Sequa Petroleum N.V.

Annual report and accounts for the year ending 31 December 2014

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Annual report and accounts

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Report of the Management Board

To the shareholders

The Management Board of Sequa Petroleum NV (the 'Company') hereby presents its financial statements for the year ending 31 December 2014. The Company and its consolidated subsidiaries are considered to be 'the Group' in these financial statements.

General information

Sequa Petroleum NV is an oil and gas company founded on 27 August 2013 and listed on Euronext Marché Libre. The Company is a Dutch legal entity and a UK tax resident. It prepares its accounts in US dollars using IFRS as adopted in the EU.

The Company focuses on taking discovered oil and gas reserves and resources from appraisal through to production. The Company is supported by a strong and dedicated shareholder group which includes its senior management as well as the privately owned Principal Investment holding company Sapinda Holding BV.

The Company has assembled a highly experienced Management Board with a proven track record and with expertise in exploration, appraisal, development and production of oil and gas assets, both onshore and offshore, in jurisdictions around the globe. The members of the Management Board are Jacob Broekhuijsen, Peter Haynes, Jim Luke and Jelte Bosma. As of 15 June 2015, Alistair Williams stepped down as Director and Member of the Management Board. He continued in his role of Chief Financial Officer until a replacement was identified. On 7 September 2015, the Company announced the appointment of Benjamin Lee as Interim Chief Financial Officer.

The Company's Articles of Association specify a two tier Board structure with appropriate powers being reserved to the Supervisory Board. The members of the Supervisory Board are Lars Windhorst and Edwin Eichler (both employees of Sapinda) and Jos van Rijswijk (an independent executive, formerly employed through the majority of his career by Royal Dutch Shell).

Financial information

- In January 2014, the Group completed an Assignment and Financing Agreement (AFA) with Bolz LLP, a company registered in Kazakhstan. Under the terms of the deal, the Group farmed into the Aksai licence, becoming operator and 75% owner of the licence for the purpose of conducting exploration activities over an initial period up to July 2015. The agreement committed the Company to make a loan facility of USD 90 million available to Bolz LLP in addition to a licence acquisition fee of USD 10 million. The Group advanced USD 3 million of the loan facility to Bolz LLP in 2013 with the remainder of the loan advanced and the acquisition fee paid in 2014. The AFA allows for the loan to Bolz LLP to be repaid out of initial hydrocarbon revenues in the event of the project's success. Therefore, the Group has capitalised the loan as part of intangible oil and gas exploration assets.
- In March 2014, the Company agreed a term sheet with Bolz LLP for the acquisition of the remaining 25% of the Aksai licence. This transaction did not complete and remains under consideration.

- In 2015, the AFA with Bolz LLP has been amended in combination with an internal restructure of the Aksai licence ownership within the Group. Further details can be found in Note 22 on page 45.
- During the year, the Group drilled its first well as part of the Aksai licence. Under the terms of the AFA the Group carried the costs of its partner Bolz LLP for this well. The target depth of 5,364m was reached in November 2014 but evaluation of the well determined that the hydrocarbons present were not commercially viable. The well was plugged in December 2014 and the total well costs of USD 27.9 million were expensed to the income statement in the year.
- Total capital exploration expenditure incurred in 2014 was USD 123.9 million (2013 USD 3.6 million) and primarily consisted of the Aksai licence acquisition, loan facility provided to Bolz LLP, drilling costs and seismic activity.
- The Group made a post-tax loss for the year of USD 44.7 million (2013 USD 4.2 million) which included a charge of USD 27.9 million (2013 nil) for unsuccessful exploration and USD 13.1 million (2013 USD 4.0 million) in relation to other operating and administration costs. Net finance costs in the year were USD 3.7 million (2013 USD 0.2 million) primarily relating to interest on shareholder loans and foreign exchange differences.
- During the year the shareholder loan facility agreed with Centrics Oil & Gas B.V. was amended from a maximum of EUR 100 million to USD 142.8 million to align with the size and currency of anticipated outflows. As at the balance sheet date the amount undrawn under the facility was USD 26.6 million. In 2015, the shareholder loan was converted into senior convertible bonds with a maturity date of 2020. Further details can be found in note 18.
- At the balance sheet date, the Group held cash reserves of USD 0.8 million (2013 21.0 million) and had net liabilities of USD 21.2 million (2013 net assets of USD 23.4 million). As at the date of the financial statements, the Group has access to sufficient resources to meet existing financial commitments. Further details can be found on page 6 under Going Concern.
- The Company's existing shares were listed on the Euronext Paris Marché Libre exchange in July 2014. No new shares were issued as part of this transaction.

Significant risks and uncertainties

The Group is subject to a variety of risks including those which derive from the nature of the oil and gas exploration and production business and relate to the countries in which it conducts its activities. Outlined below is a description of the principal risk factors that may affect performance. Such risk factors are not intended to be presented in any order of priority. Any of the risks, as well as the other risks and uncertainties referred to in this annual report, could have a material adverse effect on business performance. In addition, the risks set out below may not be exhaustive and additional risks and uncertainties, not presently known to the Group, or which the Group currently deems immaterial, may arise or become material in the future.

Legislation, licence terms and conditions

Oil and gas exploration licences have work commitments that must be carried out within certain agreed timeframes. Failure to carry out these work commitments within the currently agreed timeframes, or to successfully negotiate extensions to the time permitted to carry out these work commitments, could result in the Group losing its licences and the associated resource potential therein.

Planning and permitting risk

Planning for oil and gas projects requires long lead times for both sourcing equipment and obtaining necessary permits. Interruptions to either of these activities can delay the completion of such projects and may have a significant impact on valuation.

Exploration risk

The Group employs advanced geoscience techniques, together with the support of experienced staff and consultants, to evaluate its exploration prospects. However, such resource and technology only mitigates and cannot eliminate the risk that economically producible oil or gas will not be discovered through its exploration efforts.

Oil and gas prices

The Group's asset value and the economic value of its projects depend on the price of oil and gas. The ability to raise capital in the future is sensitive to the price of oil and gas. Once the Group has oil and gas to sell, it may seek to mitigate this risk through appropriate long term contracts.

Exchange risk

Although the Group reports in US dollars, it operates in Kazakhstan. Further, the Group's head office is in the United Kingdom where most costs are Sterling denominated and where it also enters into some Euro denominated contracts. The Group manages these exchange risks by trying to ensure where possible that all key operating contracts and expenditure commitments are either US dollar denominated or that the contract is fixed in US dollars, even if the final payment is in local currency. In addition, the Group maintains adequate amounts of funding in US dollars and the required currencies to meet its various local currency expenditure commitments.

Operational, HSE and environmental risks

The Group's operations are subject to the environmental risks inherent in the oil and gas industry. In particular, the Aksai project involves drilling deep wells. Major incidents could occur, but this risk is mitigated by management supervision, careful choice and monitoring of contractors and the ongoing development and testing of management and emergency procedures.

Kazakhstan business environment risks

The Kazakhstan government has exercised and continues to exercise significant influence over many aspects of the private sector. The government has been attempting to implement economic reform policies and encourage substantial private economic activity. These reforms are ongoing and may result in significant structural changes to the Kazakhstan economy.

The financial return on the activities in which the Group participates is also subject to unique economic, political, and social risks inherent in doing business in Kazakhstan.

These risks include matters arising out of the policies of the government, economic conditions, imposition of or changes to tax and other legislation, foreign exchange fluctuations, unenforceability of contract rights, and the transfer of property without fair compensation. The risks are managed through the employment of experienced employees with knowledge of the industry and local economy.

The accompanying financial statements reflect management's assessment of the possible impact of the current environment on the financial position of the Group. The future business environment may differ from management's assessment. The impact of such differences on the operations and financial statements of the Group may be significant.

Environmental and personnel related information

The Group is engaged in oil and gas exploration. All activities are planned and conducted in accordance with appropriate standards to minimise environmental impact.

All the Group's activities are planned to ensure the continued health and safety of employees, consistent with all legal requirements.

The Group provides appropriate incentives to the Management Board. Each member of the Management Board receives a competitive market salary, appropriate for their skills and experience, and is also a shareholder in the Company. These arrangements fully align the interests of shareholders and the Management Board.

Supervisory Directors receive appropriate fees to reflect their experience and time commitment to the Group.

Information regarding financial instruments

The Group has not entered into derivative contracts. Where required for operational purposes, spot foreign exchange transactions are undertaken and surplus funds are deposited with certain financial institutions approved by the Management Board and regulated by the Financial Conduct Authority in the UK.

Research and development information

The Group does not have or plan any research and development activities.

Sustainability related information

The Group considers itself to be a guest in the countries that it operates in and manages its affairs to comply with all applicable local laws as well as international best practice standards for the sustainability of oil and gas extraction operations.

Information on male/female partitioning of Board members

The Management and Supervisory Boards of the Company are all male. This reflects the history of the Group to date, but the Company is committed to gender equality as a principle and will seek opportunities to recruit appropriately qualified female Directors in the future.

Strategy and outlook

Strategy

The Group's strategy is to create a significant international oil and gas company with assets in a number of oil producing regions. The business model aims to balance a diverse portfolio of appraisal and development opportunities with stable producing assets that deliver cash flows. The partnerships established will range from the acquisition of an exploration licence and committing to co-invest in a work programme to evaluate and commercialise a potential resource to partnering with established industry players; capturing value opportunities from producing or developing assets.

The Group's initial investment deal was completed in January 2014 with Bolz LLP, a company registered in Kazakhstan. Under the terms of this deal, the Group farmed into the Aksai licence and became operator and 75% owner of the licence. The first exploration well was drilled and plugged in December 2014. The initial exploration licence expired in July 2015 and a three year extension period to July 2018 was subsequently approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believe that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results.

Outlook

In the current low oil price environment, the Group is actively seeking and evaluating production and short-term development opportunities. In June 2015, it was announced that agreement had been reached for the acquisition of Tellus Petroleum Invest AS (Tellus) an independent oil and gas company registered in Norway with an experienced management team. The acquisition completed in September 2015. The Group also announced an agreement to acquire, via Tellus, a portfolio of Norwegian assets with c60 mmboe proved and probable reserves, including a working interest in four oil and gas fields along with stakes in several exploration blocks. The Group expects the assets will generate production in excess of 10 mboepd in 2016 along with the potential for future exploration upside.

The consideration for the Norwegian asset portfolio is USD 602 million, and will be adjusted to reflect an economic date of 1 January 2015. Up to a further USD 100 million of consideration is payable contingent upon oil price movements over a four year period. The Group made an advance payment of USD 30.1 million in June 2015.

In October 2015, it was also announced that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog unit in the Norwegian Continental Shelf and, in November 2015, an agreement with OMV (Norge) AS to purchase 0.554% interest in the Ivar Aasen field in the northern part of the North Sea.

The effective date of both transactions is 1 January 2015. On completion the Group will pay its share of operator project costs for 2015 of around NOK 1.4 billion for Gina Krog and NOK 21.5 million for Ivar Aasen. On entering into the agreement for Gina Krog, the Group made an advance payment of NOK 50 million (USD 6 million) against these costs.

The Wintershall, Gina Krog and Ivar Aasen portfolio transactions are planned to be funded through a combination of debt and equity and are subject to normal consent by Norwegian Authorities. The Group's ability to close the transactions may be subject to market conditions.

Going Concern

In assessing Group's ability to continue as a going concern, Management has reviewed the financial position of the Group, operating cost profile, capital expenditure plans and cash flow projections under a range of assumptions.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l ('Sapinda Invest), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility having been drawn in full or after two years, whichever is earlier. The Group will draw down on the facility as required in order to fund the commitments of the business. In 2015, the Group entered into a three-year financial commitment totalling USD 69 million associated with the Kazakhstan exploration work programme, of which USD 27.2 million is attributable to the end of 2016. Management believes that these exploration work programme commitments can be renegotiated depending on seismic interpretation and initial work programme results. Management are proactively working to deliver an appropriate capital structure to finance existing and future activities going forward. Management has a reasonable expectation that sufficient funds will be made available under the committed shareholder loan facility in a timely manner to allow the Group to continue in operational existence for at least twelve months and are therefore satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements.

Subsequent Events

In January 2015 the Company adopted new compliance procedures. As the Company has its management in the UK, it is subject to the UK Bribery Act 2010, as well as other anti-corruption legislation. The Company conducted a governance, risk and compliance review during 2014 and adopted an updated Code of Conduct and various new and updated compliance, tendering, disclosure and anti-corruption policies in January 2015. A programme of training and continuous review of these policies is in place.

In April 2015, the Company created USD 300 million senior convertible bonds in order to finance future business development. The bonds mature in April 2020 and pay a coupon of 5%. Once certain conditions have been met, the bonds are convertible at the option of the holders into ordinary shares of the Company at a conversion price of USD 3.50 per share. USD 129.4 million of the bonds were issued to Centrics Oil & Gas B.V. in full consideration for the principal and accrued interest outstanding under the existing shareholder loan facility as at the date the bonds were issued. A further USD 75 million under the bond programme was issued to third parties for cash consideration with the remaining amount expected to be issued for cash consideration before the end of 2015.

In April 2015, Sapinda Asia Limited, an existing shareholder of Sequa Petroleum N.V. entered into a commitment, to subscribe for up to USD 62.5 million of additional ordinary shares in the Company during 2015. This agreement was subsequently amended in November 2015 into a convertible shareholder loan facility with Sapinda Invest S.a.r.l. for the same amount.

In June 2015, the Group announced that agreement has been reached for the acquisition of the entire issued share capital of Tellus Petroleum Invest AS (Tellus) a company registered in Norway. The acquisition of Tellus completed in September 2015. The initial consideration comprised NOK 10 million (USD 1.2 million) payable in cash and 1.5 million of shares in the Company with an estimated fair value of USD 4.6 million. The total purchase price also includes contingent consideration, comprising up to NOK 20 million and 4.5 million shares in the Company. The contingent consideration is payable in 2016 subject to the completion of certain asset acquisition transactions currently being pursued by Tellus. The acquisition of Tellus represents a business combination in accordance with IFRS 3. As at the date of approval of the financial statements the initial acquisition accounting had yet to commence and further information on the impact of the business combination on the financial statements was unavailable. This information will be provided in the Group financial statements for the year ended 31 December 2015.

In June 2015, the Group also announced its intention to acquire, via Tellus, a portfolio of assets in the Norwegian Continental Shelf consisting of working interests in four oil and gas fields along with interests in several exploration blocks. The consideration for the Norwegian asset portfolio is USD 602 million, and will be adjusted to reflect an economic date of 1 January 2015. Up to a further USD 100 million of consideration is payable contingent upon oil price movements over a four year period. The Group made an advance payment of USD 30.1 million in June 2015. The transaction is subject to standard regulatory approvals and requires the Group to raise debt and equity to finance the transaction. The Group's ability to close the transaction may be subject to market conditions.

In July 2015, the Company adopted the Dutch Corporate Governance Code and is currently recruiting independent directors, in order to ensure that the Supervisory Board will contain a majority of independent directors. To further increase independence and bring the Company's corporate governance structure more in line with the principles of Dutch large company regime (structuurregime), in August 2015 the Articles of Association of the Company were amended to reduce the number of reserved matters previously requiring Supervisory Board approval. The adoption of the Dutch Corporate Governance Code and associated changes to the Company's Articles of Association will provide the Company with a solid foundation for autonomous growth and decision making more in accordance with standard practice for Dutch listed NVs.

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group subsequently made a cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence.

In August 2015, the Government of Kazakhstan together with the National Bank of Kazakhstan renounced the practiced exchange rate corridor and implemented a new floating monetary policy for the KZT. As a result the KZT devalued immediately by some 30% against the USD compared to year end rates. This is not expected to have a significant impact on the planned exploration activities in Kazakhstan.

In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believes that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results.

In October 2015, the Company announced that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog unit in the Norwegian Continental Shelf and, in November 2015, an agreement with OMV (Norge) AS to purchase 0.554% interest in the Ivar Aasen field in the northern part of the North Sea. The effective date of both transactions is 1 January 2015. On completion the Group will pay its share of operator project costs for 2015 of around NOK 1.4 billion for Gina Krog and NOK 21.5 million for Ivar Aasen. On entering into the agreement for Gina Krog, the Group made an advance payment of NOK 50 million (USD 6 million) against these costs. The transactions are planned to be funded through a combination of debt and equity and are subject to normal consent by the Norwegian Authorities. The Group continues to work on the completion of the transactions and the ability to close the transactions may be subject to market conditions.

Sequa Petroleum N.V.

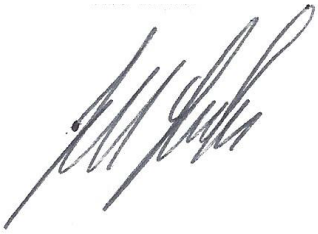
London, 26 November 2015

Members of the Management Board:

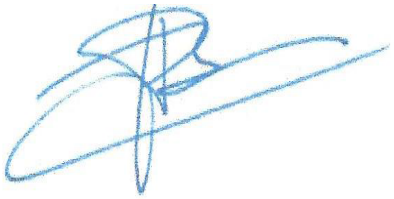
Jacob Broekhuijsen

Peter Haynes

Jim Luke



Jelte Bosma



Report of the Supervisory Board

To the shareholders

The Supervisory Board met seven times during 2014, with all meetings held at the Company's offices in London. Meetings were attended by the Supervisory Board members as set out in the table below. Each meeting included a discussion on the Company's strategy and the main risks to implementation, as summarised in the Management Board's report. Edwin Eichler was appointed to the Supervisory Board on 31 March 2014 and Remi Grosjean ceased to be a member on 4 June 2015. The Supervisory Board membership is shown below:

Summary data	**Lars Windhorst**	**Edwin Eichler**	**Remi Grosjean**	**Jos van Rijswijk**
Gender	Male	Male	Male	Male
Age	38	57	35	69
Profession	Active Investor	Executive	Investment professional	Supervisory board member
Principal position	Chairman	Member	Member	Member
Nationality	German	German	French	Dutch
Other position relevant to this role (if any)	Employee of Sapinda	Employee of Sapinda	Employee of Sapinda	Independent
Date of appointment	23 October 2013	31 March 2014	23 October 2013	23 October 2013
Date of termination	N/A	N/A	4 June 2015	N/A
Securities held in Company	Yes	None	None	None
Benefit received on resigning from Board	N/A	N/A	None	N/A

Meeting attendance:

	No of meetings attended
Lars Windhorst	2 of 7
Edwin Eichler	6 of 6
Remi Grosjean	7 of 7
Jos van Rijswijk	7 of 7

During the meetings held in 2014, the Supervisory Board also discussed the financial risks and opportunities associated with the Aksai licence and the agreements proposed by the Management Board to structure this project. The Supervisory Board also discussed the investment plan related to the project and a Group cash flow analysis as presented by the Management Board. From a governance perspective, the Supervisory Board reviewed the Management Board's plan for setting up of effective corporate compliance processes. The Supervisory Board also considered other upstream and downstream business development opportunities.

As much as the Supervisory Board values diversity, there are currently no female Supervisory Board members. At the moment the Company has no policy determining a particular male/female split in the membership of the Supervisory Board. The Supervisory Board will continue to focus on the competences of new Supervisory Board members, while bearing in mind the value added by a diverse Supervisory Board.

The agreed remuneration for the Management Board members includes a competitive base salary and a variable part consisting of a short-term incentive in the form of a cash payment to be determined at the sole discretion of the Supervisory Board at the end of each complete calendar year, taking into account specific pre-determined performance targets. Each member of the Management Board currently owns shares in the capital of the Company, which fully aligns the interest of the Management Board members, the shareholders and the Company. The Supervisory Board would like to thank the management team and staff for their commitment and support.

The Supervisory Board intends to conduct an effectiveness review in respect of the activities of both the Supervisory and Management Boards in 2015. No review was undertaken in 2014 as it was considered too early in the Company's development to be worthwhile.

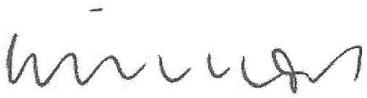
The financial statements for the period ending 31 December 2014 were audited by KPMG Accountants N.V. The Supervisory Board discussed the financial statements with the Management Board in the presence of the external auditor. We recommend the adoption of the financial statements as presented in this report. In addition we request the General Meeting of Shareholders to discharge the members of the Management Board of Directors of their responsibility for the conduct of business in 2014 and the Supervisory Board for their supervision in 2014.

Sequa Petroleum N.V.

London, 26 November 2015

Supervisory Board:

Lars Windhorst



Jos van Rijswijk

Edwin Eichler

Consolidated statement of financial position as at 31 December 2014

(before appropriation of result)

		2014	2013
		USD 1,000	USD 1,000
Assets			
Non-current assets			
Intangible assets	*10*	**99,753**	3,638
Property, plant and equipment	*11*	**284**	5
Other receivables	*13*	**4,552**	-
		104,589	3,643
Current assets			
Inventories	*12*	**4,890**	-
Trade and other receivables	*13*	**398**	315
Prepayments		**18**	32
Cash and cash equivalents	*17*	**798**	21,036
		6,104	21,383
		110,693	25,026
Equity and liabilities			
Equity			
Called-up equity share capital	*15*	**27,534**	27,534
Share premium	*15*	**127**	127
Translation reserve		**38**	-
Retained deficit		**(48,918)**	(4,220)
		(21,219)	23,441
Non-current liabilities			
Provisions for abandonment obligations	*19*	**285**	-
Current liabilities			
Trade and other payables	*14*	**13,241**	1,585
Borrowings	*18*	**118,386**	-
		131,627	1,585
		110,693	25,026

The notes on pages 17 to 46 form part of these financial statements.

Consolidated statement of comprehensive income for the year 2014

		1 Jan. 2014 - 31 Dec. 2014 USD 1,000		27 Aug. 2013 - 31 Dec. 2013 USD 1,000	
Operating costs					
Unsuccessful exploration expenditure	*10*	**(27,859)**			–
Other expenses	*5*	**(13,144)**			(3,960)
Operating loss			**(41,003)**		(3,960)
Finance income	*7*	**96**		172	
Finance expense	*8*	**(3,791)**		(432)	
Net finance (costs) / income			**(3,695)**		(260)
Loss before taxation			**(44,698)**		(4,220)
Taxation	*9*		–		–
Loss for the period attributable to equity shareholders			**(44,698)**		(4,220)
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Currency translation adjustments			**38**		–
Total comprehensive income for the period attributable to equity shareholders			**(44,660)**		(4,220)
Loss per ordinary share (cents)	*16*				
Basic			**(22.0)**		**(4.0)**
Diluted			**(22.0)**		**(4.0)**

The notes on pages 17 to 46 form part of these financial statements.

Consolidated statement of changes in equity for the year 2014

	Share capital USD 1,000	Share premium USD 1,000	Translation reserve USD 1,000	Retained deficit USD 1,000	Total USD 1,000
As at 27 August 2013	60	8	–	–	68
Additional share capital issued	27,474	119	–	–	27,593
Loss for the period	–	–	–	(4,220)	(4,220)
Other comprehensive income	–	–	–	–	–
As at 31 December 2013	**27,534**	**127**	**–**	**(4,220)**	**23,441**
Loss for the period	**–**	**–**	**–**	**(44,698)**	**(44,698)**
Other comprehensive income	**–**	**–**	**38**	**–**	**38**
Balance as at 31 December 2014	**27,534**	**127**	**38**	**(48,918)**	**(21,219)**

The notes on pages 17 to 46 form part of these financial statements.

Consolidated statement of cash flows for the year 2014

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Loss after taxation	**(44,698)**	(4,220)
Adjustments for:		
Depreciation and amortisation	**77**	–
Unsuccessful exploration	**27,859**	–
Finance income	**(96)**	(172)
Finance expense	**2,279**	6
Exchange differences	**1,563**	127
Increase in inventories	**(4,890)**	–
Increase in other receivables	**(4,336)**	(347)
Increase in trade payables	**9,366**	319
(Decrease) / increase in other payables	**(465)**	782
	31,357	715
	(13,341)	(3,505)
Interest paid	**(67)**	(1)
Net cash flows used in operating activities	**(13,408)**	(3,506)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(328)**	–
Purchase of intangible non-current assets	**(122,450)**	(3,155)
Payment of liabilities of Sequa Energy LLP assumed (note 15)	–	(141)
Other advances	**(285)**	–
Interest received	**96**	172
Net cash used in investing activities	**(122,967)**	(3,124)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	27,801
Funding loan interest paid	–	(5)
Proceeds from borrowings	**116,174**	492
Repayment of borrowings	–	(492)
Net cash inflow from financing activities	**116,174**	27,796
(Decrease)/increase in cash and cash equivalents in the period	**(20,201)**	21,166
Cash and cash equivalents at start of the period	**21,036**	–
Effect of movements in exchange rates on cash held	**(37)**	(130)
Cash and cash equivalents as at 31 December	**798**	21,036

Notes to the consolidated financial statements for the year 2014

1 Reporting entity

Sequa Petroleum N.V. (the 'Company') is a company domiciled in The Netherlands, having its statutory seat in Amsterdam. The address of the Company's registered office is 42 Upper Berkeley St, London, W1H 5QL, United Kingdom. The financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities'). The Group is involved in the business of oil and gas exploration, appraisal, development and production.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on or after 1 January 2014 are reflected in these financial statements.

IFRS 10, 11 and 12 have an effective date of 1 January 2014 under EU endorsement with an early adoption option as of 1 January 2013 which the company did apply. These standards did not have a significant impact on the results of the Group.

The financial statements were authorised for issue by the Board of Directors on 26 November 2015.

With reference to the income statement of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in US dollars (USD), which is the functional currency of the Company. All financial information presented in USD has been rounded to the nearest thousand, except where otherwise indicated.

(d) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following note:

- Note 10 - classification of exploration and evaluation expenditure;

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 are included in the following notes:

- Note 9 - recognition of deferred tax assets; availability of future taxable profit against which tax losses carried forward can be used;
- Note 10 - recoverability of the exploration and evaluation expenditure; exploration and evaluation costs are capitalised as intangible assets pending completion of the exploration phase or discovery of commercial reserves in sufficient quantities to recover the investment. This requires judgemental assessments as to (a) the likely future commerciality of the asset, and (b) future revenues and costs relating to the project in order to determine the recoverable value of the asset.
- Note 13 – recoverability of Kazakhstan VAT; accumulated input VAT incurred on exploration and evaluation activities can only be recovered through offset against output VAT levied on domestic sales. This requires a judgemental assessment of the likely future commerciality of the assets and future revenues. Kazakhstan input VAT is recorded as a non-current asset on the consolidated balance sheet pending completion of the exploration activities.

(e) Going concern

In assessing Group's ability to continue as a going concern, Management has reviewed the financial position of the Group, operating cost profile, capital expenditure plans and cash flow projections under a range of assumptions.

In November 2015, the Company entered into a loan agreement with Sapinda Invest S.a.r.l ('Sapinda Invest), under which Sapinda Invest provides a convertible shareholder loan facility of USD 62.5 million through 2016 and 2017. The loan facility will be converted into ordinary equity shares of Sequa Petroleum N.V. upon the loan facility having been drawn in full or after two years, whichever is earlier. The Group will draw down on the facility as required in order to fund the commitments of the business. In 2015, the Group entered into a three-year financial commitment totalling USD 69 million associated with the Kazakhstan exploration work programme, of which USD 27.2 million is attributable to the end of 2016. Management believes that these exploration work programme commitments can be renegotiated depending on seismic interpretation and initial work programme results. Management are proactively working to deliver an appropriate capital structure to finance existing and future activities going forward. Management has a reasonable expectation that sufficient funds will be made available under the committed shareholder loan facility in a timely manner to allow the Group to continue in operational existence for at least twelve months and are therefore satisfied that it is appropriate to continue to adopt the going concern basis in the preparation of the consolidated and Company financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Subsidiaries

Where the Company has the power, either directly or indirectly, to control the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the Group's financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Joint arrangements

The Group's exploration activity in Kazakhstan is conducted through a joint operation. The Group recognises its own share of the assets, liabilities, revenues, expenses and cash flows associated with this operation.

(b) Intangible assets (Oil and gas exploration assets)

The Group follows a successful efforts based accounting policy for oil and gas assets.

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

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held unamortised within exploration assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets and subsequently allocated to drilling activities. Exploration drilling costs are initially capitalised on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

All lease and licence acquisition costs including loans that are expected to be repaid out of hydrocarbon revenues, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or oil and gas development costs according to their nature.

Intangible assets comprise costs relating to the exploration and evaluation of licences which the members of the Management Board consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to oil and gas development costs and depreciated accordingly.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately considered not commercially viable, all related costs are written off to the Statement of Comprehensive Income.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalised as oil and gas development costs on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the replaced asset part are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the existing capitalised costs. Any surplus proceeds are credited to the Statement of Comprehensive Income. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/ producing asset is recognised in the Statement of Comprehensive Income to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

Impairment

Exploration assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration asset is allocated to development/producing assets within the same geographic segment and tested for impairment. Any such impairment arising is recognised in the Statement of Comprehensive Income for the period. Where there are no development or producing assets within a geographic segment, the exploration costs are charged immediately to the Statement of Comprehensive Income.

Impairment reviews on development/producing oil and gas assets are carried out on each cash generating unit identified in accordance with IAS 36. The Group's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indications of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future cash flows. If the net book value is higher, then the difference is written off to the Statement of Comprehensive Income as impairment.

Where there has been a charge for impairment in an earlier year that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

Decommissioning costs

Where a legal or constructive obligation has been incurred during oil and gas activities, provision for abandonment obligations is made for the net present value of the estimated cost of decommissioning and a corresponding asset is recognised and classified as part of the associated oil and gas non-current asset. The unwinding of the discount on the provision is included in the income statement within finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

(c) Other intangible assets

Intangible assets, other than exploration costs, have finite useful lives and are measured at cost less accumulated depreciation and any impairment and depreciated over their expected useful economic lives as follows:

	Annual rate %	**Depreciation method**
Website development	**33**	Straight line
Database	**33**	Straight line
Software	**33**	Straight line

(d) Property, plant and equipment

Tangible assets, other than development/producing assets, are measured at cost less accumulated depreciation and any impairment and depreciated over their expected useful economic lives as follows:

	Annual rate %	Depreciation method
Leasehold improvements	**20**	Straight line
Vehicles, fixtures and equipment	**20**	Straight line
Computer hardware	**33**	Straight line

(e) Inventory

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition

(f) Financial instruments

The non-derivative financial instruments held by the Group at the balance sheet date comprise cash, trade and other payables, borrowings and trade and other receivables.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities - recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Held-to-maturity financial assets

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments (see (f)(i)), are recognised in other comprehensive income and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(g) Equity

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

(h) Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security;
- observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(i) Taxation

The tax expense represents the sum of current tax and deferred tax expense.

The current tax is based on taxable profit for the period. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the liability method.

Provision is made in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be offset. Such assets and liabilities are recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply.

(j) Foreign currencies

The functional and presentation currency of the Company is the US dollar (USD).

Exchange differences on monetary assets and liabilities arising in Group entities are taken to the income statement.

On consolidation, assets and liabilities denominated in currencies other than the US dollar are translated into US dollars at closing rates of exchange. Non-US dollar trading results of Group entities are translated into US dollars at average rates of exchange. Differences resulting from the retranslation of the opening net assets and the results for the year are recognised in other comprehensive income.

Share capital, share premium and other reserves are translated into US Dollars at the historical rates prevailing at the date of the transaction.

The exchange rates of Kazakhstan Tenge (KZT) to US dollars used in these financial statements are as follows:

KZT/USD exchange rate	**2014**	2013
Closing rate	**182**	154
Average rate	**179**	N/A

(k) Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(l) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements.

	Effective date for periods beginning on or after
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 14 'Regulatory Deferral Accounts'	1 January 2016
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016
Amendments to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
Amendments to IAS 16 and IAS 41 'Bearer Plants'	1 January 2016
Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'	1 July 2014
Amendments to IAS 27 'Equity Method in Separate Financial Statements'	1 January 2016

The impact on the Group's financial statements of the future standards, amendments and interpretations is still under review, but the Group does not currently expect any of these changes to have a material impact on the results or net assets of the Group.

(m) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Management Board.

4 Segment analysis

As at 31 December 2014 and 31 December 2013, the Group had one project, being the Aksai licence. This is considered to be the only reportable segment. All corporate activities can be assigned therefore to this segment as well. Accordingly no additional segment analysis is disclosed.

As at 31 December 2014, the Group non-current assets balance of USD 104,589 thousand included an amount attributable to Kazakhstan of USD 104,422 thousand (2013 USD 3,643 thousand). As at 31 December 2014 and 31 December 2013, no non-current assets were attributable to the Netherlands.

5 Other expenses

The other expenses encompass the following items:

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Depreciation and amortisation	**77**	-
Legal and other professional fees	**3,756**	1,329
Consulting costs	**1,877**	887
Staff costs	**5,948**	1,559
Other administration costs	**1,486**	185
	13,144	3,960

6 Personnel expenses and employees

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Wages and salaries	**6,574**	1,341
Living allowances	**367**	46
Social security costs	**661**	172
	7,602	1,559

During the year, personnel expenses of USD 5,948 thousand (2013 1,559 thousand) was charged to other expenses and USD 1,278 thousand (2013 nil) was charged to unsuccessful exploration expenditure. Personnel expenses of USD 376 thousand (2013 nil) was capitalised.

Average number of employees	**1 Jan. 2014 - 31 Dec. 2014 Number**	27 Aug. 2013 - 31 Dec. 2013 Number
Based in the Netherlands	**-**	-
Based outside the Netherlands	**33**	2
	33	2

7 Finance income

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Interest on short-term bank deposits	**96**	172

8 Finance expenses

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Interest on loans from shareholders	**(2,212)**	(6)
Other finance expenses	**(67)**	(1)
Foreign exchange result	**(1,512)**	(425)
	(3,791)	(432)

9 Taxation

Current taxation

The (credit)/charge for taxation in the period is as follows:

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Current taxation	–	–

Deferred taxation

Due to the nature of the Group's exploration activities there is a long lead time in either developing or otherwise realising exploration assets. A deferred tax asset will only be created if there is reasonable certainty that profits will be earned in the foreseeable future. Tax losses carried forward and temporary differences for which no deferred tax asset has been recognised are shown below.

	2014 USD 1,000	2013 USD 1,000
Tax losses	**2,070**	971
Other temporary timing differences, including capital allowances	**6,526**	–
Total deferred tax assets not recognised	**8,596**	971

At the period-end, there were USD 10,346 thousand (2013 USD 4,220 thousands) of unrecognised gross tax losses which are carried forward to future periods and can be offset against profits arising from the same trade without time limit.

The benefits of tax losses not brought to account will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- conditions for deductibility imposed by the law are complied with; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

Reconciliation of effective tax rate

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Loss before tax	**44,698**	4,220
Income tax benefit calculated at the average statutory rate of 21.5% (2013 23%) of the loss before tax	**9,607**	971
Effect of tax rates in foreign jurisdictions	**(608)**	
Non tax-deductible or non-taxable items	**(768)**	–
Losses and timing differences for which no deferred tax asset was recognised	**(7,625)**	(971)
Other adjustments	**(606)**	–
Income tax expense	**–**	–

10 Intangible assets

	Oil and gas Exploration USD 1,000	**Other USD 1,000**	**Total USD 1,000**
Cost as at 27 August 2013	–	–	–
Additions	3,638	–	3,638
Cost and net book value as at 31 December 2013	**3,638**	**–**	**3,638**
Additions	**123,871**	**131**	**124,002**
Unsuccessful exploration expenditure	**(27,859)**	**–**	**(27,859)**
Cost as at 31 December 2014	**99,650**	**131**	**99,781**
Amortisation as at 27 August 2013 and 31 December 2013	–	–	–
Charge in the year	**–**	**(28)**	**(28)**
Amortisation as at 31 December 2014	**–**	**(28)**	**(28)**
Net book value as at 31 December 2014	**99,650**	**103**	**99,753**

Oil and gas intangible assets comprise expenditure on the Aksai licence in Kazakhstan. The additions in the year consist primarily of a loan advance of USD 87 million to Bolz LLP, the partner in the Aksai licence and brings the total loan balance to USD 90 million. The loan agreement includes a maturity date of January 2020 for repayment. In the event of the project's success, an option under the loan agreement allows the loan to be repaid out of initial hydrocarbon revenue. Management believes that without hydrocarbon revenue the repayment of the loan is unlikely and has therefore accordingly capitalised the loan as part of the oil and gas exploration assets. As at 31 December 2014, Kazkommertsbank JSC held an encumbrance over the Group's interest in the Askai licence. This encumbrance did not prohibit transfer of title and was subsequently removed in August 2015 following the internal restructure of the Askai licence detailed below.

The additions in the year also include expenditure associated with drilling the first Aksai exploration well. While hydrocarbons were discovered, the amounts were not considered commercial and the capitalised well costs were written off to the income statement during the year as unsuccessful exploration.

For the year ended 31 December 2014, cash outflows on exploration expenditure was USD 122,450 thousand (2013 USD 3,155 thousand).

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group subsequently made a USD 54 million cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence.

In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believe that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results. Management believe retaining the value of capitalised exploration expenditure associated with the Aksai licence on the balance sheet is appropriate pending completion of the proposed work programme.

Other intangible assets include expenditure on software and website development which are being amortised on a straight-line basis over three years.

11 Property, plant and equipment

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Cost as at the beginning of the period	**5**	–
Additions	**328**	5
Cost as at 31 December	**333**	5
Depreciation as at the beginning of the period	–	–
Charge in the year	**(49)**	–
Depreciation as at 31 December	**(49)**	–
Net book value as at 31 December	**284**	5

The additions relate to office equipment purchased in the period.

12 Inventories

	2014 USD 1,000	2013 USD 1,000
Raw materials and consumables	**4,890**	–
	4,890	–

13 Trade and other receivables

	2014	2013
	USD 1,000	USD 1,000
Amounts falling due within one year		
Value added tax receivable	**254**	306
Other receivables	**144**	9
	398	315
Amounts falling due after more than one year		
Value added tax receivable	**3,516**	–
Other receivables	**1,036**	–
	4,552	–

The value added tax amount due within one year comprises UK and Dutch value added tax receivables.

The value added tax amount due after more than one year relates to Kazakhstan. The amount was incurred on exploration activities and is held on the balance sheet pending the commencement of hydrocarbon revenues, at which point the value added tax is expected to be recovered. The other receivable due after more than one year includes a USD 285 thousand contributions to an independently administered fund which will used to discharge some or all of the Group's abandonment obligations associated with exploration activities in Kazakhstan. The remaining other receivable due after more than one year relates to amounts incurred on behalf of Bolz LLP, the partner in the Askai licence, which is expected to be recovered pending commencement of hydrocarbon revenues.

Information about the Group's exposure to credit and currency risks is included in note 18.

14 Trade and other payables

	2014	2013
	USD 1,000	USD 1,000
Trade payables	**9,688**	319
Trade and other payables due to related parties	**–**	384
Social security and other payroll taxes payable	**179**	176
Accruals	**3,374**	706
	13,241	1,585

Information about the Group's exposure to currency and liquidity risk is included in note 18.

15 Equity

Share capital

Amounts subscribed for share capital are at nominal value.

Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares in excess of the nominal value of the shares, net of issue costs incurred.

Retained deficit

Cumulative net gains and losses recognised in the Statement of Comprehensive Income net of amounts recognised directly in equity.

Authorised shares

	Number	EUR 1,000
Ordinary shares of EUR 0.10 each	**956,666,660**	**95,667**

Allotted, issued and fully paid in EUR

	Number	Share capital EUR 1,000	Share premium EUR 1,000
Incorporation as at 27 August 2013	450,000	45	6
Additional issue of shares	199,550,000	19,955	83
As at 31 December 2013	**200,000,000**	**20,000**	**89**
Additional issue of shares	–	–	–
As at 31 December 2014	**200,000,000**	**20,000**	**89**

Allotted, issued and fully paid in USD

	Number	Share capital USD 1,000	Share premium USD 1,000
Incorporation as at 27 August 2013	450,000	60	8
Additional issue of shares	199,550,000	27,474	119
As at 31 December 2013	**200,000,000**	**27,534**	**127**
Additional issue of shares	–	–	–
As at 31 December 2014	**200,000,000**	**27,534**	**127**

On incorporation of the Company on 27 August 2013, 450,000 shares were issued to the Company's three founding Directors: Jacob Broekhuijsen, Alistair Williams and Peter Haynes.

On 25 October 2013, the Company issued a further 22,883,332 shares to the founding Directors in return of the contribution of the assets and liabilities of Sequa Energy LLP to the Company and 108 million shares were issued to Sapinda Holding B.V. and 60 million shares to Centrics Oil & Gas B.V.(being a Sapinda affiliate).

On 28 October 2013, the Company issued a total of 8,666,668 shares to James Luke and Jelte Bosma, who joined the Management Board on this date.

All the shares issued in the period, including those issued on foundation of the Company, were issued at a price of 11.4 euro cents (EUR 0.114c). This represented the par value of 10 euro cents (EUR 0.10c) and a premium of 1.4 euro cents (EUR 0.014c).

All the shares were issued for cash, apart from those issued in regard of the contribution of the assets and liabilities of Sequa Energy LLP. The assets and liabilities of Sequa Energy LLP consisted of the initial stages of the project currently worked on in Kazakhstan (the project) and a number of liabilities for the amount of USD 141 thousand (GBP 87 thousand).

At the time of contribution the project was valued at USD 3.6 million using generally accepted valuation methods but did not meet the recognition criteria under IFRS. As a result the amount of USD 3.6 million was deducted from share premium. The liabilities were recognised on the balance sheet and subsequently paid to the suppliers. Sequa Energy LLP was subsequently dissolved under UK corporate law.

No shares were issued in 2014.

In September 2015, the Company issued 1,500,000 new shares as part consideration for the acquisition of Tellus Petroleum Invest AS. Further details on this transaction can be found on Note 22, page 45.

16 Loss per share

Basic and diluted loss per share

Basic and diluted loss per share are the same as there are no potentially dilutive shares.

The calculation of basic and diluted loss per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of USD 44,698 thousand (2013 USD 4,220 thousand) and a weighted average number of ordinary shares outstanding of 200,000 thousand (2013 106,216 thousand), calculated as follows:

Weighted-average number of ordinary shares

	1 Jan. 2014 - 31 Dec. 2014 x 1,000	27 Aug. 2013 - 31 Dec. 2013 x 1,000
Issued ordinary shares as at beginning of the period	**200,000**	450
Effect due to transfer assets and liabilities Sequa Energy LLP	**–**	12,168
Effect of shares issued in October 2013	**–**	93,598
Weighted average number of ordinary shares as at 31 December	**200,000**	106,216

The loss per share, based on the weighted average number of ordinary shares amounts to 22.0 dollar cents (USD 0.22c) (2013 loss per share of 4.0 dollar cents (USD 0.04c)).

17 Cash and cash equivalents

	2014 USD 1,000	2013 USD 1,000
Cash at bank	**798**	2,083
Call deposits	**–**	18,953
	798	21,036

18 Financial instruments

Financial risk management

The Management Board seeks to minimise its exposure to financial risk by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis.

No formal policies have been put in place in order to hedge the Group's activities to the exposure to currency risk or interest risk, however as the Group acquires significant debt finance, or as the Group enters commercial production this may be considered. No derivatives or hedges were entered into during the current or previous period.

General objectives, policies and processes

The Management Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Management Board receives regular reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group is exposed through its operations to the following financial risks:

- liquidity risk;
- credit risk;
- market risk.

The overall objective of the Management Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. There have been no substantive changes in the Group's objectives, policies and processes for managing financial risks or the methods used to measure them during the period unless otherwise stated in this note. Further details regarding these policies are set out below.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade and other receivables.
- Cash and cash equivalents.
- Trade and other payables.
- Loans and borrowings.

Liquidity risk

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances to meet expected requirements for a period of at least 60 days. As at the 31 December 2014, the Group had no long term borrowings. A priority of management is to determine and implement a stable capital structure to fund the longer term development of the Group.

To support the short term activities, in November 2013 a loan facility was agreed with Centrics Oil & Gas B.V. As at 31 December 2014, USD 116.2 million of the facility had been drawn. The loan was subsequently replaced with a convertible bond in April 2015. Further details on the loan facility and its subsequent conversion can be found on page 43.

Rolling cash forecasts identifying the liquidity requirements of the company are produced frequently. These are reviewed regularly by the Management and Supervisory Boards to ensure that sufficient financial headroom exists for at least a twelve month period.

Contractual cash flows

The below tables represent the undiscounted contractual cash flows payable under financial liabilities as at the balance sheet date. The Group's short term borrowing facility was subsequently amended in 2015 and rolled into a convertible bond due to be repaid or converted by 2020. As at the balance sheet date the Group had no financial liabilities due greater than one year.

2014

	Carrying amount USD 1,000	**Contractual cash flows USD 1,000**	**6 months or less USD 1,000**	**Between 6 and 12 months USD 1,000**
Trade and other payables	**(13,241)**	**(13,241)**	**(13,241)**	**–**
Borrowings	**(118,386)**	**(122,016)**	**–**	**(122,016)**
	(131,627)	**(135,257)**	**(13,241)**	**(122,016)**

2013

	Carrying amount USD 1,000	Contractual cash flows USD 1,000	6 months or less USD 1,000
Trade and other payables	1,585	1,585	1,585

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Group's trade and other receivables are mainly composed of value added tax receivable from governments, including an amount of USD 4,267 thousand (2013 nil) of input tax incurred in Kazakhstan associated with exploration expenditure. The recoverability of this amount is dependent on the success of the Aksai project and the generation of future revenue. The default risk on all other value added tax receivables is not considered significant.

At 31 December 2014 and 31 December 2013, no trade and other receivables were past due or impaired.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 798 thousand at 31 December 2014 (2013 USD 21,036 thousand).

Guarantees

At 31 December 2014 and 31 December 2013, the Group had issued no financial guarantees.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

During 2014 and 2013, the Group did not use derivatives to manage market risks.

Foreign exchange risk

The functional currencies of Group companies are USD and KZT.

The table below shows the extent to which the Group has net monetary assets and (liabilities) in currencies other than the functional currency of the respective entity. These exposures give rise to net currency gains and losses recognised in the profit and loss account.

	2014	2013
	USD 1,000	USD 1,000
GPB	**(792)**	1,725
EUR	**(76)**	1,687
USD	**(6,528)**	–
KZT	–	(413)
	(7,396)	2,999

Foreign exchange risk is inherent in the Group's activities and is accepted as such. No formal policies have been put in place in order to hedge the Group's activities to the exposure to currency risk. The Group holds GBP, EUR, KZT and USD in the proportions appropriate to meet forthcoming commitments. The Group considers this substantially mitigates foreign exchange exposure.

The Group's cash balances are maintained in a number of currencies and this spread reduces further exposure to foreign exchange risk. Management regularly monitors the currency profile and obtains informal advice to ensure that the cash balances are held in currencies which minimise the impact on the results and position of the Group from foreign exchange movements.

The most significant foreign exchange exposure as at 31 December 2014 relates to USD financial assets and liabilities held in KZT functional currency entities. In August 2015, the Government of Kazakhstan together with the National Bank of Kazakhstan renounced the practiced exchange rate corridor and implemented a new floating monetary policy for the KZT. As a result the KZT devalued immediately by some 30% against the USD compared to year end rates. Based on the financial position and assumptions of the Group at the balance sheet date, it is estimated a weakening of the KZT against the USD of 30% would have decreased the Group profit by around USD 1,960 thousand.

Interest rate risk

The interest rate profile of the financial assets of the Group as at 31 December 2014 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD 1,000	**Fixed interest deposit on demand USD 1,000**	**Total USD 1,000**
Cash and cash equivalents			
EUR	**70**	**–**	**70**
GBP	**329**	**–**	**329**
USD	**392**	**–**	**392**
KZT	**7**	**–**	**7**
	798	**–**	**798**

The interest rate profile of the financial assets of the Group as at 31 December 2013 is as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD 1,000	Fixed interest deposit on demand USD 1,000	Total USD 1,000
Cash and cash equivalents			
EUR	1,804	–	1,804
GBP	2,258	–	2,258
USD	16,974	–	16,974
	21,036	–	21,036

Information of the interest rate risk associated with the Group's borrowings can be found in the section on Capital below.

It is estimated that a full year change in interest payable and receivable based on the composition of floating rate assets and liabilities as at the balance sheet date and a possible increase of interest rates of 100 basis points would be a decrease in the Group profit of USD 1,171 thousand (2013 increase in Group profit by USD 210 thousand).

Fair values of financial assets and liabilities

All financial instruments used by the Group during the current and previous period are initially recorded at fair value and subsequently measured at historic or amortised cost. The Group holds no financial instruments subsequently re-measured at fair value.

Financial instruments are classified in accordance with the following fair value hierarchy described in IFRS 13 'Fair Value Measurement', based on the inputs used in the valuation.

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

The Group has no long term borrowings or fixed rate financial instruments. All financial instruments held by the Group are considered to have a fair value approximate to their book value and fall within level 2 of the fair value hierarchy.

Hedges

The Group did not hold any hedging instruments at the reporting date.

Capital

The objective of the Management Board is to maximise shareholder returns and minimise risks by keeping a reasonable balance between debt and equity.

In managing its capital, Management's primary objective is to ensure the Group's ability to provide a sufficient return for its equity shareholders, principally though capital growth. In order to achieve and seek to maximise this return objective the Group will in the future seek to maintain a gearing ratio that balances risks and returns at an acceptable level while also maintaining a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues, increases or reductions in debt, or altering a dividend or share buyback policies, the Group considers not only its short term position but also its medium and longer term operational and strategic objectives.

Borrowings and facilities

	2014	2013
	USD 1,000	USD 1,000
Shareholder loan from Centrics Oil & Gas B.V	**(118,386)**	–
	(118,386)	–

On 7 November 2013, the Company entered into a shareholder loan agreement with Centrics Oil & Gas B.V. to fund the financial commitments in regard to the acquisition of the Aksai licence and the associated geological work program for 2014.

The facility was initially granted with a maximum drawdown of EUR 100 million and was subsequently amended in 2014 to USD 142.8 million to align with the size and currency of anticipated outflows. The agreement allowed for payment of interest to be deferred until the termination date. Interest on drawdowns and deferred interest is determined with respect to the 12 month London Interbank Offered Rate (LIBOR) plus an agreed margin of 2.5%. As at 31 December 2014, the amount undrawn under the facility was USD 26.6 million. No drawdowns were made in 2013.

The contractual termination date of the facility was 31 December 2015, with an option for the loan to be converted to an instrument with equity features at the agreement of both parties. In April 2015, the Group issued 5% USD 300 million five year senior convertible bonds. As at the date of issue, the total amount of principal and accrued interest payable to Centrics Oil & Gas B.V under the shareholder loan facility was USD 129.4 million. It was agreed to issue USD 129.4 million of the senior convertible bonds to Centrics Oil & Gas B.V. in consideration for cancellation in full of the loan facility. A further USD 75 million under the bond programme was issued to third parties for cash consideration with the remaining amount expected to be issued for cash consideration before the end of 2015.

19 Provisions for abandonment obligation

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
As at the beginning of the period	–	–
Additions	**285**	–
As at 31 December	**285**	–

The provision relates to the estimated abandonment obligation associated with exploration activities in Kazakhstan. The Group contributes to a separately administered fund which will ultimately be used to fund some or all of the eventual costs of abandonment. The Group's interest in this fund is separately recognised as a non-current asset (see note 13).

20 Commitments

Future capital expenditure

	2014 **USD 1,000**	2013 USD 1,000
Authorised but not contracted	–	34,725
Contracted	–	97,000
	–	131,725

As at 31 December 2014 the Group had satisfied its work commitments under the initial Aksai licence agreement which subsequently expired in July 2015. In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believe that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results.

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were as follows.

	2014 **USD 1,000**	2013 USD 1,000
Less than 1 year	**93**	64
Between 1 and 5 years	–	–
More than 5 years	–	–
	93	64

The lease payments relate to the minimum contractual monthly payments on the lease of two residential properties. Amounts charged to the income statement in 2014 in respect of operating leases was USD 117 thousand (2013 USD 15 thousand).

21 Related party transactions

See note 11 of the Company financial statements.

22 Subsequent events

In January 2015 the Company adopted new compliance procedures. As the Company has its management in the UK, it is subject to the UK Bribery Act 2010, as well as other anti-corruption legislation. The Company conducted a governance, risk and compliance review during 2014 and adopted an updated Code of Conduct and various new and updated compliance, tendering, disclosure and anti-corruption policies in January 2015. A programme of training and continuous review of these policies is in place.

In April 2015, the Company created USD 300 million senior convertible bonds in order to finance future business development. The bonds mature in April 2020 and pay a coupon of 5%. Once certain conditions have been met, the bonds are convertible at the option of the holders into ordinary shares of the Company at a conversion price of USD 3.50 per share. USD 129.4 million of the bonds were issued to Centrics Oil & Gas B.V. in full consideration for the principal and accrued interest outstanding under the existing shareholder loan facility as at the date the bonds were issued. A further USD 75 million under the bond programme was issued to third parties for cash consideration with the remaining amount expected to be issued for cash consideration before the end of 2015.

In April 2015, Sapinda Asia Limited, an existing shareholder of Sequa Petroleum N.V. entered into a commitment, to subscribe for up to USD 62.5 million of additional ordinary shares in the Company during 2015. This agreement was subsequently amended in November 2015 into a convertible shareholder loan facility with Sapinda Invest S.a.r.l. for the same amount.

In June 2015, the Group announced that agreement has been reached for the acquisition of the entire issued share capital of Tellus Petroleum Invest AS (Tellus) a company registered in Norway. The acquisition of Tellus completed in September 2015. The initial consideration comprised NOK 10 million (USD 1.2 million) payable in cash and 1.5 million of shares in the Company with an estimated fair value of USD 4.6 million. The total purchase price also includes contingent consideration, comprising up to NOK 20 million and 4.5 million shares in the Company. The contingent consideration is payable in 2016 subject to the completion of certain asset acquisition transactions currently being pursued by Tellus. The acquisition of Tellus represents a business combination in accordance with IFRS 3. As at the date of approval of the financial statements the initial acquisition accounting had yet to commence and further information on the impact of the business combination on the financial statements was unavailable. This information will be provided in the Group financial statements for the year ended 31 December 2015.

In June 2015, the Group also announced its intention to acquire, via Tellus, a portfolio of assets in the Norwegian Continental Shelf consisting of working interests in four oil and gas fields along with interests in several exploration blocks. The consideration for the Norwegian asset portfolio is USD 602 million, and will be adjusted to reflect an economic date of 1 January 2015. Up to a further USD 100 million of consideration is payable contingent upon oil price movements over a four year period. The Group made an advance payment of USD 30.1 million in June 2015. The transaction is subject to standard regulatory approvals and requires the Group to raise debt and equity to finance the transaction. The Group’s ability to close the transaction may be subject to market conditions.

In July 2015, the Company adopted the Dutch Corporate Governance Code and is currently recruiting independent directors, in order to ensure that the Supervisory Board will contain a majority of independent directors. To further increase independence and bring the Company's corporate governance structure more in line with the principles of Dutch large company regime (structuurregime), in August 2015 the Articles of Association of the Company were amended to reduce the number of reserved matters previously requiring Supervisory Board approval. The adoption of the Dutch Corporate Governance Code and associated changes to the Company's Articles of Association will provide the Company with a solid foundation for autonomous growth and decision making more in accordance with standard practice for Dutch listed NVs.

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group subsequently made a cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence.

In August 2015, the Government of Kazakhstan together with the National Bank of Kazakhstan renounced the practiced exchange rate corridor and implemented a new floating monetary policy for the KZT. As a result the KZT devalued immediately by some 30% against the USD compared to year end rates. This is not expected to have a significant impact on the planned exploration activities in Kazakhstan.

In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believes that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results.

In October 2015, the Company announced that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog unit in the Norwegian Continental Shelf and, in November 2015, an agreement with OMV (Norge) AS to purchase 0.554% interest in the Ivar Aasen field in the northern part of the North Sea. The effective date of both transactions is 1 January 2015. On completion the Group will pay its share of operator project costs for 2015 of around NOK 1.4 billion for Gina Krog and NOK 21.5 million for Ivar Aasen. On entering into the agreement for Gina Krog, the Group made an advance payment of NOK 50 million (USD 6 million) against these costs. The transactions are planned to be funded through a combination of debt and equity and are subject to normal consent by the Norwegian Authorities. The Group continues to work on the completion of the transactions and the ability to close the transactions may be subject to market conditions.

Company statement of financial position as at 31 December 2014

(before appropriation of result)

		2014	2013
		USD 1,000	USD 1,000
Non-current assets			
Intangible assets	*3*	**90,482**	3,225
Property, plant and equipment	*4*	**72**	5
Investments	*5*	**7,429**	–
		97,983	3,230
Current assets			
Trade and other receivables	*6*	**374**	315
Prepayments		**18**	32
Cash and cash equivalents		**679**	21,036
		1,071	21,383
		99,054	24,613
Shareholders' equity	*8*		
Called-up equity share capital		**27,534**	27,534
Share premium		**127**	127
Retained deficit		**(48,880)**	(4,220)
		(21,219)	23,441
Current liabilities			
Trade and other payables	*7*	**1,887**	1,172
Loans and borrowings		**118,386**	–
		120,273	1,172
Total equity and liabilities		**99,054**	24,613

The notes on pages 49 to 62 form part of these financial statements.

Company profit and loss account for the year 2014

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Share in results from participating interests, after taxation	**(32,973)**	–
Other result after taxation	**(11,687)**	(4,220)
Net result	**(44,660)**	(4,220)

The notes on pages 49 to 62 form part of these financial statements.

Notes to the company financial statements for the year 2014

1 General

The company financial statements form part of the 2014 financial statements of Sequa Petroleum N.V. (the 'Company').

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

2 Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please see pages 19 to 26 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity method. Refer to the basis of consolidation accounting policy in the consolidated financial statements.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

3 Intangible assets

	Oil and gas Exploration	Other	Total
	USD 1,000	**USD 1,000**	**USD 1,000**
Cost as at 27 August 2013	–	–	–
Additions	3,225	–	3,225
Cost and net book value as at 31 December 2013	**3,225**	**–**	**3,225**
Additions	**87,224**	**121**	**87,345**
Unsuccessful exploration expenditure	**(62)**	**–**	**(62)**
Cost as at 31 December 2014	**90,387**	**121**	**90,508**
Amortisation as at 27 August 2013 and 31 December 2013	–	–	–
Charge in the year	**–**	**(26)**	**(26)**
Amortisation as at 31 December 2014	**–**	**(26)**	**(26)**
Net book value as at 31 December 2014	**90,387**	**95**	**90,482**

Oil and gas intangible assets comprise expenditure on the Aksai licence in Kazakhstan. The additions in the year consist primarily of a loan advance of USD 87 million to Bolz LLP, the partner in the Aksai licence and brings the total loan balance to USD 90 million. The loan agreement includes a maturity date of January 2020 for repayment. In the event of the project's success, an option under the loan agreement allows the loan to be repaid out of initial hydrocarbon revenue. Management believes that without hydrocarbon revenue the repayment of the loan is unlikely and has therefore accordingly capitalised the loan as part of the oil and gas exploration assets. As at 31 December 2014, Kazkommertsbank JSC held an encumbrance over the Group's interest in the Askai licence. This encumbrance did not prohibit transfer of title and was subsequently removed in August 2015 following the internal restructure of the Askai licence detailed below.

The additions in the year also include expenditure associated with the first Aksai exploration well. While hydrocarbons were discovered, the amounts were not considered commercial and the capitalised well costs were written off to the income statement during the year as unsuccessful exploration.

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group subsequently made a USD 54 million cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence.

In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believe that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results. Management believe retaining the value of capitalised exploration expenditure associated with the Aksai licence on the balance sheet is appropriate pending completion of the proposed work programme.

Other intangible assets include expenditure on software and website development which are being amortised on a straight-line basis over three years.

4 Property, plant and equipment

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Cost as at the beginning of the period	**5**	–
Additions	**85**	5
Cost as at 31 December	**90**	5
Depreciation as at the beginning of the period	–	–
Charge in the year	**(18)**	–
Depreciation as at 31 December	**(18)**	–
Net book value as at 31 December	**72**	5

The costs incurred relate to office equipment acquired in the period.

5 Investments

	Participating interests in Group companies USD 1,000	Amounts receivable from Group companies USD 1,000	Total USD 1,000
Balance as at 27 August 2013 and 31 December 2013	–	–	–
Additions	**79**	**–**	**79**
Result of participating interest	**–**	**–**	**–**
Loans provided	–	**40,323**	**40,323**
Provision for impairment	–	**(32,973)**	**(32,973)**
Balance as at 31 December 2014	**79**	**7,350**	**7,429**

The Company share of the results of its subsidiary, Sequa Petroleum (Kazakhstan) LLP, amounting to a loss of USD 33,011 thousand has not been equity accounted for in these financial statements since it would result in a negative net equity value. The Company has a long term receivable due from Sequa Petroleum (Kazakhstan) LLP which is considered part of the overall net investment in the subsidiary. This facility was provided to Sequa Petroleum (Kazakhstan) LLP in 2014 for a period of ten years and earns interest at 3.5% per annum. The loan receivable has been impaired by USD 32,973 thousand, being the Company share of the participating result not recognised using the equity method.

The Company is the holding company of the group and has the following financial interests:

- Sequa Petroleum UK Limited (Directly 100% owned, registered and operating in the United Kingdom, with registered office in London).
- Sequa Petroleum (Kazakhstan) LLP (Indirectly 100% owned, registered in Almaty, Kazakhstan and operating in Kazakhstan).
- CHC Energy plc (Directly 99.8% and indirectly 0.20% owned, registered and operating in the United Kingdom, with registered office in London).
- CHC Energy (Kazakhstan) LLP (Indirectly 100% owned, registered in Almaty, Kazakhstan and operating in Kazakhstan).
- Sequa Petroleum (Barryroe) Limited (Directly 100%, registered in Dublin, the Republic of Ireland and operating in the Republic of Ireland).

6 Trade and other receivables

	2014	2013
	USD 1,000	USD 1,000
Value added tax receivable	**254**	306
Other receivable	**120**	9
	374	315

7 Trade and other payables

	2014	2013
	USD 1,000	USD 1,000
Trade payables	**1,280**	318
Trade and other payables due to related parties	**–**	384
Social security and other payroll taxes payable	**219**	176
Accruals	**388**	294
	1,887	1,172

8 Shareholders' equity

	Share capital USD 1,000	Share premium USD 1,000	Retained deficit USD 1,000	Total USD 1,000
Incorporation as at 27 August 2013	60	8	–	68
Additional issue of shares	27,474	119	–	27,593
Loss for the period	–	–	(4,220)	(4,220)
As at 31 December 2013	**27,534**	**127**	**(4,220)**	**23,441**
Loss for the year	**–**	**–**	**(44,660)**	**(44,660)**
Balance as at 31 December 2014	**27,534**	**127**	**(48,880)**	**(21,219)**

Share capital

Amounts subscribed for share capital at nominal value. At 31 December 2014, the authorised share capital comprised 956,666,660 ordinary shares. All shares have a par value of 10 euro cents (EUR 0.10c). As at 31 December 2014, 200,000,000 shares were issued and all issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In September 2015, the Company issued 1,500,000 new shares as part consideration for the acquisition of Tellus Petroleum Invest AS. Further details on this transaction can be found in Note 22 to the consolidated financial statements on page 45.

Share premium account

The Share premium account represents the amounts received by the Company on the issue of its shares in excess of the nominal value of the shares, net of issue costs incurred.

Retained deficit

Cumulative net gains and losses recognised in the Statement of Comprehensive Income net of amounts recognised directly in equity.

9 Financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.
- Market risk.

The Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital are the same as those set out for the Group in note 18 to the consolidated financial statements.

Quantitative information on risks arising from the use of financial instruments applicable to the Company are set out below.

Liquidity risk

Contractual cash flows

The below tables represent the undiscounted contractual cash flows payable under financial liabilities as at the balance sheet date. The Group's short term borrowing facility was subsequently amended in 2015 and rolled into a convertible bond due to be repaid or converted by 2020. As at the balance sheet date the Company had no financial liabilities due greater than one year.

2014

	Carrying amount USD 1,000	**Contractual cash flows USD 1,000**	**6 months or less USD 1,000**	**Between 6 and 12 months USD 1,000**
Trade and other payables	**(1,887)**	**(1,887)**	**(1,887)**	**–**
Borrowings	**(118,386)**	**(122,016)**	**–**	**(122,016)**
	(120,273)	**(123,903)**	**(1,887)**	**(122,016)**

2013

	Carrying amount USD 1,000	Contractual cash flows USD 1,000	6 months or less USD 1,000
Trade and other payables	1,172	1,172	1,172

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Company's trade and other receivables are mainly composed of value added tax receivable from governments and sundry other debtors. At 31 December 2014 and 31 December 2013, no trade and other receivables were past due or impaired.

Cash and cash equivalents

The Group held cash and cash equivalents of USD 679 thousand at 31 December 2014 (2013 USD 21,036 thousand).

Guarantees

At 31 December 2014 and 31 December 2013, the Company had issued no financial guarantees.

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates and interest rates – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

During 2014 and 2013, the Company did not use derivatives to manage market risks.

Foreign exchange risk

The functional currency of the Company is USD.

The table below shows the extent to which the Company has net monetary assets and (liabilities) in currencies other than the functional currency of the respective entity. These exposures give rise to net currency gains and losses recognised in the profit and loss account.

	2014	2013
	USD 1,000	USD 1,000
GPB	**(794)**	1,725
EUR	**(76)**	1,687
	(870)	3,412

A reasonably foreseeable movement in exchange rates at the reporting date is not expected to have a significant impact on comprehensive income or equity.

Interest rate risk

The interest rate profile of the financial assets of the Group as at 31 December 2014 is as follows (excluding non-interest bearing short term assets).

	Floating interest deposit on demand USD 1,000	**Fixed interest deposit on demand USD 1,000**	**Total USD 1,000**
Cash and cash equivalents			
EUR	**70**	**–**	**70**
GBP	**327**	**–**	**327**
USD	**282**	**–**	**282**
	679	**–**	**679**

The interest rate profile of the financial assets of the Group as at 31 December 2013 is as follows (excluding non-interest bearing short term receivables).

	Floating interest deposit on demand USD 1,000	Fixed interest deposit on demand USD 1,000	Total USD 1,000
Cash and cash equivalents			
EUR	1,804	–	1,804
GBP	2,258	–	2,258
USD	16,974	–	16,974
	21,036	–	21,036

All external borrowings of the Group are attributable to the Company. Information of the interest rate risk associated with the Group and Company borrowings can be found in note 18 to the consolidated financial statements.

The Company has provided a long term loan facility to its subsidiary Sequa Petroleum (Kazakhstan) LLP in 2014 for a period of ten years. The loan is classified as part of the net overall net investment in the subsidiary. As at 31 December 2014 the carrying amount of the loan was USD 7,312 thousand earned interest at 3.5% per annum. For further details see Note 5, page 52.

A possible change of 100 basis points in interest rates at the reporting date is not expected to have a significant impact on comprehensive income or equity.

Fair values of financial assets and liabilities

All financial instruments used by the Company during the current and previous period are initially recorded at fair value and subsequently measured at historic or amortised cost. The Company holds no financial instruments subsequently re-measured at fair value.

Financial instruments are classified in accordance with the following fair value hierarchy described in IFRS 13 'Fair Value Measurement', based on the inputs used in the valuation.

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

The Company has no long term borrowings or fixed rate financial instruments. All financial instruments held by the Group are considered to have a fair value approximate to their book value and fall within level 2 of the fair value hierarchy.

Hedges

The Group did not hold any hedging instruments at the reporting date.

10 Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG Accountants N.V. to the Company, its subsidiaries and other consolidated entities:

	KPMG Accountants N.V.	**Other KPMG network**	**Total KPMG**
	1 Jan. 2014 -31 Dec. 2014		
	USD 1,000	**USD 1,000**	**USD 1,000**
Statutory audit of annual accounts	**164**	**56**	**220**
Other assurance services	**9**	**–**	**9**
Tax advisory services	**–**	**15**	**15**
Other non-audit services	**–**	**–**	**–**
	173	**71**	**244**

	KPMG Accountants N.V.	Other KPMG network	Total KPMG
	27 Aug. 2013 - 31 Dec. 2013		
	USD 1,000	USD 1,000	USD 1,000
Statutory audit of annual accounts	117	–	117
Other assurance services	64	–	64
Tax advisory services	–	–	–
Other non-audit services	–	–	–
	181	–	181

11 Related parties

Parent and ultimate controlling party

The ultimate controlling party of the Company is Sapinda Holding B.V. (26.6% shareholding in the Company).

Related parties

The shareholders of the Company, being members of the Management Board, Sapinda Holding B.V. and Centrics Oil & Gas B.V. are related parties.

Transactions with the shareholders concern equity related transactions. Furthermore, an amount of USD 110 thousand (2013 USD 188 thousand) was recharged by Sapinda Holding B.V. to the Company regarding advisory related services. Furthermore, Centrics Oil & Gas B.V. made a loan facility available to the Group, details of which are disclosed in note 18 to the consolidated financial statements.

For the disclosure on remuneration, see below. Any amounts payable to related parties are disclosed in the note on trade and other payables in the consolidated and company-only financial statements. There were no trade and other payables due to related parties as at 31 December 2014.

The terms and conditions of the transactions with key management personnel and other related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm’s length basis.

Transaction with key management personnel

Key management personnel compensation

Key management personnel compensation comprised:

	1 Jan. 2014 - 31 Dec. 2014 USD 1,000	27 Aug. 2013 - 31 Dec. 2013 USD 1,000
Short-term employees benefits	**3,375**	1,517
Post-employment benefits	**–**	–
	3,375	1,517

Key management personnel and director transactions

Members of the Management Board control 15.9% (2013 16%) of the voting shares of the Company.

12 Emoluments of Directors and Supervisory Directors

The emoluments as referred to in Section 2:383(1) of the Netherlands Civil Code, amounted to USD 3,281,283 for Managing Directors and former Managing Directors, and USD 93,336 for Supervisory Directors and former Supervisory Directors. The table below provides the remuneration and its individual components at the individual director level:

Managing Directors – 1 January 2014 to 31 December 2014 USD 1,000	**Salary**	**Benefits**	**Total**
J. Broekhuijsen	**568**	**17**	**585**
P. Haynes	**568**	**11**	**579**
J. Luke	**581**	**175**	**756**
J. Bosma	**601**	**184**	**785**
A. Williams (Managing Director until 15 June 2015)	**568**	**8**	**576**
	2,886	**395**	**3,281**

Supervisory Directors – 1 January 2014 to 31 December 2014 USD 1,000	**Salary**	**Benefits**	**Total**
J. van Rijswijk	**93**	**–**	**93**
	93	**–**	**93**

Managing Directors – 27 August 2013 to 31 December 2013 USD 1,000	Salary	Benefits	Total
J. Broekhuijsen	362	5	367
P. Haynes	362	–	362
J. Luke	247	31	278
J. Bosma	138	10	148
A. Williams	362	–	362
	1,471	46	1,517

Supervisory Directors – 27 August 2013 to 31 December 2013 USD 1,000	Salary	Benefits	Total
J. van Rijswijk	16	–	16
	16	–	16

No other Supervisory Directors received remuneration from the Company in either 2014 or 2013.

Sequa Petroleum N.V.

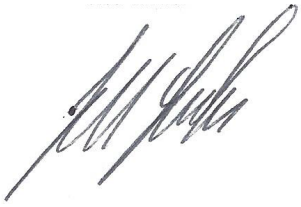
London, 26 November 2015

Members of the Management Board:

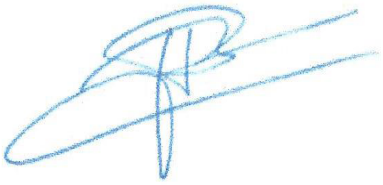
Jacob Broekhuijsen

Peter Haynes

Jim Luke



Jelte Bosma



Members of the Supervisory Board:

Lars Windhorst

Jos van Rijswijk

Edwin Eichler

Other information

Provisions in the Articles of Association governing the appropriation of profit

Under article 25 of the Company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate said profit either wholly or partly to the formation of – or addition to – one or more general or special reserve funds.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit insofar as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the statutory reserves and exceeds the amounts resulting from the distribution test, performed by management at the date of each dividend payment.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the appropriation of the 2014 loss after tax of USD 44,660 thousand to be added to the retained deficit in the shareholders' equity.

The Company can only make payments to the shareholders and other parties entitled to the distributable profit in so far as the shareholders' equity exceeds the paid-up and called-up part of the capital plus the legal reserves and statutory reserves under the articles of association to be maintained.

Subsequent events

In January 2015 the Company adopted new compliance procedures. As the Company has its management in the UK, it is subject to the UK Bribery Act 2010, as well as other anti-corruption legislation. The Company conducted a governance, risk and compliance review during 2014 and adopted an updated Code of Conduct and various new and updated compliance, tendering, disclosure and anti-corruption policies in January 2015. A programme of training and continuous review of these policies is in place.

In April 2015, the Company created USD 300 million senior convertible bonds in order to finance future business development. The bonds mature in April 2020 and pay a coupon of 5%. Once certain conditions have been met, the bonds are convertible at the option of the holders into ordinary shares of the Company at a conversion price of USD 3.50 per share. USD 129.4 million of the bonds were issued to Centrics Oil & Gas B.V. in full consideration for the principal and accrued interest outstanding under the existing shareholder loan facility as at the date the bonds were issued. A further USD 75 million under the bond programme was issued to third parties for cash consideration with the remaining amount expected to be issued for cash consideration before the end of 2015.

In April 2015, Sapinda Asia Limited, an existing shareholder of Sequa Petroleum N.V. entered into a commitment, to subscribe for up to USD 62.5 million of additional ordinary shares in the Company during 2015. This agreement was subsequently amended in November 2015 into a convertible shareholder loan facility with Sapinda Invest S.a.r.l. for the same amount.

In June 2015, the Group announced that agreement has been reached for the acquisition of the entire issued share capital of Tellus Petroleum Invest AS (Tellus) a company registered in Norway. The acquisition of Tellus completed in September 2015. The initial consideration comprised NOK 10 million (USD 1.2 million) payable in cash and 1.5 million of shares in the Company with an estimated fair value of USD 4.6 million. The total purchase price also includes

contingent consideration, comprising up to NOK 20 million and 4.5 million shares in the Company. The contingent consideration is payable in 2016 subject to the completion of certain asset acquisition transactions currently being pursued by Tellus. The acquisition of Tellus represents a business combination in accordance with IFRS 3. As at the date of approval of the financial statements the initial acquisition accounting had yet to commence and further information on the impact of the business combination on the financial statements was unavailable. This information will be provided in the Group financial statements for the year ended 31 December 2015.

In June 2015, the Group also announced its intention to acquire, via Tellus, a portfolio of assets in the Norwegian Continental Shelf consisting of working interests in four oil and gas fields along with interests in several exploration blocks. The consideration for the Norwegian asset portfolio is USD 602 million, and will be adjusted to reflect an economic date of 1 January 2015. Up to a further USD 100 million of consideration is payable contingent upon oil price movements over a four year period. The Group made an advance payment of USD 30.1 million in June 2015. The transaction is subject to standard regulatory approvals and requires the Group to raise debt and equity to finance the transaction. The Group's ability to close the transaction may be subject to market conditions.

In July 2015, the Company adopted the Dutch Corporate Governance Code and is currently recruiting independent directors, in order to ensure that the Supervisory Board will contain a majority of independent directors. To further increase independence and bring the Company's corporate governance structure more in line with the principles of Dutch large company regime (structuurregime), in August 2015 the Articles of Association of the Company were amended to reduce the number of reserved matters previously requiring Supervisory Board approval. The adoption of the Dutch Corporate Governance Code and associated changes to the Company's Articles of Association will provide the Company with a solid foundation for autonomous growth and decision making more in accordance with standard practice for Dutch listed NVs.

In August 2015, the Group completed an internal restructure of the Aksai licence interest. This restructure included a cash payment by Bolz LLP to the Group of USD 54 million, partially offsetting the loan facility of USD 90 million previously provided. The Group subsequently made a cash payment to Kazkommertsbank JSC in order to release their encumbrance over the Aksai licence.

In August 2015, the Government of Kazakhstan together with the National Bank of Kazakhstan renounced the practiced exchange rate corridor and implemented a new floating monetary policy for the KZT. As a result the KZT devalued immediately by some 30% against the USD compared to year end rates. This is not expected to have a significant impact on the planned exploration activities in Kazakhstan.

In September 2015, a three year extension of the Aksai exploration licence to July 2018 was approved. The work programme associated with the extended appraisal period includes recompletion of the initial well alongside three more wells across the licence area. Total investment under the three-year work programme is expected to be around USD 69 million, including well costs of USD 60 million. Management believes that expenditure commitments associated with the well costs could be renegotiated depending on seismic interpretation and initial work programme results.

In October 2015, the Company announced that Tellus had entered into an agreement with Total E&P Norge AS to purchase interests in production licences representing 15% of the Gina Krog unit in the Norwegian Continental Shelf and, in November 2015, an agreement with OMV (Norge) AS to purchase 0.554% interest in the Ivar Aasen field in the northern part of the North Sea. The effective date of both transactions is 1 January 2015. On completion the Group will pay its share of operator project costs for 2015 of around NOK 1.4 billion for Gina Krog and NOK 21.5 million for Ivar Aasen. On entering into the agreement for Gina Krog, the Group made an advance payment of NOK 50 million (USD 6 million) against these costs. The transactions are planned to be funded through a combination of debt and equity and are subject to normal consent by the Norwegian Authorities. The Group continues to work on the completion of the transactions and the ability to close the transactions may be subject to market conditions.

Subsidiaries

The Company has the following subsidiaries.

Subsidiary name	Registered	Ownership
Sequa Petroleum UK Limited	United Kingdom	100% (Direct)
Sequa Petroleum (Kazakhstan) LLP	Kazakhstan	100% (Indirect)
CHC Energy plc	United Kingdom	99.8% (Direct) and 0.2% (Indirect)
CHC Energy (Kazakhstan) LLP	Kazakhstan	100% (Indirect)
Sequa Petroleum (Barryroe) Limited	Republic of Ireland	100% (Directly)

Independent auditor's report

The independent auditor's report is set forth on the following pages.

Independent auditor's report

To: the General Meeting of Shareholders of Sequa Petroleum N.V.

Report on the financial statements

We have audited the accompanying financial statements 2014 of Sequa Petroleum N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2014, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management Board's responsibility

The Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Sequa Petroleum N.V.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Sequa Petroleum N.V. as at 31 December 2014 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Sequa Petroleum N.V. as at 31 December 2014 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Management Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the Report of the Management Board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 26 November 2015

KPMG Accountants N.V.

R. Rog RA