised in note 23.

## 20. Decommissioning and environmental provisions

	2016 \$'000	2015 \$'000
<b>Long-term provisions</b>		
Decommissioning liability at start of year, non-current <sup>1</sup>	2,005	2,092
Unwinding of discount	172	193
Reclassification to short-term provisions <sup>2</sup>	(555)	–
Increase (decrease) in provision <sup>3</sup>	539	(280)
Decommissioning liability at end of year, non-current	2,161	2,005
Environmental provision at start of year, non-current <sup>4</sup>	–	35
Reclassification to trade and other payables – current	–	(35)
Environmental provision at end of year, non-current	–	–
<b>Total long-term provision</b>	<b>2,161</b>	<b>2,005</b>
<b>Short-term provisions</b>	2016 \$'000	2015 \$'000 (Restated)
Decommissioning liability at start of year, current <sup>1</sup>	–	–
Reclassification from long-term provisions <sup>2</sup>	555	–
Increase in provision <sup>3</sup>	255	–
Decommissioning liability at end of year, current	810	–
Environmental provision – current, at start of year <sup>4</sup>	184	–
Increase (decrease) in provision	(46)	184
Environmental provision – current, at end of year	138	184
<b>Total short-term provision</b>	<b>948</b>	<b>184</b>

- The decommissioning provision represents the present value of decommissioning costs for existing assets in the Group's oil operations, which are expected to be incurred between 2017 and 2024. These provisions have been generated based on the Group's internal estimates, and where available, studies and analyses from external sources. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are included within short-term and long-term provisions within the statement of financial position and are reviewed periodically to take into account any material changes to those assumptions.
- During 2016, the Group made the decision to perform a portion of its remediation obligations related to the Bocachico and Bolivar Contract Areas in Colombia during the upcoming year rather than upon expiration of the contracts. This decision was made in order to take advantage of lower oilfield service pricing during depressed industry conditions in Colombia and to also reduce future environmental obligations. This decision resulted in the reclassification from long-term to short-term provisions of \$555 thousand during 2016.
- Decommissioning cost estimates increased during 2016 as a result of performing long-term obligations earlier than expected and bringing them to present value and identifying additional requirements for the final decommissioning for both Contract Areas. Overall cost estimates for the decommissioning of the Group's wells in Colombia declined during 2015, based on the overall decline in the oil industry in Colombia and assessment of the scope of work at the time. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning work required at the time assets are decommissioned and abandoned. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates, which in turn is dependent upon future oil and gas prices that are inherently uncertain.
- The environmental provision represents the creation of an environmental investment reserve to reflect a liability under Colombian law for certain exploration and producing contracts requiring the Group to perform additional reinvestment in the amount of 1 per cent of specified investment activity to provide for the recovery, conservation, preservation, and monitoring of the hydrographic basin of the exploration areas and obligations to perform social contract requirements. For the 1 per cent reinvestment obligation, a provision is provided and an amount equal to the provision is recognised within the cost of the respective asset and amortised on a unit of production basis. Changes in estimates are recognised prospectively, with corresponding adjustments to the provisions and the associated fixed asset. Changes in estimate of other environmental and social obligations are recognised in cost of sales.

## 21. Trade and other payables

	2016 \$'000	2015 \$'000 (Restated)
Trade payables <sup>1</sup>	240	407
Accrued liabilities <sup>2</sup>	1,066	525
<b>Total current liabilities</b>	<b>1,306</b>	<b>932</b>

- Trade payables reflect balances owed on invoices received from vendors and contractors related to active projects in progress at the end of each period. It is considered that carrying amounts of trade and other payables approximate to fair value at 31 December 2016 and 2015.
- Short-term provisions of \$184 thousand previously included within trade and other payables at 31 December 2015 have been presented separately in the current period due to the materiality of the provision at 31 December 2016. The increase in accrued liabilities at 31 December 2016 is primarily due to accrued transaction costs (note 28).

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 22. Corporate and equity tax liability

	2016 \$'000	2015 \$'000 (Restated)
<b>Current tax</b>		
Withholding tax <sup>1</sup>	5	15
VAT (receivable) payable <sup>2</sup>	(8)	(40)
Income tax <sup>1</sup>	118	147
<b>Total corporate and equity</b>	<b>116</b>	<b>122</b>

1 Corresponds to taxes payables in Colombia.

2 VAT receivables of \$43 thousand previously recorded within corporate and equity tax liability as of 31 December 2015 have been reclassified to other non-current assets for comparability as a result of their non-current nature.

### 23. Financial Instruments Financial instruments – Risk Management

Financial assets and liabilities as per Statement of Financial Position:		
	2016 \$'000	2015 \$'000 (Restated)
<b>Financial assets – Loans and receivables</b>		
Trade and other receivables	66	339
Note receivable	12,060	8,040
Cash and cash equivalents	16,446	25,608
<b>Total</b>	<b>28,572</b>	<b>33,987</b>
<b>Financial liabilities – Held at amortised cost</b>		
Trade and other payables	(1,306)	(932)
<b>Total</b>	<b>(1,306)</b>	<b>(932)</b>

The Group is exposed through its continuing operations to the following risks through holding and issuing financial instruments:

- Price risk
- Credit risk
- Market risk
- Foreign exchange risk
- Liquidity risk

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

During 2015 and 2016, the Group held the Note Receivable with Everest; otherwise there have been no substantive changes in the Group's exposure to financial instruments, its objectives, policies and processes for managing those risks and the methods to measure them as previous periods.

#### Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade and others receivables
- Note receivable
- Cash and cash equivalents
- Trade and other payables

#### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Group's Finance Director through which it reviews the effectiveness of the processes in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

#### Price risk

The Group is exposed to the risk of fluctuations in prevailing market prices of crude oil, specifically the Brent and other light oil benchmark prices which were the source reference price in Global's crude sales contracts during 2016.

#### Crude oil price sensitivity analysis

A sensitivity analysis based on a 50 per cent price volatility assumption is used internally by management to estimate the potential impact of variations in crude oil market prices. As at 31 December 2016, a 50 per cent increase in the average sales price obtained during the year would have increased revenues from continuing operations and equity by \$89 thousand (2015: \$182.5 thousand) and a 50 per cent decrease in the average sales price would have reduced revenues from continuing operations and equity by \$59.3 thousand (2015: \$121.7 thousand).

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings are taken into account by local business practices. The Group's review includes external credit ratings, when available. Potential customers that fail to meet the Group's benchmark credit worthiness may transact with the business on a prepayment basis only. Credit risk also arises from cash and cash equivalents, and deposits with banks and financial institutions. The Group's cash deposits are mainly held in one bank which is independently-rated with a minimum grading of "A".

The Group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

The Group monitors the utilisation of credit ratings and available credit evaluation information as appropriate and at the reporting date does not envisage any losses from non-performance of counterparties.

### Market risk

#### Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

As of 31 December 2016, the Group does not consider itself exposed to cash flow interest rate risk related to debt instruments, which can carry fixed and floating interest rates within the terms of the agreements. As at 31 December 2016, the Group has no outstanding debt obligations. No subsidiary company of the Group is permitted to enter into any borrowing facility without the prior consent of the Board.

#### Interest rates on financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities at 31 December 2016 was as follows:

US Dollar equivalent of:	US Dollar \$'000	Colombian Peso \$'000	Total \$'000
Cash at bank at floating interest rate	–	7	7
Cash at bank on which no interest is received	16,439	–	16,439
<b>Net cash</b>	<b>16,439</b>	<b>7</b>	<b>16,446</b>

The profile at 31 December 2015 for comparison purposes was as follows:

US Dollar equivalent of:	US Dollar \$'000	Colombian Peso \$'000	Total \$'000
Cash at bank at floating interest rate	–	150	150
Cash at bank on which no interest is received	25,458	–	25,458
<b>Net cash</b>	<b>25,458</b>	<b>150</b>	<b>25,608</b>

During 2016, the cash at bank at floating rates consisted of demand deposits and money market investments subject to floating rates which averaged 0.1 per cent during the year.

#### Interest rate sensitivity analysis

At 31 December 2016, the Group held cash of \$7 thousand (2015: \$150 thousand) in financial assets with floating interest rates (2015: averaged 0.1 per cent. return on investment) and no outstanding debt with floating interest rates (2015: nil).

### Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose local operational currency is not the same as the functional currency of the Group. Although its wider market penetration reduces the Group's operational risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on translation into US Dollars. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their operational currency and that surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy, the Board, through their approval of capital expenditure budgets and review of management accounts, considers the effectiveness of the policy on an ongoing basis. The following table discloses the exchange rates of those currencies utilised by the Group:

Foreign currency units to \$1.00 US Dollar	Colombian Peso	Peruvian Nuevo Sol	Pound Sterling
<b>At 31 December 2016</b>	<b>3,000</b>	<b>3.308</b>	<b>0.813</b>
At 31 December 2015	3,149	3.352	0.674

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 23. Financial Instruments continued

#### Currency exposures

The monetary assets and liabilities of the Group that are not denominated in US Dollars and are therefore exposed to currency fluctuations are shown below. The amounts shown represent the US Dollar equivalent of local currency balances.

US Dollar equivalent of exposed net monetary assets and liabilities	Colombian Peso \$'000	Peruvian Nuevo Sol \$'000	Pound Sterling \$'000	Total \$'000
<b>At 31 December 2016</b>	<b>(3,452)</b>	<b>(6)</b>	<b>(973)</b>	<b>(4,431)</b>
At 31 December 2015 (restated)	(2,352)	118	(68)	(2,302)

The year-on-year fluctuation in Colombian Peso denominated balances is attributed primarily an increase in the provisions (note 20). The year-on-year fluctuation in the Pound Sterling balance is attributed primarily to an increase in accrued liabilities payable (see note 21).

#### Foreign currency sensitivity analysis

At 31 December 2016, the Group holds significant net monetary liabilities in foreign currencies as of 31 December 2016, mainly in the form of decommissioning and environmental provisions denominated in the Colombian Peso and accrued liabilities payable in Pound Sterling. As such, the Group is exposed to fluctuations in exchange rates.

A sensitivity analysis based on a 10 per cent volatility assumption is used to estimate the potential impact of variations in foreign exchange rates from the US Dollar against the relevant foreign currencies. A positive number below indicates a decrease in the net loss from operations where the US Dollar strengthens against the relevant currency. For a 10% weakening of the US Dollar against the relevant currency, there would be a comparable impact increases the loss from operations, and the balances below would be negative.

Currency Impact on Loss from Operations	Colombian Peso \$'000	Peruvian Nuevo Sol \$'000	Pound Sterling \$'000	Total \$'000
<b>At 31 December 2016</b>	<b>345</b>	<b>1</b>	<b>97</b>	<b>443</b>
At 31 December 2015	235	(12)	7	230

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the investment activities. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. As of 31 December 2016, the Group has no outstanding debt obligations or mandatory drilling obligations. The Group also seeks to reduce future liquidity risk through monthly updates of its cash flow projections, in order to provide the Company with solid tools to monitor define and approve all cash uses with the purpose of ensuring the funds required to develop the expected operational activities.

The Group maintains an integrated business performance and cash flow forecasting model, incorporating the most recent statement of financial position information (updated monthly) with the business plan and current year budget and management forecast of benchmark oil prices. The Group's performance against budget and associated cash flow forecast is evaluated on a monthly basis. The Group's management reviews rolling 12-month cash flow projections on periodic basis as well as information regarding cash balances and Group performance against budget. At the reporting date, these projections indicate that the Group expected to have sufficient liquidity to meet its obligations under all reasonably expected circumstances.

The following tables illustrate the contractual maturity analysis of the Group's financial assets and liabilities, including the assets and liabilities that must be settled gross based, where relevant, on statement of financial position interest rates and exchange rates prevailing at the reporting date.

Maturity analysis of the financial assets is as follows:

	<b>2016</b> <b>\$'000</b>	2015 \$'000 (Restated)
<b>Analysis of current assets include</b>		
Up to 3 months	<b>27,308</b>	33,205
3 to 6 months	<b>1,806</b>	1,197
<b>Total current assets</b>	<b>29,114</b>	34,402

Maturity analysis of the financial liabilities is as follows:

	<b>2016</b> <b>\$'000</b>	2015 \$'000 (Restated)
<b>Analysis of current liabilities include</b>		
Up to 3 months	<b>1,422</b>	1,054
Over 6 months	<b>948</b>	184
<b>Total current liabilities</b>	<b>2,370</b>	1,238



### Capital management policies

The Board has established guidelines and policies which are for the management of the Group's capital resources, including shareholder equity and debt, based on a long-term strategy against which the Board continually evaluates and monitors the achievement of corporate objectives and the development of the Group's portfolio in core areas. Specific capital management policies set forth include the following:

- the reinvestment of all profits into new and existing assets that fit the corporate objectives;
- consolidation of positions in developing regions and disposition of assets of low materiality or where meaningful operational influence cannot be achieved;
- identification of the appropriate mix of debt, equity and partner sharing opportunities in order to balance the highest returns to shareholders overall with the most advantageous timing of investment flows;
- the hiring and maintenance of highly qualified employees through effective manpower management processes, including compensation and benefit programmes in concert with ongoing training and motivational programmes; and
- the retention of maximum flexibility to allocate capital resources between projects based on available funds and quality of opportunities.

On a monthly basis, management receives financial and operational performance reports that enable continuous management of assets, liabilities and liquidity. In addition, management communicates frequently with the Board of Directors to provide consistent information and data to evaluate and measure the achievement of objectives. The above policies and practices are consistent with strategies and objectives employed in prior years and are expected to remain consistent in the extension of future resource allocation objectives.

## 24. Share capital

	2016 Number of shares	2016 \$'000	2015 Number of shares	2015 \$'000
Allotted, called up and fully paid				
Ordinary shares of 1p each	<b>36,112,187</b>	<b>608</b>	36,112,187	608

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association. The ordinary shares also confer the right to receive dividends if declared by the Directors and approved by the Company.

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share capital	Represents the nominal value of shares issued.
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained losses	Cumulative net gains and losses recognised in the consolidated income statement.
Capital reserve	Reserve created on issue of shares on acquisition of subsidiaries in prior years.

## 25. Share-based payments

### Cash-settled – Long-term service benefits

The Group granted to specific management employees a long-term incentive bonus award. The incentive confers the right, exercisable after three years of effectiveness of the grant and provided that the employee continues to be eligible (i.e. employed with a valid grant) to receive a payment equal to the excess, if any, over the "Notional Exercise Price" (as determined by the Board with respect to each grant) of the average 30 days stock price for the Company's stock at the time of exercise multiplied by the number of share units in respect of which the grant is exercised (the "Grant Profit"). There were no long-term incentive bonus awards cash-settled during 2016. As of 31 December 2016, all long-term incentive bonus awards have lapsed.

#### Year ended 31 December 2016

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2011	400,000	–	(400,000)	–	–	01.01.2011	01.01.2016	150.0p
2011	25,000	–	(25,000)	–	–	15.01.2011	15.01.2016	150.0p
2011	200,000	–	(200,000)	–	–	15.03.2011	15.03.2016	150.0p
<b>Total</b>	<b>625,000</b>	<b>–</b>	<b>(625,000)</b>	<b>–</b>	<b>–</b>			

#### Year ended 31 December 2015

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2010	2,000,000	–	(2,000,000)	–	–	30.06.2010	30.06.2015	150.0p
2010	90,000	–	(90,000)	–	–	15.08.2010	15.08.2015	150.0p
2011	400,000	–	–	–	400,000	01.01.2011	01.01.2016	150.0p
2011	25,000	–	–	–	25,000	15.01.2011	15.01.2016	150.0p
2011	200,000	–	–	–	200,000	15.03.2011	15.03.2016	150.0p
<b>Total</b>	<b>2,715,000</b>	<b>–</b>	<b>(2,090,000)</b>	<b>–</b>	<b>625,000</b>			

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 25. Share-based payments continued

#### Equity-settled – Discretionary share option incentive plan

The Group periodically grants share options to employees and Directors, as approved by the Board. At 31 December 2016 and 31 December 2015 the following share options were outstanding in respect of the ordinary shares:

#### Year ended 31 December 2016

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2002	2,415,196	–	–	2,415,196	2,415,196	31.01.2002	31.01.2019	50.0p
2004	450,000	–	–	450,000	450,000	03.12.2004	05.12.2019	151.1p
2005	40,000	–	–	40,000	40,000	08.12.2005	08.12.2018	265.1p
2008	300,000	–	–	300,000	300,000	11.02.2008	11.02.2018	100.0p
2008	500,000	–	–	500,000	500,000	11.12.2008	11.12.2018	70.0p
2011	125,000	–	–	125,000	125,000	06.10.2011	06.10.2021	83.0p
2012	50,000	–	–	50,000	50,000	13.07.2012	13.07.2022	100.0p
2013	63,334	–	–	63,334	63,334	01.10.2013	01.10.2023	100.0p
2014	50,000	–	–	50,000	45,834	01.04.2014	01.04.2024	100.0p
<b>Total</b>	<b>3,993,530</b>	<b>–</b>	<b>–</b>	<b>3,993,530</b>	<b>3,989,364</b>			

#### Year ended 31 December 2015

Year of grant	Number of shares	Issued in year	Forfeited/ lapsed	Number of shares	Number exercisable at year end	Start date	End date	Price per share
2002	2,415,196	–	–	2,415,196	2,415,196	31.01.2002	31.01.2019	50.0p
2004	450,000	–	–	450,000	450,000	03.12.2004	05.12.2019	151.1p
2005	40,000	–	–	40,000	40,000	08.12.2005	08.12.2018	265.1p
2008	300,000	–	–	300,000	300,000	11.02.2008	11.02.2018	100.0p
2008	500,000	–	–	500,000	500,000	11.12.2008	11.12.2018	70.0p
2011	125,000	–	–	125,000	125,000	06.10.2011	06.10.2021	83.0p
2012	50,000	–	–	50,000	50,000	13.07.2012	13.07.2022	100.0p
2013	70,000	–	(6,666)	63,334	–	01.10.2013	01.10.2023	100.0p
2014	50,000	–	–	50,000	–	01.04.2014	01.04.2024	100.0p
<b>Total</b>	<b>4,000,196</b>	<b>–</b>	<b>(6,666)</b>	<b>3,993,530</b>	<b>3,880,196</b>			

The Group's mid-market closing share price at 31 December 2016 was 23.0p (31 December 2015: 24.0p). The highest and lowest mid-market closing share prices during the 2016 were 37.0p (2015: 50.5p) and 21.0p (2015: 22.0p), respectively. The weighted average exercise price at the beginning of 2016 was 72.88p (2015: 73.43p) end of period was 72.88p (2015: 72.88p). The total intrinsic value at the 31 December 2016 of liabilities for which the counterparty's right to cash or other assets had vested was \$nil (2015: \$nil).

Under the terms of the equity-settled option scheme the holder has the option, at the time of exercise, to elect to forego a number of their share options, and thereby reduce the exercise price of the remaining shares by the notional gain on the shares foregone. The effect of this is that the number of shares exercised and the price per share may be lower than as disclosed in the table above.

The options are granted to Directors and employees. The vesting period and expiration date of the granted options is determined for each grant. For grants prior to 2017, vested options can be exercised up to expiration, or 24 months after the resignation or termination of the Director or employee, whichever is the earlier. Of the exercisable options at 31 December 2016, 1,693,530 share options are grants to former employees, of which 1,643,530 expire during 2017.

The initial fair values of awards granted under the Group's equity option plan have been calculated using the Black-Scholes option pricing model that takes into account factors specific to share incentive plans such as the vesting periods, estimated share price volatility, the expected dividend yield on the Company's shares and expected exercise of share options. The following principal assumptions were used in the valuation:

**Equity-settled – Discretionary share option incentive plan**

Grant date	Share price at date of grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Employee turnover
3 Dec 2004	151.1p	151.1p	36.73%	5 Dec 2019	0%	4.65%	3.7 years
8 Dec 2005	265.1p	265.1p	33.02%	8 Dec 2018	0%	4.23%	3.3 years
11 Feb 2008	82.4p	100.0p	53.14%	11 Feb 2018	0%	4.49%	4.2 years
11 Dec 2008	67.5p	70.0p	55.63%	11 Dec 2018	0%	4.49%	3.8 years
6 Oct 2011	87.0p	83.0p	49.57%	6 Oct 2021	0%	1.58%	5.0 years
13 Jul 2012	76.0p	100.0p	49.57%	13 Jul 2022	0%	0.75%	3.0 years
1 Oct 2013	98.5p	100.0p	49.57%	1 Oct 2023	0%	1.53%	3.0 years
1 Apr 2014	72.5p	100.0p	49.57%	1 Apr 2024	0%	1.99%	3.0 years

Based on these assumptions the fair values of the options granted are estimated to be:

**Equity-settled – Discretionary share option incentive plan**

Grant date	Fair value
3 Dec 2004	51p
8 Dec 2005	76p
11 Feb 2008	47p
11 Dec 2008	32p
6 Oct 2011	23p
13 Jul 2012	19p
5 Dec 2012	41p
1 Oct 2013	34p
1 Apr 2014	18p

**Expense arising from share-based payments**

Based on the above fair values and the Group's expectations of employee turnover, the expense arising from equity-settled share options made to employees was \$10 thousand for the period (2015: \$17 thousand) and for cash-settled long-term service benefits was \$Nil for the period (2015: \$(3 thousand)).

During the period, there were no ordinary shares issued in lieu of certain portions of salaries and Director fees (2015: \$Nil). There were no other share-based payment transactions.

Details of the Directors' interests in the ordinary shares of the Company and options over ordinary shares are set out below:

	As at 31 December 2016		As at 1 January 2016	
	Ordinary shares	Options	Ordinary Shares (Restated)	Options
Mikel Faulkner	370,000	1,890,000	370,000	1,890,000
Alan Henderson	14,527	150,000	14,527	150,000
David Quint	135,000	150,000	135,000	150,000
Zac Phillips	15,241	50,000	15,241	50,000
<b>Total</b>	<b>534,768</b>	<b>2,240,000</b>	534,768	2,240,000

All the holdings are beneficially held.

## NOTES TO THE PRIMARY FINANCIAL STATEMENTS CONTINUED FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 26. Operating lease commitments

The Group's operating leases as at 31 December 2016 consist of corporate and subsidiary office leases, an office equipment lease and a dock lease for the offshore subsea vessels acquired in February 2017. The Group's operating leases as at 31 December 2015 consist of corporate and subsidiary office leases. The Group has the option to renew the dock lease for two consecutive one year terms. The following table details the non-cancellable operating lease commitments:

	2016 \$'000	2015 \$'000
Not later than 1 year	318	179
Later than 1 year and not later than 5 years	6	33
Later than 5 years	–	–
<b>Total</b>	<b>324</b>	<b>212</b>

### 27. Related party disclosures

HKN and its parties in concert are major shareholders of the Group. During 2016, the Group and HKN (collectively as "Co-Lenders") continued to hold a Note Receivable with Everest. During 2016, the Group extended an additional \$2 million to Everest and acquired HKN's rights of their outstanding principal amount of \$2 million in respect of the Note Receivable. As a result the Group is now the sole lender of the Note Receivable with collateral remaining in place and securing the obligation. On 14 November 2016, the Group extended the maturity date to 15 January 2017. The Note Receivable was further amended on 8 February 2017 as a result of the completion of Transaction A (as detailed in note 28). Please see note 16 for information on the Note Receivable.

During 2016, the Group purchased \$22 thousand in furniture and computer equipment from HKN. In addition, the Group sold \$39 thousand in furniture and computer equipment to HKN, resulting in a loss on the sale of \$1 thousand.

Also during 2015, the Group entered into a Shared Services Agreement with HKN to allow employees to provide or cause to be provided certain contract services, if and when as needed. The Group paid \$32 thousand and \$49 thousand to HKN for contract services for due diligence purposes during the year ended 31 December 2016 and 2015, respectively.

During 2017, the Group also completed the acquisition of offshore subsea vessel-owning companies through two separate transactions from Everest and other related parties. See note 28 for additional information.

### 28. Post reporting date event

On 16 January 2017, the Group announced the proposed acquisition of offshore subsea vessel-owning companies through two separate transactions. Shareholders approved the resolution to complete these transactions on 8 February 2017, and the Group's shares were re-admitted to the AIM, a market operated by the London Stock Exchange, as Nautilus Marine Services PLC (LSE-AIM: "NAUT"). Previously, the Company's shares had been traded on the AIM since March 2002 as Global Energy Development PLC (LSE-AIM: "GED"). The Group's principal activity is now the acquisition of offshore service vessels and technology and the provision of offshore oil services. As such, the Group will have an additional operating segment in 2017, which will comprise of offshore service investments and operations.

Included within administrative expenses for the year ended 31 December 2016 are \$1.2 million in non-recurring transaction related expenses, of which \$82 thousand are directly attributable to the vessels. Management is currently evaluating the accounting treatment to be applied to these two post reporting date transactions, which are described below:

Transaction A: The Group acquired three offshore service vessels through the acquisition of vessel-owning companies from Everest, a related party, in exchange for: (i) forgiveness of \$8 million of the outstanding principal amount of the Note Receivable; (ii) the amendment of the terms of the Note Receivable to reduce the interest rate from 12 per cent to 8 per cent and to extend the maturity date from 15 January 2017 to 15 September 2018; and (iii) contingent additional consideration equal to the lower of \$5 million or 75 per cent of the net cash inflows attributable to the three vessels for the period of eighteen months following completion of their acquisition by the Group. Part of the existing collateral under the Note Receivable, comprising Everest's and its affiliates' shareholdings in HKN, which is a substantial shareholder in the Company, will remain in place. Please see note 16 for further information on the Note Receivable.

Transaction B: The Group acquired i) a barge vessel through the acquisition of Everest Vessel Holdings, LLC from a related-party, Alan Quasha, HKN's Chairman of the Board, and ii) eight offshore service vessels along with related subsea dive equipment through the acquisition of a vessel-owning company, Maritime Finance, LLC, owned by McLarty Capital Partners ("MCP") and Caleura Limited. As consideration, the Group issued three series of convertible loan notes: Series A Convertible Loan Notes, Series B Convertible Loan Notes and Series C Convertible Loan Notes. In addition to the acquired vessels and equipment, the Group will receive \$10.5 million in cash from MCP, Caleura Limited and Everest from the convertible note issuances.

A schedule of the cash subscription and issuances of the three series of convertible loan notes is as follows:

Date	Cash Subscription	Total Note Issuances
At Completion (9 February 2017)	\$3 million	Series A: \$3.0 million Series B: \$1.38 million Series C: \$3.12 million
31 March 2017	\$7 million	Series A: \$7.0 million Series B: \$3.22 million Series C: \$7.28 million
15 April 2017	\$500 thousand	Series A: \$500 thousand Series B: \$1.5 million Series C: \$4.6 million

In February 2017, the Group received cash of \$3 million in exchange for the subscription of the first tranche of notes in accordance with the schedule above.

A summary of the terms of the convertible loan notes are as follows:

Term:	Convertible Loan Note		
	A	B	C
Principal Amount:	\$10.5 million	\$16.1 million	\$15.0 million
Maturity Date:	1 January 2027 (unless converted to Ordinary Shares before then). Payments on maturity are to be settled in cash.	1 January 2029 (unless converted to Ordinary Shares before then.) Payments on maturity are to be settled in cash or settled in cash or satisfied in whole or in part by the issue of the Ordinary Shares at the option of the Company.	1 January 2032 (unless converted to Ordinary Shares before then). Payments on maturity are to be settled in cash or satisfied in whole or in part by the issue of Ordinary Shares at the option of the Company
Interest:	Non-compounding interest will be payable upon maturity or conversion (calculated on a 360-day calendar year) at 8 per cent.	Non-compounding interest will be payable upon maturity or conversion (calculated on a 360-day calendar year) at 6 per cent, payable in cash or satisfied by the issue of Ordinary Shares at the option of the Company.	Non-compounding interest will be payable upon maturity or conversion (calculated on a 360-day calendar year) at 6 per cent, payable in cash or satisfied by the issue of Ordinary Shares at the option of the Company.
Conversion Price:	The outstanding principal amount will be convertible into Ordinary Shares at 50 pence per share, subject to adjustment in certain circumstances.	The outstanding principal amount will be convertible into Ordinary Shares at 160 pence per share, subject to adjustment in certain circumstances.	The outstanding principal amount will be convertible into Ordinary Shares at 225 pence per share, subject to adjustment in certain circumstances.

A holder of convertible loan notes may convert any amount of the outstanding principal amount and (in the case of the Convertible B Loan Notes and Convertible C Loan Notes only) any unpaid and accrued interest of the Convertible Loan Notes into Ordinary Shares at the Applicable Conversion Price at any time following thirty days from the issue of the relevant Convertible Loan Notes with a 20-day notice to the Group. All three series of convertible loan notes contain the right for the Group to force conversion if the Group's average share price equals or exceeds 110 per cent. of the conversion price for a period of ten consecutive business days. Furthermore, the Group may redeem each issue of convertible loan notes any time after issuance at their nominal value with a 10-day notice to the note holder.

## COMPANY ACCOUNTS

---

### Contents

Statement of Financial Position	45
Statement of Changes in Equity	46
Statement of Cash Flows	47

### Notes to the Financial Information

1. Accounting policies	48
2. Staff costs and audit fee	49
3. Reconciliation of loss before taxation to net cash flow	49
4. Intangible assets	49
5. Property, plant and equipment	50
6. Investments in Subsidiaries	50
7. Note Receivable	51
8. Trade and other receivables	51
9. Prepayments and other assets	51
10. Cash and cash equivalents	51
11. Trade and other payables	51
12. Share capital	51
13. Share-based payments	51
14. Related party disclosures	52

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

		IFRS	IFRS
		31 December	31 December
		2016	2015
		\$'000	\$'000
	Notes		(Restated)
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	4	44	–
Property, plant and equipment	5	2	–
Investment in subsidiaries	6	–	–
<b>Total non-current assets</b>		<b>46</b>	<b>–</b>
<b>Current assets</b>			
Note receivable	7	12,060	8,040
Trade and other receivables	8	–	4
Prepayments and other assets	9	151	25
Cash and cash equivalents	10	16,440	25,455
<b>Total current assets</b>		<b>28,651</b>	<b>33,524</b>
<b>Total assets</b>		<b>28,697</b>	<b>33,524</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	11	(1,053)	(174)
<b>Total current liabilities</b>		<b>(1,053)</b>	<b>(174)</b>
<b>Total liabilities</b>		<b>(1,053)</b>	<b>(174)</b>
<b>Net assets</b>		<b>27,644</b>	<b>33,350</b>
<b>Capital and reserves attributable to equity holders of the parent</b>			
Share capital	12	608	608
Share premium account		27,139	27,139
Capital reserve		21,420	21,420
Retained deficit		(21,523)	(15,817)
<b>Total equity</b>		<b>27,644</b>	<b>33,350</b>

These financial statements were approved by the Board of Directors and authorised for issue on 8 March 2017 and were signed on its behalf by:

### Mikel Faulkner

Chairman  
8 March 2017

### Nautilus Marine Services PLC

(formerly Global Energy Development PLC)  
3 More London Riverside  
London SE1 2AQ  
UK

The notes on pages 48 to 52 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Retained losses \$'000	Total equity \$'000
At 1 January 2015	608	27,139	21,420	(7,416)	41,751
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(8,418)	(8,418)
Share-based payment – options equity settled	–	–	–	17	17
<b>At 31 December 2015</b>	<b>608</b>	<b>27,139</b>	<b>21,420</b>	<b>(15,817)</b>	<b>33,350</b>
Total comprehensive loss for the year attributable to equity owners of the parent	–	–	–	(5,716)	(5,716)
Share-based payment – options equity settled	–	–	–	10	10
<b>At 31 December 2016</b>	<b>608</b>	<b>27,139</b>	<b>21,420</b>	<b>(21,523)</b>	<b>27,644</b>

The notes on pages 48 to 52 form an integral part of these financial statements.



## STATEMENT OF CASH FLOWS FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Cash used in operations	3	(6,190)	(5,605)
Tax paid (continuing and discontinued operations)		-	-
<b>Net cash used in operating activities</b>		<b>(6,190)</b>	<b>(5,605)</b>
<b>Cash flows from investing activities</b>			
Interest income from note receivable	7	1,182	240
Commission income from note receivable	7	40	160
Placement of note receivable	7	(4,000)	(8,000)
Purchase of intangible assets and property, plant and equipment	4,5	(47)	-
Purchase price adjustments for sale of subsidiary		-	(1,161)
Cost paid for sale of subsidiary		-	(1,000)
<b>Net cash used in investing activities</b>		<b>(2,825)</b>	<b>(9,761)</b>
<b>Decrease in cash and cash equivalents for the year</b>		<b>(9,015)</b>	<b>(15,366)</b>
Cash and cash equivalents at beginning of year		25,455	40,821
<b>Cash and cash equivalents at the end of year</b>		<b>16,440</b>	<b>25,455</b>

The notes on pages 48 to 52 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL INFORMATION FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

---

## 1. Accounting policies

### Basis of preparation

The financial statements of the Company for the 12 months ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Certain prior year amounts in the statement of financial position have been reclassified to conform with current year presentation for purposes of comparability. Prepaid taxes of \$5 thousand previously recorded within trade and other receivables as of 31 December 2015 have been reclassified to prepayments and other assets in order to be presented with items of similar nature.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2016 (see note 1 in the Group Financial Statements).

### Results and dividends

In accordance with the provisions of section 408 of the Companies Act 2006, the Company has elected not to present a profit and loss account. The Directors do not propose to recommend any distribution by way of a dividend for the year ended 31 December 2016 (2015: \$nil).

### Financial instruments

#### Financial assets

The Company classifies its financial assets into receivables and cash and cash equivalents, which comprise the categories discussed below, depending on the purpose for which the asset was required. The Company has not classified any of its financial assets as held to maturity or available for sale. The Company has not classified any of its assets at fair value through profit and loss.

#### Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (i.e. trade receivables) but also incorporate other types of contractual monetary assets including term deposits, which relate to US Dollar denominated Certificates of Deposit with restricted access and varying maturity dates which act as guarantees for Letters of Credits required for performance assurance on oilfields. The receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost (which is considered to approximate to carrying cost) less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

#### Investments

Fixed asset investments in subsidiaries are included in the accounts at cost less provision for impairment.

#### Property, plant and equipment

Depreciation is charged on fixed assets so as to write off the cost, less estimated residual value, on a straight-line basis over their useful lives of between three and five years.

#### Intangible assets

Intangible assets include computer software with a finite life.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation calculated on a straight-line basis over their useful lives of three years. Amortisation begins at the point the assets are ready for its intended use. As of 31 December 2016, this software had not been implemented and thus no amortisation was recognized during 2016.

#### Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### Share-based payments

In accordance with IFRS 2 'Share-based payments', the Company reflects the economic cost of awarding shares and share options to employees and Directors by recording an expense in the Statement of Comprehensive Income equal to the fair value of the benefit awarded. The expense is recognised in the Statement of Comprehensive Income over the vesting period of the award. Fair value is measured by use of a binomial model which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where share-based payments are awarded in lieu of services, the fair value of the share-based payment is considered to be the value of services.

### Long-term service benefits

The Company also operates a cash settled share-based payment scheme ("the long-term incentive bonus award"). An option pricing model is used to measure the Company's liability at each reporting date, taking into account the terms and conditions on which the bonus is awarded and the extent to which employees have rendered service. Movements in the liability (other than cash payments) are recognised in the Statement of Comprehensive Income.

### Post retirement benefits

The Company contributes to a defined contribution scheme at the discretion of the Board of Directors. Contributions are charged to the Statement of Comprehensive Income as they become payable.

### Foreign currencies

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates (its "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Statement of Comprehensive Income.

## 2. Staff costs and audit fee

The disclosures relating to the Directors' remuneration for the current and prior year, as well as shareholdings and share options interests are included in note 6 in the Group Financial Statements.

## 3. Reconciliation of loss before taxation to net cash flow from operations

	Note	2016 \$'000	2015 \$'000
<b>Loss before tax</b>		<b>(5,716)</b>	(9,465)
Adjustments for:			
Depreciation of property, plant & equipment	5	1	–
Loss (gain) on extinguishment of receivables (liabilities)	14	4,289	(19,866)
Impairment loss on investments	6	–	29,002
Provision for uncollectible accounts		4	–
Share based expense		10	14
Finance income	7	(1,222)	(440)
<b>Operating cash flow before movements in working capital</b>		<b>(2,634)</b>	(755)
Increase in trade and other receivables		(146)	(12)
Decrease in trade and other payables		(3,410)	(5,482)
<b>Cash used in continuing operations</b>		<b>(6,190)</b>	(6,249)
<b>Discontinued operations</b>			
<b>Loss before tax</b>		–	–
Adjustments for:			
Income on sale of subsidiary		–	1,047
<b>Operating cash flow before movements in working capital</b>		–	1,047
Decrease in trade and other payables		–	(403)
<b>Cash generated from discontinued operations</b>		–	644
<b>Cash used in from operations</b>		<b>(6,190)</b>	(5,605)

## 4. Intangible assets

The balance in intangible assets was associated with \$44 thousand related to implementation costs for a new accounting system, SAGE 300, during 2016 to be used for consolidated reporting. This software has a finite life and will be amortised over its useful life when the system is placed into service beginning in 2017.

## NOTES TO THE FINANCIAL INFORMATION FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 5. Property, plant and equipment

	Office equipment & other \$'000	Total \$'000
Cost:		
At 1 January 2015	–	–
Additions	–	–
<b>At 31 December 2015</b>	<b>–</b>	<b>–</b>
Additions	3	3
<b>At 31 December 2016</b>	<b>3</b>	<b>3</b>
Depreciation:		
At 1 January 2015	–	–
Provided during the year	–	–
<b>At 31 December 2015</b>	<b>–</b>	<b>–</b>
Provided during the year	(1)	(1)
<b>At 31 December 2016</b>	<b>(1)</b>	<b>(1)</b>
<b>Net book value at 31 December 2016</b>	<b>2</b>	<b>2</b>
Net book value at 31 December 2015	–	–

### 6. Investments in subsidiaries

Included within investments in subsidiaries are inter-Group loans, which funded the subsidiaries' operations. In 2014, the Company fully impaired its investment in the Colombian subsidiary holding the Bocachico Contract and in 2015, the Company fully impaired its investments in the Colombian subsidiary holding the Bolivar Contract and the US subsidiary (Global Energy Management Resources, Inc.).

Investments in the Company's subsidiaries remained fully impaired at 31 December 2016 due to lack of future cash flows at the subsidiary level (see note 13 in the Group financial statements).

#### 2015

	At 1 January 2015 \$000	Increase \$000	Impairment \$000	At 31 December 2015 \$000
Lagosur Petroleum Colombia, Inc.	9,488	–	(9,488)	–
Global Energy Management Resources, Inc.	16,850	2,664	(19,514)	–
<b>Total</b>	<b>26,338</b>	<b>2,664</b>	<b>(29,002)</b>	<b>–</b>

The principal subsidiary undertakings in which the Company's interest at the year-end is equal to or more than 50 per cent are as follows (these undertakings are included on consolidation):

Held directly	Country of incorporation	Class of share capital held	Proportion held by the Company
Lagosur Petroleum Colombia, Inc.	Panama	Ordinary	100%
Cinco Ranch Petroleum Colombia, Inc.	Panama	Ordinary	100%
Harken del Peru Limitada	Cayman Islands	Ordinary	100%
Global Energy Management Resources – Colombia, Inc.	Panama	Ordinary	100%
Global Energy Management Resources Inc.	United States	Ordinary	100%
Nautilus Marine Management, Inc.	United States	Ordinary	100%

The following branches are included in the subsidiaries listed above:

	Country of incorporation	Class of share capital held	Proportion held by the Company
Lagosur Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Cinco Ranch Petroleum Colombia, Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%
Harken del Peru Limitada	Peruvian Branch	Indirect holding	100%
Global Energy Management Resources – Colombia Inc. Sucursal Colombia	Colombian Branch	Indirect holding	100%

With the exception of Nautilus Marine Management, Inc., all of the above companies and branches are engaged in oil development and production. Nautilus Marine Management, Inc. was formed during 2016 in association with the acquisition of offshore service assets, as detailed in note 28, and will be engaged in providing management, docking and crewing arrangements for those assets.

## 7. Note receivable

See note 16 in the Group Financial Statements.

## 8. Trade and other receivables

	2016 \$'000	2015 \$'000 (Restated)
Other receivables	–	4

## 9. Prepayments and other assets

	2016 \$'000	2015 \$'000 (Restated)
Prepayments	69	20
Prepaid taxes <sup>1</sup>	82	5
Prepayments and other assets	151	25

<sup>1</sup> Prepaid taxes represent tax deposits that could be refunded or offset against taxes payable in 2017.

## 10. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash and cash equivalents	16,440	25,455

All cash balances constitute demand deposits or short-term investments available at call and held in US Dollars.

## 11. Trade and other payables

	2016 \$'000	2015 \$'000
Trade payables	64	73
Accrued liabilities <sup>1</sup>	989	101
Trade and other payables	1,053	174

<sup>1</sup> The increase in accrued liabilities at 31 December 2016 is primarily due to accrued transaction costs (see note 28 in the Group Financial Statements).

## 12. Share capital

See note 24 in the Group Financial Statements.

## 13. Share-based payments

See note 25 in the Group Financial Statements.

## NOTES TO THE FINANCIAL INFORMATION FOR THE 12 MONTHS ENDED 31 DECEMBER 2016

### 14. Related party disclosures

Everest Hill Group Energy Ltd. ("Everest") is an affiliated company of the Quasha family trusts which also have an interest in Lyford Investments, Inc., an existing shareholder of the Group. HKN Inc. ("HKN"), the Group's principal shareholder, Lyford Investments, Inc. and its parties acting in concert with it are interested in 22,567,016 shares of the Group, representing 62.49 per cent of the issued share capital of the Company. By virtue of these holdings, the following items constitute related party transactions:

#### a) Investing and financing activities:

	2016 \$'000	2015 \$'000
Placement of note receivable <sup>1</sup>	4,000	8,000
Interest income, fees and cost reimbursement <sup>1</sup>	1,222	400
	<b>5,222</b>	<b>8,400</b>

#### b) Purchase of services:

	2016 \$'000	2015 \$'000
Service fees <sup>2</sup>	32	49

#### c) Purchase/(sale) of property, plant and equipment:

	2016 \$'000	2015 \$'000
Purchase of furniture and computer equipment <sup>3</sup>	22	–
Sale of furniture and computer equipment <sup>3</sup>	(39)	–

#### d) Year-end balances arising from related party transactions:

	2016 \$'000	2015 \$'000
Note receivable and accrued interest <sup>1</sup>	12,060	8,040

#### e) Intercompany (impairments)/gains:

	2016 \$'000	2015 \$'000
Impairment of investment in subsidiary <sup>4</sup>	–	(29,002)
(Loss)/gain on extinguishment of net receivables (liabilities) to subsidiaries <sup>5</sup>	(4,289)	19,866

In addition, during 2017, the Company also completed the acquisition of offshore subsea vessel-owning companies through two separate transactions from Everest and other related parties. See note 28 in the Group Financial Statements for additional information.

1 Please see note 16 in the Group Financial Statements for discussion on placement of the note receivable with Everest.

2 Please see note 27 in the Group Financial Statements for discussion on the shared service agreement with HKN.

3 Please see note 27 in the Group Financial Statements for discussion on the purchase and sale of property, plant and equipment with HKN.

4 Includes full impairment of investment in certain subsidiaries due to lack of future cash flows at the subsidiary level.

5 Gain (loss) resulting from the extinguishment of net receivables/liabilities to certain subsidiaries due to lack of future cash flows at the Company level.

## FORWARD-LOOKING STATEMENTS

---

This annual report may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include, but are not limited to, statements regarding the Group's intentions, beliefs, or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and expectations of the industry. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Group operates may differ materially from those described in, or suggested by, any forward-looking statements contained in this annual report. In addition, even if the development of the markets and the industry in which the Group operates are consistent with the forward-looking statements contained within this annual report, those developments may not be indicative of the developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations (including the US Dollar), the Group's ability to recover its reserves or develop new reserves, changes in its business strategy, political and economic uncertainty. Save as required by law, the Group is under no obligation to update the information contained in this annual report.

Past performance cannot be relied on as a guide to future performance.

## CORPORATE DIRECTORY

---

### Directors

Mikel Faulkner (Chairman)  
Alan Henderson (Non-executive Director)  
David Quint (Non-executive Director)  
Zac Phillips (Non-executive Director)

### Executive Management

Anna Williams (Director of Strategy and Business Development)  
Sarah Gasch (Finance Director)  
John Payne (Director of Operations)  
Kristina Humphries (Company Secretary)

### Registered office

3 More London Riverside  
London SE1 2AQ  
UK

Registered in England No. 4330608

### Website

[www.nautilusmarineplc.com](http://www.nautilusmarineplc.com)

### Email

[nautilusirinfo@abchurch-group.com](mailto:nautilusirinfo@abchurch-group.com)

### Company Advisers

#### Nominated Adviser and Broker

finnCap Ltd  
60 New Broad Street  
London EC2M 1JJ  
UK

### Auditors

RSM UK AUDIT LLP  
Chartered Accountants  
25 Farringdon Street  
London EC4A 4AB  
UK

### Registrars

Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
UK

### Independent Petroleum Engineers

Ralph E. Davis Associates, Inc.  
1717 St. James Place, Suite 460  
Houston  
Texas 77056  
USA

### Solicitors

Norton Rose Fullbright LLP  
3 More London Riverside  
London SE1 2AQ  
UK

### United Kingdom Registered Office

Nautilus Marine Services PLC  
3 More London Riverside  
London SE1 2AQ  
UK

### Colombia Office

Lagosur Petroleum Colombia, Inc. Sucursal Colombia  
Cinco Ranch Petroleum Colombia, Inc. Sucursal Colombia  
Global Energy Management Resources – Colombia Inc. Sucursal Colombia  
Calle 113, No. 7-45 Edificio Teleport  
Torre B, Of 1407  
Bogotá  
Colombia

[www.nautilusmarineplc.com](http://www.nautilusmarineplc.com)







---

**United Kingdom Registered Office**

Nautilus Marine Services PLC  
3 More London Riverside  
London SE1 2AQ  
UK