2017 HALF YEAR FINANCIAL RESULTS

KUWAIT ENERGY PLC GROUP

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2017

29 September 2017

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge the condensed consolidated financial statements in the half-yearly report for the six months ended 30 June 2017 has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

For and on behalf of the board

Manssour Aboukhamseen
Executive Chairman

29 September 2017

INDEPENDENT REVIEW REPORT TO KUWAIT ENERGY plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement letter dated 30 August 2017 and in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Deloitte SA

Mark Valentin	Robert Purdy
Partner	Director

Geneva, Switzerland
29 September 2017

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six month period ended 30 June 2017

		Six month period ended 30 June		Year ended 31 December
		2017	2016	2016
		Unaudited	Audited	Audited
	Notes	US$ 000's	US$ 000's	US$ 000's
Continuing Operations				
Revenue		95,398	64,819	138,895
Cost of sales		(49,201)	(57,507)	(106,556)
Gross profit		46,197	7,312	32,339
Exploration expenditure written off		(1,531)	-	-
Impairment of oil and gas assets	7	-	-	(94,337)
Loss on assets classified as held for sale	10	(1,873)	-	-
General and administrative expenses		(13,420)	(6,861)	(18,970)
Operating profit/(loss)		29,373	451	(80,968)
Share of results of joint venture		1,390	(628)	1,451
Change in fair value of convertible loans		(15,160)	(7,362)	(24,774)
Other income		537	835	1,335
Foreign exchange gain/(loss)		254	(57)	(2,340)
Finance costs		(6,789)	(4,650)	(9,365)
Profit/(loss) before tax		9,605	(11,411)	(114,661)
Taxation charge	4	(3,938)	222	(1,456)
Profit/(loss) for the period		5,667	(11,189)	(116,117)
Attributable to:				
Owners of the Company		5,663	(11,211)	(116,145)
Non-controlling interests		4	22	28
		5,667	(11,189)	(116,117)
Earnings/(loss) per share attributable to owners of the Company				
- Basic (cents)	5	1.7	(3.4)	(35.6)
- Diluted (cents)	5	1.7	(3.4)	(35.6)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six month period ended 30 June 2017

	Six month period ended 30 June		Year ended 31 December
	2017 Unaudited	2016 Audited	2016 Audited
	US$ 000's	US$ 000's	US$ 000's
Profit/(loss) for the period	5,667	(11,189)	(116,117)
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of retirement benefit obligation	409	-	(30)
Total comprehensive income/(loss) for the period	6,076	(11,189)	(116,147)
Attributable to:			
Owners of the Company	6,072	(11,211)	(116,175)
Non-controlling interests	4	22	28
	6,076	(11,189)	(116,147)

KUWAIT ENERGY PLC

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2017

	Notes	30 June 2017 Unaudited US$ 000's	31 December 2016 Audited US$ 000's
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	6	26,534	27,692
Property, plant and equipment	7	536,935	509,369
Investment in joint venture		4,559	4,424
Other non-current assets	10	32,164	4,991
		600,192	546,476
Current assets			
Inventories		24,838	23,709
Trade and other receivables	8	152,579	94,983
Cash and cash equivalents	9	67,189	58,311
Assets classified as held for sale	10	23,365	126,144
		267,971	303,147
Total assets		868,163	849,623
EQUITY AND LIABILITIES			
Equity			
Share capital		519,115	560,852
Share premium		181,826	205,929
Other reserves		(39,114)	(105,567)
Retained deficit		(420,919)	(426,582)
Equity attributable to owners of the Company		240,908	234,632
Non-controlling interest		4,383	4,437
Total equity		245,291	239,069
Non-current liabilities			
Borrowings		245,689	244,860
Convertible loans	11	23,933	117,198
Obligations under finance leases		2,431	2,937
Provisions and other non-current liabilities		15,516	15,549
Deferred tax liabilities		738	463
		288,307	381,007
Current liabilities			
Trade and other payables	12	155,322	144,368
Current tax payable		3,406	2,473
Crude oil prepayments		47,488	40,000
Convertible loans	11	124,197	19,075
Obligations under finance leases		1,169	1,169
Liabilities directly associated with assets classified as held for sale	10	2,983	22,462
		334,565	229,547
Total liabilities		622,872	610,554
Total equity and liabilities		868,163	849,623

The condensed set of financial statements were approved by the board of directors and authorised for issued on 29 September 2017. They were signed on its behalf by:

Aboukhamseen

Manssour Aboukhamseen
Executive Chairman

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six month period ended 30 June 2017

	Share capital	Share premium	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
Balance at 1 January 2016	559,835	205,491	(105,613)	(310,437)	349,276	5,645	354,921
(Loss)/profit for the year	-	-	-	(116,145)	(116,145)	28	(116,117)
Other comprehensive loss for the year	-	-	(30)	-	(30)	-	(30)
Total comprehensive (loss)/income for the year	-	-	(30)	(116,145)	(116,175)	28	(116,147)
Issue of shares for acquisition of non-controlling interest	797	347	92	-	1,236	(1,236)	-
Issue of shares under employee incentive scheme	220	91	(311)	-	-	-	-
Share based payment charges	-	-	295	-	295	-	295
Balance at 31 December 2016	560,852	205,929	(105,567)	(426,582)	234,632	4,437	239,069
Profit for the period	-	-	-	5,663	5,663	4	5,667
Other comprehensive income for the period	-	-	409	-	409	-	409
Total comprehensive income for the period	-	-	409	5,663	6,072	4	6,076
Cancellation of treasury shares*	(41,937)	(24,232)	66,169	-	-	-	-
Issue of shares for acquisition of non-controlling interest	33	20	5	-	58	(58)	-
Issue of shares under employee incentive scheme	167	109	(276)	-	-	-	-
Share based payment charges	-	-	146	-	146	-	146
Balance at 30 June 2017	519,115	181,826	(39,114)	(420,919)	240,908	4,383	245,291

*During the period ended 30 June 2017, the Group cancelled all 32.5 million shares which were held as treasury shares on 31 December 2016. Following this cancellation, the Company has 326.7 million shares in issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six month period ended 30 June 2017

	Note	Six month period ended 30 June		Year ended 31 December
		2017 Unaudited	2016 Audited	2016 Audited
		US$ 000's	US$ 000's	US$ 000's
OPERATING ACTIVITIES				
Profit/(loss) for the period		5,667	(11,189)	(116,117)
Adjustments for:				
Share in results of joint venture		(1,390)	628	(1,451)
Depreciation, depletion and amortisation		30,395	33,835	62,394
Exploration expenditure written off		1,531	-	-
Impairment of oil and gas assets		-	-	94,337
Tax charge		3,938	(222)	1,456
Foreign exchange (gain)/loss		(254)	57	2,340
Change in fair value of convertible loans		15,160	7,362	24,774
Finance costs		6,789	4,650	9,365
Interest income		(299)	(280)	(548)
Provision for retirement benefit obligation		470	283	627
Operating cash flow before movement in working capital		62,007	35,124	77,177
Increase in trade and other receivables		(24,918)	(14,760)	(47,171)
(Decrease)/increase in trade and other payables		(1,791)	(5,102)	2,722
Increase in crude oil prepayments		7,488	-	40,000
Decrease/(increase) in inventories		260	52	(749)
Tax paid		(2,729)	(532)	(532)
Net cash generated by operating activities		40,317	14,782	71,447
INVESTING ACTIVITIES				
Purchase of intangible exploration and evaluation assets		(2,181)	(2,164)	(2,503)
Purchase of oil & gas assets		(50,315)	(45,874)	(83,447)
Purchase of other fixed assets		(22)	-	(142)
Increase in capital inventory stores		(1,388)	(1,409)	(42)
Farm-outs of working interest and disposal of other fixed assets		40,625	60	3,560
Investment in Joint Venture		-	-	(945)
Dividend received from joint venture		1,255	2,000	3,500
Interest received		299	358	655
Net cash used in investing activities		(11,727)	(47,029)	(79,364)
FINANCING ACTIVITIES				
Repayment of obligations under finance leases		(596)	(979)	(1,766)
Finance costs paid		(19,334)	(17,576)	(34,636)
Net cash used in financing activities		(19,930)	(18,555)	(36,402)
Effect of foreign currency translation		218	(36)	(2,282)
Net increase/(decrease) in cash and cash equivalents		8,878	(50,838)	(46,601)
Cash and cash equivalents at beginning of the period		58,311	105,297	105,297
Cash balance re-classified to assets held for sale in the period		-	-	(385)
Cash and cash equivalents at end of the period	9	67,189	54,459	58,311

1. INCORPORATION AND ACTIVITIES

Kuwait Energy plc ("the Company") is a company incorporated on 12 September 2011 in Jersey in accordance with the Commercial Companies Law in the Bailiwick of Jersey.

The Company and its subsidiaries (together referred to as "the Group") have been established with the objective of exploration, production and commercialisation of crude oil and natural gas. The Company's registered address is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

These condensed set of financial statements do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial information for the year ended 31 December 2016 in this report does not constitute statutory accounts. This information has been derived from the statutory accounts for the year ended 31 December 2016, a copy of which is available on the Company's website and is filed with the Jersey Registrar of Companies. The auditor's report on these accounts was unqualified and did not draw attention to any matters by way of emphasis.

2. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union (EU).

The accounting policies used in the preparation of this condensed set of financial statements are consistent with those used in the preparation of the annual consolidated financial statement for the year ended 31 December 2016. No new and revised standards became effective in the EU during the period.

Going concern

As at 30 June 2017, the Group was funded principally by a combination of its cash balances, equity, borrowings, convertible loans and cash generated from operating activities. The Group has significant levels of planned capital expenditure during the next 12 months including field development expenditures in Iraq, although much of this is discretionary. The Group has completed the farm-out of one of the Group's key oil and gas assets (see note 10), and has signed an agreement with one of the convertible loan lenders for mandatory conversion of its loan into ordinary equity shares of the Company (see note 11). These actions have materially improved the Group's liquidity position and reduced the Group's contractual payment commitments. The Group performs a cash flow scenario analysis at each balance sheet date including modelling various downside scenarios and available mitigating factors. From this analysis at 30 June 2017 the directors believe that whilst some uncertainties exist over future events, the Group has various options available to mitigate such events should they occur and maintain liquidity.

Therefore, after making enquiries the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of this condensed set of financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing this condensed set of financial statements.

3. SEGMENTAL INFORMATION

Information reported to the Group's Executive Management, the chief operating decision maker, for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area, namely Egypt, Iraq, Yemen and rest of the world (included in others). The Group has one class of business, being the exploration, development, production and sale of crude oil and natural gas.

Other operations include unallocated expenditure and liabilities of a corporate nature comprising the Company's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for each period comprises the acquisition of non-attributable corporate assets.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The following is an analysis of the Group's revenue and results by reportable segments:

	Egypt	Iraq	Yemen	Others	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
30 June 2017					
Segment revenues	54,775	40,623	-	-	95,398
Segment operating profit/(loss)	22,729	20,176	(1,993)	(11,539)	29,373
Share of results of joint venture					1,390
Change in fair value of convertible loans					(15,160)
Other income					537
Foreign exchange gain					254
Finance costs					(6,789)
Profit before tax					9,605
Taxation charge					(3,938)
Profit for the period					5,667
Segment assets	229,795	502,889	79,602	55,877	868,163
E&E assets	4,389	-	22,145	-	26,534
PP&E	104,926	385,334	45,826	849	536,935
Segment liabilities	40,520	91,334	19,783	471,235	622,872
Other information:					
Exploration expenditure written off	1,531	-	-	-	1,531
Additions to E&E	1,717	-	441	-	2,158
Additions to PP&E	1,703	54,059	414	-	56,176
Depreciation, Depletion and Amortisation	16,585	13,649	-	161	30,395

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Iraq	Yemen	Others	Total
	US$ 000's	US$ 000's	US$ 000's	US$ 000's	US$ 000's
30 June 2016					
Segment revenues	50,455	14,364	-	-	64,819
Segment operating (loss)/profit	1,856	4,332	(2,722)	(3,015)	451
Share of results of joint venture					(628)
Change in fair value of convertible loans					(7,362)
Other income					835
Foreign exchange loss					(57)
Finance costs					(4,650)
Loss before tax					(11,411)
Taxation charge					222
Loss for the period					(11,189)
Segment assets	266,235	457,015	79,368	49,380	851,998
E&E assets	10,710	-	21,583	-	32,293
PP&E	186,214	435,642	45,762	1,160	668,778
Segment liabilities	36,707	63,435	22,372	385,587	508,101
Other information:					
Additions to E&E	1,451	-	712	-	2,163
Additions to PP&E	7,328	71,244	(3)	-	78,569
Depreciation, Depletion and Amortisation	26,391	7,069	-	375	33,835
31 December 2016					
Segment revenues	105,533	33,362	-	-	138,895
Segment operating (loss)/profit	(22,076)	(42,342)	(4,306)	(12,244)	(80,968)
Share of results of joint venture					1,451
Change in fair value of convertible loans					(24,774)
Other income					1,335
Foreign exchange loss					(2,340)
Finance costs					(9,365)
Loss before tax					(114,661)
Taxation charge					(1,456)
Loss for the period					(116,117)
Segment assets	238,473	473,265	79,385	58,500	849,623
E&E assets	5,988	-	21,704	-	27,692
PP&E	118,023	344,924	45,412	1,010	509,369
Segment liabilities	37,357	103,987	21,309	447,901	610,554
Other information:					
Impairment of oil and gas assets	39,787	54,550	-	-	94,337
Additions to E&E	1,670	-	833	-	2,503
Additions to PP&E	16,772	144,558	(352)	121	161,099
Depreciation, Depletion and Amortisation	47,179	14,569	-	646	62,394

4. TAXATION

The overall tax charge of US$3.9 million (30 June 2016: tax credit US$ 0.2 million, 31 December 2016: tax charge US$ 1.5 million) includes a prior period tax charge of US$1.0 million. Corporation tax in the Company's country of domicile is calculated at 0% on assessable profits for all the periods, this rate being the applicable statutory tax rate for international businesses that are tax resident in Jersey. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdiction and comprises the reminder of the charge.

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period after taxation attributable to owners of the Company of US$ 5.7 million (30 June 2016: loss of US$ 11.2 million, 31 December 2016: loss of US$ 116.1 million) and a weighted average number of shares, net of treasury shares, of 326.8 million (30 June 2016: 326.6 million, 31 December 2016: 326.6 million).

There was no difference between basic and diluted earnings/(loss) per share for all the periods presented. The only potential dilutive instruments were the outstanding Employee Incentive Scheme (EIS) share awards, which have no material dilution impact on earnings/(loss) per share, together with shares to be issued on conversion of convertible loan which are not included in the calculation for either period as the number of shares that could be exercised is dependent on future events.

6. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS

	E&E assets
Cost	US$ 000's
As at 1 January 2016	32,663
Additions	2,503
Transfer to Property, plant and equipment	(1,485)
Transfer to assets held for sale	(5,989)
As at 31 December 2016	27,692
Additions	2,158
Transfer to Property, plant and equipment	(1,785)
Exploration expenditure written off	(1,531)
As at 30 June 2017	26,534

As at 30 June 2017, exploration costs of US$ 26.5 million (31 December 2016: US$ 27.7 million) were capitalised pending further evaluation of whether or not the related oil and gas properties are commercially viable, in line with the Group's accounting policy for oil and gas assets.

During the period ended 30 June 2017, the Company has written off unsuccessful exploration expenditure amounting to US$ 1.5 million related to Egypt (31 December 2016: nil), and US$ 1.8 million exploration costs associated with proven commercial reserves in Egypt (31 December 2016: US$ 1.5 million) were transferred to property, plant and equipment.

7. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
Cost	US$ 000's	US$ 000's	US$ 000's
As at 1 January 2016	1,067,280	23,661	1,090,941
Additions	160,957	142	161,099
Disposal	-	(622)	(622)
Transfer from Intangible exploration and evaluation assets	1,485	-	1,485
Transfer to assets held for sale	(194,962)	(103)	(195,065)
As at 31 December 2016	1,034,760	23,078	1,057,838
Additions	56,154	22	56,176
Disposal	-	(47)	(47)
Transfer from Intangible exploration and evaluation assets	1,785	-	1,785
As at 30 June 2017	1,092,699	23,053	1,115,752
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2016	459,657	9,713	469,370
Charge for the year	60,257	2,137	62,394
Impairment	94,337	-	94,337
Disposal	-	(562)	(562)
Transfer to assets held for sale	(77,070)	-	(77,070)
As at 31 December 2016	537,181	11,288	548,469
Charge for the period	29,500	895	30,395
Disposal	-	(47)	(47)
As at 30 June 2017	566,681	12,136	578,817
Carrying amount			
As at 30 June 2017	526,018	10,917	536,935
As at 31 December 2016	497,579	11,790	509,369

Other fixed assets include a carrying amount of US$ 6.4 million (31 December 2016: US$ 6.8 million) in respect of assets held under finance leases.

The additions to oil and gas assets mainly relate to Siba and Block 9 in Iraq, and include US$ 8.5 million (31 December 2016: US$ 17.0 million) of finance costs on qualifying assets capitalised during the period and US$ 1.9 million (31 December 2016: US$ 2.4 million) of fair value loss on convertible loans capitalised.

In accordance with IAS 36 *Impairment of assets* the Company has made an assessment for indicators of impairment and has not identified any significant indicators. Based on this review, the Group believes no impairment is required at 30 June 2017. In 2016, due to the reduction in the oil price assumption used in estimating the future cash flows, the Group recorded an impairment loss of US$ 94.3 million, including US$ 54.5 million on the Siba fields in Iraq, US$ 7.2 million and US$ 32.6 million on the BEA and Abu Sennan fields in Egypt respectively, which has been recognised in the consolidated income statement in 2016.

A request for arbitration was filed against the Group (pursuant to the ICC Rules of Arbitration) in 2016 under which the claimant asserted that it has a right to an increased non-controlling share in one of the Group's key oil and gas assets (the "Disputed Interest"). The claimant has requested equitable relief in the form of a conveyance of the Disputed Interest from the Group to the claimant or, alternatively, a cash amount on account of profits or damages. If the claimant is successful in its claim, the Group could be required to pay damages in this amount or could be required to transfer the Disputed Interest to the claimant. No amounts have been accrued regarding this claim as the Group believes that on the basis of external legal advice its position will be vindicated by the arbitral tribunal following a full review of the facts and evidence, and is firmly committed to vigorously defending the claim.

8. TRADE AND OTHER RECEIVABLES

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
Trade receivables	100,984	77,836
Other receivables	37,913	5,244
Advance due from joint venture partners	8,667	6,429
Prepayments, deposits and advances	1,714	3,025
Amount due from a related party	3,301	2,449
	152,579	94,983

Trade receivables includes US$ 42.3 million (31 December 2016: US$ 19.7 million) arising in Iraq, which is expected to be settled in September 2017 through physical delivery of crude oil that will be sold under the crude oil prepayment agreement.

The increase in other receivables was due to the current portion of deferred consideration of the Siba farm-out.

The Group's trade receivables includes US$ 25.7 million (31 December 2016: US$ 24.0 million) arising in Egypt which is past due at the reporting date and for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
61 – 90 days	14,490	14,729
91 – 120 days	4,490	2,371
121 – 180 days	3,581	6,903
> 180 days	3,120	-
Total	25,681	24,003

9. CASH AND CASH EQUIVALENTS

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
Cash and cash equivalents	67,189	58,311
	67,189	58,311

Cash and cash equivalents includes nil (31 December 2016: US$ 4.0 million) which is restricted against issue of letters of guarantee.

10. ASSETS HELD FOR SALE

Siba farm-out
In May 2017 the Group has completed a farm-out transaction relating to its interest in the Iraq Siba area gas development and production service contract. Under the terms of the farm-out agreement, which has an effective date of 1 January 2016, the farmee has been assigned a 20% paying and 15% revenue interest in Siba and the Group retains a 40% paying and 30% revenue interest. The farmee has settled a part of the consideration in cash, and part of the consideration will be settled by paying the Group's share of costs of a major related contract. The balance owed to the group after settlement of this contract will be received from the farmee's allocation of revenue once production commences from this field. The current portion of deferred consideration is included in other receivables and the fair value of the non-current portion was calculated by discounting expected receipts based on management's best estimate of timing and is included in other non-current assets.

Abu Sennan farm-out
In December 2016 the Group signed a farm-out agreement to assign a 25% interest in Abu Sennan in Egypt with an effective date of 31 December 2016. Under the terms of the farm-out agreement the Group has received an advance of US$ 12.0 million. Following the completion of pre-emption and government approvals, the Group will have a 25% revenue interest and a 53% cost interest in Abu Sennan. In September 2017, the Group has completed the Abu Sennan farm-out transaction (note 14).

The assets and liabilities held for sale are carried at fair value less costs to sell of the sales consideration for each farm-out. During the period ended 30 June 2017, a loss of US$1.9 million on assets held for sale was recognised in the consolidated income statement, relating to the period between the effective date and completion.

The major classes of assets and liabilities comprising the assets classified as held for sale:

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
Intangible exploration and evaluation assets	5,989	5,989
Property, plant and equipment	15,361	117,995
Inventories	1,623	1,493
Trade and other receivables	322	282
Cash and cash equivalents	70	385
Total assets classified as held for sale	23,365	126,144
Trade and other payables	2,983	22,462
Total liabilities directly associated with assets classified as held for sale	2,983	22,462
Net assets of disposal groups	20,382	103,682

11. CONVERTIBLE LOANS

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
Non-current portion	23,933	117,198
Current portion	124,197	19,075
	148,130	136,273

<u>Movement in convertible loan</u>

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
As at 1 January	136,273	119,400
Change in fair value	17,011	27,211
Payment	(5,154)	(10,338)
As end of the period	148,130	136,273

The change in fair value since the prior period arises as a result of changes in the forecasted cash flows, and forecasted likelihood and timing of an equity offering. Of this amount US$ 1.9 million (31 December 2016: US$ 2.4 million) has been capitalised to qualifying assets in the period, see note 7, resulting in a net charge to the income statement of US$ 15.1 million (31 December 2016: US$ 24.8 million).

During 2017 the Group and one of the lenders holding 50% of the principal amended certain terms of the convertible murabaha agreement. The Group and Qatar First Bank have agreed that, subject to a certain conditions, the principal and part of the premium amounts outstanding under the convertible murabaha agreement will mandatorily convert into ordinary shares of the Company prior to the first repayment date. Following this amendment, the loan from this lender has been recognised entirely as a current liability.

The convertible loans are classified as Level 3 in the fair value hierarchy in all the years presented. Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs). The group uses a weighted average discounted cash flow technique to determine the fair value of the loans. The significant inputs considered in the valuation are likelihood and timing of a conversion event and the discount rate. The discount rate used was in the range of 10-18% (31 December 2016: 10-18%). Possible changes to the likelihood and timing assumptions in the fair value measurement could have a maximum impact of increasing the liability by US$2.5 million or reducing the liability by US$22.5 million.

12. TRADE AND OTHER PAYABLES

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
Trade Payables and accruals	124,617	118,514
Advance against farm-out of working interest (note 10)	12,000	3,500
Joint venture partners payables	5,328	7,568
Accrued interest payable	10,278	10,313
Salaries and bonus payables	3,099	4,473
	155,322	144,368

13. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	30 June 2017 Unaudited	31 December 2016 Audited
	US$ 000's	US$ 000's
a) Contingent liabilities - letters of guarantee	-	4,000
b) Capital commitments	38,099	43,106
c) Agreement to purchase shares	5,351	6,176

Capital commitments includes committed seismic expenditures, exploration and development well drilling as specified in the exploration and development licences.

Management applies judgement to determine the disclosure of speculative, meritless and frivolous claims. For such claims, disclosure is provided only if the existence of a possible obligation will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the entity.

14. SUBSEQUENT EVENT

In September 2017 the Group completed the farm-out transaction to assign a 25% interest in Abu Sennan in Egypt, which was classified as an asset held for sale as at 30 June 2017 (note 10).