CAIRN SOUTH AFRICA (PTY) LTD

ANNUAL FINANCIAL STATEMENTS AND REPORT OF DIRECTORS

31 March 2019

References to "the Company" or "Cairn" are reference to CAIRN SOUTH AFRICA (PTY) LTD.

Amounts in the Annual Financial Statements have been denominated in United States Dollars ("US$") unless specifically stated otherwise.

General Information

Country of Incorporation:
South Africa

Nature of Business:
To explore for oil and gas in the exclusive economic zone offshore the Republic of South Africa.

Directors:
Sharad Kothari (India) w.e.f. 22nd April 2019
Hitesh Vaid (India) w.e.f. 22nd April 2019
Pankaj Kalra (India) resigned on 22nd April 2019

Registered Office:
22 Bree Street,
Cape Town, 8001,
South Africa.

Holding Company:
Cairn Energy Hydrocarbons Limited (Incorporated in Scotland, UK)

Ultimate Controlling Entity:
Volcan Investments Limited (Incorporated in Bahamas)

Bankers:
CITI Bank NA

Auditors:
Ernst & Young Inc.
102 Rivonia Road
Sandton
2146

Registration Number:
2012/156583/07

Contents

	Page
Directors' Responsibility and Approval	5
Independent auditors report	6-7
Report of the Directors	8-9
Statement of Comprehensive Loss	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Accounting Policies	14-30
Notes to the Annual Financial Statements	31-37

The annual financial statements set out on pages 10-37 were approved by the board of directors on 10 July, 2019.

Signed on behalf of the board by:

Director
Sharad Kothari

Preparation of Annual Financial Statements

These annual financial statements have been audited by our external auditor, Ernst & Young Inc., in compliance with the requirements of the South African Companies Act 71 of 2008.

The annual financial statements have been prepared under the supervision of Prateek Jain (FCA).

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board is responsible to set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards should include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Company and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external auditors are responsible for independently reviewing and reporting on the Company's annual financial statements. The annual financial statements have been examined by the Company's external auditors and their report is presented on page 6.

The annual financial statements set out on pages 10 to 37 which have been prepared on the going concern basis, were approved by the board on and were signed on its behalf by:

Director

EY
Building a better working world

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

Independent Auditor's Report

To the Shareholders of Cairn South Africa Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cairn South Africa Proprietary Limited ('the company') set out on pages 10 to 37, which comprise the statement of financial position as at 31 March 2019, and the statement of comprehensive loss, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Cairn South Africa Proprietary Limited as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 17 on going concern which indicates the entity incurred a loss of $220,074 during the year ended 31 March 2019 and, as of that date, the Company's current liabilities exceeded its total assets by $2,723,982 and notes that future continuing exploration activities in the block are discontinued due to the expiration of the exploration license and pending changes to legislation. As stated in Note 17, these events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this regard.

Other Information

The directors are responsible for the other information. The other information comprises the information included on page 8 and 9 which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

A member firm of Ernst & Young Global Limited.
A full list of Directors is available on the website
Chief Executive: Ajen Sita

Building a better working world

Responsibilities of the Directors for Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

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

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

Ernst & Young Inc.
Director - James Crawford Thomas
Registered Auditor
Date: 10 July 2019

REPORT OF DIRECTOR

The director submits the report and Annual Financial Statements for the year ended 31 March 2019.

Nature of operations
The principal activity of the Company during the year was exploration for oil and gas within the exclusive economic zone offshore the Republic of South Africa.

Operations results
The Company holds a 60% participating interest in the exploration right in Block-1, Orange Basin offshore, in South Africa.

The company along with Petro SA has filed the closure application on 19 September 2018

During the year the Company made a loss of US$ 220,074 (31 March 2018: US$ 201,758)

Directors' interest in contracts
No contracts were entered into in which the directors of the Company had an interest.

Going Concern
During the current year, Company has received letter from PASA (Petroleum Agency SA) that exploration right has lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA has filed the closure application on 19 September 2018. Pending disposal of Company's application the obligation for the aforesaid carry cost of US$ 61.9 million has been assessed as possible and disclosed as a contingency.
These conditions give rise to a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has been assured by its parent that it will receive adequate financial support whenever required in order to discharge its liabilities. Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

Subsequent Events
There have been no subsequent events between the year-end date and the date of this report that will have a material impact on the current Annual Financial Statements of the Company.

Authorised and Issued Share Capital
The Company is incorporated in the Republic South of Africa. The authorised share capital of the Company is 100,000 ordinary no par value shares. Share capital issued during the current period comprised 1 ordinary no par value share for US$100,000.

The total issued capital as on 31 March, 2019 comprised 753 ordinary no par value shares. Share application money of US$20,000 is pending allotment.

Dividends
No dividend is proposed or was declared in the current financial year 2019.

REPORT OF DIRECTOR (continued)

Directors
The directors of the Company during the year and to the date of this report are as follows:

Name	**Nationality**
Sharad Kothari	India
Hitesh Vaid	India

Public officer
The public officer of the Company is Christopher Edward Wilson from Kilgetty Statutory Services (Pty) Ltd having business address at 6th Floor, 119 Hertzog Boulevard, Foreshore, Cape Town 8001.

Holding Company
Cairn Energy Hydrocarbons Limited, registered under the laws of Scotland, United Kingdom, is the registered owner of 100% of the issued share capital of the Company.

Ultimate Controlling Entity:
The Company's ultimate controlling entity is Volcan Investments Limited, incorporated in Bahamas.

Financial Results
Full details of the financial results are set out in the annual financial statements forming part of this report.

Disclosure of Information to Auditors
The directors of the Company who held office at 31 March 2019 confirm, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and that the Company's auditors are aware of this information.

Reappointment of Auditors
Reappointment of Ernst & Young Inc. as auditors will be put to the shareholders at the next shareholders' meeting.

By Order of the Board

Director
Date: 10 July, 2019

STATEMENT OF COMPREHENSIVE LOSS

	Note	Year Ended 31 March 2019 US$	Year Ended 31 March 2018 US$
Revenue from contract with customers		-	-
Cost of Sales			
Exploration costs written off	7	(126,144)	(207,674)
Gross loss		**(126,144)**	**(207,674)**
Administrative expenses	3	(60,290)	(32,451)
Operating loss		**(186,434)**	**(240,125)**
Finance income	5	112	(1,342)
Finance cost	4	(33,752)	39,709
Loss for the year		**(220,074)**	**(201,758)**
Total comprehensive loss for the year		**(220,074)**	**(201,758)**

STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019 US$	31 March 2018 US$
ASSETS			
Non-current assets			
Intangible exploration/appraisal assets	7	-	-
Current assets			
Cash and cash equivalents	8	5,226	27,893
Total assets		**5,226**	**27,893**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Stated capital	9	35,800,000	35,700,000
Accumulated losses	10	(38,543,982)	(38,323,908)
Equity reserve		20,000	20,000
Total equity		**(2,723,982)**	**(2,603,908)**
Current liabilities			
Trade and other payables	11	2,729,208	2,631,801
Total liabilities		**2,729,208**	**2,631,801**
Total equity and liabilities		**5,226**	**27,893**

STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital US$	Accumulated losses US$	Equity reserve US$	Total US$
As at 1 April 2017		**35,600,000**	**(38,122,150)**	**70,000**	**(2,452,150)**
Issue of share capital for cash 1 share	9	100,000	-	(50,000)	50,000
Total comprehensive loss for the year	10	-	(201,758)	-	(201,758)
As at 31 March 2018		**35,700,000**	**(38,323,908)**	**20,000**	**(2,603,908)**
Issue of share capital for cash 1 share	9	100,000	-	-	100,000
Total comprehensive loss for the year	10	-	(220,074)	-	(220,074)
As at 31 March 2019		**35,800,000**	**(38,543,982)**	**20,000**	**(2,723,982)**

CASH FLOW STATEMENT

	Note	2019 US$	2018 US$
Cash flows from operating activities			
Loss before tax		**(220,074)**	(201,758)
Adjustments for:			
Exploration costs written off	7	**126,144**	207,674
Finance income	5	**(112)**	(91)
Unrealised foreign exchange difference		**38,615**	(39,618)
Operating loss before working capital changes		**(55,427)**	(33,793)
Movement in trade and other payables		**60,486**	173,483
Movement in trade and other receivables		**-**	6,324
Net cash flows from operating activities (A)		**5,059**	146,014
Cash flows from investing activities			
Expenditure on exploration/appraisal assets		**(126,144)**	(207,674)
Interest received		**112**	91
Net cash flows used in investing activities (B)		**(126,032)**	(207,583)
Cash flows from financing activities			
Proceeds from issuance of shares		**100,000**	50,000
Net cash flows generated from financing activities (C)		**100,000**	50,000
Net cash decrease in cash and cash equivalents (A+ B+ C)		**(20,973)**	(11,569)
Cash and cash equivalents at the beginning of the year		**27,893**	39,501
Effect of exchange rate changes in cash		**(1,694)**	(39)
Cash and cash equivalents at the end of the year	8	**5,226**	27,893

ACCOUNTING POLICIES

1. CORPORATE INFORMATION

1.1 General

Cairn South Africa (Pty) Ltd ("Company") is a private limited Company incorporated and domiciled in South Africa. The registered office of the Company is located at 22, Bree Street, Cape Town, 8001, South Africa.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were oil and gas exploration.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent entity is Cairn Energy Hydrocarbons Limited. The ultimate controlling entity of the Company is Volcan Investments Limited ("Volcan"). Vedanta Resources Plc. is the intermediate holding Company of the Company.

1.4 Date of Authorisation for Issue

The Annual Financial Statements of Company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the board of directors on 10 July, 2019.

2 BASIS OF PREPARATION

The Annual Financial Statements have been prepared in accordance with historical cost basis unless otherwise indicated.

2.1.1 Statement of Compliance

The Annual Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards "IFRS".

2.1.2 Going Concern

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. Refer to note 17 for further disclosures on going concern matters.

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the Annual Financial Statements.

Contingencies and commitments

In the normal course of business, contingent liabilities or provisions may arise from litigation, taxation and other claims against the Company, provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.

Where it is management's assessment that the outcome cannot be reliably quantified or is uncertain the claims are disclosed as contingent liabilities unless the likelihood of an adverse outcome is remote. Such liabilities are disclosed in the notes but are not provided for in the financial statements.

When considering the classification of a legal or tax cases as probable, possible or remote there is a judgement involved. This pertains to the application of the legislation, which in certain cases is based upon management's interpretation of laws of the land and the likelihood of settlement. Management uses in-house and external legal professionals to inform their decision.

ACCOUNTING POLICIES (continued)

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS (continued)

Although there can be no assurance regarding the final outcome of the legal proceedings, the company doesn't expect them to have a materially adverse impact on its financial position or profitability.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

The functional currency for entity is determined as the currency of the primary economic environment in which it operates. The Company translates foreign currency transactions into the functional currency, $, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in other currencies are translated into the functional currency at the rate of exchange prevailing at the Statement of financial position date. Non – monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined. Exchange differences arising are taken to the Statement of comprehensive Loss except for those incurred on borrowings specifically allocated to development projects, which are capitalised as part of the cost of the asset.

Foreign currency exchange rates

	31 March 2019	Average 2019	31 March 2018	Average 2018
ZAR	14.479	13.757	11.826	12.997
Indian Rupee (INR)	69.171	69.889	65.044	64.447

2.3.2 Accounting standards

The Company's annual financial statements are consistent with IFRS as issued by the International Accounting Standards Board ("IASB").

The Company has adopted all new or amended and revised accounting standards and interpretations ('IFRSs') issued by IASB effective for the year ended 31 March 2019. (Refer note 2.4)

2.3.3 Presentation currency

The functional and presentation currency of the Company is US Dollars ("US$"). The Company's policy on foreign currencies is detailed in note 2.3.1.

2.3.4 Jointly Controlled Operations

A farm-in-agreement is a contract signed between two companies, the Farmor and Farmee, where the Farmor is the owner of the acreage and the Farmee is willing to perform the drilling and exploration in the acreage of the Farmor.

As per the farm-in-agreement signed between PetroSA and Cairn Energy Hydrocarbon Limited (acting on behalf of its wholly owned subsidiary Cairn South Africa (Pty) Ltd) (Cairn), PetroSA transfers sixty percent (60%) of its participating or exploration right awarded by the South African Agency for Promotion of Petroleum Exploration and Exploitation (SOC) Limited to Cairn. In exchange, for the transferred interest Cairn paid sixty of license fees paid by PetroSA to the government in respect of the concerned block.

A Joint arrangement is an arrangement of which two or more parties have joint control. Joint control is considered when there is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

ACCOUNTING POLICIES (continued)

2.3.4 Jointly Controlled Operations (continued)
The Company participates in unincorporated joint operations which involves the joint control of assets used in the Company's oil and gas exploration and producing activities. The Company accounts for its share of assets, liabilities, income and expenditure of the Joint Operation in which the Company holds an interest, classified in the appropriate Statement of Financial Position and Statement of comprehensive loss headings. The Company's principal licence interests are jointly controlled operations.

The parties to the jointly controlled operations are Cairn South Africa (Pty) Ltd which has a 60% participating interest and PetroSA (SOC) Ltd which has a 40% participating interest.

During the current year, Company has received letter from PASA (Petroleum Agency SA) that exploration right has lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA has filed the closure application on 19 September 2018.

2.3.5 Taxation
The tax expense represents the sum of current tax payable and deferred tax.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is provided, using the statement of financial position method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Exceptions to this principle are:

- Tax payable on future remittance of the past earnings of subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future;

- DTAs are only recognised to the extent that it is probable that future taxable profits will be available against which these can be utilised.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and is adjusted to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date. Tax relating to items recognised directly in other comprehensive income is recognised in the statements of comprehensive income and not profit/loss.

Deferred tax assets and liabilities are only offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

ACCOUNTING POLICIES (continued)

2.3.6 Oil and gas intangible exploration/appraisal assets and property, plant & equipment - development/ producing assets
The Company follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Statement of comprehensive income.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence-by-licence basis. Costs are held, are not amortised or depreciated, within exploration/appraisal assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within exploration/appraisal assets and subsequently allocated to drilling activities. Exploration/appraisal drilling costs are initially capitalised on a well-by-well basis until the success or otherwise of the well has been established. The success or failure of each exploration/appraisal effort is judged on a well-by-well basis.

Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

Following appraisal of successful exploration wells, if commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalised exploration/appraisal costs are transferred into a single field cost centre within development/producing assets after testing for impairment (see below). Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are written off to the Statement of comprehensive loss.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalised within development/producing assets on a field-by-field basis.

Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset.

Any remaining costs associated with the part replaced are expensed. The cost of such quantity of crude oil inventory which is expected to be lying in the pipeline during the entire life of the pipeline (initial fill) is capitalised within the development assets.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Statement of comprehensive loss. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Statement of comprehensive loss to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset. There are no restrictions on title and no amount is pledged as security for fixed assets.

2.3.7 Depletion
The Company depletes separately, where applicable, any significant components within development/producing assets, such as fields, processing facilities and pipelines, which are significant in relation to the total cost of a development/producing asset.

All expenditure carried within each field is depreciated from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field –by-field basis or group of fields which are reliant on common infrastructure.

ACCOUNTING POLICIES (continued)

2.3.7 Depletion (continued)
Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50 per cent statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50 per cent statistical probability that it will be less.

Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to access commercial reserves. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

2.3.8 Impairment

Non-Financial Assets
Impairment charges and reversals are assessed at the level of cash generating units. A cash generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

Formal impairment tests are carried out annually for goodwill. In addition, formal impairment tests for all assets are performed when there is an indication of impairment. The company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses.

Internal and external factors are also monitored to assess for indicators of impairment or reversal of previously recognised impairment losses. If any such indication exists then an impairment review is undertaken, the recoverable amount is calculated as the higher of fair value less costs of disposal and asset's value in use.

Fair value less cost of disposal is the price that would be received to sell the asset in an orderly transaction between market participants less costs of disposal and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for mineral and oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates estimated of future cash flows have not been adjusted.

Value in use is determined by applying assumptions specific to the company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying amount is net of deferred tax liability recognised in the fair value of the assets acquired in business combination.

ACCOUNTING POLICIES (continued)

2.3.8 Impairment (continued)

Non-Financial Assets (continued)
If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the assets or CGU is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive loss.
Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount doesn't exceed the carrying amount that would have been determined if no impairment loss had previously been recognised except if initially attributed to goodwill.

Intangible exploration/appraisal assets
In assessing whether there is any indication that an Intangible exploration/appraisal assets may be impaired, the company considers, as a minimum, the following indicators:
- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale; and
- Reserve information prepared annually by external experts.

When a potential impairment is identified, an assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration and evaluation assets is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the statement of comprehensive loss.

2.3.9 Restoration, rehabilitation and environmental costs
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of oil fields. Costs arising from the decommissioning of plant and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. The Company recognises the full discounted cost of dismantling and decommissioning as an asset and liability when the obligation arises. The decommissioning asset is included within property, plant & equipment development/producing assets with the cost of the related installation.

The liability is included within provisions. The amount provided for is recognised, as soon as the obligation to incur such costs arises. These costs are charged to the statement of comprehensive income over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates.

The adjusted cost of the asset is depreciated over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the statement of comprehensive loss.

ACCOUNTING POLICIES (continued)

2.3.9 Restoration, rehabilitation and environmental costs (continued)
Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present value and charged to the statement of comprehensive loss as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

2.3.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

A) Initial recognition and measurement
All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

B) Derecognition
The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

C) Impairment
In accordance with IFRS 9, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on the following financial assets:
Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, contract assets and lease receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used.

ACCOUNTING POLICIES (continued)

i) Financial assets (continued)
If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR. ECL impairment loss allowance (or reversal) during the year is recognised as income/expense in profit or loss. The statement of financial position presentation for financial assets measured at amortised cost is described below:
ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The Company does not reduce impairment allowance from the gross carrying amount.

ii) Financial liabilities

A) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, payables, as appropriate.

All financial liabilities are recognised initially at fair value, and in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities consists of trade and other payables.

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost (Trade and Other payables)
After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in income statement when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the income statement.

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

ACCOUNTING POLICIES (continued)

2.3.10 Financial instruments (continued)

Previous period Accounting Policy

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

A) Initial recognition and measurement
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

B) Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- AFS financial assets

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.
This category generally applies to trade and other receivables.

C) Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a company of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

ACCOUNTING POLICIES (continued)

2.3.10 Financial instruments (continued)
When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

ACCOUNTING POLICIES (continued)

2.3.10 Financial instruments (continued)

ii) Financial liabilities

A) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

B) Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and
- Financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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

iii) Offsetting of financial instruments

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

ACCOUNTING POLICIES (continued)

2.3.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with bank and short term highly liquid investments that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts.

2.3.13 Trade and other payables

Trade and other payables are recognised at their transaction cost, which is its fair value, and subsequently measured at amortised cost.

2.3.14 Interest-bearing bank loans and borrowings

Interest bearing loans and overdrafts are recorded at the fair value. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis and charged to the statement of comprehensive income using the effective interest method. They are netted against the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2.3.15 Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use in accordance with the company's policy which is when they are capable of commercial production. Where funds are borrowed specifically to finance a qualifying capital projects, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the company during the year.

All other borrowing costs are recognised in the statement of comprehensive loss in the period in which they are incurred.

Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside the normal course.

2.3.16 Provisions for liabilities and charges

Provisions are recognised when the company has a present obligation (legal or constructive), as a result of past events, and it is probable that an outflow of resources, that can be reliably estimated, will be required to settle such an obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows to the net present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Unwinding of the discount is recognised in the statement of comprehensive loss as a finance cost. Provisions are reviewed at each statement of financial position date and are adjusted to reflect the current best estimates.

ACCOUNTING POLICIES (continued)

2.3.17 Revenue Recognition
Revenues from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the shipping agent at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

Revenue from oil, gas and condensate sales represent the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis, when control is transferred to the buyers. Direct entitlement basis represents entitlement to variable physical volumes of hydrocarbons, representing recovery of the costs incurred and a stipulated share of the production remaining after such cost recovery. The stipulated share of production is arrived at after reducing government's share of profit petroleum which is accounted for when the obligation in respect of the same arises.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs part of its obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration when that right is conditional on Company's future performance.

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is received. Contract liabilities are recognised as revenue when the Company performs under the contract.

Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Previous period Accounting Policy

Revenues are measured at the fair value of the consideration received or receivable, net of discounts, volume rebates, outgoing sales taxes, excise duty and other indirect taxes. Revenues from sales are recognised when all significant risks and rewards of ownership of the commodity sold are transferred to the customer and the commodity has been delivered to the shipping agent. Revenues from sale of by-products are included in revenue.

Revenue from operating activities
Revenue represents the Company's share of oil, gas and condensate production, recognised on a direct entitlement basis.

Interest income
Interest income is recognised using the effective interest rate method on an accrual basis and is recognised as finance income in the statement of comprehensive loss.

ACCOUNTING POLICIES (continued)

2.4 New Standards and Interpretations

2.4.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The Company has adopted with effect from 01 April 2018, the following new amendments and pronouncements:

IFRS 9 – Financial Instruments

IFRS 9 has reduced the complexity of the current rules on financial instruments as mandated in IAS 39. It has fewer classification and measurement categories as compared to IAS 39. It eliminates the rule-based requirement of segregating embedded derivatives from financial assets and tainting rules pertaining to held to maturity investments. For financial assets which are debt instruments, IFRS 9 establishes a principle-based approach for classification based on cash flow characteristics of the asset and the business model in which an asset is held. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by- share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income on such equity investment would ever be reclassified to profit or loss. It requires the entity, which chooses to designate a liability as at fair value through profit or loss, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements.

For the transition, the Company has elected to apply the limited exemptions in IFRS 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The Company has adopted IFRS 9 from 01 April 2018. Adoption of this Standard did not have a material impact

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the company has chosen to take advantage of the option not to restate comparatives. Therefore, the 31 March, 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 01 April, 2018.

Classification of the financial assets and liabilities as per the statement of financial position:
Financial Assets

Financial assets as on 01 April 2018	**Amount ($)**	**Measurement under IAS 39**	**Measurement under IFRS 9**	**Impact**
Cash and cash equivalents	27,893	Loans and receivables	Amortised cost	Nil
Total	27,893			

ACCOUNTING POLICIES (continued)

2.4 New Standards and Interpretations (continued)

Financial Liabilities

Financial liabilities as on 01 April 2018	Amount ($)	Measurement under IAS 39	Measurement under IFRS 9	Impact
Trade and other payables	2,631,801	Amortised cost	Amortised cost	Nil
Total	**2,631,801**			

Impairment
Based on the Company's assessment, under expected credit loss model, the impairment of financial assets held at amortised cost does not have a material impact on the Company's results, given the low exposure to counterparty default risk as a result of the credit risk management processes that are in place.

IFRS 15 – Revenue from contract with customers
The Company has adopted IFRS 15 Revenue from contracts with Customers with effect from April 1, 2018 which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard replaces most of the current revenue recognition guidance. The core principle of the new standard is for companies to recognise revenue when the control of the goods and services is transferred to the customer as against the transfer of risk and rewards. As per the Company's current revenue recognition practices, transfer of control happens at the same point as transfer of risk and rewards thus not effecting the revenue recognition.

The amount of revenue recognised reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Under this standard, services provided post transfer of control of goods are treated as separate performance obligation and requires proportionate revenue to be deferred along with associated costs and to be recognised over the period of service. As per the result of evaluation of contracts of the relevant revenue streams, it is concluded that the impact of this change is immaterial to the Company and hence no accounting changes have been done.

The Company has products which are provisionally priced at the date revenue is recognised. Revenue in respect of such contracts are recognised when control passes to the customer and is measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, subsequent movements in provisional pricing are accounted for in accordance with IFRS 9 "Financial Instruments" rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control has been included in total revenue on the face of the Income statement. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the Company's previous practice for recognising revenue from sales to customers.

The Company has adopted the modified transitional approach as permitted by the standard under which the comparative financial information is not restated. The accounting changes required by the standard are not having material effect on the recognition or measurement of revenues and no transitional adjustment is recognised in retained earnings at 01 April 2018. Additional disclosures as required by IFRS 15 have been included in these financial statements.

ACCOUNTING POLICIES (continued)

2.4 New Standards and Interpretations (continued)

Other Amendments

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IAS and IFRS effective as of 1 April 2018:

- Amendment to IAS 23: Borrowing Cost: The amendment is effective from 01 January 2019, with earlier application permitted. The Company has applied the amendment prospectively from the current reporting year i.e. for the borrowing costs incurred on or after 01 April 2018. The same does not have any impact on these financial statements.
- Adoption of IFRIC 22 : Foreign Currency Transactions and Advance Consideration

None of the new standards or amendments to standards that are mandatory for the first time materially affected any of the amounts recognised in the current period or any prior period and are not likely to significantly affect future periods

Standards and Interpretations in issue but not yet effective

The Company has assessed the impact of these IFRSs which are not yet effective and determined that we do not anticipate any significant impact on the financial statements from the adoption of these standards. The Company plans to adopt new amendments, standards or interpretations as and when they become effective.

The following Standards and Interpretations have been issued but are not yet effective as at 31 March 2019.

- IFRIC 23 - Uncertainty over Income Tax Treatments effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- IFRS 16, Leases, replaces the existing standard on accounting for leases, IAS 17, with effect from 1 April 2019
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Annual improvements to IFRS standards 2015-2017 cycle effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement effective for annual periods beginning on or after 01 January 2019, subject to EU endorsement.
- Amendments to References to the Conceptual Framework in IFRS Standards effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendment to IFRS 3 Business Combinations effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- Amendments to IAS 1 and IAS 8: Definition of Material effective for annual periods beginning on or after 01 January 2020, subject to EU endorsement.
- IFRS 17-Insurance contracts effective for annual periods beginning on or after 1 January 2021

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	Year Ended March 2019 US$	Year Ended March 2018 US$

3. ADMINISTRATIVE EXPENSES

Professional fees	2,119	9,510
Miscellaneous costs	19,377	16,908
Legal Fees	38,794	6,033
	60,290	**32,451**

Administrative expenses include $ 8,291 (year ended 31 March 2018: $9,316) relating to auditor's remuneration.

4. FINANCE COST

Bank and other charges	1,302	1,342
Exchange loss	32,450	-
	33,752	**1,342**

5. FINANCE INCOME

Interest income from effective interest	112	91
Exchange gain	-	39,618
	112	**39,709**

6. DEFERRED TAX

Loss before tax	(220,074)	(201,758)
Tax Rate (@ 28%)	(61,621)	(56,492)
Permanent differences arising on		
(Para 5 of the10th schedule of -Income tax 1962) exploration deductions	(35,320)	(58,149)
Deferred tax not recognised on assessed loss	96,941	114,641
Tax	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

6. DEFERRED TAX (continued)

A deferred income tax asset of US$ 17,349,700 (Year ended 31 March 2018: US$ 18,943,677) has not been recognised in respect of tax losses carried forward as the directors consider that it is not probable that future taxable profits will be available against which the unused tax losses can be utilised. The only item of deferred tax relates to the assessed loss not recognised.

	2019	2018
	US$	US$
7. INTANGIBLE EXPLORATION/APPRAISAL ASSETS		
As at 1 April	-	-
Additions during the year	137,821	207,674
Exploration costs written off	(126,144)	(207,674)
Asset disposal	(11,677)	-
As at 31 March	-	-

8. CASH AND CASH EQUIVALENTS

	2019	2018
Cash and bank balances	5,226	27,893
	5,226	27,893

9. STATED CAPITAL

	2019	2018
Authorised shares		
No. of ordinary shares (No Par Value)	100,000	100,000
Paid up amount	**US$**	**US$**
As at 1 April	35,700,000	35,600,000
Fully paid ordinary shares - issued for cash	100,000	100,000
1 share (1 shares: 2018)		
	35,800,000	**35,700,000**

10. ACCUMULATED LOSSES

	2019	2018
Opening	(38,323,908)	(38,122,150)
Loss during the year	(220,074)	(201,758)
Closing	(38,543,982)	(38,323,908)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER PAYBLES

Joint operation creditors	2,713,388	2,610,803
Sundry creditors including accrued expenses	15,820	20,998
	2,729,208	2,631,801

12. CONTINGENCIES

As part of the farm-in agreement for Block 1, the Group was required to carry its joint operation partner, Petro SA, up to a gross expenditure of US$ 100.0 million for a work programme including 3D and 2D seismic studies and at least one exploration well. The Group has spent US$ 38.1 million towards exploration expenditure and a minimum carry of US$ 61.9 million (31 March 2018: US$ 61.9 million) (including drilling one well) was outstanding at the end of the initial exploration period. The Group had sought an extension for execution of deed for entry into the second renewal phase of the exploration period with a request to maintain status quo of the prior approvals due to uncertainty in the proposed changes in fiscal terms impacting the Group financial interest in the block. The same was granted by the South African authority subject to risk of exploration right getting expired on account of recent High Court judgments. The Group had provided for the requisite damages as applicable under the South African Regulations.

During Q2, financial year 2018-19, Company has received letter from PASA (Petroleum Agency SA) that exploration right has lapsed through effluxion of time, in line with past judicial precedents and asked to submit a closure application. The company along with Petro SA has filed the closure application on 19 September 2018. Pending disposal of Company's application the obligation for the aforesaid carry cost of US$ 61.9 million has been assessed as possible and disclosed as a contingency.

13. RELATED PARTIES

Relationships	Name of the related party
Ultimate Holding Company	Volcan Investments Limited
Parent Holding Company	Cairn Energy Hydrocarbons Limited
Indian Parent Company of Cairn Energy Hydrocarbons Limited	Vedanta Limited (formerly Cairn India Limited)

Amounts included in trade payables regarding related parties	2019 US$	2018 US$
Vedanta Limited	(2,488,597)	(2,436,204)
Cairn Lanka (Private) Limited	(92,844)	(92,844)

Note: During the current year, the Company has issued one additional equity shares to its holding company Cairn Energy Hydrocarbons Limited of US$100,000 (2018: US$100,000). Further, share application money of US$20,000 has been received as an equity contribution but has not been allocated to share capital.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

14. DIRECTORS' EMOLUMENTS

No emoluments were paid to the directors during the year.

15. FINANCIAL RISK MANAGEMENT: OBJECTIVE AND POLICIES

The Company's primary financial instruments comprise cash, and financial liabilities held at amortised cost. The Company's strategy has been to finance its operations through a mixture of retained profits and bank borrowings. Other alternatives, such as equity finance and project finance are reviewed by the Board, when appropriate, to fund substantial acquisitions of oil and gas development projects.

The Company treasury function is responsible for managing investment and funding requirements including banking and cash flow monitoring. It must also recognise and manage interest and foreign exchange exposure whilst ensuring that the Company has adequate liquidity at all times in order to meet its immediate cash requirements.

The Company may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates. The main risks arising from the Company's financial instruments are liquidity risk, interest rate risk, foreign currency risk, capital management risk and credit risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below:

Liquidity Risk
The Company has reduced liquidity risk as there is an undertaking from the Holding Company to support and fund the Company as necessary. The 'Farm Out Agreement' relating to 'Block 1 Offshore of the Republic of South Africa' states that Cairn Energy Hydrocarbons Limited will support the Cairn South Africa (Pty) Ltd with up to US$100,000,000.

The maturity profile of the company's financial liabilities based on the remaining period from the statement of financial position date to the contractual maturity date is given in the table below:

(In US$)

At 31st March 2019	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and other Payables	2,729,208	-	-	-	2,729,208
	2,729,208	-	-	-	2,729,208

At 31st March 2018	< 1 year	1-3 years	3-5 years	>5 years	Total
Trade and other Payables	2,631,801	-	-	-	2,631,801
	2,631,801	-	-	-	2,631,801

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

15. FINANCIAL RISK MANAGEMENT: OBJECTIVE AND POLICIES (continued)

Interest rate risk
The Company is not exposed to interest rate risk in respect of fixed and variable rate borrowings.

Foreign currency risk
The Company manages exposures that arise from non-functional currency receipts and payments by matching receipts and payments in the same currency and actively managing the residual net position. Generally the exposure has been limited given that receipts and payments have mostly been in US dollars and the functional currency of the Company is US dollars.

The Company also aims to hold working capital balances in the same currency as functional currency, thereby matching the reporting currency and functional currency of most companies in the Group. This minimises the impact of foreign exchange movements on the Company's Statement of financial position.

Where residual net exposures do exist and they are considered significant the Company, may from time to time, opt to use derivative financial instruments to minimise its exposure to fluctuations in foreign exchange and interest rates.

The fair value of the outstanding currency derivatives as at 31 March 2019 was US$ nil (31 March 2018: US$ nil).

The carrying amount of the company's financial assets and liabilities in different currencies are as follows:

				(In US$)
	31 March 2019 Financial Assets US$	**31 March 2019 Financial Liabilities US$**	31 March 2018 Financial Assets US$	31 March 2018 Financial Liabilities US$
USD	3,052	2,675,912	27,757	2,593,852
INR	-	53,296	-	37,949
ZAR	2,174	-	136	-
Total	5,226	2,729,208	27,893	2,631,801

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Foreign currency risk (continued)
The following table demonstrates the sensitivity to movement in the US$: INR exchange rates, with all other variables held constant, on the Company's monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

	(In US$) 31 March 2019	
	Closing exchange rate	**Effect of 10% strengthening of US dollar on net earning**
INR	**69.17**	**5,330**

	(In US$) 31 March 2018	
	Closing exchange rate	Effect of 10% strengthening of US dollar on net earning
INR	65.04	3,795

Credit risk
Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the Board approved policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The Board continually re-assess the Company's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

At the year end the Company does not have any significant concentrations of credit risk.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the statement of financial position date.

Capital management
The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to carry out committed work programme requirements. The Company monitors the long term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility. (Refer note 17)

The Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or undertake other such restructuring activities as appropriate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

No changes were made in the objectives, policies or processes during the year ended 31 March 2019.

16. FINANCIAL INSTRUMENTS

The Company calculates the fair value of assets and liabilities by reference to amounts considered to be receivable or payable on the statement of financial position date. The Company's financial assets and liabilities, together with their fair values are as follows:

Financial assets	Carrying amount		Fair value	
	31 March 2019 US$	31 March 2018 US$	31 March 2019 US$	31 March 2018 US$
Cash and cash equivalents	5,226	27,893	5,226	27,893
	5,226	27,893	5,226	27,893

Financial liabilities	Carrying amount		Fair value	
	31 March 2019 US$	31 March 2018 US$	31 March 2019 US$	31 March 2018 US$
Trade and other payables	2,729,208	2,631,801	2,729,208	2,631,801
	2,729,208	2,631,801	2,729,208	2,631,801

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 31 March 2019 the Company had no financial instruments in level 1, 2 or 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

17. GOING CONCERN MATTER

Cairn South Africa (Pty) Limited incurred a net loss for the year ended 31st March 2019 of US$ 220,074 (31 March 2018: US$ 201,758) .The total liabilities exceed total assets as at 31st March 2019 by US$ 2,723,982 (31 March 2018: US$ 2,603,908).

In addition, due to uncertainty over the fiscal regime in South Africa and expiry of the exploration right of the block in current year, the future continuing exploration activities in the block have been discontinued and the Company has filed the closure application with Petroleum Agency SA (PASA) on 19 September 2018.

These conditions give rise to a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has been assured by its parent that it will receive adequate financial support whenever required in order to discharge its liabilities.

Accordingly, these financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

18. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no significant post statement of financial position date events that occurred.

19. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Cairn Energy Hydrocarbons Limited which in turn is a subsidiary of Cairn India Holdings Limited. Cairn India Holdings Limited is the subsidiary of Vedanta Limited. Vedanta Limited is the intermediary holding company. Volcan Investments Limited ("Volcan") is the ultimate controlling entity and controls Vedanta Limited. Volcan is controlled by persons related to the Executive Chairman, Mr. Anil Agarwal.

The results of the Company are consolidated into intermediate parent company, viz. Vedanta Resources Limited (erstwhile 'Vedanta Resources Plc'). The registered office of Vedanta Resources Limited (erstwhile 'Vedanta Resources Plc') is 5th Floor, 6th St. Andrew Street, London, EC4A 3AE. Copies of Vedanta Resources Limited's (erstwhile 'Vedanta Resources Plc') financial statements are available on its website.