

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

31 December 2017

INDEPENDENT OIL & RESOURCES PLC

REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT OIL & RESOURCES PLC

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors:	Jan Egil Moe (Chairman) Anastasia Demosthenous Robert Arnott Filou Francis (resigned on 19 June 2017)
Company Secretary:	Fidelius Management Services Ltd
Independent Auditors:	Ernst & Young Cyprus Limited Certified Public Accountants and Registered Auditors Nicosia Tower Center Jean Nouvel Tower 6 Stasinou Avenue PO Box 21656 1511 Nicosia, Cyprus
Registered office:	Christodoulou Chatzipavlou 205 LOULLOUPIS COURT, 4th Floor, Office 401 3036, Limassol Cyprus
Bankers:	Nordea Bank Bank of Cyprus Public Company Ltd
Registration number:	HE319278

INDEPENDENT OIL & RESOURCES PLC

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2017.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and trading of investments.

Independent Oil & Resources Plc is listed on the OTC list on the Oslo Stock Exchange under the ticket code IOTA.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Company expects to continue the same activities in the future.

Principal risks and uncertainties

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Use of financial instruments by the Company

The Company is exposed to interest rate risk, credit risk, liquidity risk and foreign currency risk from the financial instruments it holds. The Company's financial risk management objectives and policies are disclosed in note 3 of the financial statements.

Results and dividends

The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017, except Mrs. Filou Francis who resigned on 19 June 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board retire and being eligible offer themselves for re-election.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 21 to the financial statements.

Independent Auditors

The Independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting of the Company.

By order of the Board of Directors,



Fidelius Management Services Ltd
Secretary

Limassol, 1 June 2018

Independent Auditor's Report

To the Members of Independent Oil & Resources Plc

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Independent Oil & Resources Plc (the "Company"), which are presented in pages 6 to 27 and comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The Company's investment in Noco Oil & Resources Ltd ("Noco"), an associate company accounted for using the equity method, is carried at NOK28,451,365 on the statement of financial position as at 31 December 2017, and the Company's share of Noco's net loss of NOK11,052,115 is included in the Company's statement of profit or loss and other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investment in Noco as at 31 December 2017 and the Company's share of Noco's net loss for the year due to the fact that Noco has not prepared audited consolidated financial statements for the year 2017 and, therefore, the equity accounting is based on the separate financial statements of Noco (in 2016, Noco did not have any subsidiaries). Consequently, we are unable to determine whether any adjustments to these amounts were necessary.

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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

Reporting on Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management report, but 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 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.

Responsibilities of the Board of Directors and those charged with governance for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines 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 Board of Directors is 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 Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 judgment and maintain professional skepticism 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 Board of Directors.
- Conclude on the appropriateness of the Board of 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 a true and fair view.

We communicate with those charged with governance 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.

We also provide to those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Stavros Pantzaris.

Stavros Pantzaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 1 June 2018

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2017

	Note	2017 NOK	2016 NOK
Revenue			
Dividend income	14	1,189,417	4,278,937
Interest income	14	<u>2,108,668</u>	<u>5,069,870</u>
		3,298,085	9,348,807
Fair value gain on financial assets at fair value through profit or loss	5	8,288,047	28,860,303
Administration expenses		<u>(2,387,126)</u>	<u>(2,575,040)</u>
Operating profit	6	9,199,006	35,634,070
Finance income	8	417,919	55,842
Finance costs	8	(768,071)	(3,358,580)
Loss on disposal of subsidiary	10	(1,250,118)	-
Reversal of impairment of investments in associates	11	7,041,665	68,407,443
Share of results of associates	11	<u>(44,462,184)</u>	<u>(55,122,647)</u>
(Loss)/profit before tax		(29,821,783)	45,616,128
Tax	9	<u>(910)</u>	<u>(657,785)</u>
Net (loss)/profit for the year		<u>(29,822,693)</u>	<u>44,958,343</u>
Other comprehensive income			
Share of losses from associates	11	(7,469,770)	(19,212,198)
Currency translation difference of associates	11	<u>(12,728,025)</u>	<u>(6,296,388)</u>
Other comprehensive income for the year		<u>(20,197,795)</u>	<u>(25,508,586)</u>
Total comprehensive income for the year		<u>(50,020,488)</u>	<u>19,449,757</u>

The notes on pages 10 to 27 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC


STATEMENT OF FINANCIAL POSITION

31 December 2017

	Note	2017 NOK	2016 NOK
ASSETS			
Non-current assets			
Investments in subsidiary	10	-	1,258,436
Investments in associates	11	101,164,722	93,877,480
Available-for-sale financial assets	12	1,000,000	-
		102,164,722	95,135,916
Current assets			
Receivables	13	595,486	533,870
Financial assets at fair value through profit or loss	14	83,160,055	138,586,427
Cash at bank and in hand	15	13,853,601	24,576,825
Tax refundable		113,235	-
		97,722,377	163,697,122
Total assets		199,887,099	258,833,038
EQUITY AND LIABILITIES			
Equity			
Share capital	16	60,133,028	60,133,028
Share premium		49,999,066	49,999,066
Translation reserve		33,840,101	46,568,126
Retained earnings		46,001,988	83,294,451
Total equity		189,974,183	239,994,671
Non-current liabilities			
Borrowings	18	8,519,159	17,870,448
		8,519,159	17,870,448
Current liabilities			
Trade and other payables	17	1,393,757	967,919
		1,393,757	967,919
Total liabilities		9,912,916	18,838,367
Total equity and liabilities		199,887,099	258,833,038

On 1 June 2018 the Board of Directors of Independent Oil & Resources Plc authorised these financial statements for issue.


 Jan Egil Moe
 Director


 Robert Arnott
 Director


 Anastasia Demosthenous
 Director

The notes on pages 10 to 27 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CHANGES IN EQUITY

31 December 2017

	Note	Share capital NOK	Share premium NOK	Translation reserve NOK	Retained earnings NOK	Total NOK
Balance at 1 January 2016		35,416,815	40,112,581	52,864,514	57,548,306	185,942,216
Comprehensive income						
Net profit for the year		-	-	-	44,958,343	44,958,343
Other comprehensive income for the year		-	-	(6,296,388)	(19,212,198)	(25,508,586)
Transactions with owners						
Issue of share capital	16	<u>24,716,213</u>	<u>9,886,485</u>	<u>-</u>	<u>-</u>	<u>34,602,698</u>
Balance at 31 December 2016/ 1 January 2017		60,133,028	49,999,066	46,568,126	83,294,451	239,994,671
Comprehensive income						
Net loss for the year		-	-	-	(29,822,693)	(29,822,693)
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>(12,728,025)</u>	<u>(7,469,770)</u>	<u>(20,197,795)</u>
Balance at 31 December 2017		<u>60,133,028</u>	<u>49,999,066</u>	<u>33,840,101</u>	<u>46,001,988</u>	<u>189,974,183</u>

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 10 to 27 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

STATEMENT OF CASH FLOWS

31 December 2017

	Note	2017 NOK	2016 NOK
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(29,821,783)	45,616,128
Adjustments for:			
Share of loss from associates	11	44,462,184	55,122,647
Loss from the sale of investment in subsidiary	10	1,250,118	-
Fair value gains on financial assets at fair value through profit or loss	5	(8,288,047)	(28,860,303)
Reversal of impairment - investments in associates	11	(7,041,665)	(68,407,443)
Dividend income	14	(1,189,417)	(4,278,937)
Interest income	8,14	(2,114,629)	(5,125,712)
Interest expense	8	730,278	1,465,991
Foreign exchange loss		<u>(773,958)</u>	<u>(1,758,202)</u>
		(2,786,919)	(6,225,831)
Changes in working capital:			
(Increase)/decrease in receivables		(8,164)	18
Increase in trade and other payables		<u>425,838</u>	<u>611,096</u>
Cash used in operations		(2,369,245)	(5,614,717)
Interest received	14	3,487,077	2,943,945
Dividends received		1,135,965	4,138,524
Tax paid		<u>(114,144)</u>	<u>(716,697)</u>
Net cash generated from operating activities		<u>2,139,653</u>	<u>751,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of associates		(16,958,921)	(35,306,546)
Payments made for loans from related parties		(8,264,940)	-
Settlement of loans to related parties		-	13,609,500
Payment for purchase of financial assets at fair value through profit or loss		(66,382,251)	(115,868,368)
Proceeds from sale of financial assets at fair value through profit or loss		80,771,625	101,637,658
Payment of purchase of available for sale investment		(1,000,000)	-
Proceeds from disposal of subsidiary		8,318	-
Interest received		5,961	55,842
Interest paid		<u>(1,042,669)</u>	<u>(1,248,823)</u>
Net cash used in investing activities		<u>(12,862,877)</u>	<u>(37,120,737)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	18,367,898
Net cash generated from financing activities		-	18,367,898
Net decrease in cash and cash equivalents		(10,723,224)	(18,001,784)
Cash and cash equivalents at beginning of the year		<u>24,576,825</u>	<u>42,578,609</u>
Cash and cash equivalents at end of the year	15	<u>13,853,601</u>	<u>24,576,825</u>

The notes on pages 10 to 27 form an integral part of these financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. Incorporation and principal activities

Country of incorporation

Independent Oil & Resources Plc (the "Company") was initially incorporated in Norway on 14 October 1991, and on 14 February 2013, was redomiciled in Cyprus as a limited liability company under the Cyprus Companies Law, Cap. 113. The redomiciliation was done as a continuity both in accounting terms and tax terms. Its registered office is at Christodoulou Chatzipavlou 205, LOULLOUPIS COURT, 4th Floor, Office 401, 3036, Limassol, Cyprus.

Independent Oil & Resources Plc is listed on the OTC list on the Oslo Stock Exchange under the ticker code IOTA. Following the relocation to Cyprus the Company changed its ISIN no. from NO 001 0248065 to CY 010 4270919.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding and trading of investments.

2. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss at fair value.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company.

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

- *IFRS 9 Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)
- *IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15* - (effective for annual periods beginning on or after 1 January 2018)
- *IFRS 16 Leases* - (effective for annual periods beginning on or after 1 January 2019)
- *Clarifications to IFRS 15 Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Issued by the IASB and adopted by the European Union (continued)

- *Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018)*

(ii) Issued by the IASB but not yet adopted by the European Union

- *IFRS 14 Regulatory Deferral Accounts - (the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard)*
- *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (the effective date is postponed indefinitely pending the outcome of IASB's research project on the equity method of accounting)*
- *Amendments to IFRS 2: Classification and Measurement of Share based Payment Transactions (effective for annual periods beginning on or after 1 January 2018)*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018)*
- *IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018)*
- *Amendments to IAS 40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018)*
- *IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019)*
- *Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019)*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019)*
- *IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021)*

The Board of Directors expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of the Company.

Investment in subsidiary company

Investment in subsidiary company is stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Investments in associate companies

The Company's investment in associated entities, in which the Company has significant influence, is accounted for using the equity method. Under the equity method, the investment in the associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Company's share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate. The Company's share of profit or loss of an associate is shown on the face of the income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Investments in associate companies (continued)

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in associates. At each reporting date, the Company determines whether there is objective evidence that the investment in the associates is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment charge of investments in associates' in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- Interest income
Interest income is recognised as it accrues, using the effective interest method.
- Dividend income
Dividend income is recognised when the right to receive payment is established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

- (1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Norwegian Krone (NOK), which is the Company's functional and presentation currency.
- (2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on available-for-sale financial assets are recognised in other comprehensive income and then included in the translation reserve in equity. Currency translation differences on net investment in foreign operations are recorded as part of the other comprehensive income and as a separate item in equity.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Other receivables

Other receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans receivable

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Investments

The Company classifies its investments in equity and debt instruments in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held at fair value through profit or loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit or loss if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit or loss or are expected to be realised within twelve months from the reporting date.

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to need for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless Management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Investments (continued)

Realised and unrealised gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Other payables

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

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the profitability 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 areas or economic conditions that correlate with defaults.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management objectives and policies

Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect the Company's income or the value of its holdings of financial instruments. As at the year end, the Company hold investments as shown in Note 14, which are affected by market price changes. The Company manages the market risk by holding a diversified portfolio of equity and bond investments mainly listed on the Oslo Stock exchange.

3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's income and operating cash inflows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets and liabilities carrying variable interest.

3.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily other receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to financial instruments and cash deposits: Cash balances are held with recognised financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with financial liabilities. The Company has established procedures with the objective of maintaining a balance between continuity of funding and flexibility through the use of various investment products.

The table below summarises the maturity profile of the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

31 December 2017	Total contractual cash flows NOK	Within 1 year NOK	1-5 years NOK	More than 5 years NOK
Trade and other payables	352,383	352,383	-	-
Payable to associated companies	1,000,000	1,000,000	-	-
Loan due to related party	9,884,234	431,282	9,452,952	-
	<u>11,236,617</u>	<u>1,783,665</u>	<u>9,452,952</u>	<u>-</u>
31 December 2016	Total contractual cash flows NOK	Within 1 year NOK	1-5 years NOK	More than 5 years NOK
Other creditors	134,438	134,438	-	-
Loan due to related party	21,783,590	904,691	20,878,899	-
	<u>21,918,028</u>	<u>1,039,129</u>	<u>20,878,899</u>	<u>-</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management objectives and policies (continued)

3.5 Foreign currency risk

Foreign currency risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to exchange rate fluctuations connected to the value of NOK relatively to USD due to the fact that the Company has mainly income and operating expenses in USD while parts of the financing and some assets are denominated in NOK. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

	Liabilities		Assets	
	2017	2016	2017	2016
	NOK	NOK	NOK	NOK
United States Dollars	<u>8,519,159</u>	<u>17,870,448</u>	<u>1,665,430</u>	<u>1,935,437</u>
	<u>8,519,159</u>	<u>17,870,448</u>	<u>1,665,430</u>	<u>1,935,437</u>

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the United States Dollars exchange rate, with all other variables held constant to the Company's net monetary assets and liabilities:

	Change in United States Dollars rate	Liabilities US\$	Assets US\$
2017			
Changes in monetary assets and liabilities	10%	774,469	(150,494)
	(10)%	<u>(946,573)</u>	<u>183,937</u>
		<u>(172,104)</u>	<u>33,443</u>
2016			
Changes in monetary assets and liabilities	10%	1,624,586	(175,949)
	(10)%	<u>(1,985,605)</u>	<u>215,049</u>
		<u>(361,019)</u>	<u>39,100</u>

3.6 Capital risk management

Capital includes equity shares and share premium.

The Company manages its capital structure and makes adjustments of it in light of changes in economic conditions, in order to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of the debt and equity balance. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company's overall objectives, policies and processes remain unchanged from last year.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management objectives and policies (continued)

Fair value estimation

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values.

	Carrying amounts		Fair values	
	2017	2016	2017	2016
	NOK	NOK	NOK	NOK
Financial liabilities				
Loans from related parties	<u>(8,519,159)</u>	<u>(17,870,448)</u>	<u>(8,122,954)</u>	<u>(17,423,693)</u>
	<u>(8,519,159)</u>	<u>(17,870,448)</u>	<u>(8,122,954)</u>	<u>(17,423,693)</u>

All fair value disclosures above are categorised within Level 2 fair value hierarchy (see below).

Fair value measurements recognised in statement of financial position

The different levels of fair value hierarchy have been defined as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within 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).

Recurring fair value measurements recognised in the statement of financial position

31 December 2017	Level 1	Level 2	Level 3	Total
	NOK	NOK	NOK	NOK
Financial assets				
Financial assets (bonds and shares)	<u>65,039,833</u>	<u>18,120,222</u>	<u>-</u>	<u>83,160,055</u>
Total	<u>65,039,833</u>	<u>18,120,222</u>	<u>-</u>	<u>83,160,055</u>

There was a transfer from Level 1 to Level 2 in regards to Petrolia SE's bond because the bond deregistered from the Nordic ABM listing, as the bond became not listed.

31 December 2016	Level 1	Level 2	Level 3	Total
	NOK	NOK	NOK	NOK
Financial assets				
Financial assets (bonds and shares)	<u>138,586,427</u>	<u>-</u>	<u>-</u>	<u>138,586,427</u>
Total	<u>138,586,427</u>	<u>-</u>	<u>-</u>	<u>138,586,427</u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4. Critical accounting estimates and judgments

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

Judgments

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which had the most significant effect on the amounts recognised in the financial statements:

- Impairment of investments in associate companies

The Company periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated recoverable amount (being the higher of value in use and fair value less cost to sell) associated with these associates would be compared to their carrying amounts to determine if a write-down to the recoverable amount is necessary.

- Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

5. Fair value gain on financial assets at fair value through profit or loss

	2017 NOK	2016 NOK
Change in fair value on bonds (Note 14)	4,726,671	26,522,437
Change in fair value on shares (Note 14)	<u>3,561,376</u>	<u>2,337,866</u>
	<u><u>8,288,047</u></u>	<u><u>28,860,303</u></u>

6. Operating profit

	2017 NOK	2016 NOK
Operating profit is stated after charging the following items:		
Directors' fees (Note 18.1)	287,144	232,512
Staff costs (Note 7)	208,993	207,133
Auditors' remuneration - current year	122,084	113,559
Auditors' remuneration - prior years	-	5,602
Other non-audit services	130,729	154,691
Consultancy fees (Note 18.2)	<u><u>1,350,000</u></u>	<u><u>1,335,750</u></u>

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

7. Staff costs

	2017 NOK	2016 NOK
Wages and salaries	187,433	185,267
Social insurance costs and other funds	21,560	21,310
Special contribution	-	556
	<u>208,993</u>	<u>207,133</u>

The average number of employees during the year was 1 (2016:1).

8. Net finance costs

	2017 NOK	2016 NOK
Bank interest income	5,961	9,595
Interest income from amounts due from related parties	-	46,247
Exchange profit	<u>411,958</u>	<u>-</u>
Finance income	<u>417,919</u>	<u>55,842</u>
Exchange loss	-	(1,865,240)
Interest expense from amounts due to related parties	(730,278)	(1,465,991)
Sundry finance expenses	<u>(37,793)</u>	<u>(27,349)</u>
Finance costs	<u>(768,071)</u>	<u>(3,358,580)</u>
Net finance costs	<u>(350,152)</u>	<u>(3,302,738)</u>

INDEPENDENT OIL & RESOURCES PLC

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31 December 2017

9. Tax

Statement of profit or loss and other comprehensive income	2017 NOK	2016 NOK
Corporation tax - current year	910	539,496
Corporation tax - prior years	-	118,289
Charge for the year	<u>910</u>	<u>657,785</u>
Statement of Financial Position	2017 NOK	2016 NOK
Corporation tax refundable - current year	<u>113,235</u>	-

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2017 NOK	2016 NOK
(Loss)/profit before tax	<u>(29,821,783)</u>	<u>45,616,128</u>
Tax calculated at the applicable tax rates	(3,727,723)	5,702,016
Tax effect of expenses not deductible for tax purposes	5,900,132	7,530,815
Tax effect of allowances and income not subject to tax	(2,171,499)	(12,693,335)
Prior year tax	-	118,289
Tax charge	<u>910</u>	<u>657,785</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

10. Investments in subsidiaries

	2017 NOK	2016 NOK
Balance at 1 January	1,258,436	1,258,436
Disposal proceeds	(8,318)	-
Loss on disposal	<u>(1,250,118)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>1,258,436</u>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %	2017 NOK	2016 NOK
Petroresources Ltd	Cyprus	Holding of licences for oil exploration	-	100	-	1,258,436
					<u>-</u>	<u>1,258,436</u>

On 14 December 2017, the Company disposed to Noco Oil & Resources Ltd (associate company) its total holding in Petroresources Ltd for the amount of NOK8,318 (USD1,000) realising a loss on disposal of NOK 1,250,118.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. Investments in associate companies

	2017 NOK	2016 NOK
At equity less impairment		
Balance at 1 January	93,877,480	70,794,724
Additions	64,905,556	35,306,546
Reversal of impairment	7,041,665	68,407,443
Exchange differences	(12,728,025)	(6,296,388)
Other comprehensive loss	(7,469,770)	(19,212,198)
Share of results of associates	<u>(44,462,184)</u>	<u>(55,122,647)</u>
Balance at 31 December	<u>101,164,722</u>	<u>93,877,480</u>

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %	2017 NOK	2016 NOK
Epsis AS	Norway	Computer Software for Collaboration	23.3	23.3	760,512	1,816,934
Petrolia SE (i)	Cyprus	Oil & Gas activities	45.97	49.13	61,778,572	55,399,985
Petrolia Noco AS (ii)	Norway	Oil & Gas activities	24.44	24.44	10,174,273	13,467,858
Noco Oil & Resources Ltd (iii)	Cyprus	Oil & Gas activities	39.25	33.63	<u>28,451,365</u>	<u>23,192,703</u>
					<u>101,164,722</u>	<u>93,877,480</u>

(i) The carrying amount has been impaired to the market value of shares.

The market value of Petrolia SE's shares as at 31 December 2017 was NOK2.50 per share (2016: NOK 4.14).

In January 2017, 75% of Petrolia SE's bonds were converted into shares. Price per share was USD0.50 from which the nominal value was USD0.10. Bonds with a nominal value of USD5,664,895 (NOK47,946,635) owned by the Company were converted into Petrolia SE shares. Prior to the conversion, the Company owned 13,381,639 shares (49.13%), whereas after the conversion the number of shares has increased to 24,711,429 (45.97%).

(ii) In August 2016, the Company purchased 109,000 shares in Petrolia Noco AS, for an amount of NOK 12,208,000.

(iii) In March 2016, the Company purchased 19,404 shares in Noco Oil & Resources Ltd for the amount of USD1,940,400 (NOK 16,937,751). In August 2016, the Company purchased 7,502 additional shares for the amount of USD 750,200 (NOK 6,160,795). In February 2017, 20,194 additional shares were purchased for the amount of USD2,019,400 (NOK16,958,921).

Noco Oil & Resources Ltd has not prepared audited consolidated financial statements because one of its subsidiaries registered in the United Kingdom is not required by local legislation to prepare and has not prepared audited consolidated financial statements.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. Investments in associate companies (continued)

Significant aggregate amounts in respect of associated undertakings:

2017

	Holding	Total assets NOK	Total liabilities NOK	Total net assets NOK	Share of net assets NOK
Petrolia SE	45.97%	507,961,408	220,604,639	287,356,769	132,097,907
Epsis AS	23.30%	13,107,000	9,843,000	3,264,000	760,512
Petrolia NOCO AS	24.44%	71,082,868	29,453,273	41,629,595	10,174,273
Noco Oil & Resources Ltd	39.25%	72,531,605	44,050	72,487,555	28,451,365
TOTAL					171,484,057
			Less: accumulated impairment		(70,319,335)
			Net amount		101,164,722

	Holding	Income NOK	Expense NOK	Results for the year NOK	Share of results NOK	Share of other comprehensive income NOK
Petrolia SE	45.97%	356,994,585	419,812,557	(62,817,972)	(28,877,422)	(7,654,073)
Epsis AS	23.30%	18,081,000	23,406,000	(5,325,000)	(1,240,725)	184,303
Petrolia NOCO AS	24.44%	2,282,895	15,752,298	(13,469,403)	(3,291,922)	-
Noco Oil & Resources Ltd	39.25%	2,288,145	(30,446,399)	(28,158,254)	(11,052,115)	-
TOTAL					(44,462,184)	(7,469,770)

2016

	Holding	Total Assets NOK	Total liabilities NOK	Total net assets NOK	Share of net assets NOK
Petrolia SE	49.13%	597,145,291	326,925,240	270,220,050	132,759,111
Epsis AS	23.30%	18,072,000	10,274,000	7,798,000	1,816,934
Petrolia NOCO AS	24.44%	93,929,372	38,823,570	55,105,802	13,467,858
Noco Oil & Resources Ltd	33.63%	69,042,875	78,548	68,964,326	23,192,703
TOTAL					171,236,606
			Less: accumulated impairment		(77,359,126)
			Net amount		93,877,480

	Holding	Income NOK	Expense NOK	Results for the year NOK	Share of results NOK	Share of other comprehensive income NOK
Petrolia SE	49.13%	342,147,285	447,158,216	(105,010,931)	(51,591,870)	(19,212,198)
Epsis AS	23.30%	25,753,000	25,329,000	424,000	98,792	-
Petrolia NOCO AS	24.44%	34,053,993	48,893,760	(14,839,767)	(3,626,839)	-
Noco Oil & Resources Ltd	33.63%	121,249	129,366	(8,117)	(2,730)	-
TOTAL					(55,122,647)	(19,212,198)

INDEPENDENT OIL & RESOURCES PLC

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31 December 2017

12. Available-for-sale financial assets

	2017 NOK	2016 NOK
At cost		
Balance at 1 January	-	-
Additions	<u>1,000,000</u>	<u>-</u>
Balance at 31 December	<u>1,000,000</u>	<u>-</u>

On 9 November 2017, the Company acquired from the associate company Noco Oil & Resources Limited, 1,160,000 shares in Grundigen AB, a company incorporated in Sweden, for a total consideration of NOK1,000,000.

13. Receivables

	2017 NOK	2016 NOK
Receivables from related companies (Note 18.3)	294,035	285,871
Dividends receivable	<u>301,451</u>	<u>247,999</u>
	<u>595,486</u>	<u>533,870</u>

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

14. Financial assets at fair value through profit or loss

	2017 NOK	2016 NOK
At fair value		
Investments in bonds (i)	28,122,572	75,397,611
Investments in shares (ii)	<u>55,037,483</u>	<u>63,188,816</u>
Balance at 31 December	<u>83,160,055</u>	<u>138,586,427</u>

(i) Investment in bonds

	2017 NOK	2016 NOK
Balance at 1 January	75,397,611	43,454,037
Additions	2,466,294	3,295,212
Disposal proceeds	(5,142,960)	-
Conversion of bonds into shares (Note 11)	(47,946,635)	-
Interest income	2,108,668	5,069,870
Interest received	(3,487,077)	(2,943,945)
Change in fair value	<u>4,726,671</u>	<u>26,522,437</u>
Balance at 31 December	<u>28,122,572</u>	<u>75,397,611</u>

The Company owns bonds issued by the associate company Petrolia SE. At 31 December 2017, the Company held 1,888,298 (2016: 7,553,193) bonds of nominal value NOK17,704,490 (2016:NOK65,108,120) and accrued interest of NOK 415,975 (2016: NOK 1,701,737). The interest income for the year amounted to NOK 1,076,772 (2016: NOK 4,097,311).

During the year, the Company acquired other bonds at a cost of NOK 2,466,294 increasing the other bonds as at 31 December 2017 to NOK 9,878,268. The interest income for the year of the other bonds amounted to NOK 1,031,896 (2016: NOK 972,559) and accrued interest to NOK124,475 (2016:NOK127,797).

The fair value of the Petrolia bonds was estimated by management, whereas the fair value of the other bonds were estimated by reference to the values as published by the Oslo Stock Exchange.

INDEPENDENT OIL & RESOURCES PLC

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

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

The total acquisition cost before fair value adjustments is NOK 26,563,535 (2016: NOK 75,534,807).

(ii) Investment in shares	2017 NOK	2016 NOK
Balance at 1 January	63,188,816	49,915,452
Additions	63,915,957	112,573,156
Disposal proceeds	(75,628,665)	(101,637,658)
Change in fair value	<u>3,561,376</u>	<u>2,337,866</u>
Balance at 31 December	<u>55,037,484</u>	<u>63,188,816</u>

The investment is shares relate to marketable securities and are valued at market value at the close of business on 31 December by reference to Oslo Stock Exchange quoted bid prices.

The total acquisition cost before the fair value adjustments is NOK 63,402,457 (2016: NOK85,172,082).

During the year, the Company received dividends from its investments in listed shares totalling to NOK1,189,417 (2016: NOK4,278,937).

15. Cash at bank and in hand

For the purposes of the statement of cash flows, the cash and cash equivalents include the following

	2017 NOK	2016 NOK
Cash at bank and in hand	<u>13,853,601</u>	<u>24,576,825</u>
	<u>13,853,601</u>	<u>24,576,825</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

16. Share capital

	2017 Number of shares	2017 NOK	2016 Number of shares	2016 NOK
Authorised				
Ordinary shares of NOK2.50 each	<u>28,333,452</u>	<u>70,833,630</u>	<u>28,333,452</u>	<u>70,833,630</u>
		NOK		NOK
Issued and fully paid				
Balance at 1 January	24,053,211	60,133,028	14,166,726	35,416,815
Issue of shares	<u>-</u>	<u>-</u>	<u>9,886,485</u>	<u>24,716,213</u>
Balance at 31 December	<u>24,053,211</u>	<u>60,133,028</u>	<u>24,053,211</u>	<u>60,133,028</u>

On 31 August 2016, the authorised share capital of the Company was increased by 14,166,726 shares to 28,333,452 shares of nominal value of NOK 2.50 each.

On 6 October 2016, the Company issued 9,886,485 additional shares with nominal value of NOK2.50 at a price of NOK3.50 each.

TOT Drilling Ltd a subsidiary of Noco Oil & Resources Ltd (associated company) holds 4,637,459 shares constituting 19.28% of the total issued share capital of the Company (Note 18).

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17. Trade and other payables

	2017 NOK	2016 NOK
Social insurance and other taxes	6,335	3,645
Accruals	35,039	829,836
Other creditors	352,383	134,438
Payables to associates (Note 18.4)	<u>1,000,000</u>	<u>-</u>
	<u><u>1,393,757</u></u>	<u><u>967,919</u></u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

18. Related party transactions

Shareholders	No of shares 31/12/2017	No of shares 10/05/2018	Shareholding 31/12/2017	Shareholding 10/05/2018
1 INCREASED OIL RECOVERY AS	11,981,883	11,981,883	49.81%	49.81%
2 TOT DRILLING LTD	4,638,514	4,638,514	19.28%	19.28%
3 TIME CRITICAL PETROLEUM RESOURCES	3,510,757	3,510,757	14.60%	14.60%
4 BERNH LARSEN HOLDING AS	1,363,109	1,363,109	5.67%	5.67%
5 EGD CAPITAL AS	312,210	312,210	1.30%	1.30%
Other shareholders with shareholding under 1%	<u>2,246,738</u>	<u>2,246,738</u>	<u>9.34%</u>	<u>9.34%</u>
Total number of shares	<u><u>24,053,211</u></u>	<u><u>24,053,211</u></u>	<u><u>100%</u></u>	<u><u>100%</u></u>

The chairman of the Company, Jan Egil Moe, holds indirectly 0.48% of the shares of the Company, though the company Janem SA.

In addition to the related party transactions and balances reported in notes 10, 11 and 12, other related parties transactions and balances are as follows:

18.1 Directors' remuneration (Note 6)

The remuneration of Directors and other members of key management was as follows:

	2017 NOK	2016 NOK
Directors' remuneration	208,993	207,133
Directors' fees	<u>287,144</u>	<u>232,512</u>
	<u><u>496,137</u></u>	<u><u>439,645</u></u>

18.2 Purchases of services (Note 6)

	<u>Nature of transactions</u>	2017 NOK	2016 NOK
Janem AS (shareholder)	Consultacy fees	<u>1,350,000</u>	<u>1,335,750</u>
		<u><u>1,350,000</u></u>	<u><u>1,335,750</u></u>

18.3 Receivables from related parties (Note 13)

<u>Name</u>	<u>Nature of transactions</u>	2017 NOK	2016 NOK
Heavy Minerals Limited	Financing	795	836
Petroresources Limited	Financing	<u>293,240</u>	<u>285,035</u>
		<u><u>294,035</u></u>	<u><u>285,871</u></u>

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18. Related party transactions (continued)

18.4 Payables to related parties (Note 17)

<u>Name</u>	<u>Nature of transactions</u>	2017 NOK	2016 NOK
Noco Oil & Resources Limited	Trade	<u>1,000,000</u>	-
		<u>1,000,000</u>	-

18.5 Loans due to related parties

<u>Name</u>	<u>Nature of transactions</u>	2017 NOK	2016 NOK
TOT Drilling Ltd	Financing	<u>8,519,159</u>	<u>17,870,448</u>
		<u>8,519,159</u>	<u>17,870,448</u>

In October 2015, the Company entered into a loan agreement with TOT Drilling Ltd for the amount of NOK34,007,600 (US\$4,000,000).

The loan is repayable in 5 years and bears interest at 5% per annum. Interest is payable in two instalments in June and December each year.

	2017 NOK	2016 NOK
Balance at 1 January	17,870,448	35,646,282
Repayment during the year	(8,264,940)	(16,234,800)
Interest charge for the year	730,278	1,465,991
Interest paid	(1,042,669)	(1,248,823)
Foreign exchange gain	<u>(773,958)</u>	<u>(1,758,202)</u>
Balance at 31 December	<u>8,519,159</u>	<u>17,870,448</u>

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

20. Commitments

The Company had no capital or other commitments as at 31 December 2017.

21. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

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