

BVI Company Number: 1701436

UPLAND RESOURCES LIMITED

Interim Report and Accounts

for the Six Month Period from 1 July 2016 to 31 December 2016

UPLAND RESOURCES LIMITED

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UPLAND RESOURCES LIMITED

REPORT OF THE DIRECTORS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2016

Upland Resources (“**Upland**” or the “Company”) continued to make excellent progress in the second half of 2016. It has now put into action the first phase of its strategy, whilst laying the foundations for the second phase.

The first phase calls for the acquisition of stakes in assets with a favourable risk/reward balance that can provide Upland with revenue to underpin its ongoing costs and to help finance the second phase. The second phase involves securing assets with potentially higher risk than Phase 1, but with the potential to be transformational for the Company.

The half year saw, on 6th October 2016, the formal award by the UK Oil & Gas Authority of PEDL 299 to Upland’s wholly-owned subsidiary and its partners. Two days earlier we were able to announce the increase in the Company’s stake, at no cost to Upland, in the permit from 16.67% to 25%. This was due to the withdrawal of our partner Shale Petroleum from all its activities outside Alberta. Upland is working with our partners, INEOS and Europa Oil & Gas Limited (“**Europa**”) on planning the first stages of the work programme on this permit, which includes the Hardstoft Field.

During 2016, Upland worked diligently on assessing a wide range of potential acquisitions and farm-ins to add to the PEDL 299 asset. On 24th November 2016, the Company announced that it had entered into a conditional agreement with Europa to acquire a 10% stake in PEDLs 180 and 182, in Lincolnshire. These PEDLs contain the Wressle Field and the Broughton North prospect. The Wressle Field is due to come into production at a planned rate of 500 bbl/day this year, further details are given below. Upland’s agreement with Europa is contingent on inter alia the final approval of the Environment Agency and receipt of planning permission from North Lincolnshire County Council.

At the same time as announcing the Wressle acquisition, Upland completed a successful £2.2 million gross fundraising through the issue of 169,230,770 new ordinary shares in the Company at 1.3p per share, a 30% premium to the IPO price of little more than a year before. The proceeds are to pay for the deal, to pursue further assets and to cover ongoing expenses. Your Directors took full part in this fundraising and now hold between them some 38.3% of the issued shares.

In July 2016, we were very pleased to welcome Bolhassan Di to the Board as a non-executive director. Bolhassan brings a wide range of experience, contacts and knowledge to the Company, having served in senior technical and management roles in Shell around the world. He has also served in a number of high-profile roles in Malaysia: as a member of the Sarawak State Legislative Assembly, as a Sarawak Assistant Minister and as Chairman of the Miri Port Authority.

Operating environment continues to create opportunities

During the period, the spot price of Brent crude FOB recovered from about \$48/bbl to \$53/bbl. However, for many oil companies, these levels continue to be problematic. These prices affect the commerciality of many fields and, when combined with the period of preceding lower oil prices, force some companies to restructure their businesses. This has led to a reduced level of upstream activity that has in turn reduced the levels of competition for assets. Upland is well financed, has no debt and has excellent access to additional funds that means it is well placed to take advantage of the situation.

Upland continued to study a number of opportunities in the Far East, Morocco and elsewhere with a view to farm-in, or acquisition of the rights to the acreage from the relevant government. At the time of this Report, a number of opportunities are under active assessment.

New venture - Wressle

The agreement with Europa to acquire a 10% stake in PEDLs 180 and 182 (including Wressle Field) builds on the good relationship we have developed with that company since our successful 14th Round joint application for PEDL 299. PEDLs 180 and 182 contain the Wressle Field, one of (if not the) next fields to be brought into production onshore UK. Egdon Resources U.K. Limited ("**Egdon**"), as operator, drilled Wressle-1 in 2014 and in extended well test operations carried out in 2015, the well successfully flowed oil and gas from three separate reservoirs: the Ashover Grit, the Wingfield Flags and the Penistone Flags. This totalled 710 boepd from all zones.

The first stage of the development brings the Wingfield Flags and Ashover Grit Formations within Wressle into production. At a later stage, it is planned to bring the Penistone Flags reservoir onstream. The Broughton North Prospect provides exploration upside and is undrilled; it is likely to represent the third stage of development of the area.

As part of the £2.2 million fundraising towards the end of last year, Upland commissioned Blackwatch Petroleum Services to produce a new independent competent person's report covering both PEDLs 180 & 182 and PEDL 299, which validated our confidence in these assets.

The farm-in payment to Europa is made up of £1.3 million in cash and £300,000 in Upland ordinary shares. Completion, and therefore payments of these amounts, is contingent on satisfaction of a number of outstanding conditions, including receipt of planning approval and Environment Agency approval, before (as originally provided) 31st March 2017. Upland may waive these requirements, at its option. A further £250,000 in Upland ordinary shares is payable to Europa if certain production targets are met in the future.

Events since the end of the reporting period

In January 2017, North Lincolnshire County Council rejected Egdon's planning application for the limited works needed to bring the Wressle Field into production, citing a lack of information in some aspects of the application. With the full support of its partners, Egdon has since announced that it will submit a new application in respect of this work and at the same time prepare an appeal against the Council's decision. Upland believes that this is the optimum course of action.

Given the additional time that will be required to secure planning permission, Upland and Europa have agreed to extend the 31st March 2017 date for fulfilment of all conditions precedent (including grant of planning permission) to 30th September 2017. At any time after this date, Upland may walk away from the agreement at no cost.

The Upland Board believes the Wressle Field to be an attractive asset that will provide a strong revenue base for the Company in the near future.

Results for the period

The financial results for the six month period ended 31 December 2016 are appended to this report.

Upland made a pre-tax loss of £416,442 for the six months to 31st December 2016, compared to a £200,249 loss for the comparable six months to 31st December 2015. The principal reason for the increased costs in the six month period are the one-off expenditures associated with the successful fundraising, including advisors' fees, broker's fees and regulatory costs. The single largest cost was the fees related to production of the necessary prospectus, as required by the Listing Rules.

The Company has no debt and continues to be in a strong position to finance its obligations.

Your Board believes that Upland has a bright future ahead of it and is well placed to take advantage of opportunities.

Risks and uncertainties

The Group has identified the following as key risks in the second six months of this financial year:

Sub-surface risks

Risk (1): The success of the business relies on accurate and detailed analysis of the sub-surface. This can be impacted by poor quality data, either historical or recently gathered, and limited coverage. Certain information provided by external sources may not be accurate.

Mitigation: All externally provided and historical data is rigorously examined and discarded when appropriate. New data acquisition is considered and adequate programmes implemented, but historical data can be reviewed and reprocessed to improve the overall knowledge base.

Risk (2): Data can be misinterpreted leading to the construction of inaccurate models and subsequent plans.

Mitigation: All analytical outcomes are challenged internally and peer reviewed. Interpretations are carried out on modern geoscience software.

Corporate risks

Risk: The Group's success depends upon skilled management as well as technical and administrative staff. The loss of service of critical members of the Group's team could have an adverse effect on the business.

Mitigation: The Group periodically reviews the compensation and contract terms of its staff.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the Company's financial statements.

Auditing

This interim report and accounts for the six month period ended 31st December 2016 (the "**Interim Report and Accounts**") has not been audited or reviewed pursuant to the Financial Reporting Council guidance on 'Review of Interim Financial Information'.

Statement of Directors' Responsibilities

The Interim Report and Accounts is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report and Accounts in accordance with the Disclosure and Transparency Rules (the "DTRs") of the United Kingdom's Financial Conduct Authority (the "FCA"). The DTRs require that the accounting policies and presentation applied to the half yearly figures must be consistent with those applied in the latest published annual accounts.

The Directors confirm that, to the best of their knowledge, the set of financial statements contained in the Interim Report and Accounts, which have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group, as required by DTR 4.2.2 and in particular include a fair review of:-

- the important events that have occurred during the half of the financial year and their impact on the set of financial statements contained in the Interim Report and Accounts, as required by DTR 4.2.7R;
- the principal risks and uncertainties for the remaining half of the year as required by DTR 4.2.7R; and
- related party transactions that have taken place in the first half of the current financial year.

The Directors of Upland Resources Limited are Norza Zakaria (*Non-Executive Chairman*), Stephen Staley (*Chief Executive Officer*), Jeremy King (*Non-Executive*) and Bolhassan Di (*Non-Executive*).

Norza Zakaria
Chairman

Stephen Staley
Chief Executive Officer

21 March 2017

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2016

	6 months to 31 December 2016 £	6 months to 31 December 2015 £
Revenue	-	-
Administrative expenses	(416,442)	(200,249)
Operating loss	(416,442)	(200,249)
Loss before taxation	(416,442)	(200,249)
Taxation	-	-
Loss and Total Comprehensive Income for the Period Attributable to Equity Owners of the Company	(416,442)	(200,249)
Loss per share in pence – basic and diluted	(0.17)	(0.15)

The results above derive wholly from continuing operations.

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 £	30 June 2016 £
Current Assets			
Other debtors	2	1,100,332	1,923
Cash and cash equivalents		1,601,318	1,039,352
		<hr/> 2,701,650	<hr/> 1,041,275
		<hr/> 2,701,650	<hr/> 1,041,275
Total assets			
Equity			
Share capital		-	-
Share premium		3,744,831	1,627,201
Retained earnings		(1,086,641)	(670,199)
		<hr/> 2,658,190	<hr/> 957,002
Total equity			
Current liabilities			
Other payables	3	43,460	84,273
		<hr/> 2,701,650	<hr/> 1,041,275
Total equity and liabilities			

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2016

	Premium on shares £	Retained earnings £	Total equity £
At 1 July 2016	1,627,201	(670,199)	957,002
Issue of shares	2,200,000	-	2,200,000
Share issue costs	(82,370)	-	(82,370)
Loss for the period	-	(416,442)	(416,442)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	<u>3,744,831</u>	<u>(1,086,641)</u>	<u>2,658,190</u>

	Premium on shares £	Retained earnings £	Total equity £
At 1 July 2015	392,201	(296,783)	95,418
Issue of shares	1,300,000	-	1,300,000
Share issue costs	(65,000)	-	(65,000)
Loss for the period	-	(200,249)	(200,249)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	<u>1,627,201</u>	<u>(497,032)</u>	<u>1,130,169</u>

UPLAND RESOURCES LIMITED**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2016**

	6 months to 31 December 2016	6 months to 31 December 2015
	£	£
Cash Flows from Operating Activities		
Loss from operations	(416,442)	(200,249)
(Increase) in other debtors	(168,409)	(1,748)
(Decrease) in trade and other payables	(40,813)	(2,348)
	<hr/>	<hr/>
Net cash flow from operating activities	(625,664)	(204,345)
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Proceeds from issuance of shares of no par value	1,270,000	1,300,000
Costs of issuance of shares of no par value	(82,370)	(65,000)
	<hr/>	<hr/>
Net cash generated from financing activities	1,187,630	1,235,000
	<hr/>	<hr/>
Net increase in cash and cash equivalents	561,966	1,030,655
Cash and cash equivalents at the beginning of the period	1,039,352	134,184
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,601,318	1,164,839
	<hr/> <hr/>	<hr/> <hr/>

UPLAND RESOURCES LIMITED

NOTES TO THE INTERIM ACCOUNTS

1 Accounting policies

The same accounting policies and methods of computation are followed in these interim accounts as compared with the most recent annual financial statements.

2 Other debtors

	31 December 2016 £	30 June 2016 £
Other debtors	932,230	-
Prepayments	168,102	1,923
	<u>1,100,332</u>	<u>1,923</u>

3 Other payables

	31 December 2016 £	30 June 2016 £
Accruals	<u>43,460</u>	<u>84,273</u>

4 Related party transactions

The directors are considered to be the key management personnel of the company. During the interim period, the company paid fees to directors amounting to £90,953 (Year ended 30 June 2016 - £138,381).

During the interim period, the company was charged fees and commission of £92,370 (Year ended 30 June 2016 - £84,534) by Optiva Securities Limited, a company in which J King is a director and shareholder. Of this amount, £82,370 (Year ended 30 June 2016 - £65,000) has been charged to the share premium reserve.