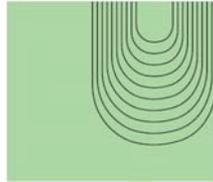


BVI Company Number: 1701436

UPLAND RESOURCES LIMITED

Interim Report and Accounts

for the Six-Month Period from 1 July 2018 to 31 December 2018



UPLAND RESOURCES LIMITED

CONTENTS

Report of the Directors	1-3
Consolidated Statement of Comprehensive Income	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Changes in Equity	6
Consolidated Statement of Cash Flows	7
Notes to the Interim Accounts	8-10

UPLAND RESOURCES LIMITED

REPORT OF THE DIRECTORS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2018

Upland Resources (“Upland” or the “Company”) had a busy and productive second half of 2018.

On the 1 August 2018, and after detailed due diligence, we announced that our application for an exclusive permit to explore the onshore Saouaf Permit area had been accepted by the Hydrocarbon Consultative Committee (“the HCC”) of the Government of Tunisia. Award of the permit was subsequently ratified by the HCC in late December. As is required under the terms of the permit, a US\$1 million bank guarantee was put in place. This will be released as the work commitments under the permit are fulfilled.

Upland commissioned an independent competent person’s report (“CPR”) for Saouaf, published on 31 December 2018. This CPR estimates that Saouaf holds an estimated 1.96 TCF recoverable gas plus 42 MMbbl oil, totaling a recoverable resource of 380 MMboe (millions of barrels of oil equivalent) in 13 leads and prospects. This includes an existing gas discovery (Dekrila), with an estimated 227 BCF recoverable resource, and the SNJ Prospect where the SNJ-1 well had oil on the shakers. We look forward to further derisking these resources with new seismic data and new wells in this first permit where an Upland subsidiary, here Upland (Saouaf) Limited, will act as operator.

During the reporting period, the Company commenced drilling of the Wick-1 exploration well in the Inner Moray Firth area of the North Sea. Earlier in the year, Upland’s wholly-owned subsidiary, Upland Resources (UK Onshore) Limited, had farmed in to a 40% interest in the UK Offshore Production Licence P2235, which includes the Wick prospect. As at the end of the reporting period the Wick-1 well was drilling towards its targets.

The Company continued to make good progress on the road to securing new assets in Sarawak. Through a number of initiatives with both national and Sarawakian players, Upland has maintained a high profile in the area as a new oil & gas regulatory regime is being put in place.

Upland also continues to assess other potential new activities.

In July 2018, we announced that our Chairman, Norza Zakaria, was stepping down due to his new responsibilities as President of the Olympic Council of Malaysia. Bolhassan Di, a non-executive director, has become Chairman in his place.

In October 2018, Optiva Securities, broker and financial advisor to Upland, exercised 6,500,000 warrants to subscribe for new shares in the Company.

Events since the end of the reporting period

On 2 January 2019, the Company announced that it had allowed the £3.5 million loan note facility put in place in March 2018 to lapse on 31 December 2018 without having needed to call on it.

On 16 January 2019, the Company announced that the Wick -1 exploration well had encountered a good quality Beatrice Sandstone reservoir but that it was unfortunately water bearing. The well was therefore plugged and abandoned.

Results for the period

The financial results for the six month period ended 31 December 2018 are appended to this report.

Upland made a pre-tax loss of £414,407 for the six months to 31 December 2018, compared to a £337,839 loss for the comparable six months to 31 December 2017. The principal reasons for the increased costs in the six-month period are the legal, accounting and regulatory costs incurred in preparing supplementary prospectuses (including a competent person's report in respect of the Saouaf Licence) and announcements, to satisfy the requirements of the Prospectus 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:

Subsurface risks

Risk (1): The success of the business relies on accurate and detailed analysis of the subsurface. 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 and consultants to ensure they are competitive.

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 31 December 2018 (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 Bolhassan Di (*Non-Executive Chairman*), Stephen Staley (*Chief Executive Officer*) and Jeremy King (*Non-Executive*).

Bolhassan Di
Chairman
5 March 2019

Stephen Staley
Chief Executive Officer

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2018

	6 months to 31 December 2018 £	6 months to 31 December 2017 £
Revenue	-	-
Administrative expenses	(342,777)	(337,839)
Operating loss	(342,777)	(337,839)
Finance costs	(71,630)	-
Loss before taxation	(414,407)	(337,839)
Taxation	-	-
Loss and Total Comprehensive Income for the Period Attributable to Equity Owners of the Company	(414,407)	(337,839)
Loss per share in pence – basic and diluted	(0.07)	(0.09)

The results above derive wholly from continuing operations.

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	31 December 2018 £	30 June 2018 £
Non-current assets			
Intangible assets	2	2,958,797	301,986
		<hr/>	<hr/>
Current assets			
Trade and other receivables	3	449,737	3,139,270
Cash and cash equivalents		1,666,549	2,173,720
		<hr/>	<hr/>
		2,116,286	5,312,990
		<hr/>	<hr/>
Total assets		5,075,083	5,614,976
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Share capital		-	-
Share premium		7,684,962	7,619,962
Retained earnings		(2,751,368)	(2,336,961)
		<hr/>	<hr/>
Total equity		4,933,594	5,283,001
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	4	141,489	331,975
		<hr/>	<hr/>
Total equity and liabilities		5,075,083	5,614,976
		<hr/> <hr/>	<hr/> <hr/>

UPLAND RESOURCES LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2018**

	Premium on shares £	Retained earnings £	Total equity £
At 1 July 2018	7,619,962	(2,336,961)	5,283,001
Issue of shares	65,000	-	65,000
Loss for the period	-	(414,407)	(414,407)
At 31 December 2018	<u>7,684,962</u>	<u>(2,751,368)</u>	<u>4,933,594</u>

	Premium on shares £	Retained earnings £	Total equity £
At 1 July 2017	3,751,831	(1,418,437)	2,333,394
Loss for the period	-	(337,839)	(337,839)
At 31 December 2017	<u>3,751,831</u>	<u>(1,756,276)</u>	<u>1,995,555</u>

UPLAND RESOURCES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM SIX MONTH PERIOD ENDED 31 DECEMBER 2018

	6 months to 31 December 2018	6 months to 31 December 2017
	£	£
Cash Flows from Operating Activities		
Loss from operations	(342,777)	(337,839)
(Increase) in trade and other receivables	(382,097)	(4,703)
(Decrease)/ increase in trade and other payables	(53,341)	47,727
	<hr/>	<hr/>
Net cash flow from operating activities	(778,215)	(294,815)
	<hr/>	<hr/>
Cash Flows from Investing Activities		
Expenditures incurred on exploration and evaluation assets	(2,657,087)	-
	<hr/>	<hr/>
Net cash flow from investing activities	(2,657,087)	-
	<hr/>	<hr/>
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares, net of issue costs	2,928,131	-
	<hr/>	<hr/>
Net cash generated from financing activities	2,928,131	-
	<hr/>	<hr/>
Net (decrease) in cash and cash equivalents	(507,171)	(294,815)
Cash and cash equivalents at the beginning of the period	2,173,720	2,250,872
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	1,666,549	1,956,057
	<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 Intangible assets

	Exploration and evaluation costs £
Cost and net book value	
At 1 July 2018	301,986
Expenditure	<u>2,656,811</u>
At 31 December 2018	<u>2,958,797</u>

These costs relate to the preparation for, and drilling and evaluation of, the Wick-1 well.

The directors assess for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. As at 31 December 2018, the Wick-1 well was drilling towards its targets and no indications of impairment were present.

Subsequent to the interim period, on 16 January 2019, the Company announced that the Wick-1 exploration well had been unsuccessful and would be plugged and abandoned. In accordance with the Company's accounting policy for exploration and evaluation costs, following the determination in January 2019 that the drilling operation had been unsuccessful, these costs, together with further costs of £550,000 incurred in January 2019, will be recognised as an impairment loss in January 2019.

3 Trade and other receivables

	31 December 2018 £	30 June 2018 £
Other debtors	433,280	3,055,612
Prepayments	<u>16,457</u>	<u>83,658</u>
	<u>449,737</u>	<u>3,139,270</u>

UPLAND RESOURCES LIMITED

NOTES TO THE INTERIM ACCOUNTS (CONTINUED)

4 Trade and other payables

	31 December	30 June 2018
	2018	
	£	£
Trade payables	62,322	188,529
Other payables	18,571	18,571
Accrued expenses	60,596	124,875
	<u>141,489</u>	<u>331,975</u>

5 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 £96,666 (year ended 30 June 2018 - £230,000).

During the interim period, the company was charged fees and commission of £10,000 (year ended 30 June 2018 - £210,440) by a company of which a director of the company is also a director and shareholder. Of this amount, £nil (year ended 30 June 2018 - £171,869) has been charged to the share premium reserve.

During the interim period, the company was charged consultancy fees of £38,000 (year ended 30 June 2018 - £46,000) by a director of the company.

6 Commitments and post balance sheet events

At the balance sheet date, the group, with its partner ETAP (the Tunisian state oil company), had entered into an agreement with the government of Tunisia for an exclusive prospecting permit over an onshore area known as the Saouaf Permit, including the existing Dekrila gas discovery.

The terms of the Permit commit Upland's wholly-owned subsidiary, Upland (Saouaf) Limited, to carry out a minimum work programme including the acquisition of 300 km of new 2D seismic data. The Permit does not require that a minimum amount be spent but, as is usual, a \$1 million bank guarantee has been put in place by Upland, which will be reimbursed as elements of the work programme are completed.

In addition, at the balance sheet date, the group held a 25% interest in PEDL 299. A cost-sharing arrangement has been put in place under the Joint Operating Agreement between the co-licensees. Under that arrangement, it is estimated that the group's share of the costs over the remaining 3 years of the licence will be £700,000, with no significant costs expected to be incurred before 2020.

UPLAND RESOURCES LIMITED

NOTES TO THE INTERIM ACCOUNTS (CONTINUED)

6 Commitments and post balance sheet events (continued)

On 16 January 2019, the Company announced that the Wick-1 exploration well had encountered a good quality Beatrice Sandstone reservoir but that it was unfortunately water bearing. The well was therefore plugged and abandoned. The financial effect of this determination is disclosed in note 2 above. Drilling of the Wick-1 exploration well constituted fulfilment of the outstanding work commitments of Upland's wholly-owned subsidiary, Upland Resources (UK Onshore) Limited, and its partners under permit P2235.

