ANDALAS ENERGY AND POWER

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2019

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CORPORATE INFORMATION

Directors	Simon Gorringe Daniel Jorgensen (resigned 4 April 2019) Ross Warner Graham Smith Dr Robert Arnott
Company Number	010493V
Registered Office	IOMA House Hope Street Douglas Isle of Man IM1 1AP
Independent Auditors	Lubbock Fine Paternoster House 65 St Paul's Churchyard London EC4M 8AB
Nominated Advisor	Beaumont Cornish Limited 10th Floor 30 Crown Place London EC2A 4EB

CHAIRMAN'S REPORT

Overview of year

During the past year, Andalas Energy and Power PLC ("Andalas", the "Group" or the "Company") has continued to seek to develop an international E&P business focused on developing upstream assets in Indonesia and the UK.

In Indonesia, we are seeking to acquire and progress late life conventional onshore undeveloped oil and gas production operations. Our focus is on assets that offer low-risk production opportunities that require intervention using modern but proven production techniques where we can control the timeline of development and expenditure as the majority owner and operator. Andalas agreed to acquire an interest in the Bunga Mas Production Sharing Contract in August 2018. However, the conditions precedent to completion have not been satisfied and the transaction has not progressed. At this stage, the agreement has not been terminated and the directors believe that the transaction is unlikely to proceed.

Subsequent to the year end, the Company entered into an operating services and option agreement in respect of the producing Betun-Selo KSO in Sumatra. This provides Andalas with the potential to earn direct access to oil production and revenues, which has always been one of our key objectives. The opportunity plays directly to our strengths in rejuvenating and optimising late life fields and highlights the skills that exist in our team based in Indonesia. The Selo field offers substantial upside with a number of highly productive formations that can be accessed by one well. Further information regarding the on-going workover programme is set out in the Operations Report.

In the UK, our strategy is to acquire and develop offshore conventional assets with a broad spectrum of maturities, which may include prospective resources.

Our 25% stake in Eagle Gas Limited which in turn had an indirect interest in a southern North Sea licence containing the Badger prospect, has not met out investment objectives. The operator and JV partners failed to raise the necessary funding and so elected to relinquish the licence in March 2019. We have therefore written it off.

The Colter prospect, in which the Company has an 8% farm-in interest, provided the company with access to a substantial near-term development opportunity. The joint venture spud the Colter 98/11a-5 appraisal well in February 2019 and a side-track was subsequently drilled. The programme encountered oil and gas shows over a 9.4m interval. Initial evaluation of the data from both wells indicates that the Colter prospect is smaller than pre-drill estimates. However, the Colter South discovery remains an opportunity to evaluate further as it is now a really more extensive than indicated by the pre-drilling mapping. The data from these well results and existing data will be incorporated to determine the best forward plan.

Further information regarding these projects is given in the Operations Report.

Financial Results and Capital Raising

Because of the disappointing results in the projects, the Company has suffered a loss in the year of US$3.9 million. The Company issued new shares (net of issue costs) of US$3.6 million during the year. Since the year end, the Company secured an unsecured convertible loan note facility of GBP £2 million and issued loan notes amounting to £660,000 which were immediately converted into equity shares.

CHAIRMAN'S REPORT (continued)

Financial Results and Capital Raising (continued)

The Company continues to control its costs very closely, and conserve cash to the maximum extent possible without preventing the Company from developing opportunities. Its principal cost is its people, therefore in order to preserve cash, two of the Company's current Directors (and Dan Jorgensen as a former director) have not fully drawn down their contractual entitlement but have offered to defer payment until the Company is in a stronger cash position. At the year-end, unpaid directors' remuneration amounted to $293,000, (as outlined in note 22) and is still unpaid as at the date of this report.

Going Concern

Notwithstanding the capital constraints and the negative net assets of US$253,000 reported in the Financial Statements, the Group continues to adopt a going concern basis for the preparation of these financial statements. As a result of the deferral of directors fees and the convertible loan facility referred to earlier, the Company is able to meet its debts as they fall due. In the current financial year 2019-2020, the Company expects the Betun Selo projects to generate income.

As at 30 April 2019 the Company held a cash balance of US$258,000, which was to be supplemented by the proceeds from the placing of new ordinary shares post year end.

Corporate Governance Statement

As required by the AIM Rules for Companies, the Company was required to adopt an officially recognised corporate governance code and provide the required disclosures pursuant to AIM Rule 26, by 28 September 2018. The Board decided that the Company should formally adopt the Quoted Companies Alliance Code (the "QCA Code"). This is a practical, outcome-oriented approach to corporate governance that is tailored for small and mid-size quoted companies in the UK and which provides the Company with the framework to help ensure that a strong level of governance is maintained.

As Chairman, I am responsible for leading an effective Board, fostering a good corporate governance culture, maintaining open communications with the Shareholders and ensuring appropriate strategic focus and direction for the Group. The Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to stakeholders.

The Company has updated its Corporate Governance statement in conjunction with the preparation of its annual report and accounts. The Board notes the QCA Code requirement to provide certain disclosures set out under principles 1 – 10 of the QCA Code as well as the requirement under principle 10 which requires the Company to identify the omitted disclosures and explain the reason for their omission.

The Company's statement of compliance with the QCA Code is on the Company's website at http://www.andalasenergy.co.uk and the Corporate Governance statement is detailed at the end of this report.

Dr Robert Arnott
Non-Executive Chairman
30 October 2019

Operations Report

Indonesia – Bunga Mas PSC

In August 2018 Andalas entered into a conditional agreement to acquire an interest in the Bunga Mas Production Sharing Contract (PSC) from Tilegarre Corporation. The Bunga Mas PSC is located onshore, near existing upstream facilities, in the prolific producing South Sumatra basin of Indonesia.

The agreement permitted Andalas to acquire an initial 25% participating interest in Bunga Mas PSC via a corporate acquisition with the right to increase the interest to 49% and then 100%. The consideration was 19,200,000 of Andalas ordinary shares to be issued in two tranches: 9,600,000 shares on completion of the acquisition of the initial participating interest and 9,600,000 shares on regulatory approval of the increase of interest to 49%. Completion was subject to various matters the primary being the extension of the exploration period of the PSC. Andalas was to undertake new exploration and development of the PSC as an exclusive operation entitling it to 100% of the cash flows available to participating interest owners under the PSC.

In February 2019 Andalas was advised that the government of Indonesia ("GOI") had provided the PSC contractors, with an agreement to convert the PSC into a gross split production sharing contract. The contractors, including the vendor, Tilegarre Corporation, elected not to sign it because certain issues regarding the terms of the renewal had not yet been resolved to their satisfaction. Andalas was advised that the GOI had requested that the contractors deposit funds into an escrow account as security against a future work programme. This requirement would have resulted in Andalas having to raise significant amounts of additional capital having a material negative impact on the economics of the project. The sale and purchase agreement was conditional on the PSC being extended on terms satisfactory to Andalas and included a representation from the vendor that no performance bonds or other financial guarantees or obligations were required or in place under the PSC. At this stage, this condition precedent has not been fulfilled.

The long stop date for fulfilment of the conditions precedent to the sale and purchase agreement expired on 15 February, and the parties have not extended it. The vendor advised Andalas that the GOI had advised that it intends to issue a letter terminating the PSC. However, as of today the GOI has not issued its letter of termination and therefore Andalas has decided to continue monitoring the situation as further information becomes available following the decision by the vendor not to sign the gross split PSC and the GOI has not as yet forced relinquishment of the PSC. If the GOI terminates the PSC, Andalas will terminate the sale and purchase agreement.

UK Dorset Coast – Colter Well

In September 2018 Andalas farmed in to 8% of Corallian's P1918 Dorset licence for the drilling of the Colter well. The Colter prospect provided the company the opportunity to access a substantial near-term development opportunity.

Farm-in to the Colter prospect was fully funded through to drilling of the well originally planned for Q4 2018 with an expected well cost of £7.5m gross. To earn its 8% interest Andalas funded 10.67% of the well cost up to a maximum of £8 million, thereafter it funded 8%. The Colter well objective was to evaluate a prospect that has been assessed to contain gross unrisked Mean Prospective Resources of 22 million barrels of oil ("MMBO") recoverable (1.76MMBO net) (Operator estimate). The joint venture drilled the Colter 98/11a-5 appraisal well and a side-track in February 2019. The well did not penetrate the predicted fault bounding the target Colter Prospect and it was plugged and abandoned, and the rig released. Initial evaluation of the data from both wells indicates that the Colter prospect is smaller than pre-drill estimates. The Colter South discovery remains an opportunity to evaluate further as it is now really more extensive than indicated by the pre-drilling mapping. In addition, the side-track encountered oil and gas shows in the Jurassic Cornbrash-Lower Oxfordian interval, the producing reservoirs in the Kimmeridge oilfield, and this provides an interesting potential target on trend to the west within the onshore licences held by the Joint Venture. The data from these well results and existing data will be incorporated to determine the best forward plan.

Operations Report (continued)

UK - Southern North Sea

In April 2018 Andalas invested into Eagle Gas Limited acquiring a 14.75% interest to access deal flow and an indirect interest in Licence P2112, a southern North Sea licence containing the Badger prospect for a consideration payable to Eagle of £125,000 in cash and 147,058,824 fully paid Andalas shares equating to £25,000 at the placing price. In July 2018 Andalas increased its investment into Eagle Gas Limited to 25% by subscribing for additional shares for a consideration of £125,000 in cash and 147,058,824 fully paid Andalas shares issued at the mid-market price on the date of issue.

In August 2018 Eagle completed a seismic reprocessing and interpretation programme. Completing the work fulfilled the 2018 technical work programme licence commitment to the OGA. The seismic interpretation of the reprocessed 3D seismic assessed the resource potential of the Badger gas prospect by identifying four seismic horizons mapped to represent prospective sandstone reservoir objectives: Base Ketch, Westphalian B (Murdoch equivalent), Westphalian A and Namurian (Trent equivalent) layers. The gross mean prospective resources were assessed to be 399 Billion cubic feet (Bcf) of recoverable gas (net of inerts and liquids) and 3.9 million barrels of natural gas liquids. A potential exploration well location was identified to target 2 of the 4 seismic horizons. The well would be drilled in a water depth of circa 45 metres (148 feet) to a total depth (TD) of circa 4,200 metres (13,800 feet). The proposed well location was approximately 35 kms from local infrastructure, including the Perenco operated Eagles Transport System (ETS) pipeline that could, subject to negotiation, be the evacuation route for the produced gas to the Bacton terminal, North Norfolk.

During Q4 2018 Eagle sought to farm out the drilling of an exploration well to fulfil the drill or drop commitment. Atlantic Petroleum, the joint venture partner in P2112, the owner of the remaining 33.3% non-operated interest in the licence expressed an interest in securing the funds to drill the commitment well. The licence partners therefore agreed to request an extension from the Oil and Gas Authority ("OGA") to the initial licence term, which was due to end on 19 December 2018, to ensure that sufficient time was available under the licence to enable the joint venture to complete additional seismic interpretation work on the potential upside gas reserve. On 17 December the OGA agreed to a 5-month extension of the initial term of licence P2112 to 19th May 2019. Under the terms of the extension, the licence holder was required by no later than 31 March 2019, to advise the OGA that it either has elected to drill one well to 3800m or 100m into the Namurian (whichever is the shallower) and approved the necessary funding for the well commitment or elected to terminate the licence. In March 2019 Eagle advised investors that Atlantic had failed to secure the necessary funding and the operator and Atlantic had decided to relinquish the licence. Eagle is continuing to pursue the near-term development opportunities but as yet this has not delivered any tangible value to the company.

Indonesia – Betun Selo

In light of the Bunga Mas PSC deal stalling, Andalas has since the financial year-end continued to pursue near term production opportunities in Indonesia focusing on late life producing fields that require low cost intervention to rejuvenate and increase production. Andalas has been focussing on KSO contracts awarded by Pertamina (the state-owned oil company) to third parties. A number of these KSO are distressed; technically and financially and offer an attractive proposition for Andalas to apply its technical and investment expertise.

In line with this strategy, in June 2019 Andalas entered into an operating services and option agreement ("Services Agreement") in respect of the producing Betun-Selo KSO in Sumatra, Indonesia. The Betun-Selo KSO comprises the producing Betun field and the non-producing Selo field.

- At the time of entering the agreement, Betun was producing 70 bopd. The Work Programme targets increasing production by an incremental 80 bopd to a total of 150 bopd
- Selo is currently non-producing but has the resources set out below and up to 5 drilling locations

Operations Report (continued)

Indonesia – Betun Selo (continued)

- Andalas has an option to acquire a participating interest in the Betun-Selo KSO (excluding any right to existing production), as further detailed below, which has scope for further development

- The Betun-Selo KSO is estimated to contain the following gross resources:

Remaining Reserves					
Field	Zone	1P	2P	3P	
Betun (1)	TAF (3) (oil) - mmbbls	0.7	1.6	2.1	
Contingent Resources (2)					
Field	Zone	Low	Mid	High	COGS
Selo	TAF (3) Shallow (oil) - mmbbls	1.3	2.6	4.3	70%
Prospective Resources (2)					
Field	Zone	Low	Mid	High	COGS
Selo	Lahat Deep (oil) - mmbbls	0.9	1.3	1.7	60%
Selo	Lahat Deep (gas) - bcf	21.3	33.0	46.7	60%

1. Reserves volumes extracted from 2013 ITB GG&R Report provided by operator
2. Reserves and resource volumes estimated using guidance provided by the SPE. Refer to the March 2007 SPE/WPC/AAPG/SPEE Petroleum Resources Management System ("PRMS") and the 2011 SPE Guidelines for the Application of the PRMS.
3. TAF: Talang Akar Formation

Betun-Selo KSO

The Betun-Selo KSO was awarded to PBS by Pertamina in June 2012 and has 8 years remaining in the 15-year term.

The Betun-Selo KSO is made up of two fields - the Betun field and the Selo field. Both fields are located in South Sumatra. The Betun field is approximately 30 km NNW of Prabumulih, and the Selo field is some 60 km WNW of Prabumulih.

The Betun Field was discovered in 1949. Field development started in 1950 with the last well (BTN-18) being drilled in 1986. The field was abandoned by Pertamina and picked up as a KSO in 2012 by PBS. The principal producing targets are the Talang Akar formation and the Batu Raja formation at depths of between 1800 - 2000m. There are 4 producing wells (BTN 01, 03, 04, and 14); one suspended well BTN 17 (a possible gas producer for fuel gas); and, one water disposal well, BTN 5 (with a second possible injector BTN 18). Currently, BTN 03 is shut in pending workover by ADL. The Work Programme is anticipated to consist of work over of wells BTN 01, 03, 04 and 14. The KSO operator performed a 3D seismic over Betun in 2015. While further drilling on Betun in the near future is not anticipated, recent analysis of the 3D data suggests additional drilling may be possible at some future point in time.

The Betun wells are all on artificial lift - sucker rod tubing pumps with beam pumping units. Oil production is currently in the order of 70 bopd. The wells produce to a basic production facility consisting of: an inlet manifold, a 5000 bfpd three phase separator; a tank farm with one 500 bbl vertical storage tank, one 300 bbl horizontal storage tank, and one 500 bbl shipping tank); water treatment/injection pumps; and an oil shipping custody transfer facility. Production is shipped to the Pertamina EP Adera field through a 4" trunkline.

Operations Report (continued)

Indonesia – Betun Selo (continued)

Betun-Selo KSO (continued)

The Selo field was discovered in 1936 and developed through 1940. The last well drilled, Selo-20, was drilled in 1959. The wells drilled targeted and produced from the Talang Akar formation. However, the Talang Akar horizon is considerably shallower in Selo than Betun with targets in the 800 - 900m range. Currently there are no wellbores accessible for workover/production, and no production facilities in the Selo field. The field has been essentially abandoned. However, analysis of recent passive seismic work as well as reprocessing and analysis of 2D seismic have indicated targets in the Lower Talang Akar and Basement suitable for drilling.

The Betun-Selo KSO contractor, PBS, is controlled by PT Celebes Artha Ventura (**CAV**) (www.celebescapital.com). CAV trades under the name Celebes Capital and is the largest venture capital fund by assets under management in Indonesia.

Services Agreement

Under the Services Agreement, Andalas is undertaking a 4-well workover programme (the "Work Programme") on the producing Betun field that will allow it to earn 90% of the proceeds of the sales of cost hydrocarbons and profit hydrocarbons derived from incremental production at the KSO until such time as the funds and services provided by the Company have been repaid in full. Andalas provides operating services and personnel (**Services**) to PT Petroenim Betun-Selo (PBS), the operator of the Betun-Selo field, on the terms of the Services Agreement. PBS has agreed to pay for the Services by paying Andalas 90% of the proceeds of sales of cost hydrocarbons and profit hydrocarbons derived from incremental production at the KSO.

The Work Programme comprises the workover of four existing wells located on the Betun field which includes perforating of untapped zones, scale squeeze of low productive zones, installation of casing gas compressors and pumps with increased capacity for an expected cost of US$650,000.

Option

PBS has granted Andalas an option to acquire a participating interest in the Betun-Selo KSO. This participating interest will provide Andalas with an interest only in any future incremental production from the Betun-Selo KSO (excluding the existing production from Betun-Selo). The amount of the interest will be determined in accordance with the following formula:

PI = WP/(WP+V) x 100%
Where:
PI is the Participating Interest to be transferred;
WP is the total expenditure incurred by Andalas in undertaking the work programme in accordance with Services Agreement; and
V is USD 3,600,000 (three million six hundred thousand United States Dollars) plus the cumulative cash contributions made by CAV to PBS from the effective date until the date of the exercise of the Option minus the cumulative cash distributions made by PBS to CAV from the Effective Date until the date of the exercise of the Option.

The option may be exercised by Andalas at any time up to 6 months after completion of the 4 well workovers included in the Services. On exercise of the option, any amount owing to Andalas shall cease to be repayable. Andalas will be granted security by CAV in respect of sums advanced in respect of the Services Agreement.

Operations Report (continued)

Indonesia – Betun Selo (continued)

Workover progress

The workover of BTN14 has completed. The workover encountered a larger than expected amount of scale which necessitated a mechanical clean out of the well, acidization of the wellbore and perforations which extended the workover beyond the originally expected timetable. BTN 14 is currently producing at an average production rate for October of 24.7 bopd.

The workover on BTN01 encountered a 11-metre column of scale which necessitated a mechanical clean out of the well and acidization of the wellbore and perforations similar to the work carried out on BTN14. The well has been re-instated with a larger water injection pump and is currently producing at an average production rate for October of 36.6 bopd.

The BTN14 is currently producing at an average production rate for October of 38.8 bopd.

The workover on BTN03 was delayed whilst waiting for the necessary explosive permits from the Government and Pertamina which were received in September 2019. The workover was successfully completed in October 2019 and the well was recently put into production and we are awaiting the latest production figures.

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 30 April 2019.

Principal activities, business review and future developments

The principal activity of Andalas Energy and Power PLC during the year was as a gas to power developer in the Republic of Indonesia and the UK. Further details on the activities of the Group are provided in the Chairman's Report.

Results and dividends

Loss on ordinary activities after taxation amounted to $3,930,000 (30 April 2018: $1,334,000). The Directors do not recommend the payment of a dividend (30 April 2018: $Nil).

Key Performance Indicators ('KPIs')

The board monitors the activities and performance of the Group on a regular basis, including as part of the regular board updates and board meetings. During the year the principal focus of the Group was to develop an onshore upstream E&P business in the Republic of Indonesia and to continue to explore upstream E&P opportunities. The KPIs being monitored by the Group as at the date of this report were as follows:

- Cash management;
- Business development; and
- Project development

Risks and uncertainties

The principal risks and uncertainties inherent in an Andalas' business strategy are summarised below:

- Volatility of commodity prices which may impact investment decisions taken. The Group monitor price forecasts in Board meetings and reacts accordingly.
- Foreign currency volatility impacts the potential cost base of projects and the Group monitor and assess, as far as practicable, the impact on budgets and cash flows.
- Operational risks relate to dealing with stakeholders on any potential project. The ability of partners to finance and support projects, customers or governments to approve projects can impact budgets and cash flows and the Group maintains and monitors its stakeholder relationships.
- Availability of finance and funding is key to ensuring that there are funds available for working capital and to allow the Group to make strategic investment decisions. The Board are responsible for monitoring the cash flows and cash forecasts of the business.

Financial Risk Management

The Group's operations expose it to a variety of financial risks that include the effect of changes in debt market prices, movements in foreign currency exchange rates, credit risk and liquidity risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate or foreign exchange costs and, as such, no hedge accounting is applied. Details of the Group's financial risk management policies are set out in Note 19 to the Financial Statements.

DIRECTORS' REPORT (continued)

Internal Controls

The Board recognises the importance of both financial and non-financial controls and has reviewed the Group's control environment and any related shortfalls during the year. Since the Group was established, the Directors are satisfied that, given the current size and activities of the Group, adequate internal controls have been implemented.

Events after the reporting date

See note 23 for details of events after the reporting date.

Going Concern

After reviewing areas that could give rise to significant financial exposures, the Board has a reasonable expectation that the Company and the Group have adequate resources to continue their operations and that sufficient liquidity will be available to meet current expenses from a combination of existing cash reserves, proceeds arising from the drawdown of existing convertible loan notes, capital raises and continued and increasing cash flows from Indonesian operations. Consequently, the financial statements have been prepared on a going concern basis. The Company raises money to support its corporate overhead, its operations and capital projects as and when required. The Group requires additional funding to meet its daily working capital needs, to settle its outstanding liabilities and in order to fund the development of its projects. As additional funding is required in order to settle outstanding liabilities, to meet ongoing working capital needs and to raise finance to fund project development there can be no assurance that the Group's projects will be developed in accordance with current plans or completed on time or to budget. Therefore, future work on the development of the Group's projects and financial returns arising therefrom may be adversely affected by factors outside the control of the Group which are inherently linked to the availability of funding for the Group.

The Directors remain confident that the potential income stream from the development of its projects, the continued deferral of remuneration by the Directors and senior consultants, together with the Directors' historic ability to raise additional funds and the availability, subject to mutual agreement, of the loan note facility, will enable the Group to settle its outstanding liabilities, finance its future working capital and fund the development cost requirements of its projects beyond the period of twelve months from the date of approval of this report. However, there are no confirmed funding arrangements in place at present other than the convertible loan note facility; as such there can be no guarantee that the required funds to settle current liabilities, meet future working capital requirements and fund future development costs will be available to the Group within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of approval of these financial statements. The financial statements do not include the adjustments that would result if the Group were unable to continue in operation.

Directors and directors' interests

The following Directors held office during the year:

Daniel Jorgensen (resigned 4 April 2019)
Ross Warner
Simon Gorringe
Graham Smith
Dr Robert Arnott

DIRECTORS' REPORT (continued)

Directors' interests

The beneficial and non-beneficial interests in the Company's shares of the Directors (who remain in office at the respective reporting dates) and their families, as at the date of approval of the financial statements that are as follows:

	2019	2018	**2019**	2018
	Ordinary shares	Ordinary shares	**Options** [(1)]	Options [(1)]
Ross Warner	**2,052,875**	2,049,715	**498,000**	498,000
Simon Gorringe	**5,060,663**	2,057,503	**498,000**	498,000
Graham Smith	**360,000**	360,000	-	-
Dr Robert Arnott	-	-	**-**	-

[(1)] These relate to 20 pence options (vested and unvested) that were allocated to a number of Directors, employees and consultants of the Company on 27 April 2016. At both 2018 and 2019 year end the first of four equal tranches of the options had vested with /the remaining three equal tranches being subject to conditions based on certain performance criteria being achieved. The vested shares are shown in the Options table in Note 9, whilst the unvested options are described in Note 9.

The prior year numbers have been restated in line with the share consolidation.

Details of the Directors' remuneration are given in note 10 to the Financial Statements.

Directors' third-party indemnity provisions

During the year under review the Group provided third party indemnity insurance to the Directors for a total cost of $9,300 (2018: $12,000).

Provision of information to auditors

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

Following a tender process, BDO Limited resigned as auditors and the Board appointed Lubbock Fine, who, being eligible, have expressed their willingness to continue in office in accordance with the Isle of Man Companies Act 2006.

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

Graham Smith
30 October 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and currently explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and which allow financial statements to be prepared. They are also responsible for safeguarding the assets of the Group, 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 Group's website. The Group is compliant with AIM Rule 26 regarding the Group's website.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANDALAS ENERGY AND POWER PLC

OPINION

We have audited the consolidated financial statements of Andalas Energy and Power Plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 30 April 2019, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's affairs as at 30 April 2019 and of the Group's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law.. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

We draw your attention to Note 2(I) to the financial statements which explains that the Group requires further funding, although no confirmed funding arrangement is in place, in order to continue to undertake the required work to develop and build its asset acquisition strategy and to continue as a going concern. The matters explained in Note 2(I) indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. These financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in associate The Group had at year-end a 25% interest in an entity which held, through a wholly owned subsidiary, an exploration licence. During the year this licence lapsed, indicating impairment of the asset which had a carrying value of $524k.	Given the indicators of impairment in the year we have reviewed management's impairment review of the asset and carried out our own review of the entity.
Going concern As detailed in note 2(I), there is considered to be material uncertainty over whether the Group will be able to obtain sufficient funds to meet its liabilities as they fall due.	We have discussed the going concern basis with management and reviewed the Group's forecasts to December 2020. We have reviewed the inputs, assumptions, sensitivities and integrities of the forecasts prepared.
Accuracy and completion of equity In the current year, the Group entered into a large number of transactions impacting equity which include share issues, share warrants and other equity settled transactions with third parties. Given the qualitative and quantitative impact on the share structure of the Group and the judgements and estimates required to be taken by management to value share transactions, this financial statement area is considered to be an audit risk that could result in a material misstatement.	We obtained an understanding of the nature of equity transactions entered into by the Company during the year through discussions with management, a review of regulatory news service announcements and from the review of Board minutes and key contracts. We have reperformed the valuations of options and warrants issued, and reviewed the inputs, assumptions and sensitivities of these.

OUR APPLICATION OF MATERIALITY

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the consolidated financial statements.

We define financial statements materiality as the magnitude by which misstatements, including omissions, could influence the economic decisions taken on the basis of the consolidated financial statements by reasonable users.

We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the consolidated financial statements as a whole.

- Overall materiality - We determine materiality for the consolidated financial statements as a whole to be $195,000. This was based on the key performance indicator, being 5% of the adjusted loss. We believe adjusted loss after tax to be the most appropriate bench mark.

- Performance materiality - On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the consolidated financial statements should be 50% of materiality, amounting to $98,000.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of the structure of the Group, its activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit, we reassessed and re-evaluated audit risks and tailored our approach accordingly.

The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and management of specific risk.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

The directors are responsible for the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated 16 July 2019. 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 Auditors' 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.

Lubbock Fine
Chartered Accountants & Statutory Auditors
3rd Floor Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB

Date: 30 October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**2019 $'000s**	2018 $'000s
Investment loss:			
Unrealised loss on investments	14	(524)	-
		(524)	-
Other income		29	-
Asset evaluation expense	6	(2,293)	(282)
Other administrative expenses	6	(1,079)	(879)
Net loss before finance costs and taxation		**(3,867)**	(1,161)
Finance costs	7	(63)	(173)
Loss before tax		**(3,930)**	(1,334)
Tax expense	11	**-**	-
Loss after tax attributable to owners of the parent		**(3,930)**	(1,334)
Total comprehensive loss for the year attributable to owners of the parent		**(3,930)**	(1,334)
Basic and diluted loss per share attributable to owners of the parent during the year (expressed in US cents per share)	8	**(1.10)**	(0.03)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing.

The accounting policies and notes on pages 22 to 43 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**2019 $’000s**	2018 $’000s
Assets			
Non-current assets			
Financial assets at fair value through profit or loss	14	**-**	207
Equity investment in associate	14	**-**	-
Other investments	15	**267**	-
Total non-current assets		**267**	**207**
Current assets			
Other receivables	12	75	861
Cash and cash equivalents	13	258	38
Total current assets		**333**	**899**
Total assets		**600**	**1,106**
Liabilities			
Current liabilities			
Trade and other payables	18	(853)	(1,045)
Total liabilities		**(853)**	**(1,045)**
Net assets		**(253)**	**61**
Equity attributable to the owners of the parent			
Share premium	16	16,878	13,377
Accumulated deficit		(17,131)	(13,316)
Total shareholder funds		**(253)**	**61**

The Financial Statements were approved and authorised for issue by the Board of Directors on 30 October 2019 and were signed on its behalf by

Graham Smith
Director

The accounting policies and notes on pages 22 to 43 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share premium $'000s	Accumulated deficit $'000s	Total equity $'000s
Balance at 1 May 2017	10,084	(12,113)	**(2,029)**
Loss for the year to 30 April 2018	-	(1,334)	(1,334)
Total comprehensive income	**-**	**(1,334)**	**(1,334)**
Transactions with equity shareholders of the parent			
Proceeds from shares issued	3,632	-	3,632
Cost of share issue	(285)	-	(285)
Consideration shares	35	-	35
Share warrants issued	(89)	131	42
Balance at 30 April 2018	**13,377**	**(13,316)**	**61**
Loss for the year to 30 April 2019	-	(3,930)	(3,930)
Total comprehensive income		**(3,930)**	**(3,930)**
Transactions with equity shareholders of the parent			
Share based payments – warrants	(49)	49	-
Share based payments – options	-	66	66
Consideration shares	163	-	163
Proceeds from shares issued	3,669	-	3,669
Cost of share issues	(282)	-	(282)
Balance at 30 April 2019	**16,878**	**(17,131)**	**(253)**

The accounting policies and notes on pages 22 to 43 form part of these Financial Statements.

CONSOLIDATED CASH FLOW STATEMENT

	2019 **$'000s**	2018 $'000s
Cash flows from operating activities:		
Net loss for the year	**(3,930)**	(1,334)
Adjustments for:		
Share-based payment	**66**	-
Borrowing costs	**-**	173
Unrealised loss from financial assets at fair value	**524**	-
Change in working capital items:		
Decrease in other receivables	**786**	124
Decrease in trade and other payables	**(192)**	(741)
Net cash used in operations	**(2,746)**	(1,778)
Cash flows from investing activities		
Investment in associate	**(154)**	-
Other investments	**(267)**	-
Net cash from investing activities	**(421)**	-
Cash flows from financing activities		
Proceeds from issue of share capital	**3,669**	2,805
Share issue costs	**(282)**	(217)
Repayment of borrowings	**-**	(781)
Net cash generated by financing activities	**3,387**	1,807
Net increase in cash and cash equivalents	**220**	**29**
Cash and cash equivalents, at beginning of the year	**38**	8
Effect of foreign exchange rate changes	**-**	1
Cash and cash equivalents, at end of the year	**258**	**38**

Major Non-Cash Transactions

Details of major non-cash transactions are described in note 9 share-based payments, in note 16 share capital and note 17 borrowings.

The accounting policies and notes on pages 22 to 43 form part of these Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1 Reporting Entity

Andalas Energy and Power PLC ('the Company') is domiciled in the Isle of Man. The Company's registered office is at IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP. These consolidated financial statements comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in the energy business, focussed on the Republic of Indonesia and the UK. The Company is listed on the AIM market of the London Stock Exchange.

2 Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). They were authorised for issue by the Company's board of directors on 30 October 2019.

Details of the Group's accounting policies are included below:

New and amended standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of these is described below. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

The Company has applied IFRS 9 for the first time in the year. IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Under IAS 39, cash and cash equivalents and receivables were classified as loans and receivables. Under IFRS 9 these are classified as measured at amortised cost.

Under IAS 39, the Company's equity instruments were classified as Available For Sale financial assets at fair value, with fair value movements being recognised directly into equity through the statement of changes in equity. Under IFRS 9 these have been classified as fair value through profit or loss.

Financial liabilities, other than derivative financial instruments, remain classified as measured at amortised cost. The Group's financial liabilities consist of trade and other payables.

There was no change to the carrying amount of any financial instruments as a result of this change in classification and the adoption of IFRS 9 had no material impact on the net assets attributable to holders of shares or the Company.

Standards issued but not yet effective
The Company expects no material impact on its financial position, performance, disclosures or stated accounting policies from the adoption of any standards issued but not yet effective.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

A. Basis of consolidation

i. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

ii. Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iii. Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

iv. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

B. Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

ii. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

C. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

C. Employee benefits (continued)

ii. Share-based payment arrangements

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of SARs, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

D. Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

ii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
– temporary differences related to investments in subsidiaries, associates and joint arrangements
· to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
– taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

D. Income tax (continued)

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

E. Exploration expenditure

In-line with IFRS 6 the Company has elected not to capitalise expenditure in relation to its farm-in arrangements for oil and gas exploration, with the exception of costs in respect of the acquisition of rights to explore. These have been classified as other investments in the consolidated financial statements.

F. Share capital

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

G. Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

H. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

I. Going concern

The consolidated financial statements have been prepared on a going concern basis. The Company raises money to support its corporate overhead, its operations and capital projects as and when required. The Group requires additional funding to meet its daily working capital needs, to settle its outstanding liabilities and in order to fund the development of its projects. As additional funding is required in order to settle outstanding liabilities, to meet ongoing working capital needs and to raise finance to fund project development there can be no assurance that the Group's projects will be developed in accordance with current plans or completed on time or to budget. Therefore, future work on the development of the Group's projects and financial returns arising therefrom may be adversely affected by factors outside the control of the Group which are inherently linked to the availability of funding for the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

2 Basis of accounting (continued)

I. Going concern (continued)

The Directors remain confident that the potential income stream from the development of its projects, the continued deferral of remuneration by the Directors and senior consultants, together with the Directors historic ability to raise additional funds and the availability, subject to mutual agreement, of the Volantis loan note facility, will enable the Group to settle its outstanding liabilities, finance its future working capital and fund the development cost requirements of its projects beyond the period of twelve months from the date of approval of this report. However, there are no confirmed funding arrangements in place at present; as such there can be no guarantee that the required funds to settle current liabilities, meet future working capital requirements and fund future development costs will be available to the Group within the necessary timeframe. Consequently, a material uncertainty exists that may cast significant doubt on the Group's ability to fund this cash shortfall and therefore be able to meet its commitments and discharge its liabilities in the normal course of business for a period not less than twelve months from the date of approval of these financial statements. The financial statements do not include the adjustments that would result if the Group were unable to continue in operation.

3 Functional and presentation currency

These consolidated financial statements are presented in US Dollars ("USD"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

– Note 14 – equity-accounted investees: whether the Group has significant influence over an investee;
– Note 20 – consolidation: whether the Group has de facto control over an investee.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 April 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Share based payments (note 9)

The Group has made awards of options and warrants over its un-issued capital. The valuation of these options and warrants involve making a number of estimates relating to price volatility, future dividend yields, expected life and forfeiture rates.

NOTES TO FINANCIAL STATEMENTS (continued)

4 Use of judgements and estimates (continued)

B. Assumptions and estimation uncertainties (continued)

Going concern (note 2I)

The Group made a loss in the year and has a net liability position at the year end. The board has prepared a budget and considered its ability to continue as a going concern, together with the Directors historic ability to raise additional funds will enable the Group to finance its future working capital and development cost requirements beyond the period of twelve months from the date of this report.

Equity-accounted investments (note 14)

The Group increased its interest in an available for sale investment in the period and with the increase in influence over the entity reclassified this as an associate investment. The board regularly reviews the entity for indications of impairment.

i) Measurement of fair values (Note 2H)

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.
The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

NOTES TO FINANCIAL STATEMENTS (continued)

4 Use of judgements and estimates (continued)

Level 3 inputs

The following table gives information about how the fair values of Group's investments are determined (in particular, the valuation techniques and inputs used).

Assets and liabilities	Nature of investment	Fair value as at 30 April 2019	Fair value as at 30 April 2018	Valuation techniques and key inputs	Significant unobservable input
Financial assets at fair value through profit or loss	25% (2018 14.75%) of equity investment in Eagle Gas Ltd	USD Nil	USD 207,000	Recent purchase price and market knowledge	Expected realisable value from sale
Financial assets at fair value through profit or loss	20% of equity investment in Peelwood Pty Ltd	USD Nil	USD Nil	Purchase price and market knowledge	Expected realisable value from sale

5 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments and make strategic decisions, has been identified as the Directors of the Group. In the opinion of the Directors, the operations of the Group comprise two operating segments comprising firstly of that of developer of gas to power projects in the Republic of Indonesia and secondly with projects within the UK. The Group considers that it only has one reportable segment and the Directors consider that the primary financial statements presented substantially reflect all the activities of the Company.

NOTES TO FINANCIAL STATEMENTS (continued)

6 Income and expenses

Income consists of invoices raised to Eagle Gas Limited for services provided net of VAT.

Administration fees and expenses consist of the following:

	2019	2018
	$'000	$'000
Audit fees	31	38
Professional fees	259	284
Administration costs	162	51
Directors' fees (Note 10)	627	506
Total corporate overhead	**1,079**	**879**
Office costs	152	26
Consulting and farm-in expenses	2,056	40
Travel and accommodation	85	216
Asset evaluation and gas to power business expenses	**2,293**	**282**

7 Net Finance Costs

	2019	2018
Finance expense	**$'000**	$'000
Bank charges and finance expense on borrowings	**-**	173
Foreign exchange loss	**63**	-
	63	**173**

8 Earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Loss attributable to owners of the Group (USD thousands)	**(3,930)**	(1,334)
Weighted average number of ordinary shares in issue (thousands)	**357,878**	4,752,183
Loss per share (US cents)	**($1.10)**	($0.03)

In accordance with International Accounting Standard 33 'Earnings per share', no diluted earnings per share is presented as the Group is loss making. Details of potentially dilutive share instruments are detailed in notes 9 and 14. Details of shares issued post year end are disclosed in note 23.

NOTES TO FINANCIAL STATEMENTS (continued)

9 Share-based payment arrangements

The following is a summary of the share options and warrants outstanding and exercisable as at 30 April 2019 and 30 April 2018 and the changes during each year:

	Number of options and warrants	Weighted average exercise price (Pence)
Outstanding and exercisable at 1 May 2017	**144,261,995**	**0.612**
Warrants granted for services	**626,244,344**	**0.056**
Warrants granted with share issue	**638,569,604**	**0.050**
Outstanding and exercisable at 30 April 2018	**1,409,075,943**	**0.110**
50:1 consolidation at 9 August 2018	**(1,380,894,424)**	**(0.085)**
Options granted as consideration	**36,000,000**	**0.571**
Warrants granted for services	**27,884,057**	**0.156**
Warrants granted with share issue	**34,782,608**	**0.552**
Lapsed options	**(745,009)**	**(0.008)**
Outstanding and exercisable at 30 April 2019	**126,103,175**	**1.294**

The above weighted average exercise prices have been expressed in pence and not cents due to the terms of the options and warrants. The following share options or warrants were outstanding and exercisable in respect of the ordinary shares:

Grant Date	Expiry Date	1 May 2017	Issued	30 April 2018	Exercise Price
Warrants					
07.12. 13	07.12.18	10,839,750	-	10,839,750	2.00p
24.01.14	24.01.19	26,410,714	-	26,410,714	1.00p
13.05.16	13.05.21	42,000,000	-	42,000,000	0.20p
31.01.17	31.01.22	10,000,000	-	10,000,000	0.20p
31.01.17	31.01.22	8,000,000	-	8,000,000	0.25p
31.01.17	31.01.22	6,666,666	-	6,666,666	0.30p
22.05.17	22.05.22	-	15,000,000	15,000,000	0.10p
22.05.17	22.05.22	-	35,000,000	35,000,000	0.10p
31.07.17	31.07.22	-	150,000,000	150,000,000	0.10p
19.08.17	19.08.22	-	90,769,231	90,769,231	0.06p
01.09.17	01.09.22	-	70,769,231	70,769,231	0.06p
06.12.17	06.12.22	-	638,569,604	638,569,604	0.05p
29.04.18	29.04.21	-	264,705,882	264,705,882	0.017p
Options					
07.12.13	07.12.18	6,000,000	-	6,000,000	2.00p
05.06.15	05.06.18	34,344,865	-	34,344,865	0.40p
		144,261,995	**1,264,813,948**	**1,409,075,943**	

NOTES TO FINANCIAL STATEMENTS (continued)

9 Share-based payment arrangements (continued)

Grant Date	Expiry Date	1 May 2018	Issued	Expired	30 April 2019	Exercise Price
Warrants						
07.12. 13	07.12.18	10,839,750	-	(10,839,750)	-	2.00p
24.01.14	24.01.19	26,410,714	-	(26,410,714)	-	1.00p
13.05.16	13.05.21	42,000,000	-	-	42,000,000	0.20p
31.01.17	31.01.22	10,000,000	-	-	10,000,000	0.20p
31.01.17	31.01.22	8,000,000	-	-	8,000,000	0.25p
31.01.17	31.01.22	6,666,666	-	-	6,666,666	0.30p
22.05.17	22.05.22	15,000,000	-	-	15,000,000	0.10p
22.05.17	22.05.22	35,000,000	-	-	35,000,000	0.10p
31.07.17	31.07.22	150,000,000	-	-	150,000,000	0.10p
19.08.17	19.08.22	90,769,231	-	-	90,769,231	0.06p
01.09.17	01.09.22	70,769,231	-	-	70,769,231	0.06p
06.12.17	06.12.22	638,569,604	-	-	638,569,604	0.05p
29.04.18	29.04.21	264,705,882	-	-	264,705,882	0.017p
03.08.18	02.08.21	-	300,000,000	-	300,000,000	1.00p
Consolidation		(1,341,356,456)	(294,000,000)	36,505,455	(1,598,851,001)	
20.09.18	20.09.21	-	5,217,391	-	5,217,391	1.15p
20.09.18	20.09.21	-	34,782,608	-	34,782,608	2.00p
15.03.19	14.03.22	-	16,666,666	-	16,666,666	0.45p
Options						
07.12.13	07.12.18	6,000,000	-	-	6,000,000	2.00p
05.06.15	05.06.18	34,344,865	-	-	34,344,865	0.40p
Consolidation		(39,537,968)	-	-	(39,537,968)	
01.10.18	01.10.23	-	36,000,000	-	36,000,000	2.00p
		28,181,519	**98,666,665**	**(745,009)**	**126,103,175**	

The new options and warrants have been valued using the Black-Scholes valuation method and the assumptions used are detailed below. The expected future volatility has been determined by reference to the historical volatility:

Grant date	Share price at grant	Exercise price	Volatility	Option life	Dividend yield	Risk-free investment rate	Fair value per option
Current year							
03.08.18	0.02p	0.02p	40%	3 years	0%	3%	0.397 cents
21.09.18	2.00p	1.17p	40%	3 years	0%	3%	0.204 cents
21.09.18	1.15p	1.17p	40%	3 years	0%	3%	0.481 cents
02.10.18	2.00p	1.04p	40%	5 years	0%	3%	0.265 cents
15.03.19	0.45p	0.17p	40%	3 years	0%	3%	0.011 cents
Prior year							
22.05.17	0.1p	0.1p	40%	5 years	0%	3%	0.051 cents
31.07.17	0.073p	0.073p	40%	5 years	0%	3%	0.028 cents
19.08.17	0.065p	0.065p	40%	5 years	0%	3%	0.033 cents
01.09.17	0.065p	0.065p	40%	5 years	0%	3%	0.033 cents
06.12.17	0.05p	0.05p	40%	5 years	0%	3%	0.017 cents
29.04.18	0.017p	0.017p	40%	5 years	0%	3%	0.007 cents

NOTES TO FINANCIAL STATEMENTS (continued)

9 Share-based payment arrangements (continued)

The Group recognised $115,000 (30 April 2018: $131,000) relating to equity-settled share-based payment transactions during the year arising from Option or Warrant grants, which was charged $49,000 in respect of services performed in connection with the issue of new shares charged to share premium and $66,000 as payment for professional fees to the income statement.

There are 2,060,692 of unvested options at the year end (30 April 2018: 2,060,692), that are held by certain Directors and consultants, which vest in three equal tranches relating to acquiring an economic interest in a first concession, an interest in a second concession and gross production from its interests in projects exceeding 400BOPED. As the triggers for the grant of the tranches have not occurred at the reporting date no share-based payment charge arises.

On 2 October 2018 the Company awarded a total of 36,000,000 options over ordinary shares to its Directors and key consultants. The options are all exercisable at 2 pence per share, representing a premium of 83.5% over the closing share price on 1 October 2018 and vest, over a two-year period as set out below:

- Tranche 1 vests immediately;
- Tranche 2 vests on 1 October 2019; and
- Tranche 3 vests on 1 October 2020.

For the share options and warrants outstanding as at 30 April 2019, the weighted average remaining contractual life is 3.30 years (30 April 2018: 4.55 years).

10 Employee benefits (including directors)

The group employed an average of 5 individuals during the year, including the directors (2018: 6).

	2019	2018
	$'000	$'000
Directors' remuneration	**583**	506
Share based payments	**66**	-
Adjustment for over accrual	**(22)**	-
	627	506

Key management of the Group are considered to be the Directors.

The remuneration of those in office during the year ended 30 April 2019 was as follows:

	Short term employee benefits $'000	**Social security payments $'000**	**Pension contribution $'000**	**Termination $'000**	**Waiver of arrears $'000**	**Total 2019 $'000**
Daniel Jorgensen	120	14	1	-	-	**135**
Ross Warner	180	-	-	-	-	**180**
Simon Gorringe	180	9	1	-	-	**190**
Graham Smith	12	-	-	-	-	**12**
Robert Arnott	53	12	1	-	-	**66**
Total Key Management	**545**	**35**	**3**	-	-	**583**

NOTES TO FINANCIAL STATEMENTS (continued)

10 Employee benefits (including directors) (continued)

The remuneration of those in office during the year ended 30 April 2018 was as follows:

	Short term employee benefits $'000	Social security payments $'000	Pension contribution $'000	Termination $'000	Waiver of arrears $'000	Total 2018 $'000
David Whitby	240	-	-	120	(226)	**134**
Paul Warwick	30	4	-	-	-	**34**
Daniel Jorgensen	140	25	40	-	(100)	**105**
Ross Warner	180	-	-	-	(100)	**80**
Simon Gorringe	180	-	-	-	(100)	**80**
Graham Smith	12	-	-	-	-	**12**
Robert Arnott	54	7	-	-	-	**61**
Total Key Management	**836**	**36**	**40**	**120**	**(526)**	**506**

On 29 April 2018 the Company entered into a termination agreement with David Whitby under which it was agreed that he step down as Chairman and Director of the Company with immediate effect. The Company agreed to settle claims to all outstanding remuneration and his contractual 6 months' notice for $52,500 (£38,000) as part of this David Whitby waived his contractual entitlements relating to unpaid remuneration and notice period for his service totalling $225,518 (£163,400).

Also, on 29 April 2018 each of Daniel Jorgensen, Ross Warner and Simon Gorringe agreed to each waive $100,000 of contractual unpaid remuneration for $nil consideration.

11 Income taxes

The Company is resident for tax purposes in the Isle of Man and is subject to Isle of Man tax at the current rate of 0% (2018: 0%).

Taxation reconciliation
The charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2019 $'000	2018 $'000
Loss before income tax	**(3,930)**	(1,334)
Tax on loss at the weighted average Corporate tax rate of 0% (2018: 0%)	-	-
Total income tax expense	-	-

The deferred tax asset has not been recognised for in accordance with IAS 12. The Group does not have a material deferred tax liability at the year end.

NOTES TO FINANCIAL STATEMENTS (continued)

12 Trade and other receivables

	2019 $'000	2018 $'000
Other receivables and prepayments	**75**	861

On 29 April 2018 the Company completed a placing for $827,000 (£600,000) via the issue of 3,529,411,765 new ordinary shares at a price of 0.017pence per share.

The fair values are as stated above equate to their carrying values as at the year end. The financial assets were not past due and were not impaired and were all denominated in US$.

13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash.

14 Financial assets at fair value through profit or loss

	2019 US$'000	2018 US$'000
Fair value at beginning of year	**207**	-
Additions	**317**	207
Reclassification to associate investment	**(524)**	-
Fair value at year end	**-**	**207**

On 29 April 2018 the Company entered into a subscription agreement with Eagle Gas Limited, a UK private company. Under this agreement the Company acquired a 14.75% interest in Eagle Gas Limited in exchange for cash of $172,500 (£125,000) in cash and the issue of 147,058,824 nil par value shares in the Company equating to $34,500 (£25,000). In addition, the Company will pay contingent consideration of a further 147,058,824 ordinary shares in the Company upon Eagle Gas Limited continuing in the licence P2112.

During the year to 30 April 2019 the Company increased its holding in Eagle Gas Limited to a 25% interest. Management considered this to provide significant influence over the entity and the asset was reclassified to that of an associate investment.

The Company invested into Eagle Gas Limited for 2 reasons; one to access deal flow and the other to access Eagle's Badger Prospect which holds a gross mean prospective resource of 399 bcf of gas and 3.9 million barrels of natural gas liquids. The licence for Badger came with a "drill or drop" commitment well to the OGA. Eagle were actively pursuing a number of near-term development opportunities as well as pursuing a farmout strategy on Badger to find a 3rd party to drill the "drill or drop" commitment well.

Eagle Gas Limited, with support from its joint venture partner managed to secure a 3-month extension to the licence but failed in the end to secure a farminee. The licence was subsequently dropped, and the licence area has now been put back into the OGA's open acreage and will be available for application in the next licencing round. As such, the investment has been provided for in full during the current year.

NOTES TO FINANCIAL STATEMENTS (continued)

14 Financial assets at fair value through profit or loss (continued)

Eagle Gas Limited is in the process of re-applying for the acreage covering the Badger prospect as well as additional complimentary areas in the 32nd Licence Round. The OGA are proposing to announce the results of the 32nd Round in Q1 2020. Eagle is also continuing to pursue the near-term development opportunities but as yet this has not delivered any tangible value to the company.

Equity investment in associate

	2019	2018
	US$'000	US$'000
Carrying value at beginning of year	**-**	-
Reclassification from FVTPL	**524**	-
Impairment	**(524)**	-
Carrying value at year end	**-**	**-**

15 Other investments

	2019	2018
	US$'000	US$'000
Value at beginning of year	**-**	-
Additions	**267**	-
Value at year end	**267**	**-**

The capitalised cost in the period related to the acquisition of an 8% interest in the Colter project via a farm-in.

The agreement to farm-in to the Colter licences was entered into on 20 September 2018. The cost to Andalas of farming into the licence, included the funding of the back costs on the licence (£45,000), together with the obligation to fund 10.67% of the forward costs related to this well, capped at a gross cost of £8.0 million. Andalas will be responsible for funding its 8% share of incremental costs above this cap. The Operator estimates the well cost to be £7.5m (£800,000 net to Andalas).

NOTES TO FINANCIAL STATEMENTS (continued)

16 Capital and reserves

All shares are Nil Coupon fully paid and each ordinary share carries one vote. No warrants have been exercised at the reporting date.

Allotted, called-up and fully paid:	**Number**	**Pence per share**	**Share premium $'000s**
Balance at 30 April 2017	**2,493,167,975**		**10,084**
22/05/17 – Equity placing	600,000,000	0.100	776
Cost of issue	-	-	(48)
18/08/17 – Equity placing	1,615,384,615	0.065	1,362
Cost of issue	-	-	(178)
25/11/17 – Equity placing	1,277,139,208	0.03915	667
Cost of issue	-	-	(68)
30/04/18 – Equity placing*	3,529,411,765	0.017	827
Cost of issue	-	-	(80)
30/04/18 – Consideration shares*	147,058,824	0.017	35
Balance at 30 April 2018	**9,662,162,387**		**13,377**
Over accrual for Cost of Issue from previous placing			11
10/07/2018 - Equity Placing	5,000,000,000	0.020	1,297
Cost of issue	-	-	(126)
25/07/2018 - Consideration shares*	2,941,176	-	45
Consolidation of ordinary shares at 9 August 2018	(14,368,919,140)	-	-
01/10/2018 - Equity Placing	69,565,217	1.15	1,048
Cost of issue	-	-	(118)
17/12/2018 - Consideration shares*	15,998,439	-	118
27/02/2019 - Equity Placing	222,222,222	0.45	1,324
Cost of issue	-	-	(98)
Balance at 30 April 2019	**603,970,301**		**16,878**

17 Borrowings

	Loan note	
	2019	**2018**
	$'000s	**$'000s**
Brought forward	**-**	649
Imputed interest charge	**-**	128
Foreign currency effect	**-**	4
Settled for cash	**-**	(781)
Carried forward	**-**	**-**

NOTES TO FINANCIAL STATEMENTS (continued)

18 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method.

	2019 $'000	2018 $'000
Trade payables	**673**	509
Accruals and other payables	**180**	536
Trade payables and accruals	**853**	1,045

19 Risk Management

Financial Risks

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Board of Directors seek to identify and evaluate financial risks.

Market risk

A. Foreign currency exchange risk

Foreign exchange risk arises because the Group entities enter into transactions in currencies that are not the same as their functional currencies, resulting in gains and losses on retranslation into US Dollars. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the treasury of the Parent Company. The Group and Company considers this policy minimises any unnecessary foreign exchange exposure. Despite this policy the Group cannot avoid being exposed to gains or losses resulting from foreign exchange movements, at the reporting date a 10% decrease in the strength of the US Dollar would result in a corresponding reduction of $18,000 (2018: $30,000) in the net liabilities of the Group.

NOTES TO FINANCIAL STATEMENTS (continued)

19 Risk Management (continued)

B. Cash flow interest rate risk

The Group's cash and cash equivalents are invested at short term market interest rates. As market rates are low the Group is not subject to significant cash flow interest rate risk and no sensitivity analysis is provided. The Group is also not subject to significant fair value interest rate risk. No interest rate sensitivity has been presented in respect of the outstanding convertible loan note as it is considered not material.

	2019 $'000	2018 $'000
Cash & Cash Equivalents		
USD	-	16
GBP	**258**	22
Total Financial Assets	**258**	**38**
Trade & other payables		
USD	**672**	780
AUD	-	28
GBP	**190**	210
Other	**(9)**	27
Total Financial Liabilities	**853**	**1,045**

Credit risk
Credit risk arises on investments, cash balances and receivable balances. The amount of credit risk is equal to the amounts stated in the Statement of Financial Position for each of these assets. Cash balances and transactions are limited to high-credit-quality financial institutions. There are no impairment provisions as at 30 April 2019 (2018: nil).

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group has adopted a policy of maintaining surplus funds with approved financial institutions.

Management of liquidity risk is achieved by monitoring budgets and forecasts against actual cash flows. Where the Group entered into borrowings during the year management monitor the repayment and servicing of these arrangements against the contractual terms and reviewed cash flows to ensure that sufficient cash reserves were maintained.

Capital Risks

The Directors determine the appropriate capital structure of the Group, specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt), in order to finance the Group's business strategy. The Group's policy in the long term is to seek to maintain the level of equity capital and reserves is to maintain an optimal financial position and gearing ratio which provides financial flexibility to continue as a going concern and to maximise shareholder value. The capital structure of the Group consists of shareholders' equity together with net debt (where relevant). The Group's funding requirements are met through a combination of debt, equity and operational cash flow. As at 30 April 2019 the Group was in a net liability position, since the year end the Group has raised further equity as described in note 23.

NOTES TO FINANCIAL STATEMENTS (continued)

20 List of subsidiaries and associates

The parent of the Group has shareholdings in the following entities:

Name	Interest 2019	Interest 2018	Country of incorporation	Nature of business
Corvette Energy Services (Singapore) Pte. Ltd	100%	100%	Singapore	Trading subsidiary
Corvette Energy Services Limited	100%	100%	UK	Dormant
Resolute Oil & Gas (UK) Limited	100%	100%	UK	Trading subsidiary
Eagle Gas Limited	25%	14.75%	UK	Gas Exploration

21 Commitments

There were no capital commitments authorised by the Directors or contracted other than those provided for in these financial statements as at 30 April 2019 (30 April 2018: None).

At the period end the Company has the obligation under the Corsair assignment agreement (dated 4 June 2015 and updated on 27 April 2017) to issue a further 1,875,000 shares subject to the Milestones described below being achieved:

- (i) the acquisition by the Company of one concession in Indonesia;
- (ii) the acquisition by the Company of a second concession in Indonesia; and
- (iii) gross production from projects in which the Company has an economic interest exceeding 400 bopd for a period of 30 days

Of the 1,875,000 shares each of Ross Warner and Simon Gorringe would receive 25% of this amount. At the reporting date the Company had not recorded these as a liability. Other than the Corsair consideration options and the Corsair consideration shares there were no other obligations to Corsair at 31 October 2018.

22 Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence.

Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

Details of Directors remuneration are disclosed in Note 10 Directors Remuneration. For details of any related party transactions entered into after the year-end please refer to Note 23 Subsequent Events.

NOTES TO FINANCIAL STATEMENTS (continued)

22 Related parties (continued)

As at 30 April 2019 the following balances were included in trade and other payables and were outstanding in respect of Directors remuneration or remuneration incurred prior to their appointment as a Director at the year end.

	Outstanding at 30 April 2019 $'000	Outstanding at 30 April 2018 $'000
Daniel Jorgensen	**87**	87
Ross Warner	**113**	-
Simon Gorringe	**93**	-
Graham Smith	**-**	9
Robert Arnott	**-**	71
Total Key Management	**293**	**167**

23 Subsequent events

On 21 June 2019, the Company entered into an operating services and option agreement in respect of the producing Betun-Selo KSO in Sumatra, Indonesia and has also issued a £2 million unsecured, interest-free convertible loan note facility ("Convertible Note") arranged by Optiva Securities. The Betun-Selo KSO comprises the producing Betun field and the non-producing Selo field. The key features of the Convertible Note are as follows:

The Convertible Note facility providers comprise Optiva Securities and clients of Optiva Securities (corporate brokers to Andalas) (the “Facility Providers”).

The Facility Providers agreed to provide an immediate amount of £560,000 under the Loan Facility to fund the Betun Selo Work Programme (the "Initial Drawdown"). Save for the Initial Drawdown and subject to the agreement of the Facility Providers, the commitments by the Facility Providers to subscribe for the Loan Notes (the "Convertible Loan Notes Facility") may be called upon by Andalas after production exceeds 150 bopd and in agreed amounts within the size and timeframe of the Convertible Loan Notes Facility. The Facility is for Group purposes and there is no restriction on its use.

Andalas may also terminate any commitments under the Convertible Loan Notes Facility and make repayments of any amounts drawn down by the Company by way of subscription for Loan Notes, at any time(s) of its choosing, without penalty.

A commitment fee of £30,000 was paid on drawdown by Andalas to the Facility Providers as a result of acceptance by the Company of the committed facility and will be payable again on the anniversary of that acceptance date (to the extent that the commitments or, following draw down, the Loan Notes remain outstanding at such anniversary date) if the facility has not been terminated. Andalas also pays a drawdown fee of 5% on such amounts as are drawn by the Company under the Convertible Loan Notes Facility (the "Drawdown Fee"). In addition, the Company agreed to issue Optiva with warrants permitting it to subscribe for new shares at an exercise price equal to a 5% discount to the 10-day volume weighted average price of Andalas ordinary shares in an amount equal to 5% of the amounts drawn under the Convertible Note.

NOTES TO FINANCIAL STATEMENTS (continued)

23 Subsequent events (continued)

The Drawdown Fee may, at the Company's sole option, be satisfied by the issue of new shares of no par value in Andalas ("Andalas shares"), cash or any combination of the two. For this purpose, Andalas shares will be valued at a 5% discount to the volume weighted average price of the shares over the ten days' trading immediately prior to the relevant date, subject to a floor price of 0.15p per Andalas share.

The Loan Notes may be converted into Ordinary Shares on the election of the Company or Noteholder at any time (subject to any restrictions being in place because the relevant Noteholder(s) is/are in receipt of unpublished price sensitive information on the Company) at an issue price being equal to the higher of 0.15 pence and a 5% discount to the closing bid price on the day immediately prior to draw down. The final repayment date for any Loan Notes issued to the Facility Providers (following any draw down by the Company of their commitments) is 30 June 2020.

On 26 June 2019, the Company received a conversion notice from Optiva Securities Limited, the registered noteholder under the convertible loan note facility, in respect of £560,000 of notes. Accordingly, the Company issued 373,333,333 ordinary shares at a price of 0.15 pence per share to the loan note holders in accordance with the terms of the Facility.

On 3 July 2019, the Company issued a further £100,000 of notes to Optiva Securities Limited pursuant to the convertible loan note facility, and it concurrently received a conversion notice in respect of those notes. Accordingly, the Company issued 66,666,666 ordinary shares at a price of 0.15 pence per share to the loan note holders in accordance with the terms of the Facility.

Statement of Compliance with the QCA Corporate Governance Code

(This disclosure was last reviewed and updated on 30 October 2019)

Principle One

Business Model and Strategy

The board of directors of the Company (the "Board") has concluded that the highest medium and long term value can be delivered to its shareholders by the adoption of a strategy targeting two jurisdictions with different geological, fiscal and political risk profiles. The Company's interests encompass two geographical locations, Indonesia and the United Kingdom. The Company is actively engaged in all of its projects and is represented on the Board of directors of Eagle Gas Limited in which it holds a strategic investment. The Company will continue to seek to grow its business organically and will seek out further complementary acquisitions that create enhanced value.

Principle Two

Understanding Shareholder Needs and Expectations and Build Trust

The Board is committed to maintaining good communication and having constructive dialogue with its shareholders. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback at meetings with the Company. The Company is required to hold an Annual General Meeting ("AGM") in each year, which gives investors the opportunity to enter into dialogue with the Board and for the Board to receive feedback and take action if and when necessary. Where voting decisions are not in line with the Company's expectations the Board intends to engage with those shareholders to understand and address any issues as appropriate. Investors also have access to current information on the Company though its website.

Shareholders can engage with the Company through its email address info@andalasenergy.co.uk. Investors also have access to current information on the Company through its website, www.andalasenergy.co.uk.

Principle Three

Considering wider stakeholder and social responsibilities

The Board is aware that engaging with its stakeholders strengthens relationships and assists it to make better business decisions to deliver its commitments. The company's stakeholders include shareholders, members of staff, suppliers, contractors, regulators, and the surrounding communities where its projects are located.

The Board is regularly updated on wider stakeholder views and issues concerning its projects both formally at Board meetings and informally through conversations. Engagement in this manner enables the Board to receive feedback and equips them to make decisions affecting the business.

The Board recognises the importance of its social responsibilities concerning its investment decisions, and the Company will develop projects that seek to make a contribution to the development of communities in which they are located. In planning its activities, the Company will give consideration to evaluating the social impact of proposed developments with a view to promoting where possible local employment and the delivery of other local benefits and mitigating negative impacts to the extent possible.

Statement of Compliance with the QCA Corporate Governance Code (continued)

(This disclosure was last reviewed and updated on 30 October 2019)

Principle Four

Risk Management

In addition to its other roles and responsibilities, the Board is responsible for ensuring that procedures are in place and are being implemented effectively to identify, evaluate and manage the significant risks faced by the Company and to ensure that risk management is reflected in Board remuneration.

The risk assessment matrix below, sets out those risks, and identifies their impact and the controls that are in place. This matrix is updated as changes arise in the nature of risks or the controls that are implemented to mitigate them. The Board reviews the risk matrix and the effectiveness of scenario testing on a regular basis. The following principal risks and controls to mitigate them have been identified.

Activity	Risk	Impact	Control(s)
Management	Recruitment and retention of key staff	Reduction in operating capability	Stimulating and safe working environment Balance base salary with longer term incentive plans to align remuneration with shareholders.
Regulatory adherence	Breach of rules	Censure or withdrawal of authorisation	Strong compliance regime instilled at all levels of the Company.
Geological	Hydrocarbons are not discovered Recoverable hydrocarbons are not produced in the quantities expected	Reduction in asset value Reduction in asset value	Effective due diligence and technical screening. Portfolio strategy mitigates exposure to single asset. Reduce exposure by seeking to partner on Company projects.
Strategic	Damage to reputation	Inability to secure new capital	Effective and consistent communications with shareholders.
Financial	Liquidity, market and credit risk Inappropriate controls and accounting policies	Inability to continue as going concern Reduction in asset values	Capital management policies and procedures. Appropriate authority and investment levels.

The Directors have established procedures, as represented by this statement, for the purpose of providing a system of internal control. An internal audit function is not considered necessary or practical due to the size of the Company and the close day to day control exercised by the executive directors. However, the Board will continue to monitor the need for an internal audit function.

Statement of Compliance with the QCA Corporate Governance Code (continued)

(This disclosure was last reviewed and updated on 30 October 2019)

Maintain A Dynamic Management Framework

Principle Five

A Well Functioning Board of Directors

The Board comprises, the CEO Simon Gorringe, one further Executive Director, Ross Warner alongside two Non-Executive Directors, Dr Robert Arnott and Graham Smith. Executive and Non-Executive Directors are subject to re-election at the Company's AGM at intervals of no more than three years. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Directors are expected to provide as much time to the Company as is required. The Board elects a Non-Executive Chairman to chair every meeting.

The Board meets at least six times per annum.

In view of the size of the Company, the Board as a whole carries out the duties that would sometimes be delegated to an Audit Committee, Remuneration Committee or Nomination Committee. The Company will monitor and review the need to form Committees to support the function of the Board.
The Board has also agreed that appointments to the Board are made by the Board as a whole and so has not created a Nominations Committee.

Dr Robert Arnott and Graham Smith are both considered to be Independent Directors, which creates a balance between executive and non-executive Directors. The Board shall review further appointments as scale and complexity grows.

Attendance at Board Meetings

Board Meetings – there were 8 Board meetings held during the Financial Year.

Date of meeting	S Gorringe	R Warner	R Arnott	G Smith	*D Jorgensen (retired as a Director on 4 April 2019)
22 June 2018	X	X	x	X	X
23 August 2018	X	X	X	X	X
20 September 2018	X	X	X	X	X
26 October 2019	X	X	X	X	X
25 January 2019	X	X	x	X	X
18 February 2019	X	X	X	X	X
13 March 2019	X	X	X	X	X
1 April 2019	X	X	X	X	X

Statement of Compliance with the QCA Corporate Governance Code (continued)

(This disclosure was last reviewed and updated on 30 October 2019)

Principle Six

Appropriate Skills and Experience of the Directors

The Board currently consists of four Directors and, in addition, the Company has employed the outsourced services of FIM Capital Limited ("FIM") to act as the Company Secretary. FIM also provides specialist fund administration and accounting services to the Company. The Board believes that the current balance of skills of the Directors reflects a very broad range of commercial and professional skills across geographies and industries that is necessary to ensure the Company is equipped to deliver is strategy and notes that each of the Director's has experience in public markets.

The Directors keep their knowledge and expertise current through their intensive involvement in industry affairs. Additionally, the Directors receive ad hoc guidance on certain matters concerning the AIM Rules for Companies from the Company's Nomad as well as receiving updates on the regulatory environment from FIM.

Aside from FIM, (who Graham Smith is also a director of) performing the role of Company Secretary and accountant, the Board does not have any other particular internal advisory responsibilities.

Full Biographies of the Board are available on the Company's website www.andalasenergy.co.uk.

Principle Seven

Evaluation of Board Performance

There is no formal Board or director evaluation system in place, however, there is an internal evaluation of the Board and individual Directors undertaken on an ad hoc basis in the form of peer appraisal and discussions to determine the effectiveness and performance in various as well as the Directors' continued independence. This process can be regular as part of the board meeting process or ad hoc when the director or Board deem it necessary.

The results and recommendations that come out of the appraisals for the directors shall identify the key corporate and financial targets that are relevant to each director and their personal targets in terms of career development and training. Progress against previous targets shall also be assessed where relevant.

Principle Eight

Corporate Culture

The Board recognises that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is very aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

The Company maintains an open and respectful dialogue with employees, partners and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that at present the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has put policies in place that communicate disciplinary policies clearly; ensures every employee knows the consequences of unethical behaviour; ensures its employees can report misconduct anonymously and has a confidential complaint process in place.
The Company has adopted, with effect from the date on which its shares were admitted to AIM, a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation.

Statement of Compliance with the QCA Corporate Governance Code (continued)

(This disclosure was last reviewed and updated on 30 October 2019)

Principle Nine

Maintenance of Governance Structures and Processes

Ultimate authority for all aspects of the Company's activities rests with the Board and the respective responsibilities of the Non-Executive Chairman. The Board has adopted appropriate delegations of authority which set out matters which are reserved to the Board.

The Non-Executive Chairman is responsible for the effectiveness of the Board together with the responsibility to oversee the Company's corporate governance practices. The responsibility for the Company's financial affairs had been delegated to Dan Jorgensen, who retired as a director of the Company on 4 April 2019, after which Graham Smith assumed this role.

No Committees currently exist as previously described in the disclosures in respect of Principle 5 above. The Board carefully considered the need for separate Committee functions and deemed these to be excessive due to the size and activity of the Company, and consequently there are no Committee terms of reference in effect.

The services of each of the Board members as directors are provided under the terms of their letters of appointment. The responsibilities of the board members are outlined in the Accounts and summarised below.

The directors are responsible for maintaining proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of 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 Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. Whilst there are no formal adoption of matters reserved for the Board, the Directors review and approve the following:

- Strategy and management
- Policies and procedures
- Financial reporting and controls
- Capital structure
- Contracts
- Shareholder documents / Press announcements
- Adherence to Corporate Governance and best practice procedures

The structures and risk appetite disclosures on the website and the Accounts are deemed sufficient in relation to the size and strategy of the Company.

Non-Executive Directors

The Board has adopted guidelines for the appointment of Non-Executive Directors which have been in place and which have been observed throughout the year. These provide for the orderly and constructive succession and rotation of the Non-Executive Chairman and non-executive directors insofar as both the Non-Executive Chairman and non-executive directors will be appointed for an initial term of three years and may, at the Board's discretion, believing it to be in the best interests of the Company, be appointed for subsequent terms. Graham Smith who retires by rotation at the commencement of the 2019 AGM will submit himself for immediate reappointment to the Board, as will all directors at subsequent AGMs in accordance with the Company's articles of association. The Non-Executive Chairman may serve as a Non-Executive Director before commencing a first term as Non-Executive Chairman.

Statement of Compliance with the QCA Corporate Governance Code (continued)

(This disclosure was last reviewed and updated on 30 October 2019)

Principle 10

Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The information provided to shareholders regarding updates on the Company via regulatory announcements are also considered to be sufficient, taking into consideration the size and low activity level of the Company.

The Company communicates with shareholders through the Accounts, full-year and half-year announcements, the shareholders meetings and investors can email the directors and Company Secretary with any queries they may have. The Company maintains an enquiries email address (info@andalasenergy.co.uk) on its website.

All historical information is maintained on the website along with shareholder updates**.**

The Company's financial reports and notices of General Meetings of the Company for the last five years can be found here http://www.andalasenergy.co.uk/investor-relations/corporate-documents/

The outcome of all resolutions tabled at general meetings, including details of voting, are to be posted on the Company's website and also announced via RNS.

If a significant proportion of independent votes were to be cast against a resolution at any general meeting, the Board's policy would be to engage with the shareholders concerned in order to understand the reasons behind the voting results.