FOCUSED ON DELIVERY

amerisur resources plc

ANNUAL REPORT 2017

amerisur resources plc

Amerisur Resources is an independent full cycle oil and gas company focused on South America with high potential assets in Colombia.

FOCUSED ON OUR ADVANTAGES

EXPLORATION PORTFOLIO

Learn more about our extensive acreage position in the underexplored Putumayo region on page 9

INFRASTRUCTURE ADVANTAGE

Learn more about our wholly owned strategic OBA oil transfer line into Ecuador on page 13

IN-COUNTRY EXPERTISE

Our experienced in-country team has a strong track record of success, learn more on page 29

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

2017 HIGHLIGHTS

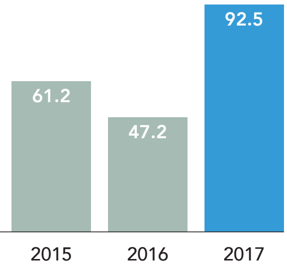
Financial

Growing production and improving oil prices delivered a strong financial performance of:

Revenue

$92.5m

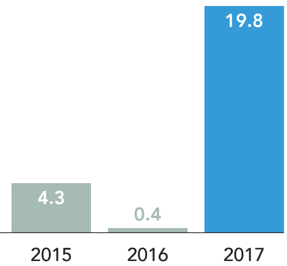
Significant revenue growth of 96%



Adjusted EBITDA

$19.8m

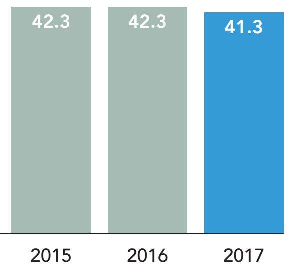
Adjusted EBITDA up 4,850%



Cash and cash equivalents

$41.3m

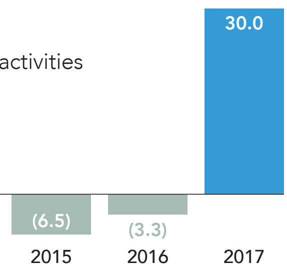
Strong cash position at year end of $41.3m with zero debt



Net cash from operating activities

$30.0m

Net cash from operating activities increased to $30.0m

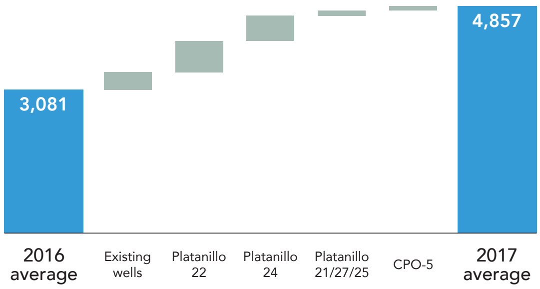


+ Profit before tax growth from a loss of $29.3m for FY16 to a profit of $0.6m

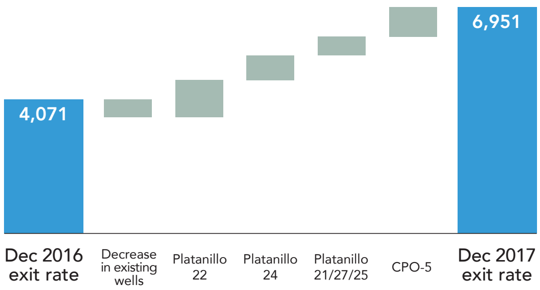
Production and OBA

+ At $60 oil, with cash costs of production and transportation of below $20 generates a cash netback in excess of $40 per barrel
+ Diversification of production base from one to two oil fields in line with Amerisur's strategy
+ FY17 OBA throughput average of 4,440 BOPD reducing average cash opex and transport costs per barrel to $18.6 (2016: $24.9)

Average BOPD 2016 to 2017



Exit rate increase 2016 to 2017



Exploration

+ Drilling of seven exploration and appraisal wells

Outlook

+ Up to 14 fully funded exploration and development wells planned for 2018
+ Ramp up of near term exploration activity

AMERISUR AT A GLANCE

A WELL-POSITIONED EXPLORATION AND PRODUCTION COMPANY

Exploration

We have an extensive licence portfolio with unrisked prospective resources of 1,376 MMBO on a mid case basis, capable of delivering further exploration success and value creation. We have delivered opportunistic resource growth through corporate and asset acquisitions and have an active and fully funded work programme underway.

2018 targets

+ To deliver significant reserves growth through the drilling of up to 14 fully funded exploration and appraisal wells
+ Spudding of Pintadillo-1 in the Platanillo N Sand, Miraparriba-1 in Put-8 and Indico-1 in CPO-5 to commence in the coming weeks targeting 26 MMBO of prospective resources

Production

We have growing, low-cost, high netback production from two fields. We are the owner and operator of the OBA pipeline, a key piece of strategic, cross-border export infrastructure enabling us to deliver world-class operating margins.

2018 targets

+ To increase production with exploration success
+ Diversify production base to at least three producing fields

Operational review / See page 20

OUR INVESTMENT HIGHLIGHTS

1 Growing low cost production base

2 Own strategic export infrastructure

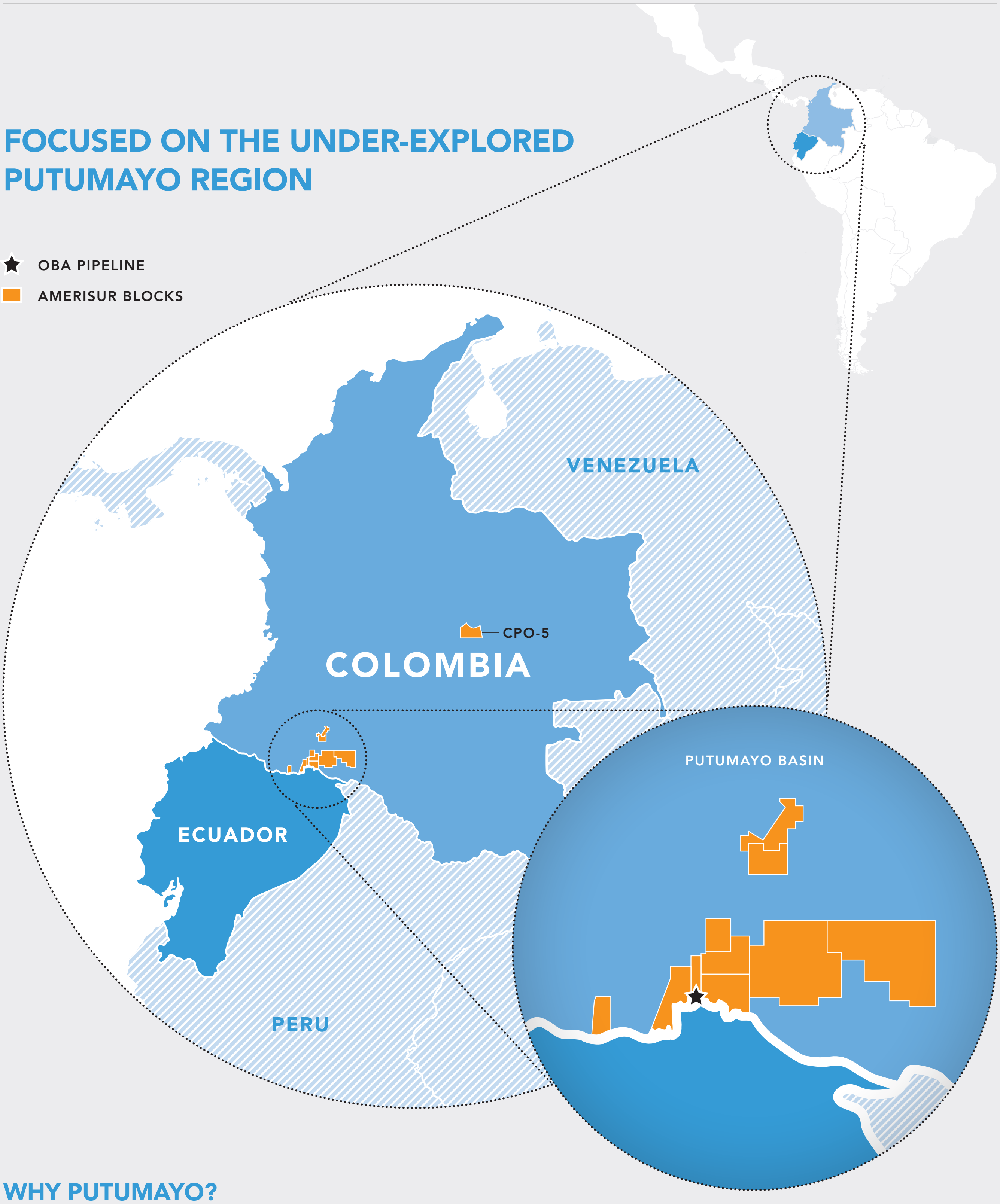
3 Delivering world-class margins

4 Extensive growth portfolio with focus on OBA cluster

5 Robust financial position

6 Experienced Board and management team

FOCUSED ON THE UNDER-EXPLORED PUTUMAYO REGION



WHY PUTUMAYO?

Large field potential
Proven oil basin with light to heavy oil gradation in excellent reservoirs.

Technical understanding
Experienced in-country team with expert knowledge of the Putumayo region.

Prime position
Large strategic acreage in geologically prolific but underexplored basin.

Strategic assets
Core cluster of high potential assets consolidated around the OBA in the Putumayo basin.

OBA pipeline
Reliable, low cost route to commercialisation with technical capacity to support future growth.

Community involvement
Strong community relations and investment in social programmes, supporting employment and investment in the area.

CHAIRMAN'S STATEMENT

A STRONG YEAR FOR AMERISUR

"2017 has been a successful year for Amerisur and we are well-positioned to capitalise on the momentum we have generated."

Overview of the year

We exited 2017 with strong production growth, valuable 2P reserves and record resources. In 2017 Amerisur successfully executed its strategy and delivered growth. We finished the year in a strong position with a refreshed Board, an exit production rate of nearly 7,000 BOPD, and low cost production from two oil fields. Strong operating margins were achieved as a result of the low transport costs of our wholly owned OBA pipeline to Ecuador and our close control over costs. Further upside has been identified through our exploration success, including Platanillo-22, Platanillo-21 and Mariposa-1 in CPO-5, and our 14 well 2018 work programme is focused on building on the successes in 2017 as well as proving up new resources across our extensive asset portfolio.

Amerisur has low cost production with cash netbacks in excess of $40 per barrel of oil produced (at $60/bbl selling price) and therefore generates significant cash flow from its operations. As a result, it has a strong balance sheet with $41m of cash at year end; an extensive drilling programme in 2018; a portfolio concentrated on the highly prospective Putumayo basin with significant upside of 1,376 MMBO in the mid case; and a team with an excellent discovery and value creation track record. Although we are seeing an improving market environment, with the oil price ending 2017 at $60/bbl, we remain focused on capital discipline and delivering against our strategy of being cash generative at a sub $45 oil price, achieved through increasing OBA throughput which delivers strong operating margins.

People, Board and corporate governance

I would like to congratulate and thank Amerisur's excellent management and operational team based in Colombia who have worked diligently to deliver increased production, OBA throughput and exploration success.

The Board recognises the importance of good corporate governance practices and shareholder engagement and continues to make positive progress. Our achievements over the last year include Board refreshment, investor roadshows and expanded reporting by the Remuneration Committee.

A programme of Board refreshment was undertaken during the year to ensure the Board had the necessary skillset to continue to drive forward growth, resulting in a strengthened Board with five Independent Non-executive Directors, two Executive Directors and a Chairman. An extensive and thorough search process was overseen by Chris Jenkins, an independent Non-executive Director, and managed by a leading sector-focused executive search firm, Preng & Associates, to identify two new independent Non-executive Directors, one with City experience and the other with in depth industry knowledge. As a result, I was delighted to welcome Dana Coffield and Alex Snow to the Board in April and May respectively. Dana brings a wealth of industry knowledge to the role, having over 30 years of international E&P experience including in Colombia, and has joined the Remuneration Committee. Alex has had a successful career in the City, most recently as the CEO of Lansdowne Partners LLP, and brings significant financial expertise to the Board. Alex joined the Board as Senior Independent Director and sits on both the Remuneration and Nomination Committees.
As previously announced, Victor Valdovinos, George Woodcock and Nigel Luson retired from the Board during the year and we thank them for the considerable contributions they each made during their tenure.

Political and social developments

The 2016 peace deal was a momentous event in Colombia's history following over 50 years of conflict. Steady progress has been made with its implementation, with the demobilisation of the FARC completed in 2017 and the conversion of that group into a political party.

As part of the peace accords Government is committed to a large increase in rural investment, a significant part of which is being implemented in the Putumayo region. Whilst being geologically highly prospective, in previous decades the above surface social climate with the FARC has limited oil exploration and development in the Putumayo basin. With ten blocks in the basin, Amerisur is ideally placed to benefit from the opportunities the peace process is revealing. Geology does not respect national and political boundaries and there is every chance the Putumayo Basin in Colombia will be as prolific as Ecuador is over the Putumayo River to the south, which has not been restrained by similar social issues.

Having been present in the Putumayo basin for eleven years Amerisur is a significant investor in the region, has unparalleled insights and is committed to delivering positive social and economic benefits. Unsurprisingly the country's transition to peace has led to some local social issues and Amerisur has taken a central role in delivering a wide range of community projects to aid this complex process. An example of this is the sustainable alternative farming programmes we invest in, which are part of the Government's "Sustiticion de Cultivos Ilicitos – illegal crop substitution programme". These programmes provide local farmers with both the resources and skills required to transition to more socially desirable and profitable crops.

Alongside this we continue to help provide access to education for local children. At the Santa Isabel school, we have constructed two classrooms, two science laboratories and two sets of toilet blocks, with the aim of improving the quality of life of the children attending the school.

Dividend

It is Amerisur's aspiration to pay a dividend once it is delivering sustainable production from multiple fields. While the Company is making positive steps towards this goal, with production now coming from two oil fields, the Board will not be recommending a dividend for the year ended 31 December 2017. Cash returns to shareholders are discussed regularly by the Board and firmly remain a goal.

Outlook

Our success in 2017 positions the Company strongly for 2018 and we look forward to capitalising on the momentum that we have generated. 2018 is focused on successful exploration and growing production levels, continuing to diversify our production base, and increasing OBA throughput as well as delivering up to 14 fully funded exploration and appraisal wells by the end of the year in order to grow reserves and resources. Our extensive licence portfolio has delivered substantial exploration success and value creation to date and means we are well placed to generate significant future shareholder value.

The outlook for Amerisur is strong and as we see relative stability returning to the oil markets, your Board looks to the future with confidence.

Giles Clarke, Chairman

14 April 2018

"Our 2018 drilling programme is focused on capturing and converting the substantial untapped prospective resources across our portfolio to reserves, to deliver further growth."

CHIEF EXECUTIVE OFFICER'S STATEMENT

UNLOCKING THE PUTUMAYO POTENTIAL

"During the year, we have diversified our production base, increased OBA throughput and achieved further drilling success."

Introduction

In 2017, Amerisur delivered a number of strategic and operational objectives, including the diversification of our production base from one to two fields. This followed drilling success at Platanillo and the Mariposa-1 discovery in CPO-5, an important milestone for the Company. Alongside this we steadily and responsibly ramped up our low cost, low risk, high netback production at Platanillo and in turn OBA throughput, while consolidating our strategic position in the Putumayo basin.

With growing production and improving oil prices, the financial performance of the Company improved with revenue up 96% to $92.5m (2016: $47.2m), adjusted EBITDA up 4,850% to $19.8m, net cash from operating activities increased to $30.0m, positive operating profits for the year were $0.6m (2016: operating loss of $27.7m) and profit before tax was $0.6m (2016: loss before tax of $29.3m). Year-end total cash was $41.3m (2016: $42.3m).

The Putumayo basin is a highly attractive, underexploited basin and during the year we successfully executed a further opportunistic strategic transaction in the region delivering additional unrisked prospective resources of 321 MMBOE through the acquisition of the outstanding working interest in the Put-9 and Tacacho blocks together with 100% working interest in Terecay and 58% of Mecaya from subsidiaries of Pacific Exploration and Production. The purchase price of $4.85m was paid from existing cash resources. Over the last three years, during the oil price downturn, Amerisur has completed four low cost, value accretive acquisitions, growing our portfolio to eleven blocks in Colombia, consolidating our acreage position around the OBA, delivering important resources, bolstering and providing significant flexibility in our drilling programme.

Exploration success

Our strong exploration and operations track record continued in 2017 with the successful drilling of seven exploration and appraisal wells. Within our 100% owned and operated Platanillo block, in addition to two infill wells, we drilled Platanillo-22 from Pad 2N at the beginning of the year, which flowed at 1,000 BOPD and identified an extension to the field to the north, with a deeper oil-water contact. Our follow-on well in Pad 2N, Platanillo-21, was a further encouraging result

OUR JOURNEY OF ACHIEVEMENTS TO DATE

2008
- Appointed Operator of the Platanillo block
- Drilled Platanillo-1 and 2

2009
- Acquired 100% interest in Platanillo block, in line with strategy of gaining controlling interest in prospects
- Commerciality declared in Platanillo with Alea 1 and Platanillo-2 in production

2010
- Extended the Platanillo exploration area to the National Border
- Successfully completed a placing of £13.7m

2011
- Acquired two new licences within the Piriti and Pilar sedimentary basins in Paraguay

and as such our drilling programme in the second half of 2017 focused on the north of the block to map out the extension. The following two wells, Platanillo-25, and Platanillo-27, were less successful than the initial two wells, with a lower quality reservoir and poor initial production. These results led to a comprehensive review of the U and T sand reservoirs, both in-house and utilising an experienced technical specialist, Best Energy Services Ltd, based in Quito Ecuador who have deep knowledge of the basin. These studies included the cores taken in wells 21 and 20 in addition to production history and the complete geotechnical data suite, incorporating the 3D seismic data reprocessed by Signature of Calgary and greatly increased our understanding of the basin.

Following a rigorous permitting process civil works commenced during April 2018 in preparation for the drilling of up to three N Sand anomaly wells further north on the block, targeting 11.44 MMBO of prospective resources.

We added a second production field with the exciting Mariposa-1 discovery in the CPO-5 block, which sits on trend with the prolific Llanos-34 contract. Mariposa-1 was put on long-term test in November and was producing in excess of 3,000 BOPD at the end of the period. Mariposa-1 has produced 435,785bo at 8 April 2018. Plans are also in place with our partner to drill Indico-1, testing the Mariposa play further up dip in H1 2018 together with two further wells on the block during 2018.

Reserves and Resources

As at 31 December 2017 certified 1P (Proven) gross field reserves were 12.84 MMBO (2016: 15.11 MMBO) after production of 1.76 MMBO during the period and 2P (Proven and Probable) gross field reserves were 18.95 MMBO (2016: 24.47 MMBO). Cumulative total production from the Platanillo field at 31 December 2017 was 9.26 MMBO.

After production, current 1P reserves represent a decrease of approximately 0.5 MMBO from year end 2016. This technical decrease of the Expected Ultimate Recovery ("EUR") (a forward-looking model which assumes a decline factor and projects the volume of oil which will ultimately be recovered from each well) takes account of the wells drilled during the year, including the relatively poor reservoir quality and initial flow rates from wells Platanillo-25 and Platanillo-27. This results in a small decrease in expected EUR. The reduction in 2P reserves is also due to that effect, together with a refined mapping of the field after the reprocessing of the 3D seismic data by Signature Ltd of Calgary, part of our regional reprocessing project which covers our entire Putumayo portfolio.

Since the Mariposa-1 well is currently under Long Term Test, it has not entered the exploitation phase and hence the Operator is not required to report such reserves to the Agencia Nacional de Hidrocarburos (ANH). However, for guidance, the Company also commissioned an evaluation of reserves at the Mariposa discovery in block CPO-5 from Petrotech Engineering Ltd. 1P reserves were certified at 0.79 MMBO and 2P reserves at 1.30 MMBO to Amerisur on a working interest basis (30%).

The Company also commissioned an evaluation of reserves at the Mecaya block related to the well Mecaya-1 from Petrotech Engineering Ltd. 1P reserves were certified at 0.31 MMBO and 2P reserves at 0.45 MMBO to Amerisur on a working interest basis of 58%.

Hence total Amerisur 1P reserves at 31 December 2017 are 13.94 MMBO and 2P reserves are 20.70 MMBO.

At the end of the period, Amerisur had unrisked 2C resources of 35.49 MMBO and unrisked prospective resources of 1,367 MMBO in the mid case.

Production growth and diversification

Group production for 2017 averaged 4,857 BOPD, with an exit rate of nearly 7,000 BOPD, including production from both Platanillo and Mariposa-1 which came on stream in November 2017.

We have low cost, high netback production at Platanillo and during the period we steadily increased our production levels to nearly 7,000 BOPD with average cash opex and transport costs per barrel reducing to $18.6 (2016: $24.9) largely as a result of increasing throughput through the OBA.

During the year, the Platanillo field production was 1,735,804 barrels averaging 4,756 BOPD, up 58% on 2016. Production had to be temporarily suspended at Platanillo for short periods in July and September as a result of social issues in the region following the ratification of the peace process. These issues have

2012

- Continued 100% drilling success at Platanillo with drilling of Platanillo-3, 4, 5, 9 and 6
- Acquired a 60% working interest and Operatorship of Put-12
- Successfully completed a placing of £26.5m

2013

- Successfully re-entered and side-tracked Platanillo-1, 2 and Alea-1
- Continued 100% drilling success at Platanillo-10, 11, 12 and 14

2014

- Successfully drilled Platanillo-7, 17, 16, 15, 18 and 20
- Platanillo-20 produced light oil from the T sand, confirming it as a separate oil reservoir and demonstrating future upside at Platanillo
- Achieved production of 7,250 BOPD from fields in the Platanillo block, with levels logistically constrained at 7,000–7,250 BOPD
- Joint venture agreement signed with Talisman, 50% each for Put-30

2015

- Broadened portfolio through the acquisition of a 30% working interest in CPO-5 and a 49.5% working interest in Tacacho contract from Petro Dorado Energy Limited
- Stephen Foss appointed to the Board as Senior Independent Non-executive Director
- Winner of Best Oil & Gas PLC at the 2015 UK Stock Market Awards

CHIEF EXECUTIVE OFFICER'S STATEMENT CONTINUED

Production growth and diversification continued

been resolved by the Government and all of our producing wells were carefully brought back on stream, quickly and efficiently. We took advantage of this downtime to perform maintenance and enhancement works on the field to optimise our production.

Production throughput through the OBA averaged 4,440 BOPD in the period, with a peak of 10,127 BOPD. Volumes through the OBA were constrained in the first half of the year due to equipment maintenance activities in the RODA system and competing volumes in the northern part of Ecuador, which we do not envisage to impact throughput going forward; however, throughput steadily increased in the second half, with September seeing the one millionth barrel exported through the OBA. Post period end, on 20 February 2018 the Company transported its two millionth barrel through the OBA system. This generated a total saving of $20.3m during initial 15 months of operations, following investment of $22m to build the system. The OBA represents a low cost route to commercialisation with world class economics and the Company remains focused on increasing OBA throughput, driven principally by the Company's upcoming drilling campaign.

In January 2018, Petroamazonas EP and Amerisur signed the "Second Cooperation Agreement for the Use of the Oil Pipeline Network of the Amazonian District (RODA)", which allows Amerisur to build and commission the Chiritza re-pumping station in Equador. Once operational, this will increase Amerisur's minimum carrying capacity through the RODA pipeline to 9,000 BOPD.

Amerisur achieved a significant milestone in November 2017 with production beginning on the Company's second oil field in Colombia following commencement of the Long Term Test (LTT) of the Mariposa-1 discovery on CPO-5. Production from the field ramped up to in excess of 3,000 BOPD at the end of 2017 and average Q1 2018 production was 3,186 BOPD. Platanillo Q1 2018 average production was 5,730 BOPD.

Near-term drilling plans

Alongside growing our low cost production base and OBA throughput, we are focused on leveraging our strategic position in the Putumayo and Llanos basins through the drill bit, targeting up to 14 wells by the end of 2018, with the objective of tying back our successes to the OBA. Our 2018 drilling campaign includes three wells on Putumayo 9, two wells on Putumayo 8, three wells on CPO-5 and three wells on Putumayo 12, together with up to three N Sand anomaly wells on Platanillo, all fully funded from existing cash resources and cash generated from activities. The prospects we plan to drill in this programme represent unrisked prospective resources of 131.53 MMBO in the mid case. Capex for the year is planned to be $61m.

2018 drilling programme

BLOCK (WI)	Unrisked prospective resources net to Amerisur Mid Estimate
Platanillo (100%) (Structural and N Sand anomalies prospects)	11.44
CPO-5 (30%)	5.10
Putumayo 8 (50%)	5.63
Putumayo 9 (100%)	37.80
Putumayo 12 (60%)	71.56

We have been busy performing preparatory works across our licences in Q1 2018 to ensure that on receipt of the relevant environmental and regulatory approvals we could move at pace to begin drilling. It is anticipated that the drilling of Pintadillo-1, the first of up to three wells targeting the N Sand anomaly and estimated to hold P50 resources of 11.4 MMBO, Miraparriba-1 in Putumayo-8, a low risk prospect estimated to hold P50 resources of 4.4 MMBO; and Indico-1, targeting the same play as the successful Mariposa-1 well in CPO-5, will commence in the coming weeks.

Outlook

With a strong balance sheet, production, strong cash generation and significant near term exploration upside, Amerisur has a solid platform to grow from. We have a busy year of drilling ahead and, in turn, the potential to diversify and grow our production base to three or more fields and we are confident of delivering further shareholder value.

John Wardle, Chief Executive Officer

14 April 2018

"I'm pleased to say we're in great shape to move Amerisur to the next level of growth."

2016

- Acquired a 50% working interest in Put-8, 100% working interest and Operatorship of the Coati Evaluation Area and 100% of Andaquies block through the acquisition of Platino Energy (Barbados) Ltd
- Delivered the OBA, a wholly owned export pipeline that is the first piece of bilateral infrastructure between Colombia and Ecuador, for $18m
- Successfully raised net proceeds of approximately US$36m of growth capital at 25 pence per share
- Chris Jenkins appointed to the Board as Independent Non-executive Director

2017

- Achieved exit rate of nearly 7,000 BOPD
- Mariposa-1 discovery on CPO-5 drilled and placed on commercial production, diversifying Amerisur's production base from one to two fields
- Successfully drilled Platanillo-24, 21 and 27 and sidetracked Platanillo-25
- Platanillo-22 drilled from Pad 2N, identifying an important extension to the block
- OBA cluster area further strengthened through the acquisition of remaining 60% in Put-9, 58% of Mecaya, 100% of Terecay and remaining interest in Tacacho
- Dana Coffield appointed to the Board as Independent Non-executive Director
- Alex Snow appointed to the Board as Senior Independent Non-executive Director

2018

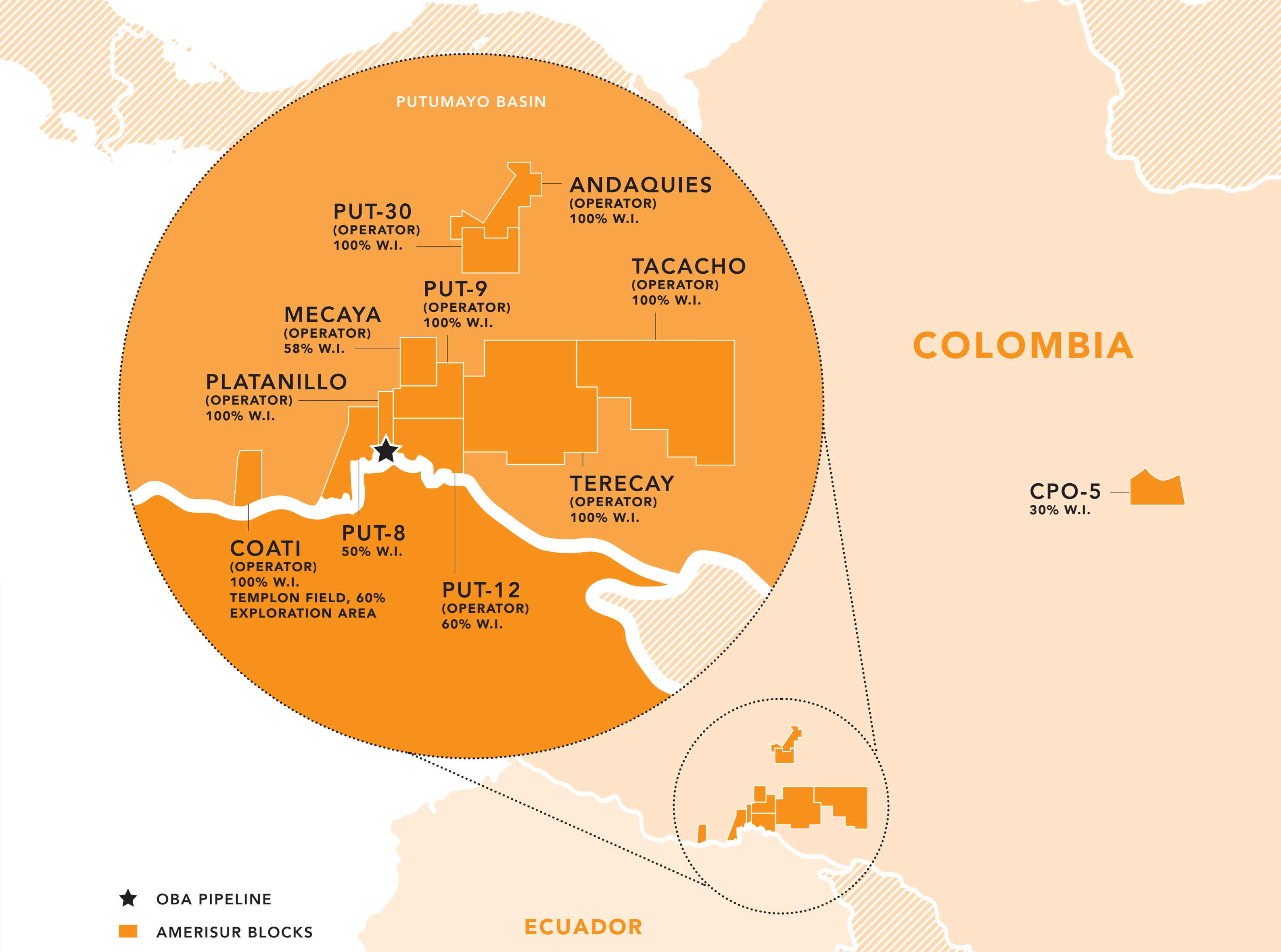
- Two million barrels of oil transported through the OBA, generating savings of $20m in 15 months of operation
- First complete tanker loading from Esmeraldas on 22 March 2018
- Modification of the Platanillo Environmental Licence for N Sand drilling approved

THE AMERISUR ADVANTAGE

EXPLORATION PORTFOLIO

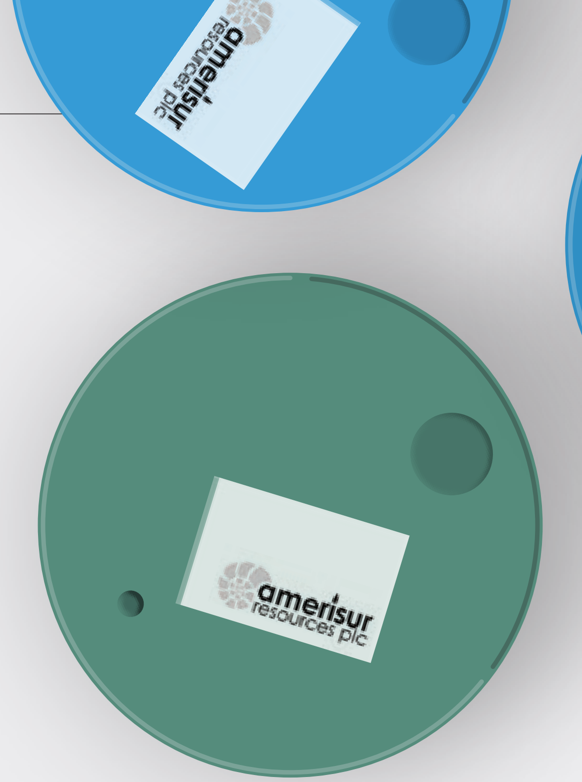
PORTFOLIO OVERVIEW

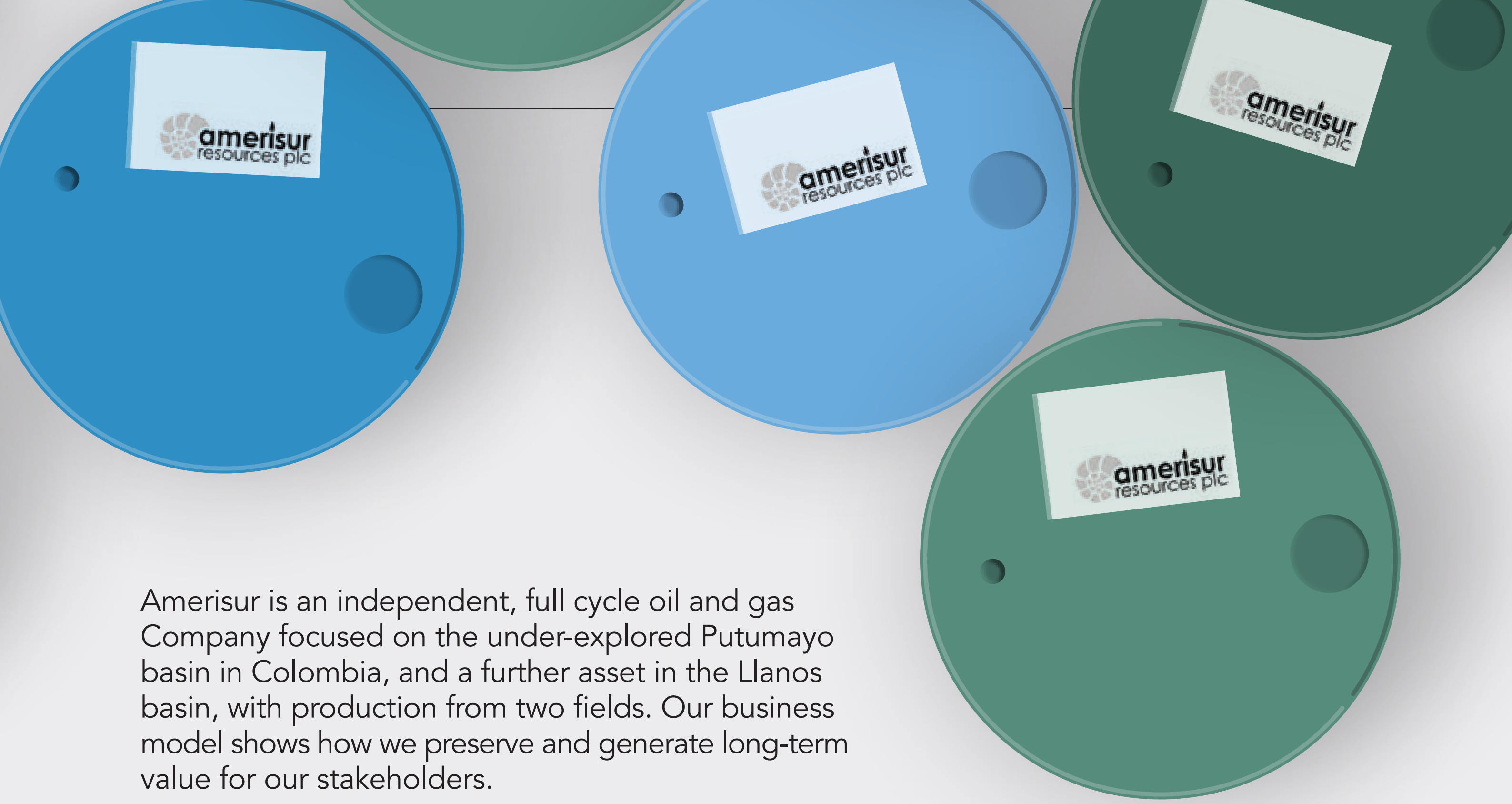
Number of blocks (Gross)	Hectare size (Gross)	Prospects identified	Resources (unrisked)	2018 drilling targeting Resources (unrisked)
11	984,000	26+	1,376 MMBO	131.53 MMBO



BUSINESS MODEL

A ROBUST AND SELF-SUSTAINABLE BUSINESS MODEL





Amerisur is an independent, full cycle oil and gas Company focused on the under-explored Putumayo basin in Colombia, and a further asset in the Llanos basin, with production from two fields. Our business model shows how we preserve and generate long-term value for our stakeholders.

Experienced in-country team

We have an experienced management and operational team based in Colombia with deep technical understanding, expert knowledge of the Putumayo region and a strong track record of success. The team has extensive experience of operating in country with strong community relations developed over the course of a decade, supporting employment and investment into the area.

2017 achievements

- We identified an extension to the Platanillo field in the north at Pad 2N
- Further drilling success with CPO-5 Mariposa-1
- We continued to support local economic development programmes as part of the peace process

Putumayo focus

We have an extensive licence portfolio covering c.984,000 Ha (gross) predominantly in the prolific but under-explored Putumayo region, a proven oil basin with large field potential. We have successfully executed opportunistic, value accretive acquisitions during the down cycle, delivering resource growth and consolidating our acreage position around the OBA. We have identified more than 26 prospects across our exploration portfolio targeting 1,376 MMBO of mid case unrisked resources and have a cluster of near term activity assets around the OBA.

2017 achievements

- In March 2017 we successfully added further unrisked prospective resources of 321 MMBOE through the acquisition of the outstanding WI in Put-9 and Tacacho, plus 100% WI in Terecay and 58% of Mecaya

Infrastructure

Amerisur successfully built and is 100% owner of the strategic OBA export pipeline. The pipeline, which was delivered in 2016, is the first, privately owned piece of cross-border infrastructure which runs from the Company's Platanillo field in Colombia to the Ecuadorian export pipeline system. The OBA provides a low cost and reliable route to commercialisation, delivering world-class operating margins and significant production growth potential.

2017 achievements

- September 2017 saw the millionth barrel exported through the OBA
- During the period monthly average throughput increased from approximately 2,000 to 6,000 BOPD

Profitable, low cost production

We have growing, low cost, high netback production. All cash generated is currently invested back into our business so that we are self-sustaining and cash generative throughout the cycle. Our 2018 exploration and development drilling is all fully funded from internally generated cash and existing cash resources.

2017 achievements

- We steadily increased production levels from 4,000 BOPD to nearly 7,000 BOPD
- In November 2017 we diversified our production base from one to two fields

MARKETS

A POSITIVE OUTLOOK FOR COLOMBIA

Economic and political review

The 2016 peace deal was a momentous event in Colombian history, with President Santos winning the Nobel Peace Prize for his efforts.

Steady progress has been made in transitioning the country to peace during 2017, with the demobilisation of the FARC guerrillas ending over 50 years of war. Although production had to be temporarily suspended at Platanillo for short periods during the year, as a result of social issues in the region, the government's crop substitution programme, which Amerisur is supporting, is proving successful.

The upcoming Colombian elections have been the primary focus in the country for much of 2017 and early 2018 given the uncertain political environment. The results of the March 2018 Congress/Senate elections were inconclusive. This was the first election that the FARC political party have taken part in by virtue of the peace deal.

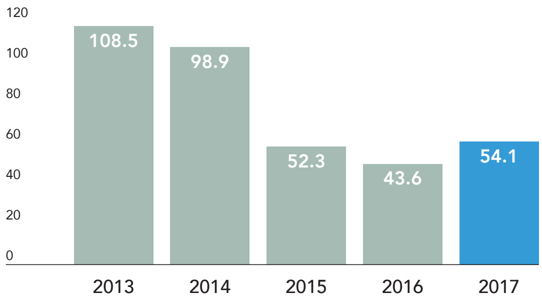
Regardless of the outcome of the elections, the economic prospects for both Colombia and Latin America as a whole are positive, with the World Bank predicting GDP growth in Colombia of 2.9 percent in 2018 and 3.4 percent for 2019/2020.

Commodity prices

Brent oil prices have been volatile throughout 2017 following the recovery experienced in 2016. Prices reached lows of under $45 per barrel in June but steadily climbed during the second part of the year and held above $60 per barrel for November and December. Overall, the average price of Brent oil was $54 per barrel in 2017 compared to $44 in 2016.

Increases to crude oil prices during the year have been driven by robust global demand and OPEC intervention in limiting production from member countries, tightening supply.

Average BRENT prices 5 years ($/bbl)



Global oil industry

During the first six months of 2017, we continued to see market management across the industry, with macro changes in oil price as a result of OPEC and select non-OPEC producers cutting production, which led to an increase in prices and stabilisation in the market. Alongside this, producers have continued to reduce costs to position themselves in the current and future market environment.

Both OPEC and non-OPEC countries that agreed to curtail production in 2017 have agreed to extend this reduction into 2018. This restriction in supply should balance growing output from outside OPEC including US shale.

Although globally demand continues to outweigh supply investment remains modest. The IEA is forecasting global oil demand growth of on average 1.2 million barrels per day to 2022, with further growth potential in non-OECD countries.

Colombian oil production

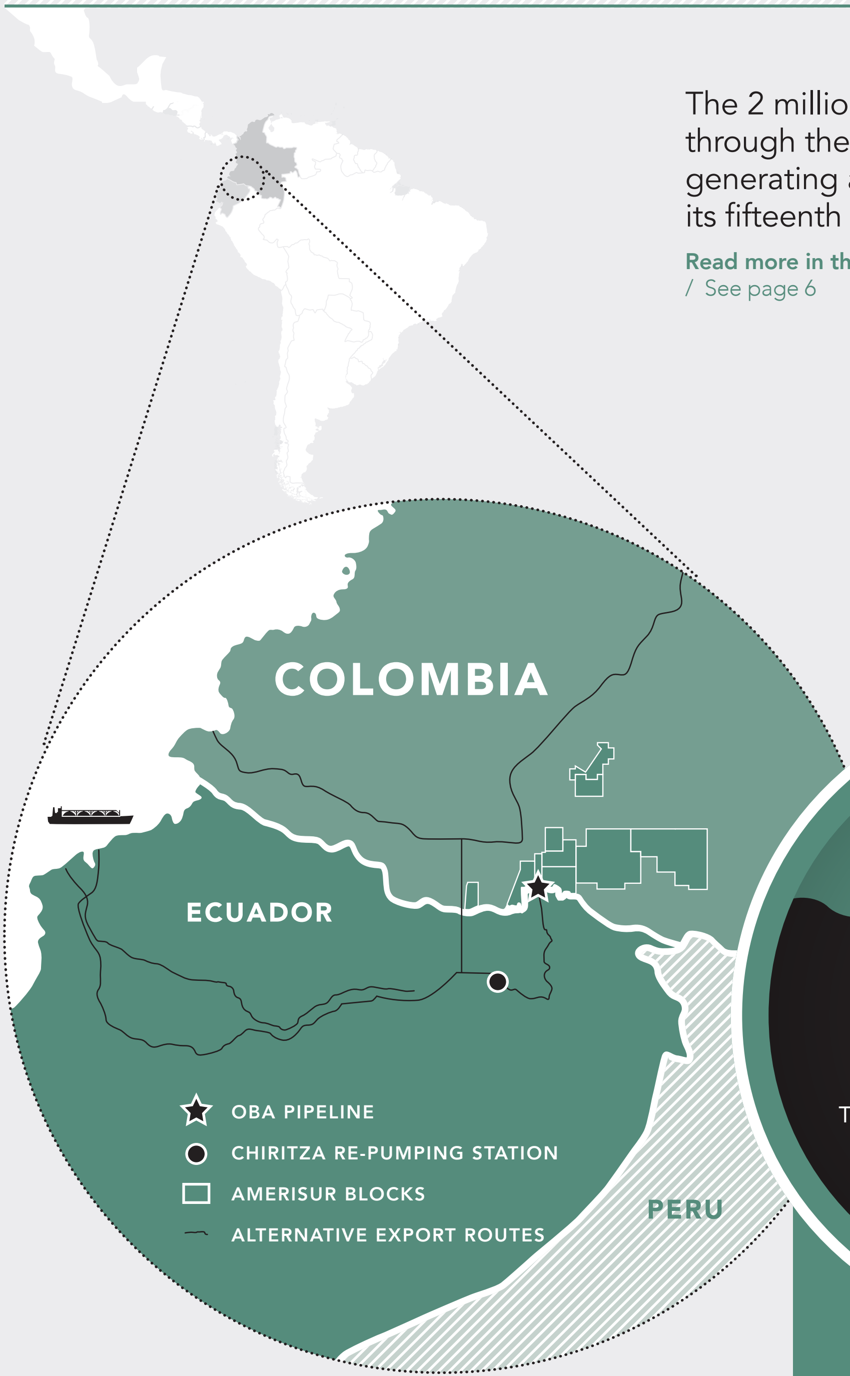
Average Colombian crude oil production was 854,121 BOPD in 2017, with the monthly average peaking in December at 870,328 BOPD. This is lower than the 2016 average of 899,000 BOPD, reflecting the impact of social disruption experienced from implementation of the peace process.

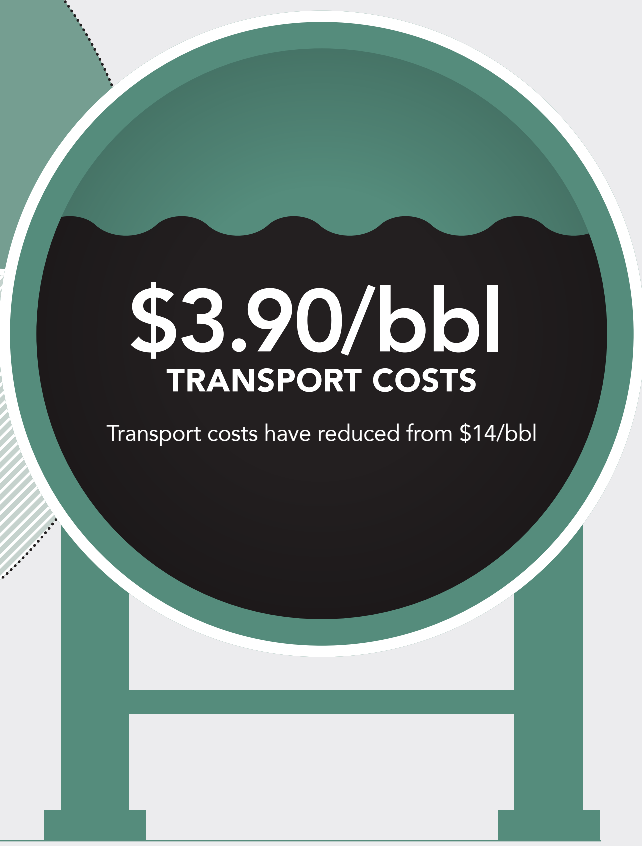
THE AMERISUR ADVANTAGE

INFRASTRUCTURE ADVANTAGE

The 2 millionth barrel of oil was transported through the OBA pipeline in February 2018, generating a total saving of $20.3m during its fifteenth months of operation.

Read more in the Chief Executive Officer's statement
/ See page 6





STRATEGY

DELIVERING SUSTAINABLE GROWTH

Amerisur's long term strategy is to acquire, explore and develop large acreage positions in major underexplored basins located in South America, with a current major focus on the Putumayo basin in Colombia.

1

Growing our low cost production base

Progress in 2017

- Increased production from 3,081 to 4,857 BOPD (up 58%) achieving an exit rate of nearly 7,000 BOPD
- Diversified production base from one to two fields following exploration success at CPO-5 with Mariposa-1 discovery

Future plans

- Diversify production base to three or more fields by end of 2018
- Increase production through exploration success

Principal risks

- Drilling success
- Reliance on JV partner for CPO-8/Put-8
- Operational and project performance

2

Increasing OBA throughput

Progress in 2017

- Achieved average OBA throughput during year of 4,440 BOPD
- Highest throughput of 10,127 BOPD
- Delivered third export pump in Colombia to increase throughput to 1,200 BOPH and redundancy
- VHR spares for pumps and generators
- Upgrades in Cuyabeno pumps and metering
- Result: 9k BOPD+ available capacity

Future plans

- Chiritza project – connection from Roda
- RODA twinning or direct line to Lago Agrio

Principal risks

- Drilling success
- Operational and project performance

3

Leveraging our strategic position in the Putumayo basin through the drill bit

Progress in 2017

- Continued excellent exploration track record
- Identified an important extension to the Platanillo block in the north
- During the oil price downturn, completed four low cost, value accretive acquisitions consolidating our acreage position around the OBA
- Consolidated Putumayo position through Pacific acquisitions delivering unrisked prospective resources of 321 MMBOE

Future plans

- Continue to develop our extensive portfolio
- Focus near-term activities on Platanillo, Put-9, Put-12 and Put-8, along with CPO-5
- Fully funded work programme of up to 14 wells by end of 2018

Principal risks

- Exploration success
- Funding availability
- Political uncertainties

4

Operating responsibly

Progress in 2017

- Continued to operate all of our assets in a safe and responsible manner
- Ensure the safety of our workforce remains paramount and any potential risk to the environment is minimised
- Maintain the high levels of operating efficiency across our operated assets
- Continuing engagement in community projects (see page 32)

Future plans

- Maintain zero LTIF
- Continue to build good relations with local communities
- Maintain compliance with applicable laws and regulations

Principal risks

- Risk of health and safety incident
- Regional risk

Key performance indicators / See page 16
Principal risks / See page 18

KEY PERFORMANCE INDICATORS

STEADY PROGRESS

Amerisur has both financial and non-financial KPIs in place which are used to monitor progress in delivering the Group's strategy.

Financial

Adjusted EBITDA[1]

$19.8m

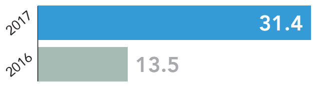
How we performed
EBITDA increased by 4,850% largely due to volume growth, higher oil prices and lower transport costs.

Target
Increase in line with revenue and continued cost savings.

B

Operating netback[2]

$31.4 /bbl



How we performed
Operating netback increased by 132% due to higher selling prices and lower transport costs.

Target
Increase in line with revenue and continued cost savings.

B

Capital expenditure

$31m

How we performed
Capital expenditure of $31m, including asset acquisitions, fully funded from cash resources and internally generated cash flows.

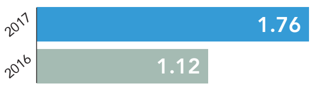
Target
2018: $61m.

1 3 B C D E F

Operational

Gross production

1.76 MMBO



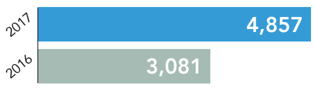
How we performed
Production increase by 58% in 2017 as a result of the ongoing Platanillo drilling campaign and the commencement of CPO-5 production in November 2017.

Target
2018 target of 2.5m–3m barrels.

1 2 E

Average daily production

4,857 BOPD



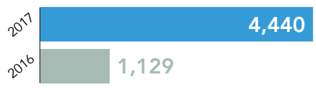
How we performed
Average BOPD increased by 58% in 2017.

Target
2018: target average production of 6,500 – 8,000 BOPD.

1 2 E

Average daily OBA throughput

4,440 BOPD



How we performed
1.6 MMBO, equivalent to 93% of gross production, were transported through the OBA during 2017.

Target
Increase OBA throughput in line with production growth.

2 E

Key

Strategic objectives

1. Grow our low cost production base
2. Increase OBA throughput
3. Leverage strategic position in Putumayo
4. Operating responsibly

Business model

- A Operate responsibly
- B Capital discipline
- C Drill wells
- D Diversify producing assets
- E Increase production
- F Growing reserves and resources

Delivery of drilling campaign

7

How we performed

Amerisur continues to have an excellent exploration track record with seven successful wells being drilled in 2017 across Platanillo and CPO-5.

Target

2018: up to 14 wells, focusing on Platanillo, Put-9, Put-12 and Put-8 along with CPO-5.

1 3 C F

Number of Colombian blocks

11

How we performed

The acquisitions of four low cost, value accretive blocks were completed and approved by the ANH in 2017 offset by the relinquishment of the Fenix block.

Target

No further acquisitions are expected in the short term as the Group focuses on the development and production of the existing portfolio.

3 D F

Health and safety

Long-term injury frequency ("LTIF")

0

How we performed

The target for 2017 was to have zero LTIF and this was achieved in the year. We have maintained our OSHAS 18001:2007 Occupational Health and Safety Management Systems standard obtained in 2016.

Target

2018: zero.

4 A

2P reserves

20.7 MMBO

How we performed

Platanillo 2P reserves have decreased by 15% in 2017 after allowing for production as a result of a number of technical studies made during the year and post period end.

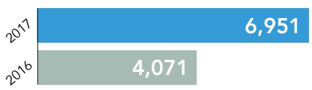
Target

2P reserves are expected to increase as more fields come onto production in 2018.

3 F

Exit rate

6,951 BOPD



How we performed

In line with target exit rate for 2017 of nearly 7,000 BOPD.

Target

2018 target: Increase production through exploration success.

1 2 E

1 Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation adjusted to exclude share option charges.

2 Sales revenue per barrel less cash lifting, water disposal and transportation costs.

PRINCIPAL RISKS

MANAGING RISKS

The Group faces a number of financial and non-financial business risks in its operations. These are recognised by the Board and are addressed in a systematic way. The Group's principal risks are those which could prevent the business from executing its strategy and creating value for shareholders or lead to a significant loss of reputation.

Drilling and exploration success and reserves addition

Description
There is no assurance that the Group's exploration and development activities will be successful and if not the activities will fail to add reserves and hence add value.

Mitigation
- Rigorous analysis before any drilling programme or other capital expenditure.
- Expert analyses of all aspects of the geological and physical environment are examined and only when it is deemed appropriate are funds allocated to capital projects.
- Strong portfolio management and alignment with strategic growth targets. Appropriate balance between growth by exploration and acquisition.

Change in risk
No change

Responsibility
CEO

Portfolio concentration

Description
The Group's assets are concentrated largely in Southern Colombia. This amplifies exposure to key infrastructure and political/fiscal changes.

Mitigation
- CPO-5, which commenced production in November 2017, is located in mid-Colombia.
- Support for local economic development measures, community investment and building local trust and resilience into operations.
- Ongoing review of strategic opportunities.

Change in risk
No change

Responsibility
CEO

Capacity

Description
OBA and connected pipeline capacity is not sufficient to accommodate growth in production.

Mitigation
- Ongoing capital investment to increase pump capacity of the OBA.
- Agreement signed post year end to build and commission the Chiritza pumping station which provides an additional minimum capacity of 4,000 BOPD following commissioning scheduled in October 2018.

Change in risk
No change

Responsibility
CEO

Joint venture partner alignment

Description
There is a risk that joint venture partners are not aligned in their objectives and drivers and this may lead to inefficiencies and/or delays.

Mitigation
- Due diligence and regular engagement with partners in joint ventures.
- Agreement signed post year end to build and commission the Chiritza pumping station which guarantees additional OBA capacity of 4,000 BOPD when commissioned in October 2018.

Change in risk
No change

Responsibility
CEO Chairman

Operational cash flow

Description
Revenues, profitability and cash flows are largely concentrated on one producing asset (CPO-5 only commenced production in November 2017).

Mitigation
- Scenario planning for both oil price and production volumes to provide comfort on funding headroom.
- Prudent field management to ensure Production can be maintained and revenue and cash generation secured.
- Current cash balances are sufficient to provide for operational purposes on reasonable stress-tested scenarios.
- Increase production from more than two fields.

Change in risk
No change

Responsibility
CEO CFO

Oil price fluctuations

Description

Exposure to commodity prices is fundamental to the Group's activities. However, the Group manages its investment programme to ensure that a threshold economic return is delivered and the business model is funded even in sustained downside price scenarios.

Mitigation

- Ensure the Group can continue to operate profitably and generate cash even at low oil prices despite increases in the oil prices in 2017.
- Maintain a conservative view of oil prices when undertaking capital appraisals.
- Curtail production when the oil prices do not generate the levels of return required.

Change in risk

Decrease

Responsibility

CFO

Insufficient liquidity and funding capacity

Description

Significant capital expenditure is required and relies on substantial investment in drilling and exploration which are both capital intensive. Restrictions on the availability of this funding would curtail growth.

The future expansion and development of the business could require future debt and equity financing if operating cash flows were not sufficient to support the planned investments.

Risk of losing drilling and exploration licences.

Mitigation

- A prudent approach to budgeting and business planning so that funds are not committed without being certain of obtaining such funds.
- Regular review of licence commitments to ensure all are fundable.
- Good relationships with banks and other lending sources with ongoing proactive dialogue.

Change in risk

No change

Responsibility

CFO

Health, safety, environmental and security

Description

Major process safety incident or operational accident, natural disasters, pandemics or social unrest.

Consequences may include accidents resulting in loss of life, injury and/or significant pollution of the local environment, destruction of facilities and disruption to business activities.

Mitigation

- The Group is extremely conscious of the health, safety, environmental and security risks that are inherent in the oil industry in Colombia.
- Rigorous health, safety, environment and quality processes and procedures.
- Comprehensive health and safety and operations management systems.
- SGE 21:2008 awarded in Colombia in February 2017.
- Holder of OSHAS 18001, ISO 14001 and ISO 9001

Change in risk

No change

Responsibility

CEO

Disruption to business due to community/political/regulatory influence

Description

Uncertainty arising from changes in Government leadership with elections in May 2018.

Social disruption in the Putumayo region following the Colombian peace process which can cause temporary production disruption.

Governmental delays in providing financial support to those involved in Crop Substitution programme.

Mitigation

- Management's understanding of and support for the peace process.
- Social investment projects mapped to business development plans.
- Support for local economic development measures, community investment and building local trust and resilience into operations.
- Regular engagement with Government and communities.

Change in risk

Increase

Responsibility

CEO Chairman

Failure to maintain regulatory approval for projects/operations

Description

Failure to maintain approval may severely inhibit project development in the Group's areas of operations.

Legal sanctions are possible if compliance is not adequate and increased costs or penalties are possible.

Mitigation

- Continued engagement by senior management with key stakeholders and political leaders.
- A detailed understanding of legal and regulatory requirements.
- Regular engagement with Government and regulators to ensure compliance.
- Local and industry experts are used to ensure the smooth running of this aspect of project management.

Change in risk

No change

Responsibility

CEO

REVIEW OF OPERATIONS

EXTENSIVE, CONSOLIDATED LICENCE PORTFOLIO DELIVERING EXPLORATION SUCCESS

Overview of blocks

Amerisur has an extensive and diverse portfolio of production and exploration assets in Colombia and Paraguay. It has a strategic position in the Putumayo basin of Colombia, an underexplored area with significant field potential, demonstrated by the Company's success to date in Platanillo and its proximity to the Ecuadorian border and Ecuador's prolific Oriente basin.

Amerisur has built its position in the Putumayo basin at low cost and has a cluster of assets around its wholly owned OBA pipeline which delivers industry leading margins.

OBA cluster	%	Other	%
Operated:		**Operated:**	
Platanillo	100	Putumayo-30	100
Coati Temblon Field	100	Andaquies	100
Putumayo-9	100	Tacacho	100
Putumayo-12	60	Terecay	100
Coati block exploration area	60	Paraguay	100
Mecaya	58		
Non-operated:		**Non-operated:**	
Putumayo-8	50	CPO-5	30

OBA pipeline

Amerisur is 100% owner of the OBA, an export pipeline for the transport of crude from Platanillo and its neighbouring blocks via the RODA system to Lago Agrio in Ecuador for further onward transport to the port of Esmeraldas. Amerisur has a throughput capacity under agreement with Petroamazonas of a minimum of 5,000 BOPD, with the export of crude via the OBA commencing during October 2016. In January 2018, it was agreed that this capacity will increase to 9,000 BOPD once Amerisur has built and commissioned the Chiritza re-pumping system, which is designed to increase the carrying capacity of a section of the RODA pipeline system.

Key

Drilling in our 2018 programme

In 2017 average daily throughput was 4,440 BOPD and average cash opex per barrel including transportation has reduced from $24.9 in 2016 to $18.6 in 2017. Although peak throughput during the period was 10,127 BOPD, throughput in the period was impacted by reduced capacity caused by equipment maintenance activities in the RODA system of Ecuador and additional competing volumes within the northern part of Ecuador in the first half of 2017. These issues did not impact the company in the second half of 2017.

The Company's focus is to further increase the export of its crude through the OBA and progress further commercialisation options. During the period the Company successfully executed its short-term strategy and installed a third pump at Pad 9S, raising export capacity to 28,800 BOPD. The Company is confident of obtaining capacity to transport further increased production levels via OBA in due course; however, the Company holds additional export and sale options should production exceed transport capacity on a day to day basis.

Platanillo – OBA cluster

Working interest	Hectare	MMBO
100%	11,119	37.7*

*unrisked prospective resources net to Amerisur

The Company is Operator and has a 100% working interest in the prolific Platanillo-11,119-hectare block located in the Putumayo basin in the south of Colombia with gross 2P field reserves of 18.95 MMBO as at 31 December 2017.

To date, the Company has successfully drilled 17 wells and three side-tracks in the main Platanillo structure from five Pads (Pads 9S, 5S, A, 1N, 3N) and four wells in a separate structure to the north, which is a continuation of the Platanillo field but was found to have a deeper oil-water contact, from one Pad (Pad 2N). The Company's wholly owned OBA transfer system transports production from the Platanillo field under the Putumayo River into the Victor Hugo Ruales pipeline infrastructure (RODA system to Lago Agrio) in Ecuador, and then onwards to the port of Esmeraldas for sale.

The 2017 Platanillo optimisation campaign continued to provide positive results delivering low risk production growth.

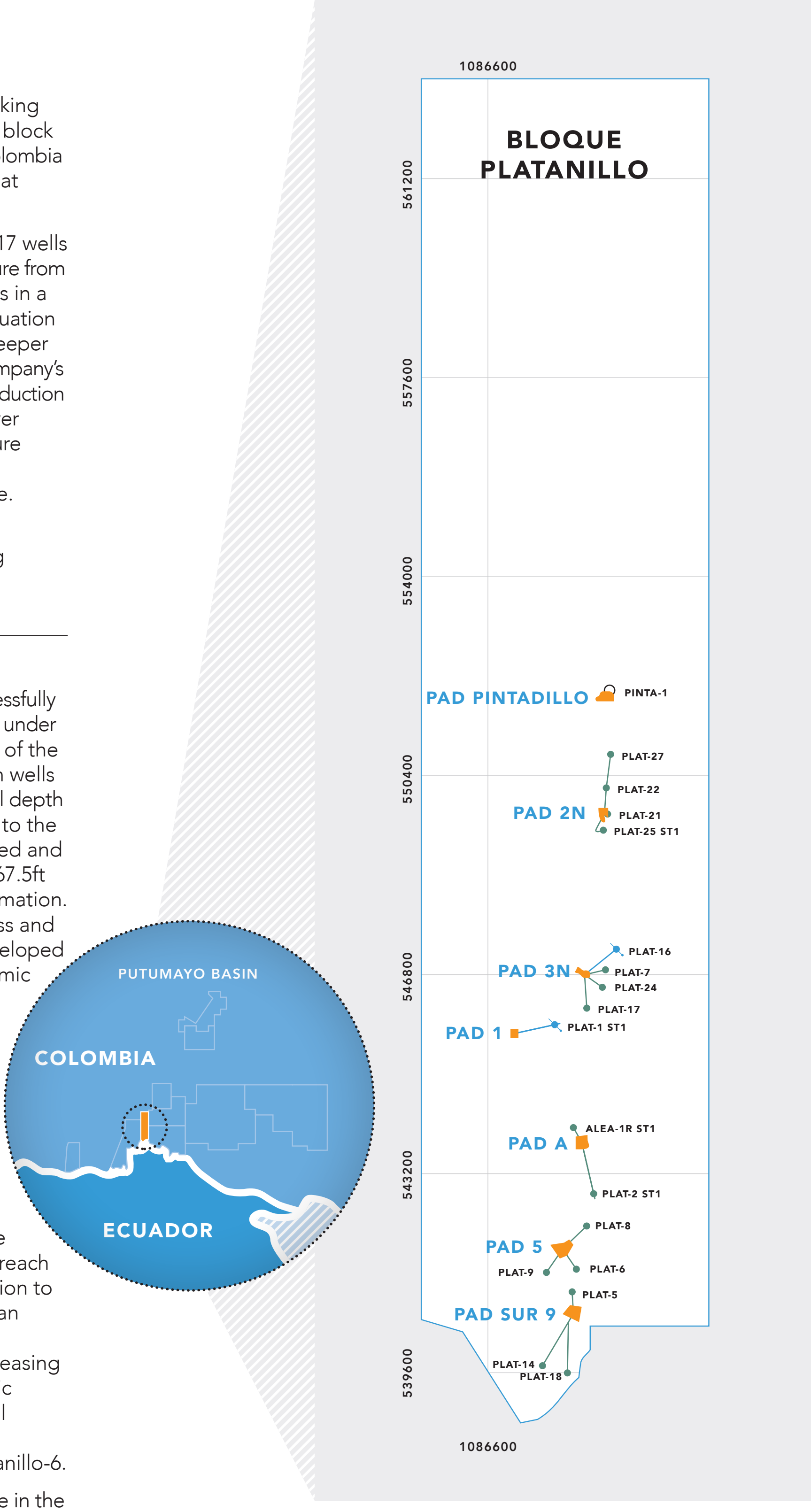
Platanillo main structure

At the beginning of the year, the Company successfully drilled the Platanillo-24 infill well, under time and under budget, on the most northern developed lobe of the Platanillo main field structure, located between wells Platanillo-7 and 17. The well was drilled to a total depth ("TD") of 8,485ft, achieving an offset of 1,275ft to the east of Pad 3N. The reservoir section was logged and initial log analysis indicated the presence of a 67.5ft gross and 38ft net oil column in the U Sand formation. The analysis of the T Sand indicated a 14ft gross and 8ft net oil column. The N Sand was not well developed at this location, in line with the Company's seismic attributes model. Platanillo-24 was tested and placed on commercial production at a rate of approximately 420 BOPD in natural flow. An interval of 7ft was perforated in the Lower U Sand only.

Strong progress was made on the Company's low cost production and optimisation work programme across the Platanillo main field structure, performing organic chemical treatment to specific wells in order to maximise value from its producing assets to ensure they reach their full potential and in turn increase production to feed into the OBA system. During the period, an organic chemical treatment was trialled on Platanillo-8, Platanillo-24 and Platanillo-20, increasing production in a stable manner, using a hydraulic pump lifting system. Post-period end, chemical washes were also completed on Platanillo-21, Platanillo-8 and a workover performed on Platanillo-6.

Alongside this the Company used the downtime in the period to accelerate routine well service operations and completed work on Platanillo-10, Platanillo-11 and Platanillo-20 including down hole pump changes.

Platanillo block



REVIEW OF OPERATIONS CONTINUED

Platanillo north

In 2017 Amerisur successfully identified a separate structure in the Platanillo field following the Platanillo-22 discovery on Pad 2N. Work during the period focused on identifying the permeability barrier between the north and the rest of the field and the size of the accumulation in the north.

Drilling of Platanillo-22 on Pad 2N, currently the northernmost Pad on the Platanillo block, approximately 3.4km north of Pad 3N commenced in March 2017. The well was successfully drilled to a total depth of 8,720ft, under time and budget and initially tested at 613 BOPD, ahead of pre-drill estimates in the range of 300 to 400 BOPD, with 0.22% water cut from a 14ft perforated interval in the Lower U Sand using a hydraulic pump lifting system. Following an optimisation of the hydraulic pump design the well is producing approximately 1,000 barrels of 31.5-degree API oil per day under stable conditions with 0.1% water cut which is being trucked to the southern pads for export via the OBA system. The tested oil quality was slightly lighter than the main Platanillo field.

Following the success at Platanillo-22, Platanillo-21, a short deviation directional well was drilled on Pad 2N, aimed at the crest of the mapped structure to a total depth of 8,447ft measured depth, on time and budget and tested at 430 BOPD, ahead of pre-drill estimates in the range of 300 to 400 BOPD. The Company subsequently perforated a 4ft section of the Upper U Sand in Platanillo-21 and brought the well onto commercial production in September 2017. Well optimisation work, including a chemical wash, was successfully performed on Platanillo-21 post-period end, with the well returning to production at 475 BOPD.

The drilling of Platanillo-25, a medium step-out well drilled to the south west of Pad 2N followed to determine the extent of the inferred permeability barrier between Pad 2N and the main structure of the Platanillo field. The well was drilled to a planned total depth of 8,699ft and logged using logging-while-drilling tools which indicated 10ft of pay in the U Sand. Although the reservoir levels were encountered close to prognosis, overall pay thickness was reduced by increased shale content within the upper part of the U Sand consequently the Company completed a side-track in October to a total depth of 8,620ft measured depth, on time and budget. Preliminary log interpretation, using Schlumberger logging-while-drilling tools, indicated the presence of a 22ft net oil column in the U Sand formation. The well was subsequently side-tracked and the production well was located further up dip, closer to the Platanillo-21 well, where better reservoir quality and additional pay thickness were found, increasing the potential to deliver more sustainable production. In November 2017 Platanillo-25 ST1 was put on production at a controlled rate and with careful management, was producing 218 BOPD at low water cut at the period end.

On completion, the drilling rig moved to Platanillo-27 an appraisal well designed to access the northern part of the accumulation. The well, which is the 21st of the Platanillo drilling campaign, was successfully drilled as a medium deviation directional well, to a total depth of 9,600ft measured depth, on time and budget. Platanillo-27 produced 115 BOPD on test from a 12ft section of net pay in the U Sand and was placed on production in December 2017. This well is currently closed in due to high water cut while the Company reviews treatment alternatives.

In addition to the separate northern structure, significant further upside has been identified in the Platanillo field, with the N Sand Anomaly in the north/central part of the field targeting 11.44 MMBO. The studies required to modify the Platanillo environmental licence to include further locations located over the N Sand anomalies completed in the first half of 2017. The modification application was submitted on 18 August to ANLA and approved in early April 2018. This modification allows the building of a 3.8 kilometre access road and six well pads, with up to seven wells per pad.

In the period leading up to approval Amerisur performed a number of preparatory works, including the stockpiling of materials required for the civil works, which have now commenced. The construction is expected to take approximately 65 days, after which Rig D10 will be mobilised to drill Pintadillo-1, the first of up to three wells targeting the N Sand anomaly, which has been identified on 3D seismic. Pintadillo-1 will be a slightly deviated well, with a planned total measured depth of 8,448ft, and is expected to take approximately 21 days to drill and log.

If successful, the well will be tested and produced fluids delivered to the Platanillo facilities for export via the OBA system. In the event of a commercial discovery a second, deviated well will be drilled from the same pad to evaluate the accumulation. The Company is also evaluating the potential for a third well to be drilled horizontally, should the reservoir encountered be suitable for this technology. The Company believes horizontal drilling could significantly increase the drainage area, and production per-well.

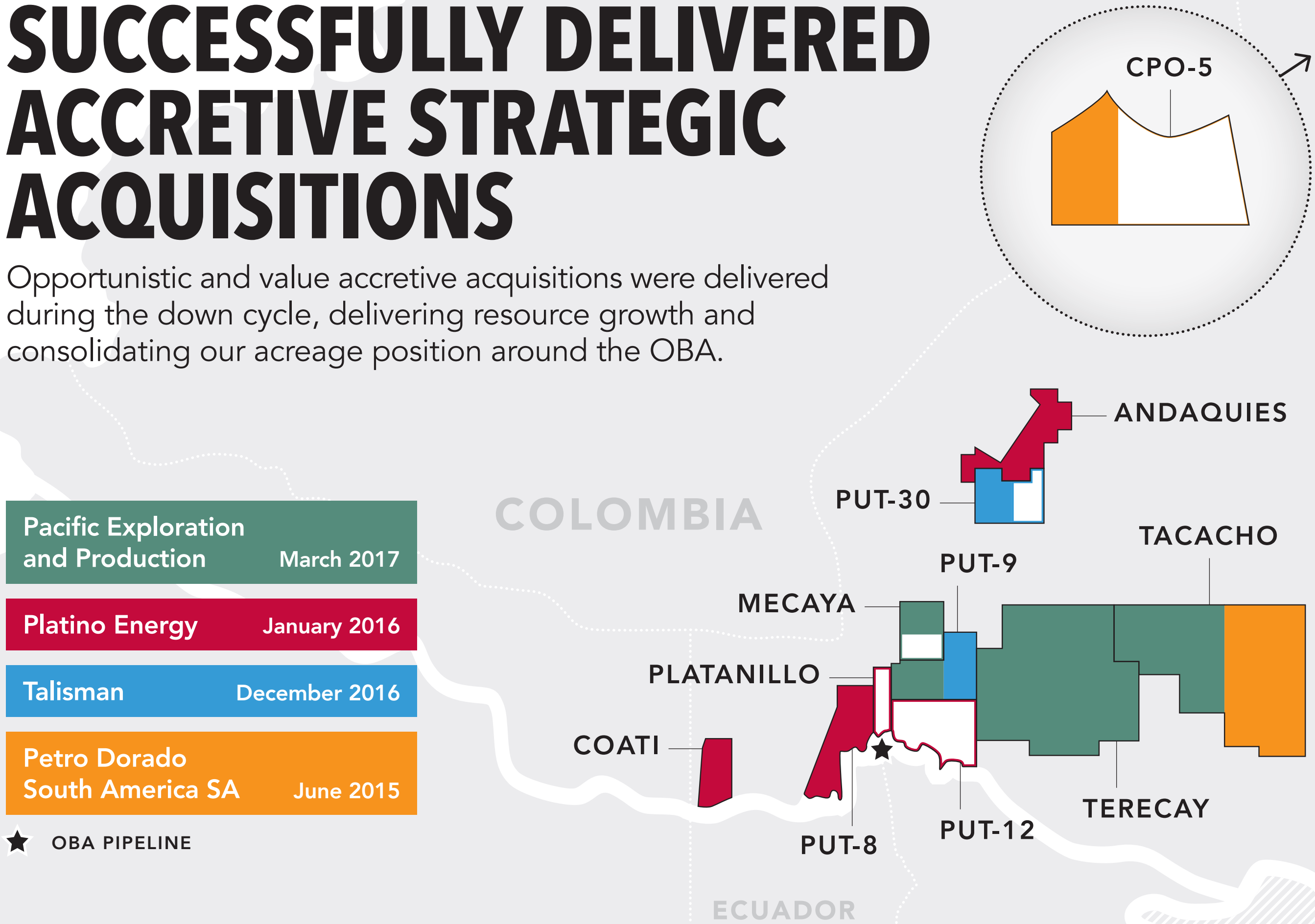
The N Sand anomaly at Pintadillo is one of four such anomalies identified by the Company in the central and northern part of the Platanillo block. The Pintadillo-1 well is targeting estimated mid case recoverable resources of 11.44 mmbo.

"The N Sand play is proven in the basin and our seismic anomaly work indicates a significant development of the play in the central and northern part of the Platanillo block, as well as elsewhere in our portfolio and our priority in 2018 is to prove up this latent resource through the drill bit."

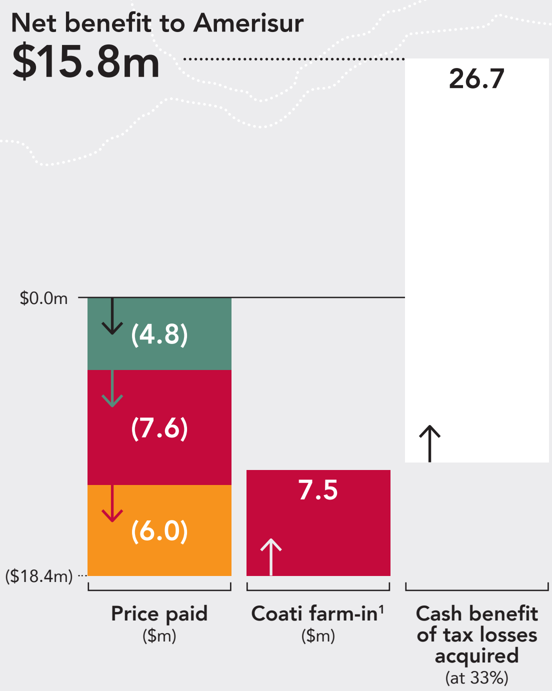
John Wardle, Chief Executive Officer

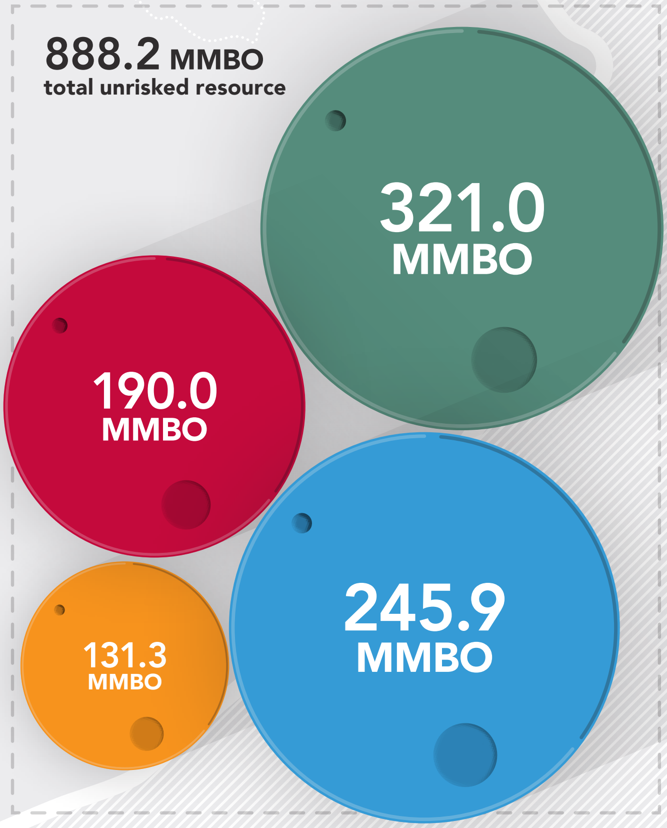
SUCCESSFULLY DELIVERED ACCRETIVE STRATEGIC ACQUISITIONS

Opportunistic and value accretive acquisitions were delivered during the down cycle, delivering resource growth and consolidating our acreage position around the OBA.



DELIVERING NET BENEFITS FOR AMERISUR





1 Following the Platino Energy acquisition for $7.6m, Amerisur farmed out 20% of the Coati Exploration area for a $7.5m work commitment

REVIEW OF OPERATIONS CONTINUED

Putumayo-8 – OBA cluster

Working interest (non-operated)	Acres	MMBO
50%	102,799	16.27*

*unrisked prospective resources net to Amerisur

Amerisur has a 50% (non-operated) working interest in Putumayo-8, a 102,799 acre block which lies adjacent to the west of the Platanillo field and is in Phase 1 of its exploration period with a 2% X factor and low work commitments of one exploration well and 207 km2 of 3D seismic. 49km² of 3D seismic data has been acquired to date. Vetra Exploration and Production is Operator and holds the remaining 50%. Amerisur and the Operator have identified a number of attractive prospects within the block, two of which are covered by 3D seismic data.Post period end Amerisur was informed by the Operator of block Putumayo-8 that regulatory permission has been received to drill the Miraparriba-1 well from the Cohembi-2 pad, an existing pad located in the adjacent Suroriente block. Miraparriba-1 will be drilled as a directional well to the Miraparriba structure within the Put-8 block.

This agreement removes the requirement to obtain an environmental licence for the drilling of the well, thus reducing the time before drilling can occur.

The block has unrisked mid case prospective resources of 16.27 MMBO net to Amerisur.

Putumayo-9 – OBA cluster

Working interest	Acres	MMBO
100%	121,453	64.43*

*unrisked prospective resources net to Amerisur

Putumayo-9 is 121,453 acres and is located immediately to the north of Putumayo-12 and to the east of Platanillo. It carries an X factor of 18%. Amerisur increased its interest from 40% to 100% in March 2017 and is now Operator. On the basis of existing seismic data there are several interesting structures which are shared between Put-12 and Put-9. There are also independent structures which lie within Put-9, including the Airu-1 discovery, drilled in 1998.

There are some exploratory opportunities shared between blocks Put-12 and Put-9, since these have similar geological configurations and structural trends with a north–south preferential orientation that have continuity in both areas. In addition, stratigraphic plays related to the pinch-out of the U and T Sands have been interpreted, whose mapped areas are shared by both blocks. Oil production from Put-9 can be exported using the Platanillo infrastructure. The block has unrisked mid case prospective resources of 64.43 MMBO and a three-well drilling programme is expected to commence in Q4 2018 targeting 30 MMBO.

Key

Drilling in our 2018 programme

Putumayo-12 – OBA cluster

Working interest	Acres	MMBO
60%	134,509	224.71*

*unrisked prospective resources net to Amerisur

Amerisur has a 60% working interest and is Operator of Putumayo-12, and Pluspetrol has a 40% working interest. Putumayo-12 is a 134,509 acre block which is adjacent to Platanillo to the east and shares its geology. Acquired in November 2012, the bid included a commitment to a seismic acquisition programme and the drilling of one exploration well during the first three-year exploration phase. The block carries a 29% X factor. The Company intends to drill three wells on this block commencing in Q3 2018, initially focusing on Prospects 1 (Coembu), 6 (Maracaya) and 3, targeting unrisked mean gross prospective resources of 106 MMBO, 47 MMBO and 82 MMBO respectively. The exact order remains under review and depends upon the outcome of Lead 1, with the potential for the Company's focus to move towards drilling multiple wells on this prospect, given its proximity to the OBA. A "Consulta Previa" (socialisation of projects with indigenous communities required by law) was completed with three indigenous communities (Buenavista, Santa Cruz de Piñuña Blanco and Bajo Santa Helena) which allow further seismic operations to be performed in the block.

The Company was not able to initiate seismic operations in the period due to social issues related to the peace process. Upon review of existing seismic data, reprocessed and interpreted during the period, the Company and its partner have decided to drill the Coembu prospect prior to acquiring further seismic data. As such social consultations for the studies required to apply for an environmental licence are now underway, with the intention of drilling in Q3 this year.

Coati – OBA cluster

Exploration area

Working interest	Acres	MMBO
60%	**46,279**	**26.7***

*unrisked prospective resources net to Amerisur

The exploration areas of the Coati block covers 46,279 acres and is located in the south west of the Putumayo basin, adjacent to the Loro and Hormiga oil fields, and is in Phase 3 of its exploration period with no X factor and low work commitments. Amerisur holds 60% and is Operator of the exploration area of the Coati contract and Canacol holds a 40% working interest. At the time of acquisition in January 2016, five indigenous communities were certified within the block, with whom a "Consulta Previa" was underway. However, in April 2017 a further two communities were certified within the block. As such the previous "Consulta Previa" had to be terminated since it did not include all certified groups. The Company has now begun the process of defining the new "Consulta Previa" process in order to allow exploration works in the northern part of the block.

Temblon area

Working interest	Acres	MMBO
100%	**15,564**	**34.7***

*unrisked contingent resources net to Amerisur

There is an existing discovery on the block of which Amerisur owns 100% called Temblon. Management estimates that the discovery contains 34.7 MMBO of unrisked contingent resources in the mid case. The Temblon area already enjoys the permissions required to perform a long-term test ("LTT") of the Coati-1 well and the Company is reviewing technical options with respect to that activity. It is unlikely any intervention in the existing wells will be made until the Consulta Previa mentioned above is completed.

"Following our exploration success to date, we are excited to drill three wells on three separate structures on CPO-5 in 2018, starting with Indico-1 which is targeting the same play as the recently successful Mariposa-1, to be followed by Aguila and Sol later in the year."

John Wardle, Chief Executive Officer

CPO-5

Working interest (non-operated)	Acres	MMBO
30%	**492,352**	**40.6***

*unrisked prospective resources net to Amerisur

CPO-5 is an exploration and production contract, covering 492,352 acres and located to the south of the prolific Llanos 34 block and to the east of the Corcel fields. The block includes the evaluation area related to the Loto-1 oil discovery. Amerisur has a 30% (non-operated) working interest in the contract; ONGC Videsh Ltd holds a 70% working interest and is the Operator.

In May 2017, Amerisur and its partner successfully drilled the Mariposa-1 well to a total depth of 11,556ft measured depth. The natural controlled flow rate recorded was approximately 4,601 BOPD of 40.8-degree API oil with a water cut of 0.35% and 348psi flowing wellhead pressure over a 40/64" choke and indicated strong further production potential. The LTT of the Mariposa-1 discovery commenced on 18 November 2017 and the well was initially flowed to evacuate suspension brine and then stabilised at an initial controlled rate of 1,487 BOPD, 0.5% water cut, 40.7 degrees API and 620psi wellhead pressure. Subsequently LTT production increased from the controlled rate of 1,487 BOPD to a controlled rate in excess of 3,000 BOPD at year end and which has continued in a stable manner through April 2018.

The drilling of Indico-1, a well targeting an updip section of the Mariposa play on the Lower Sands, is planned for H1 2018 which will be followed by the drilling of two further wells Aguila and Sol. The block has 2P reserves of 1.3MMBO, unrisked mid case prospective resources of 40.58 MMBO and 0.77 MMBO mid case contingent resources net to Amerisur.

REVIEW OF OPERATIONS CONTINUED

Putumayo-30

Working interest	Acres	MMBO
100%	**95,172**	**337.66***

*unrisked prospective resources net to Amerisur

Putumayo-30 covers approximately 95,172 acres and lies within the Putumayo basin, approximately 55 kilometres to the north of both the Company's 100% owned Platanillo field and 60% owned Putumayo-12 contract. In December 2016, Amerisur acquired the outstanding working interest in the block from Talisman Colombia Oil & Gas Ltd, thus holding 100% and Operatorship. The block has Cretaceous exploration potential in line with the adjoining Andaquies block (Amerisur 100%) and additionally has a recognised tertiary play concept. The "Consulta Previa" process is in progress and is expected to be completed in 2018. The block has unrisked mid case prospective resources of 337 MMBO.

Andaquies block

Working interest	Acres	MMBO
100%	**114,879**	**38.02***

*unrisked prospective resources net to Amerisur

Andaquies covers approximately 114,879 acres, is 100% owned and operated by Amerisur and is located in the north east of the Putumayo basin. The block sits to the north east of a proven structural play within the Putumayo basin and has multiple proven reservoir targets, six mapped leads targeting both proven and speculative plays and unrisked mid case resources of 38 MMBO. Andaquies is contiguous with Putumayo-30, with no X factor and low work commitments of one exploration well by May 2017. ANH granted the Company an extension of this period while environmental licensing is completed.

Terecay block

Working interest	Acres	MMBO
100%	**586,626**	**223.74***

*unrisked prospective resources net to Amerisur

Acquired by Amerisur in March 2017 from Pacific Exploration, Terecay is 586,626 acres and lies between Putumayo-12, Putumayo-9 and Tacacho and is 100% owned and operated by the Company. Regional mapping has been completed, but more seismic data is required to determine if the structural trends from Putumayo-13 and Putumayo-14 blocks extend northward to Terecay. The regional seismic processing project commissioned by the Company is expected to assist in prospect definition. Terecay is estimated to contain unrisked mid case prospective resources of 223 MMBO. This contract is currently suspended pending social and security consultations.

Tacacho block

Working interest	Acres	MMBO
100%	**589,009**	**363.93***

*unrisked prospective resources net to Amerisur

In March 2017, Amerisur acquired the remaining 50.5% of Tacacho from Pacific and holds a 100% working interest and Operatorship. Tacacho is an exploration and production contract, covering 589,009 acres in the eastern Caguan-Putumayo basin. It is a heavy oil exploration play, supported by regional studies which indicate a continuation of the heavy oil trend extending from the eastern Llanos basin through to the ITT field complex in the eastern Oriente basin of Ecuador. Additionally, the well Solita-1, drilled nearby by Texaco in 1948, indicated the presence of hydrocarbons in the Pepino formation. Large structures have been defined on existing 2D seismic, with closures at both the base and top of the Pepino formation. The contract is currently in Phase 1, where the exploration commitment is 480km of 2D seismic. The phase is currently suspended while social consultations and security planning are performed. The block has unrisked mid case resources of 364 MMBO. This contract is currently suspended pending social and security consultations.

Mecaya block

Working interest	Acres	MMBO
58%	**74,128**	**2.26***

*unrisked prospective resources net to Amerisur

Amerisur acquired a 58% working interest in the 74,128 acre Mecaya block in March 2017 from Pacific. The block is in a faulted zone, with potential for traps similar to those in the Platanillo field and has proven oil, with the Mecaya-1 well drilled in 1989 by ECP flowing at 782 BOPD. Amerisur holds 0.45 MMBO 2P reserves in this block associated with Mecaya-1 at 31 December 2017. The Company plans to present an application for environmental licensing for the Mecaya well, followed by a LTT. It is expected to begin the LTT before H2 2019.

Paraguay

During 2017 a technical programme involving the detailed analysis of well data and samples and the reprocessing and reinterpretation of the seismic dataset from its exploration well, Jaguarete-1, was completed and as a result the Company relinquished its permit in San Pedro. The Company currently holds three prospective licences in the Pirity/Pilar basin complex. In line with previous guidance and Amerisur's stated strategy, limited activity will take place in Paraguay during 2018 whilst a strategy for these blocks is developed.

RESERVES

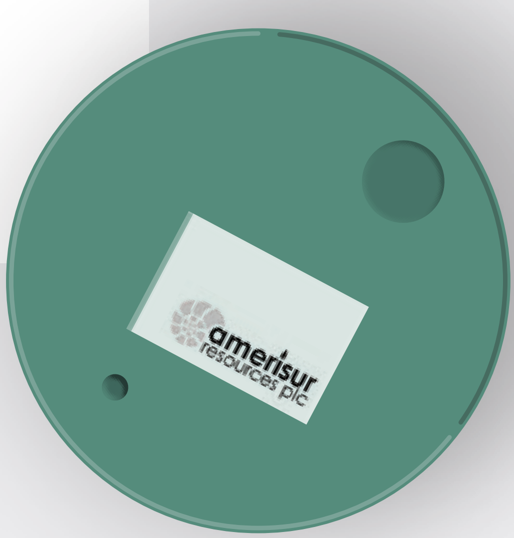
Following receipt of an independent reserves report for the Platanillo field as at 31 December 2017 undertaken by Petrotech Engineering Ltd, using the standards set by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers, certified 1P (Proven) gross field reserves were 12.84 million barrels of oil ("MMBO") (2016: 15.11 MMBO) after production of 1.76 MMBO during the period and 2P (Proven and Probable) gross field reserves were 18.95 MMBO (2016: 24.47 MMBO). Cumulative total production from the Platanillo field at 31 December 2017 was 9.26 MMBO.

After production, current 1P reserves represent a decrease of approximately 0.5 MMBO from year end 2016. This technical decrease of the Expected Ultimate Recovery ("EUR") (a forward-looking model which assumes a decline factor and projects the volume of oil which will ultimately be recovered from each well) takes account of the wells drilled during the year, including the relatively poor reservoir quality and initial flow rates from wells Platanillo-25 and Platanillo-27. This results in a small decrease in expected EUR. The reduction in 2P reserves is also due to that effect, together with a refined mapping of the field after the reprocessing of the 3D seismic data by Signature Ltd of Calgary, part of our regional reprocessing project which covers our entire Putumayo portfolio.

Since the Mariposa-1 well is currently under Long Term Test, it has not entered the exploitation phase and hence the Operator is not required to report such reserves to the Agencia Nacional de Hidrocarburos (ANH). However, for guidance, the Company also commissioned an evaluation of reserves at the Mariposa discovery in block CPO-5 from Petrotech Engineering Ltd. 1P reserves were certified at 0.79 MMBO and 2P reserves at 1.30 MMBO to Amerisur on a working interest basis (30%).

The Company also commissioned an evaluation of reserves at the Mecaya block related to the well Mecaya-1 from Petrotech Engineering Ltd. 1P reserves were certified at 0.31 MMBO and 2P reserves at 0.45 MMBO to Amerisur on a working interest basis of 58%.

Hence total Amerisur 1P reserves at 31 December 2017 were 13.94 MMBO and 2P reserves are 20.70 MMBO.



REVIEW OF OPERATIONS CONTINUED

Reserves

BLOCKS (Amerisur working interest)	Reserves Oil & Liquids Amerisur Net Working Interest (MMBO) Proved (1P)	Proved & Probable (2P)	Proved, Probable & Possible (3P)
Platanillo (100%)	12.84	18.95	22.45
CPO-5 (30%)	0.79	1.3	—
Mecaya (58%)	0.31	0.45	—
Total	**13.94**	**20.70**	**22.45**

Source: Petrotech Engineering LTD., Reserves Audit at 31 December 2017.

Resources

	Unrisked Contingent Resources Amerisur Net Working Interest Gross MMbbl		
BLOCKS	Low Estimate	Mid Estimate	High Estimate
Coatí (100%)	14.99	34.72	67.88
CPO-5 (30%)	0.44	0.77	2.19
Total	**15.43**	**35.48**	**70.07**

Certified by Petrotech at 31 December 2017.

	Unrisked Prospective Resources Amerisur Net Working Interest Gross MMbbl		
BLOCKS (Amerisur working interest)	Low Estimate	Mid Estimate	High Estimate
Platanillo (100%) (Structural and N Sand anomalies prospects)	13.66	37.70	92.79
CPO-5 (30%)	11.27	40.58	136.15
Coati (60%*)	6.68	26.72	75.58
PUT 8 (50%)	2.79	16.27	68.30
Andaquíes (100%)	3.23	38.02	195.95
Mecaya (58%)	0.54	2.26	6.68
PUT 9 (100%)	18.64	64.43	150.93
PUT 12 (60%)	79.50	224.71	430.50
PUT 30* (100%)	54.29	337.66	1,800.63
Terecay (100%)	39.83	223.74	664.19
Tacacho (100%)	63.84	363.93	1,150.08
Total	**294.27**	**1,376.03**	**4,771.76**

Certified by Petrotech at 31 December 2017.

* Internal Management Estimates.

THE AMERISUR ADVANTAGE

IN-COUNTRY EXPERTISE

Amerisur has a strong Board and senior in-country management team with significant technical and strategic expertise. The team has expert knowledge of the Putumayo region and is focused on creating value for shareholders and growing production from its extensive portfolio.

Read about our Board of Directors / See page 36

FINANCIAL REVIEW

CONTINUED ROBUST FINANCIAL POSITION TO SUPPORT GROWTH STRATEGY

"With combined improvements in oil prices and production volumes, Amerisur has delivered positive cashflow and EBITDA and expects to build on this in 2018"

The significantly improved 2017 results were positively impacted by higher oil prices, reduced transportation costs and increased production with revenue of $92.5m, EBITDA of $19.8m and profit of $0.6m.

Production and commodity prices

Production levels for the year ended 31 December 2017 averaged 4,857 barrels of oil per calendar day (2016: 3,081), an increase of 58% for the year resulting from the drilling of six new wells in the Platanillo field and the commencement of production in November 2017 from the Mariposa-1 well in CPO-5.

Oil prices improved significantly in the second half of the year, bottoming out at around $45/bbl in June before reaching a two year high of $64/bbl in November. Average Brent crude for 2017 was $54/bbl (2016: $44/bbl). This, alongside increased volumes, resulted in revenues almost doubling from $47m in 2016 to $93m in 2017. Average realised prices were $50.0/bbl in 2017 compared to $38.4/bbl in 2016.

The Group did not hedge any of its forecast oil sales during 2017.

Operating costs

Cost of sales comprise cost of operations, transport costs, inventory movement, high prices tariff, royalties and depreciation. Cost of sales during 2017 was $74.5m, an increase of 56% compared to 2016 in line with the growth in production volumes.

Total cash operating costs per barrel stayed stable compared to 2016 at $14.7 per barrel ($14.9 per barrel in 2016). Transport costs however decreased significantly by $6.1 per barrel from an average of $10.0 in 2016 to $3.9 directly as a result of a full year's use of the OBA.

General and administrative expenses showed an increase of $4.3m from $11.9m in 2016 to $16.2m in 2017 as a result of higher technical fees, labour and community aid costs reflecting increased activity levels.

The Group recognised an impairment charge of $1.2m in relation to additional capital expenditure in Paraguay and the increase in the abandonment provision for the Fenix block, which has been relinquished during the year.

Taxation

The tax credit for the year of $12.2m (2016: $1.54m) consists of a deferred tax credit of $13.3m (2016: $2.31m) offset by a current tax charge, in relation to Colombian operations, of $1.0m (2016: $0.9m).

The deferred tax credit of $13.3m in 2017 (2016: credit of $2.4m) includes a one-off credit of $11.2m in respect of changes in Colombian tax base rules to bring them in line with IFRS, and a credit of $5.1m in relation to the recognition of a deferred tax asset on the carried forward tax losses in PDSA following a re-assessment of future profits available to utilise these losses.

At the period end, there is a net deferred tax asset of $5.1m in relation to tax losses in PDSA and a net deferred tax liability of $12.1m (2016: net deferred tax liability of $20.3m) for Amerisur Colombia.

A restatement of $12.2m has been made to increase the opening deferred tax liability as a result of deferred tax not being correctly recognised on consolidation entries that affect accumulated depreciation and gross costs of D&P assets. For further details please see pages 72 and 81.

Corporation tax in Colombia includes a calculation based on the Company's net worth at the end of the previous tax year, called the presumptive tax charge.

	2017	2016
Revenue ($m)	**92.5**	47.2
Realised average oil price ($ per barrel)	**50.0**	38.4
Profit/(loss) before tax ($m)	**0.6**	(29.3)
Adjusted EBITDA[1] ($m)	**19.8**	0.4
Net cash from operating activities ($m)	**30.0**	(3.3)
Cash and cash equivalents ($m)	**41.3**	42.3
Net assets ($m)	**209.1**	195.5
Operating netback[2] ($ per barrel)	**31.4**	13.9
Cash operating cost [3] ($ per barrel)	**14.7**	14.9
Transport costs ($ per barrel)	**3.9**	10.0

1 Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation adjusted to exclude share option charges.

2 Sales revenue per barrel less cash lifting, water disposal and transportation costs.

3 Cash operating costs represent the cash lifting and water disposal costs included in cost of sales in the field divided by production.

Capital expenditure

In 2017 the Group invested $6.9m in exploration and evaluation assets, of which $4.8m related to the acquisition of blocks from Pacific, and $20.0m in development and production assets. In addition, $3.9m was invested in other property, plant and equipment, principally in relation to the OBA and other field plant and machinery. Importantly all asset expenditure during the year was wholly funded from operating cash flows and existing cash resources.

Cash and funding

The Group had cash, cash equivalents and restricted cash at the period end of $41.3m (2016: $42.3m), including $11.3m of restricted cash (2016: $2.2m). Restricted cash is cash pledged to secure letters of credit and to settle asset retirement obligations. The increase in restricted cash in 2017 relates to cash deposits required to be put in place for the new blocks acquired during the period.

The Reserves Based Lending facility was terminated in September 2017. Post period end during April, Amerisur entered into a $35m working capital facility with Shell Western Supply and Trading Limited (SWST) under which, at Amerisur's request, SWST will provide advance payments to Amerisur against deliveries of crude oil under an offtake agreement.

Cash flow generated from operating activities of $30.0m in 2017 significantly improved compared to 2016 levels (cash outflow of $3.3m). After capital expenditure of $30.8m and net financing costs of $0.2m, total net cash outflow for 2017 was $1.0m (2016: $0.04m).

Dividends

The Company does not propose to pay a dividend this year. The potential for the Group to pay dividends in the future is regularly reviewed by the Board.

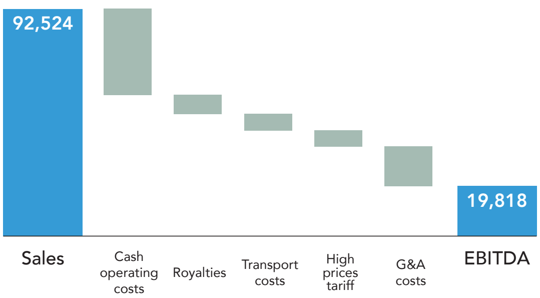
Going concern

The financial statements continue to be prepared on a going concern basis as set out on page 31 of the accounting policy section.

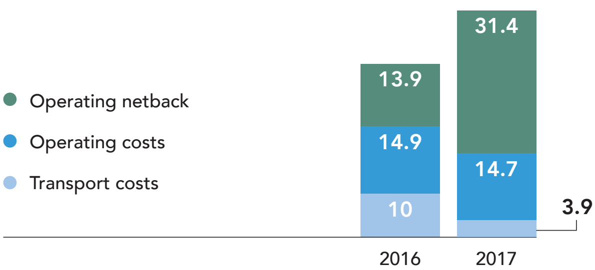
Nick Harrison, Chief Financial Officer

14 April 2018

EBITDA 2017 ($'000)



Operating netback per barrel ($)



SUSTAINABILITY

OUR APPROACH TO SUSTAINABILITY

MANAGING SUSTAINABILITY

Having been present in the Putumayo basin for eleven years, Amerisur is one of the largest investors in the region and is committed to delivering sustainable long-term growth in a safe and responsible manner and complying with all applicable laws and regulations.

Amerisur has a strong understanding of the region and constantly strives to strengthen and improve its sustainability practices while mitigating risk and the impact of its operations on the community and environment.

OUR KEY AREAS OF FOCUS

Community
Amerisur works with a number of local villages to deliver long term benefits.

Our people
Integral to Amerisur's success is its people and the recruitment and management of in-country talent is one of its main priorities.

Environment
Protecting the environment is core to Amerisur's approach to its operations and commitment to being a sustainable business.

Ethical standards
Amerisur aims to operate responsibly in its everyday business activities and expects its employees to adhere to high ethical standards.

Community
Building and maintaining good relationships with the communities where it operates is not only an important part of Amerisur's strategy and its commitment to being an ethical business but also ensures the Company is able to create value for all of its stakeholders.

Amerisur works with a number of local villages in the Putumayo to deliver long term benefits and has developed initiatives which provide locals with the opportunity to participate in agricultural projects which in turn provide them with a secure and sustainable income stream. Currently Amerisur supports 454 families in the Platanillo block across the following villages; Alea, Bajo Mansoya, Peneya, Sevilla, La Rosa, Sinai II – Badio, Camelias, Monteverde and Kanakas.

In addition to its work supporting community leaders with their local economic development programmes spanning agricultural, education and infrastructure projects, in the last few years the Company has focused its social initiatives on projects which support the country's transition to peace and has taken a key role in delivering a wide range of community projects to aid this process.

Sustiticion de Cultivos Ilicitos – illegal crop substitution programme

The Government's 'illegal crop substitution programme' compensates farmers for the eradication of their coca crop. Amerisur has been assisting the Government with this process, providing local farmers in seven villages in the Putumayo region with pepper plants and farming skills such that they can swiftly make the transition to a more socially desirable and profitable crop. Black Pepper is a high demand crop in Colombia and provides a steady income. Alongside this Amerisur has promoted and contributed to two associations, "Asopimenteros" and "Asocamelias" that focus on the production of black pepper.

Santa Isabel School

Amerisur is committed to supporting local communities through sustainable projects aimed at improving education and their overall standard of living. During 2017 Amerisur continued to focus on improving access to and promoting further education through the construction of two classrooms for grades 10 and 11, two laboratories and two sets of toilet facilities for the students of Santa Isabel School.

This project will improve the students' educational prospects and help create the country's next generation of high school graduates.

The construction of the new facilities have been undertaken by local villagers thus creating more job opportunities.

Chevening scholarship scheme

Amerisur co-funded the Chevening scheme providing approximately 20 annual Chevening scholarships to Colombian students and four Paraguayan applicants.

Through the scholarship, Amerisur supports talented Colombian and Paraguayan professionals, helping them gain international experience through postgraduate study at a UK university for one year. The professionals subsequently return to Colombia and Paraguay to apply their newly gained knowledge and support their countries' economic development.

In Colombia, scholarships have been awarded in the following subjects: politics and Government, economics, commerce, natural resources, climate change, sustainability, infrastructure and transport, and defence and security.

In Paraguay, scholarships have been awarded in the following subjects: public policy management, petroleum and gas, geosciences, engineering, economics, finance or international relations.

Chevening is the UK Government's international awards scheme aimed at developing global leaders since 1983. Funded by the Foreign and Commonwealth Office ("FCO") and partner organisations, Chevening offers two types of award – Chevening scholarships and Chevening fellowships – the recipients of which are personally selected by British Embassies and High Commissions throughout the world.

"This experience has been life-changing."

Jose Ricardo Puyana, Chevening Scholar 2015–2016

"My gratitude with Amerisur Resources is immense as you helped me to fulfil this important step in my career, the base for an exciting future."

Veronica Uribe, Chevening Scholar 2015–2016

SUSTAINABILITY CONTINUED

Our People

Amerisur understands that integral to the Company's success is its people and the recruitment and management of in-country talent is one of its main priorities.

Over 90% of Amerisur's workforce are based in South America. During 2017 Amerisur continued to provide employment opportunities across a range of operational and administrative job roles and applied Colombian legislation in compliance with the decree 1668 of 2016, prioritizing the hiring of local labour, exceeding the required percentage (30%).

Amerisur is committed to providing equal opportunities and the right working environment which allows its employees to develop and has in place a suite of policies addressing: ethical conduct, human rights, employment, health & safety and diversity.

Environment

Amerisur is committed to limiting its environmental impact in the areas where the Company operates and has a formal environmental policy and framework in place to protect the environment, biodiversity and ecosystems. The Company aims to comply with all relevant regulatory and legislative requirements and industry best practice and has been awarded the following certificates through Bureau Veritas International since 2012:

- OHSAS 18001 Occupational Health and Safety Management Systems;
- ISO 14001:2004 Environmental Management (valid until October 2018); and
- ISO 9001:2008 Quality Management.

The Company communicates its environmental policy to all employees and agents and there is a yearly review in order to check compliance and processes are regularly reviewed by external parties.

One of Amerisur's main objectives is to execute its operations with environmental responsibility, involving the different teams from the planning stage, obtaining licences and permits, implementing the best industry standards and monitoring and control of the different day to day activities, to ensure we continue to operate incident free.

Helping to end water poverty

Amerisur has been involved in the installation of clean water filtration tanks in schools in the local Putumayo community. The 'LifeSaver C2' water tank filtration system (see picture), is a community led solution that holds 750 litres of water at one time, and can be connected to a rainwater harvesting system to ensure a constant supply of clean drinking water. Microbiologically clean water, which filters out 99.99% of all viruses' bacteria and cysts, produced from the tank can be used for drinking, washing, cleaning and cooking.

Amerisur's environmental management system seeks an interaction between the fulfilment of legal obligations by the Company and the management of environmental permits for the execution of its different activities. Management seeks to comply with the provisions of the Colombian regulatory framework and best practices established for the development of hydrocarbon production activities, using as leverage its business philosophy and strategic planning through the implementation of policies, plans and programmes.

During 2017, Amerisur maintained its overall positive environmental performance and continued to focus on the efficient use of water, energy, paper, liquid and solid waste management, prevention and control of oil spills and flora and fauna care.

Biodiversity and Development in Putumayo initiative

In June 2017 Amerisur ratified its commitment to working in, and the natural conservation of, the Putumayo region with the signing of the Biodiversity and Development in Putumayo initiative, working alongside the Corporation for Sustainable Development of the South of the Amazon (Corpoamazonia); National Natural Parks of Colombia (PNNC), Alexander Von Humboldt Biological Resources Research Institute and Sinchi Amazonic Institute of Scientific Research.

The Initiative is focused on the Andes-Amazon connectivity and the promotion of development schemes for scientific tourism and/or nature, avifauna knowledge management, the conservation and promotion of green businesses, training of community promoters in observation and conservation of birds; participatory inventories and the design and implementation of restoration and participatory recovery schemes.

In addition, Amerisur participated in a number of roundtable discussions with regional groups on Putumayo's biodiversity, following-up on local community concerns and activities for the fulfilment of forest compensation obligations and investment.

Ethical

Amerisur aims to operate responsibly in its everyday business activities and expects its employees to adhere to high ethical standards. The Company puts importance on safety, integrity and transparency, and treats its employees with respect and fairness.

Detailed information on the policies we have in place can be found on page 41 of the Corporate governance report, which include:

- Ethical Conduct Statement;
- Conflicts of Interest Policy;
- Human Rights Policy;
- Modern Slavery Statement;
- Health and Safety Statement;
- Employee Compensation Statement;
- Employment of Disabled Persons Policy;
- Diversity Statement; and
- Quality Statement.

SGE 21:2008 Ethical and Socially Responsible Management System

Amerisur has been awarded the certification in the international standard SGE 21:2008 Ethical and Socially Responsible Management System by the certifying entity, SGS – Colombia.

SGE21 is the first European standard establishing specific requirements companies must meet to demonstrate an ethical and socially responsible management system with a focus on transparency, integrity and sustainability of social management across operations.

Amerisur is one of the only oil and gas companies in Colombia with this certification.

Mocoa mudslide

During the early hours of 1 April 2017, a devastating mudslide occurred in the city of Mocoa, Putumayo. In the aftermath, Amerisur was involved in the response activities led by the Colombian Authorities, providing aid, specialist equipment, fuel, fresh water in bulk and logistical support as well as providing electricity to the hospitals and shelters.

Amerisur also provided the use of helicopters to help the military force move those who had been injured.

This Strategic Report and the information referred to herein has been approved by the Board and signed on its behalf by:

John Wardle, Chief Executive Officer

14 April 2018

BOARD OF DIRECTORS

A STRENGTHENED LEADERSHIP TEAM

Giles Clarke, CBE, DL
Chairman

Skills and experience
Independent upon appointment to the Board on 28 February 2007, Mr Clarke (64) became Chairman in March 2007. Together with John Wardle he reorganised the Company, closed three offices and raised £15m of new capital at 6 pence. Mr Clarke has considerable experience in the City and a number of commercial interests as well as being an experienced entrepreneur who: founded Majestic Wine in 1981 and built it into a national chain of wine warehouses; co-founded Pet City plc in 1990, which he expanded nationwide before it was listed and subsequently sold in 1996 for $150m; and co-founded Safestore plc and orchestrated the sale of the company to Bridgepoint in 2003. He is currently chairman of Westleigh Investments Holdings Ltd, a shareholder in the Company, as well as Ironveld plc and Kazera Global Investments plc and chairman of several private organisations.

Mr Clarke focuses on the Company's relations with Governments and their agencies, as well as major investors, partners and Board governance. He has extensive experience of building shareholder value, and of selling companies, and brings considerable commercial and City experience to the Board. In recognition of the key role Mr Clarke undertakes for the Company he is defined as being a Chairman rather than as a Non-executive Chairman.

Committee membership
N

John Wardle
Chief Executive Officer

Skills and experience
Appointed to the Board on 27 February 2007, Dr Wardle (58) holds a BSc in mining engineering from the University of Nottingham and a PhD in rock mechanics and geophysics from the University of Wales.

He began his career with Britoil/BP and has held a number of senior management positions with E&P companies. Dr Wardle first arrived in Colombia in 1994, when he was working for BP Exploration Colombia, and subsequently was general manager for Emerald Energy in Colombia, where he was responsible for the discovery of the Campo Rico and Vigia oilfields.

Dr Wardle has been a key driving force behind the growth and positioning of the Company, as well as the OBA pipeline. He has very close and long-standing professional relationships at all levels within Colombia, Paraguay, Ecuador and the UK and is recognised as one of the most experienced oil executives in the areas in which the Company operates, with a proven track record of successful contract negotiation, exploration and field development.

Dr Wardle brings a wealth of local knowledge, strategic vision, leadership and technical expertise to the Board.

Committee membership
N

Nick Harrison
Chief Financial Officer

Skills and experience
Appointed to the Board on 17 April 2007, Mr Harrison (59) is a graduate of the University of Liverpool. He is a Chartered Accountant having qualified with Arthur Andersen and subsequently held senior positions at Deloitte, Midland Bank (International) and Coopers & Lybrand. He has held board positions at a number of public and private companies with international activities. He is currently a non-executive director of Ironveld plc and Kazera Global Investments plc, both with international extractive activities.

Mr Harrison is a qualified accountant and has extensive experience of running the finances of successful businesses, including chief executive positions at a number of organisations. He brings considerable commercial, international and financial expertise to the Board.

Alex Snow
Senior Independent Non-Executive Director

Skills and experience
Appointed to the Board on 10 May 2017, Mr Snow (49) has had a successful career in the City and has most recently been CEO of Lansdowne Partners LLP, the leading institutional investor. He was founder and CEO of Evolution Group PLC, the investment bank created in 2001 and subsequently sold in 2012 to Investec for £230m. Mr Snow became chairman of the investment banking division and member of the board at Investec Bank PLC before leaving in 2013 to become CEO of Lansdowne Partners LLP. He stepped down from Lansdowne Partners on 31 December 2016.

Mr Snow was appointed to the Board as Senior Independent Director, taking over from Mr Stephen Foss, and brings significant City and financial experience to the role.

Committee membership
N R

"I'm proud to say we now have the right leadership team in place with the skills and experience to take our business forward and deliver growth."

John Wardle, Chief Executive Officer

Stephen Foss
Independent Non-Executive Director

Skills and experience
Appointed to the Board on 5 January 2015, Mr Foss (58) has over 30 years of experience in the capital markets industry, having spent his career in Australia, Canada and the UK. He previously led the Royal Bank of Canada's international equities business for Europe and Australasia, prior to joining its global investment banking division in February 2011 to concentrate on senior client coverage, sovereign wealth funds and origination in the natural resources sector. After graduating with a bachelor of arts with honours from the University of Western Ontario, Mr Foss began his career at the Sydney Stock Exchange and subsequently held a number of senior management positions with another global investment bank. He is currently a non-executive director at New & Lingwood Ltd and Octant Energy Plc.

Mr Foss remains on the Board as an independent Non-executive Director, after spending 2.5 years as Senior Independent Director, during which time he supervised an enhancement to corporate governance practices and shareholder engagement. Mr Foss brings substantial corporate governance and capital markets expertise to the Board.

Committee membership
A N R

Douglas Ellenor
Independent Non-Executive Director – Technical

Skills and experience
Appointed to the Board on 21 January 2008, Dr Ellenor (74) has over 45 years' experience in the E&P industry, having spent 25 of those on international assignments with the Royal Dutch Shell Group in Australasia, Europe, and North and South America. Dr Ellenor left Royal Dutch Shell in 1996 after four years as CEO of the Shell Companies of Colombia to become CEO of the Colombian E&P company Hocol SA, a position he held until 1998. After a posting as business development director in London with Nimir Petroleum Limited, he returned to Canada and established an oil and gas consulting company. In 2002, he returned to Hocol SA on a temporary assignment as CEO, serving until the end of 2003. From 2004 to 2005 he was CEO of Orca Petroleum Inc. Dr Ellenor holds a doctorate in geology and has a proven track record in discovering hydrocarbons in various parts of the world, including South America.

Dr Ellenor brings a wealth of technical and local knowledge to the Board. Dr Ellenor will resign from the Board effective 31 December 2018.

Committee membership
A R Stepped down on 16 October 2017

Chris Jenkins
Independent Non-Executive Director

Skills and experience
Appointed to the Board on 27 May 2016, Mr Jenkins (63), a Chartered Accountant (FCA), was a partner for more than 20 years in KPMG's London office, during a 30-year career with the firm. He was lead audit partner for six FTSE 100 companies. At KPMG, he fulfilled various leadership roles in the global energy and natural resources ("ENR") practice, including UK head of ENR and, in the global ENR team, initially head of audit and then EMA regional chairman. Mr Jenkins continues to work with KPMG as a consultant. He is also an independent member of the Audit and Risk Assurance Committee at the Department for International Trade, having previously been a member of the same committee at UK Trade & Investment ("UKTI").

Mr Jenkins brings considerable governance and financial expertise to the Board.

Committee membership
A N R

Dana Coffield
Independent Non-Executive Director

Skills and experience
Appointed to the Board on 7 April 2017, Mr Coffield has over 30 years of international E&P experience encompassing North and South America, North Africa, the Middle East and Southeast Asia. Between 2005 and 2015, Dana was co-founder and CEO of Gran Tierra Energy and, during his ten years at the helm, the company successfully grew resources and production year on year and became a leading player in the operationally challenging Putumayo basin in southern Colombia. Mr Coffield has good recognition within the global investment community, Government representatives and industry peers for his accomplishments in South America, particularly in Colombia.

Mr Coffield is currently co-founder, president and CEO of Corvus Resources Inc. Prior to his role at Gran Tierra, Dana was VP Middle East at Encana Corporation, VP Middle East at Alberta Energy Company Ltd and a senior geologist at Arco Alaska Inc and Arco Indonesia.

Mr Coffield brings considerable industry and in-country expertise to the Board.

Committee membership
A R

Key
Committee membership
A Audit Committee

N Nomination Committee

R Remuneration Committee

Committee Chairman

DIRECTORS' REPORT

The Directors present their report together with the Group and parent company financial statements for the year ended 31 December 2017.

Performance of the business and future developments

A review of the business and future developments of the Group are presented within the Strategic report.

Dividends

The Directors do not recommend the payment of a dividend for the year (2016: $nil).

Events since the balance sheet date

Details of significant post-balance-sheet events are set out in Note 23 to the Group financial statements.

Directors' interests in share capital

The Directors who served the Company during the year, together with their beneficial interests in shares in the Company, were as follows:

	At 31 December 2017		At 31 December 2016	
	Shares	**Share options**	Shares	Share options
G Clarke	**17,505,227**	**5,600,000**	17,505,227	7,100,000
J Wardle	**21,172,505**	**19,090,000**	19,972,505	20,840,000
N Harrison	**6,460,152**	**5,500,000**	6,460,152	7,000,000
S Foss	**600,000**	**—**	600,000	—
D Ellenor	**1,200,000**	**—**	1,200,000	—
C Jenkins	**1,050,000**	**—**	950,000	—
D Coffield[1]	**151,000**	**—**	—	—
A Snow[2]	**500,000**	**—**	—	—
G Woodcock[3]	**—**	**—**	1,500,000	—
V Valdovinos[3]	**—**	**—**	2,750,000	—
N Luson[4]	**—**	**—**	130,000	—

1 Appointed on 7 April 2017.

2 Appointed on 10 May 2017.

3 Resigned on 31 March 2017.

4 Resigned on 6 April 2017.

Details of Directors' service agreements are set out on page 53.

Details of the Directors' interests in long-term incentive schemes are set out in the Remuneration report on page 54.

Details of Directors submitting themselves for election and re-election at the AGM are set out in the notice of meeting.

Service contracts and letters of appointment for all Directors are available for inspection at the registered office of the Company.

Subject to applicable law and the Articles of Association and to any directions given by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Directors' indemnity insurance

The Company may purchase and maintain, for any Director or officer, insurance against any liability.

The Company maintains appropriate insurance cover against legal action bought against its Directors and officers.

Share capital and share options

Details of the share capital of the Company and options over shares of the Company are set out in Note 21 to the Group financial statements.

At 31 December 2017, there were 47,055,000 unissued ordinary shares of 0.1 pence under options. Note 17 of the Group financial statements sets out the details of the share option schemes in place and of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Substantial shareholdings

The following shareholders held 3% or more of the issued share capital of the Company as at 31 March 2018:

Shareholder	Number of shares	% of issued capital (as at date of notification)
Michinoko Ltd	134,452,585	11.08
Fidelity Worldwide Investment (FIL)	104,148,479	8.58
River & Mercantile Asset Management	76,809,479	6.33
AXA Investment Managers UK	69,125,693	5.70
Hargreave Hale	74,214,405	6.12
Mr Rex Harbour	52,805,530	4.35
Invesco Asset Management	46,502,617	3.83
Hargreaves Lansdown Asset Management	43,931,210	3.62
Interactive Investor Sharedealing	40,005,679	3.46

Financial instruments

Details of the use of financial instruments are contained in Note 19 to the financial statements.

Political donations

No political donations were made, and nor was any political expenditure incurred, by any Group company in the year ending 31 December 2017 (2016: $nil).

Auditor

The auditor, Grant Thornton UK LLP, has indicated its willingness to continue in office, and a resolution that it be reappointed will be proposed at the AGM. The Company has a policy of approval of non-audit services by the auditor to preserve independence.

Disclosure of information to auditor

So far as each Director is aware, there is no relevant information of which the Company's auditor is unaware. Each Director has taken all steps that ought to have been taken as a Director to make him or herself aware of any relevant audit information and to establish that Grant Thornton is aware of that information.

Information set out in the Strategic report

The Directors have chosen to set out the following information in the Strategic report which would otherwise be required to be contained in the Directors' report:

- performance of the business;
- financial review;
- principal risks and uncertainties; and
- likely future developments.

Corporate governance

The statement on corporate governance can be found in the Corporate governance report on pages 41 to 45 of this report. The Corporate governance report forms part of this Directors' report and is incorporated into it by cross-reference.

AGM 2017

The AGM of the Company will be held in St Mellons Hotel, Castleton, Cardiff, CF3 2XR at 9.30am (BST) on Tuesday 15 May 2018. The resolutions to be proposed at the AGM are set out and fully explained in the Circular containing the Notice of AGM which has been posted to shareholders at the same time as this Annual Report and Accounts.

By order of the Board.

Nick Harrison, Chief Financial Officer

14 April 2018

Company number: 04030166

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

THE BOARD IS COMMITTED TO HIGH STANDARDS OF CORPORATE GOVERNANCE

It has been my privilege to work with a board that has seen the benefit in maintaining high standards of corporate governance and is committed to ensuring accountability and transparency as ways to protect the interests of all our shareholders.

As an AIM-listed company, we have not been obliged to comply with the UK Corporate Governance Code, but have chosen to use the Code as our best practice guidelines, and decided to comply with its provisions as far as is practicable for a company of our size.

The direction of travel for our governance improvements has been positive and overall compliance with governance best practice has improved during the last couple of years. We are proud that we have achieved the following:

- As part of our succession planning we have welcomed two new high calibre independent Directors to the Board. With this refreshment, we feel there is the correct mix of skills, experience and independence to take us through the next step of development.
- Our new Senior Independent Director, Alex Snow, is keen to build on the outstanding work done by our previous SID, Stephen Foss, who has done so much to engage with our shareholders to help discuss potential governance improvements, and to lead the work on the revamp of our remuneration practices.
- Amerisur's fully independent Audit and Remuneration Committees have continued to expand their reporting, and the Chairmen of these Committees make themselves available for engaging with shareholders.
- As part of our commitment to shareholder engagement we have been seeking the views of shareholders through outreach campaigns and roadshows. To enfranchise investors we have been voluntarily putting our Remuneration Report up for shareholder approval, and this is being proposed again for the third successive year.
- One of the benefits of this process has been the Remuneration Committee completing a review of the remuneration policy and practices, with the support of a respected third-party remuneration consultancy. The changes have been numerous and are explored in the Remuneration Report. The Board's commitment to ongoing interaction with shareholders will help maintain our progressive stance on governance matters, and investors' feedback is most welcome in supporting this. We hope the following governance and Committee reports offer the level of detail on our journey that meets shareholders' expectations.

Giles Clarke, Chairman

14 April 2018

STATEMENT OF CORPORATE GOVERNANCE

The Directors are committed to maintaining high standards of corporate governance to ensure accountability and transparency and to protect the interests of all of our shareholders. As an AIM-listed company, Amerisur is not obliged to comply with the UK Corporate Governance Code 2016 (the "Code"). Nevertheless, the Board has used the provisions of the Code as a guide for best practice as far as is practicable for a company of our size.

Governance improvements during 2017

The Board feels that overall compliance with governance best practice has improved during the year under review, with the following having been achieved:

- the Board refreshment continued during the year with:
  - a Board evaluation has been undertaken, and as the result of an extensive and independent search process led to the addition of one independent Non-Executive Director with extensive City experience and one with oil and gas sector experience;
  - the appointment of these two new independent Directors: Dana Coffield as an independent Non-Executive; and Alex Snow as Senior Independent Director has increased the level of Board independence; and
  - three Directors: Nigel Luson; Victor Valdovinos; and George Woodcock, stepping down from the Board;
- following the reorganisation of the Audit and Remuneration Committees they are considered to be fully independent by the Company;
- the Remuneration Committee has continued to review the Company's remuneration policy and practices with the support of a respected third-party remuneration consultancy;
- the Remuneration Committee had committed to not making any option awards in 2017 to Executive Board members and did not do so during the year;
- share-based incentives have and will not been made to Non-Executive Directors or the Chairman; and
- the Board confirms that it is again voluntarily submitting the Remuneration Report to a shareholder vote for the third year in succession.

The Board of Directors

The Board of Directors is responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and acquisitions, and reporting to the shareholders. The Chairman ensures that all Directors are properly briefed and have access to independent professional advice and to the services of the Company Secretary, and receive the appropriate training, as necessary and as determined by an annual review. All Directors receive detailed induction training upon joining the Board, covering compliance issues, risk management considerations, Board processes and corporate governance considerations.

The Board met ten times during the year and all meetings have a formal agenda. Directors also have ongoing contact on a variety of issues between formal meetings. The Non-Executive Directors' role is to constructively challenge, and they can suggest agenda items for Board meetings. The Board is planning to review the most appropriate method for undertaking an annual evaluation of its own performance and that of its key Board Committees and individual Directors.

Retirement of Directors

All Directors are submitted for shareholder approval at regular intervals. In accordance with the Company's Articles of Association, the new Director, Alex Snow, who was appointed during the year, will stand for election, as will Stephen Foss and Nick Harrison who will both retire by rotation and will be seeking re-election at the forthcoming AGM.

The Board of Directors and biographical information on each Director are detailed on pages 36 and 37.

Board composition

The Board consists of eight Directors, comprising the Chairman, two Executive Directors and five Independent Non-Executive Directors.

Role		Date of appointment	Independent from Company
Chairman	G Clarke	28 February 2007	n/a*
Executive Directors	N Harrison	17 April 2007	No
	J Wardle	27 February 2007	No
Non-Executive Directors	D Ellenor	21 January 2008	Yes
	S Foss	5 January 2015	Yes
	C Jenkins	27 May 2016	Yes
	D Coffield	7 April 2017	Yes
	A Snow	10 May 2017	Yes

* The Chairman was independent upon appointment.

STATEMENT OF CORPORATE GOVERNANCE CONTINUED

Board composition continued

The Board has carefully considered the independence of the Non-Executive Directors and has concluded that five Directors, Dana Coffield, Douglas Ellenor, Stephen Foss, Chris Jenkins and Alex Snow, are independent and the Chairman was independent upon appointment. This means that more than half of the Board are independent. The Board has conducted an assessment into the independence of Douglas Ellenor in the context of his length of service and has found him to be independent on an ongoing basis. The Board recognises that Dr Ellenor brings a wealth of technical knowledge to the Company which has proven to be a support and an independent challenge during technical discussions with management. The Board believes that in combining a doctorate in geology, with significant oil and gas experience in Colombia, his continued Board membership is considered to be of benefit to shareholders. Additionally, as there has been a lot of Board refreshment over the previous two years, it is deemed beneficial to have the continuity of Dr Ellenor's presence on the Board until his planned retirement in December 2018.

The Code also recommends that the Board should appoint one of the independent Non-Executive Directors to be the Senior Independent Director to provide a sounding board for the Chairman and to assist in building relationships between major shareholders and the Board. The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Alex Snow was appointed as the Senior Independent Director ("SID") on 10 May 2017, and prior to this Stephen Foss had undertaken the role since 5 January 2015.

The Chairman is not an Executive and was independent upon appointment. Due to the CEO being based in South America there are additional roles the Chairman undertakes, including when it is not feasible for the CEO to attend. These are primarily key stakeholder and governmental engagement meetings and the Chairman is an important element in having built the relationships which have allowed operations to proceed and prosper.

Board and Committee meetings

		Committee meetings		
Director	Board Chair: Giles Clarke	Nomination Chair: Giles Clarke	Audit Chair: Chris Jenkins	Remuneration Chair: Stephen Foss
G Clarke	10/10	3/3		
J Wardle	10/10	3/3		
N Harrison	10/10			
S Foss	10/10	3/3	5/5	4/4
C Jenkins	10/10	3/3	5/5	4/4
D Coffield[1]	6/6			3/3
D Ellenor[5]	9/10		4/5	4/4
A Snow[3]	5/6	0/0		2/2
N Luson[2]	1/1		3/3	1/2
V Valdovinos[4]	1/1			
G Woodcock[4]	1/1			

Entitled to attend
Actually attended

1 Appointed on 7 April 2017.
2 Retired on 7 April 2017.
3 Appointed on 10 May 2017.
4 Retired on 31 March 2017.
5 Retired from the Remuneration Committee during the year. Will retire from the Audit Committee during 2018.

Board Committees

As envisaged by the Code, the Board has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities. The terms of reference for these Committees are available upon request.

Audit Committee

The key responsibilities of the Audit Committee are to:

- monitor the integrity of the annual and interim financial statements, including focus on significant judgements and estimates used in the accounts;
- review the effectiveness of financial and related internal controls and associated risk management (the full Board being responsible for oversight of strategic and operational risks); and
- oversee the relationship with our external auditor, including: reviewing their plans and audit findings; ensuring their continuing independence; appraising the effectiveness of their work prior to considering their reappointment; and considering whether to put the external audit contract out to tender.

The Code recommends that in companies below the FTSE 350 the Audit Committee should comprise at least two independent Non-Executive Directors and at least one member should have recent and relevant financial experience. Amerisur meets and exceeds this guideline.

The members of the Audit Committee, all of whom are deemed to be independent Non-Executive Directors by the Company are:

- Chris Jenkins (Chairman);
- Dana Coffield (joined 20 December 2017);
- Douglas Ellenor; and
- Stephen Foss.

Chris Jenkins joined the Committee upon his appointment to the Board on 27 May 2016, and was appointed Chairman, succeeding Nigel Luson in this role. Chris Jenkins has recent and relevant financial experience and the other members contribute a range of financial, oil industry, investment and risk management experience.

The activities of the Committee for the year under review are outlined in the Audit Committee Report on page 47.

Nomination Committee

The current members of the Nomination Committee are:

- Giles Clarke (Chairman);
- John Wardle;
- Stephen Foss;
- Chris Jenkins (appointed January 2017); and
- Alex Snow (appointed May 2017).

The Nomination Committee is responsible for ensuring that the Board is well equipped to continue to discharge its responsibilities and to canvas future candidates for the position of Director, to ensure that the Company continues to be governed by suitably qualified people. Thus, the Committee is responsible for ensuring that the Board has the appropriate structure, competencies, experience, skills and independence of oversight to ensure effective functioning. The Committee recommends and reviews nominees for the appointments of new Directors to the Board and ensures there is due process used in selecting candidates.

The Committee's full terms of reference are available on request, and a brief overview of key responsibilities includes:

- identifying, evaluating and recommending nominees for the role of Director;
- reviewing the merits of the candidates and the relevance of their background, and that appointees do not have time commitment issues;
- periodically reviewing the succession planning for Directors and other Senior Executives;
- ensuring that upon appointment Non-Executive Directors receive a formal letter of appointment setting out what is expected of them, and what training might be required; and
- making recommendations to the Board on the reappointment of any Non-Executive Directors, including a review of their performance, contributions to date and ability to commit enough time to the role.

Stephen Foss was appointed to the Committee in early 2016, Chris Jenkins in January 2017 and Alex Snow in May 2017. Chris Jenkins oversaw the recruitment process for additional Non-Executive Directors to boost the independence and specific skill requirements of the Board.

This Committee is structured in line with the Code's recommendations that a majority of the Committee's members are independent; and the Chairman chairs this Committee.

Remuneration Committee

The members of the Remuneration Committee, all of whom are deemed to be independent Non-Executive Directors by the Company, are:

- Stephen Foss (Chairman);
- Dana Coffield (appointed 9 April 2017);
- Douglas Ellenor (stepped down on 16 October 2017);
- Chris Jenkins; and
- Alex Snow (appointed 10 May 2017).

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors and the Executive management. The Committee ensures that the remuneration practices of the Company move towards best practice and are linked with the interests of shareholders.

The Committee's summarised terms of reference are available on the Company website. A brief overview of the principal responsibilities of the Committee includes:

- determining and recommending to the Board the remuneration policy for the Chairman, Executive Directors and Senior Executives;
- ensuring this policy, "to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise", is carried out;
- rewarding key employees on a basis which is aligned to the performance of the Company;
- setting salaries for individual members of the management team which are competitive, but not egregious;
- reviewing the design of any share-based incentive plans;
- aligning management rewards to the interests of shareholders; and
- overseeing the work of external remuneration consultants where hired.

Stephen Foss was appointed to the Committee as Chairman in January 2015.

The Committee has undertaken numerous reforms during the year and its activities are disclosed in the Remuneration report section on page 49.

STATEMENT OF CORPORATE GOVERNANCE CONTINUED

Internal relations

Amerisur aims to operate responsibly in all its business activities. The Company puts importance on safety, integrity and transparency and treats its employees with respect and fairness. Amerisur recognises that employees and how they operate are critical to business success and, in recognition of this, has in place a suite of policies addressing: ethical conduct, human rights, employment, health and safety and diversity.

Ethical Conduct Statement: Amerisur conducts its business with a high ethical standard. The Company helps to manage its ethical conduct risks and protect its licence to operate through its approach to anti-bribery and corruption risk and fraud detection and awareness.

Conflicts of Interest Policy: Amerisur's Board is committed to ensure that any conflicts of interest are managed fairly. The Conflicts of Interest Policy aims to take reasonable steps to maintain and operate effective requirements to identify and manage conflicts of interest.

Human Rights Policy: Amerisur wants its employees and wider stakeholders to be treated with dignity and respect. Amerisur endorses the UN Declaration of Human Rights. The Company does not tolerate child labour and forced labour; Amerisur respects freedom of association and the rights of employees to be represented by trade unions and work council and does not discriminate based on gender, religion, age, disability or ethnicity. We encourage all who work with Amerisur to adhere to the same principles.

Modern Slavery Statement: Amerisur is committed to identifying and combating slavery and trafficking in all parts of its business and supply chain. The Company's risk policies and processes seek to identify high risk areas. Training is provided for all employees and ongoing review of the relevant Company policies; audit processes and due diligence arrangements are in force. The Disclosure Statement is also available on the Amerisur website.

Health and Safety Statement: Amerisur is committed to the safety of its staff and workplace. To support this aim we have achieved the OSHAS 18001:2007 Occupational Health and Safety Management System standard for our operations, which is intended to help control occupational health and safety risks.

Employee Compensation Statement: Amerisur wants to provide the opportunity for staff to be part of a team and mutually share in our success. To help achieve this aim the Group operates an equity-settled share-based compensation plan for the remuneration of its employees.

Employee Engagement Statement: Due to the operational nature of the Company the management team work closely with employees 'on the ground' and there is a developed workplace engagement programme which help contribute to organisational success. These activities interlink with how we pursue our goals and values, as well as our external relations activities.

Employment of Disabled Persons Policy: The Group maintains a policy of giving fair consideration to applications from physically disabled persons, bearing in mind their respective aptitudes and abilities. In the event of employees becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged.

Diversity Statement: Amerisur recognises the benefits of diversity, including gender diversity, throughout the Company and on the Board, to help ensure there is an appropriate balance of skills and experience within the Company.

Quality Statement: Amerisur focuses on quality management and has in place an effective system to manage and improve the quality of its products or services. In support of this the Company has held the ISO 9001:2008 Quality Management System standard since October 2012.

External relations

Environment Policy Statement

Amerisur is committed to limiting its environmental impact in the areas where the Company operates and has a formal environmental policy and framework in place to protect the environment biodiversity and ecosystems. The Company aims to comply with all relevant regulatory and legislative requirements and industry best practice and has been awarded the following certificates: OHSAS 18001:2007 Occupational Health and Safety Management System; ISO 14001:2004 Environmental Management System; and ISO 9001:2008 Quality Management System.

To help manage its environmental risks the ISO 14001:2004 Environmental Management System standard has been in place since October 2012 and the Company communicates its environmental policy to all employees and agents. The standard is valid until October 2018 and there is a yearly review in order to check compliance and processes are regularly reviewed by external parties. The whole Board regularly discusses issues relating to the environment as is deemed appropriate for a company in our sector.

Relationships with communities

Amerisur is committed to building and maintaining good relationships with the communities within the localities of it operations. The Company focuses on responsible behaviour and risk management. Areas of activity are in:

- respect for communities' rights, culture and heritage;
- engagement in open dialogue;
- responding and listening to grievances; and
- supporting community development.

Relationships with Governments

The Company did not make any political donations during the year.

Relations with shareholders

The Board is committed to maintaining ongoing communications with the Company's shareholders through press releases, general presentations, face to face meetings and reports to shareholders twice a year at its annual and interim results. In addition, the Company uses its website to communicate with shareholders.

As part of Amerisur's ongoing engagement programme with shareholders, their views on key matters have been discussed at Board level during the year under review. For 2017 the Senior Independent Director and Chairman have made themselves available to attend meetings with major shareholders without the Executive Directors present. This has been to discuss a range of topics from governance matters, such as the progress reporting on activities to increase the independent representation on the Board, right through to the practical challenges of managing risks in Latin America.

The Group dispatches the notice of its Annual General Meeting, together with a description of the items of special business, at least 21 days before the meeting and shareholders are encouraged to participate. Each substantially separate issue is the subject of a separate resolution and all shareholders have the opportunity to put questions to the Board at the AGM. All of the Company's Directors attended the AGM to answer questions which were relevant to their responsibilities.

Vote outcomes relating to the 2017 AGM:

Resolution	Vote outcome
Report and accounts	Passed
Approve the Directors' remuneration report	Passed
Elect Chris Jenkins as Director	Passed
Re-elect Douglas Ellenor as Director	Passed
Elect Dana Coffield as Director	Passed
Reappoint Grant Thornton UK LLP as auditor	Passed
Authorise Board to fix remuneration of auditor	Passed
Authorise issue of equity with pre-emptive rights	Passed
Authorise issue of equity without pre-emptive rights	Passed
Authorise issue of equity without pre-emptive rights for an acquisition or other capital investment	Passed
Authorise market purchase of ordinary shares	Passed

All resolutions have passed at the recent AGM with a minimum of 80% support. The Company has also decided to engage with key shareholders that have not voted in support with management's recommendations to understand their thinking on the issues in question; this will continue for 2018.

NOMINATION COMMITTEE REPORT

MEETING THE BOARD'S REQUIREMENTS OF SKILLS, COMPETENCIES AND EXPERIENCE

Responsibilities and terms of reference

The Nomination Committee's key responsibilities are: to review the size, structure and composition of the Board in order to recommend changes to the Board and to ensure the orderly succession of Directors; to formalise succession planning and the process for new Director appointments; and to identify, evaluate and recommend candidates for appointment as Directors taking into account the balance of knowledge, skills and experience required to serve the Board.

The terms of reference of the Committee were reviewed by the Board in May 2015.

Membership and attendance

The members of the Committee during 2017 were Giles Clarke (Chairman), Stephen Foss, Chris Jenkins, Alex Snow and John Wardle.

Meetings and activities

The Committee is required to meet three times per year and to report its findings to the Board, identifying any matters on which it considers action or improvement is needed.

In October 2016, the Committee reviewed and approved an in-depth Board evaluation plan, taking note of the key implications for the updating of the Board and Executive succession planning. A review is being undertaken each year now to continue the progress made, with the addition of periodic external reviews to verify and develop any findings.

As a demonstration of independence, Chris Jenkins (Non-executive Director) was appointed to the Committee in January 2017 to help oversee the implementation of the succession plans that had come out of this Board evaluation. This included leading the selection process for the two new independent Non-executive Directors who joined the Board in 2017. The Committee reviewed a shortlist of specialist recruitment companies that were interviewed to assist with the recruitment of two new independent Non-executive Directors who matched the skills, experience and diversity requirements of the Board that resulted from the evaluation process. The Committee recommended to the Board that specialist external consultancy, Preng & Associates ("Preng"), which has particular expertise in Amerisur's sector, was appointed to lead the search to produce a shortlist of candidates for two Non-executive Director positions: one with technical oil industry knowledge; and the other with City experience. With the support of Preng, an objective, thorough and rigorous process was conducted in line with best practice corporate governance and recruitment procedures.

The Committee ensures that succession planning and Board nominees have a focus on the merit of the candidates and use objective criteria to ensure Board requirements of skills, competencies and experience are met.

An aim is also to help avoid groupthink on the Board, and promote diversity of gender, backgrounds, independence and personal strengths. The Committee ensured that Preng's search process covered a diverse range of candidates both by gender and nationality, and two female candidates were shortlisted.

The Committee reviewed the shortlist of candidates and presented this to the Board with its recommendation.

The appropriate functioning of the Board was reviewed in an internal evaluation. This had fed through into the final selection of candidates for the Board positions available during the year. There was also a review of the time commitments of Board members, and all were found to have sufficient time available to perform their duties. During the independent members of the Committee's review of Directors' commitments, it was noted that the Chairman holds other chairman positions at listed companies. In its assessment that these other positions were not material from a time commitment perspective, the Committee considered: that all roles are at AIM companies; the small size of the entities (the total market capitalisation only amounts to £25m, excluding Amerisur); and that no meetings had been missed during the year under review.

Giles Clarke, Chairman of the Nomination Committee

14 April 2018

FOCUSED ON MAINTAINING A STRONG CONTROL ENVIRONMENT

Introduction

This report covers activities of the Audit Committee in 2017 and in the period up to the approval of the 2017 annual report and financial statements (together, "the period").

Responsibilities and terms of reference

The key responsibilities of the Audit Committee are to:

- monitor the integrity of the annual and interim financial statements, including focus on significant judgements and estimates used in the accounts;
- review the effectiveness of financial and related internal controls and associated risk management (the full Board being responsible for oversight of strategic and operational risks); and
- oversee the relationship with our external auditors, including: reviewing their plans and audit findings; ensuring their continuing independence; and appraising the effectiveness of their work prior to considering their reappointment.

The terms of reference of the Committee take account of the recommendations of the Corporate Governance Code and model terms of reference prepared by the Institute of Chartered Secretaries and Administrators ("ICSA") and are available on the Company website.

Membership and attendance

The members of the Committee during 2017 were Chris Jenkins (Chairman), Douglas Ellenor, Stephen Foss, Nigel Luson (retired 6 April 2017) and Dana Coffield (joined 20 December 2017), all of whom were independent Non-executive Directors during the year under review.

Chris Jenkins was a long-standing audit partner of KPMG UK, for whom he continues to provide consultancy advice. The Committee therefore includes the necessary recent and relevant financial experience. The Committee membership also includes a broad spread of experience of Colombia, oil and gas, capital markets and risk management: this breadth of knowledge provides invaluable support to the Committee in fulfilling its role.

The Committee met five times in 2017 and twice subsequent to the year end (see table on page 42).

In addition to the above members, the Chief Financial Officer attends meetings of the Committee by invitation, as do other members of the finance team and representatives of Grant Thornton, external auditors. Brian James, Company Secretary, acts as Secretary to the Committee.

The Committee regularly meets in private session without management present to ensure that points of common concern are identified and that priorities for future attention by the Committee are agreed.

The Chairman of the Committee keeps in close contact with the finance team and the external audit partner between meetings of the Committee.

Financial statements

The Committee reviewed the draft interim financial statements at its September 2017 meeting and discussed the key issues with the Chief Financial Officer and with Grant Thornton, who perform a limited review of the interims.

Subsequent to the year end the Committee has reviewed the significant judgements associated with the 2017 financial statements, including those items identified as 'key audit matters' in Grant Thornton's audit opinion:

- the potential impairment of development & production and exploration & evaluation assets;
- the provision for future remediation costs; and
- the accuracy of deferred taxation balances including the circumstances behind the non-cash prior year adjustment to the 2015 deferred taxation balance and the strengthened procedures being instituted by management in this area.

AUDIT COMMITTEE REPORT CONTINUED

The Committee also reviewed the supporting evidence for the Group being a going concern, although this is not regarded as a significant risk, and the overall disclosures in the annual report and financial statements to confirm that they are "fair, balanced and understandable".

The Committee reviewed papers prepared by the finance team and the findings from Grant Thornton's external audit in relation to the above matters.

Internal controls and risk management

Under the Committee's terms of reference, the Committee is responsible for oversight of financial and related controls, including certain compliance matters, while the Board continues to be responsible for oversight of strategic and operational risks.

During the period, the Committee has reviewed key elements of controls for which it has oversight responsibility including:

- progress in addressing internal control recommendations by Grant Thornton following the 2016 audit;
- progress in addressing recommendations from an external review of IT security; and
- code of conduct matters, including anti-bribery and corruption ("ABC") policies and procedures and whistleblowing arrangements. The Committee received a detailed briefing from the Colombia general counsel at its October meeting in Bogotá on the policies and procedures in these areas.

The Company does not currently have an internal audit function. The Committee has reviewed the potential need for an internal audit function and discussed this with management. The Committee agreed with management that given the size of the Group there is no current need for a dedicated internal audit function. However, it will keep this under review as the Group expands.

External audit

The Committee is responsible for oversight of our relationship with Grant Thornton, currently our external auditors.

The Committee is keen to ensure the independence of our external auditors and has an established policy for the use of Grant Thornton for non-audit work. Grant Thornton provide limited non-audit services, currently mainly certain tax compliance work and limited review of our interims, and these services are not deemed significant or likely to impair their independence. The Committee has determined that fees for non-audit services should not normally exceed 50% of the audit fees (which compares to an equivalent cap of 70% of audit fees now applicable to fully listed companies). The Chairman and if necessary the full Committee are responsible for approving major items of non-audit work, and the Committee receives summaries of non-audit fees to ensure compliance with our policies. Grant Thornton have formally confirmed their independence to the Committee prior to signing their audit opinion.

The Committee also reviews the effectiveness of the external audit and receives feedback from management as well as its own direct interaction with Grant Thornton prior to recommending their reappointment. Although Amerisur is not subject to the audit tender requirements of the European Audit Regulation and Directive which affect fully listed companies, the Committee is mindful of Grant Thornton's long tenure as auditors for more than 15 years. Accordingly the Committee has requested management to explore the options for a tender of the external audit appointment within the next two years.

Conclusion

In 2018 and beyond, the Committee will continue to focus on the above areas, keeping abreast both of new reporting and regulatory requirements and of the evolving financial and risk management environment in the Group as Amerisur continues its growth.

Chris Jenkins, Chairman of the Audit Committee

14 April 2018

INTRODUCTION TO THE REMUNERATION REPORT

ONGOING COMMITMENT TO SHAREHOLDERS TO LINK INCENTIVES TO PERFORMANCE

This report is for the period to 31 December 2017. It sets out the remuneration policy and the remuneration details for the Executive and Non-executive Directors of the Company.

As an AIM-quoted company, the information provided is disclosed to fulfil the requirements of AIM Rule 19. Amerisur Resources plc is not required to comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008; however, the Company is committed to achieving both high governance standards and a simple remuneration structure. The information is unaudited except where stated.

The members of the Remuneration Committee are Stephen Foss (Chairman), Dana Coffield (appointed 9 April 2017), Douglas Ellenor (stepped down on 16 October 2017), Chris Jenkins and Alex Snow (appointed 10 May 2017).

Dear shareholder,

I am pleased to introduce the Directors' remuneration report for the 2017 financial year.

In light of the continuing development of the Group, the Company has decided to develop the scope and content of its Directors' remuneration report and is this year including this letter from the Chairman of the Remuneration Committee to introduce the report, outline the major decisions on Directors' remuneration and any substantial changes relating to Directors' remuneration made during the year and explain the context in which these changes occurred and decisions have been taken.

Last year the Company put an advisory vote on its Directors' remuneration report to shareholders at its AGM and was pleased that this resolution received strong support. A similar resolution will be put to shareholders at the 2018 AGM. The Committee welcomes all shareholder feedback on remuneration and I will be available at the AGM to answer any questions which shareholders have on this topic.

Remuneration policy

The Company's approach to remuneration is that the overall package should be sufficiently attractive to recruit, motivate and retain individuals of a high calibre with significant technical and strategic expertise and leadership capabilities. The Company needs to ensure that key personnel are capable of delivering the Company's objectives and value for all shareholders in a competitive market environment and challenging region of the world. It is the aim of the Committee to reward key employees on a basis which is aligned to the performance of the Company and as such a significant portion of remuneration is based on performance. Annual bonus and long-term incentives are subject to challenging performance targets.

The main elements of the remuneration package are basic salary and fees, benefits, annual performance related bonuses and long-term share incentives. The policy in each area is detailed later in this report.

INTRODUCTION TO THE REMUNERATION REPORT CONTINUED

Performance and decisions on remuneration taken

In 2017 Amerisur delivered a number of strategic and operational objectives, including the diversification of our production base from one to two fields, following drilling success at Platanillo and CPO-5, an important milestone for the Company. Alongside this Amerisur steadily and responsibly ramped up its low cost, low risk, high netback production at Platanillo and in turn OBA throughput, while consolidating its strategic position in the Putumayo basin.

An annual bonus award in respect of 2016 was paid during 2017 to the Executive Directors, who delivered successfully against a range of financial, operational and strategic objectives in 2016. Chief Executive John Wardle received a cash bonus equivalent to 94% of his 2016 salary to reflect high level of delivery against operational and business development objectives. Chief Financial Officer Nick Harrison received a cash bonus equivalent to 50.4% of his salary, also reflecting strong performance.

The 2017 bonus award was capped at 100% of salary and for the CEO subject to weighted performance categories comprising operations, production, new business development, financial performance and HSEQ. The Chief Executive and Chief Financial Officer will receive cash bonuses equivalent to 88% and 80% of salary, respectively, reflecting strong performance against operational and business development objectives.

6,500,000 LTIP awards subject to a total shareholder return performance condition were made to Directors in February 2014. The performance conditions attached to 4,750,000 of these awards was not met and these awards lapsed in full during 2017. The remaining awards of 1,750,000 had no performance conditions attached and these can be exercised up to 15 February 2019.

13,140,000 LTIP awards were made to Directors in February 2015. 9,370,000 LTIP awards were due to vest during the first quarter of 2018 subject to a total shareholder return performance condition. This performance condition was not met and these awards have lapsed. 3,770,000 awards were made to John Wardle with a three-year vesting period subject to a performance condition relating to the successful installation of the OBA pipeline and the commencement of operations. The Remuneration Committee has considered performance against this condition and, following consultation with the Company's largest shareholders and advisers, determined that 60% of these awards (2,262,000) will vest. In reaching this decision, the Committee took account of timing, budget, HSE, commissioning and strategic benefits.

No LTIP awards were made to Executive Directors during 2017 in light of previous conversations with shareholders regarding executive pay.

Development of remuneration policy

The Remuneration Committee has taken a series of steps since 2015 to develop the remuneration policy. 2016 LTIP share awards were subject to a two-year holding period following their three-year vesting period, lengthening the total period from award to release to five years. This is in line with best practice and will continue to apply to all future LTIP awards. From 2018, both annual bonus payments and LTIP awards will be subject to clawback and malus provisions which is in line with best practice.

Decision for 2018

The salary of the CFO, Nick Harrison, is to be increased by 8%, effective from 1 January 2018. This is recognition of his strong contribution, no salary increases since 2015 and a relative position to comparators.

Other than as set out above, no changes were made to the basic remuneration levels of the Executive Directors and the Non-executive Directors for 2018, 2017 or 2016.

Core objectives for 2018 see consistently strong levels of production as a priority, as well as operational, financial, corporate development, new business initiatives and HSEQ. The 2018 bonus award is capped at 100% of salary and subject to weighted performance categories for the CEO comprising: operations, production, financial performance, new business development and HSEQ.

The Company anticipates making LTIP awards to Executive Directors in spring 2018 of up to 150% of base salary. These awards will be made to the CEO, CFO and other staff members and vesting will be subject to performance conditions. For the CEO and CFO, these awards will be subject to a two-year holding period after the three-year performance period. The awards will be subject to clawback and malus provisions.

I hope that you find the report helpful and informative and I look forward to receiving further feedback from our investors on the information presented.

Stephen Foss,
Chairman of the Remuneration Committee

14 April 2018

REMUNERATION REPORT

Basic salary and fees

The Remuneration Committee reviews basic salaries, fees and the level and type of benefits offered to Executive Directors and the Chairman annually. The Committee takes into account the circumstances of the Company, the Executive's responsibilities, experience and performance and market competitiveness as well as the location where the Executive is based.

The salary of the CFO, Nick Harrison, is to be increased by 8% effective 1 January 2018. Other than this, no changes were made to the basic remuneration levels of the Executive Directors for 2018, 2017 or 2016.

Benefits and pensions

The Company's CEO receives a car benefit, and an expatriate living allowance to cover local living expenses, taking account of the fact that his family is based in the UK. He receives no pension. The Chief Financial Officer receives a company pension contribution at 10% of his basic salary, private healthcare and a car benefit. The Chairman receives a pension contribution at 10% of his fees and private healthcare.

Annual performance related bonus

The Committee operates a discretionary annual bonus scheme under which bonuses may be paid to Executives in cash for achieving operational, financial, strategic and personal objectives. Bonuses are paid up to a normal maximum of 100% of an Executive Director's basic salary remuneration.

During 2017, the Company made bonus payments to the Executive Directors in respect of performance during 2016. The Remuneration Committee assessed performance in 2016 across performance areas including operations, production, new business development, financial performance and HSEQ, noting particularly strong performance in operations, new business development and HSEQ. The Committee also noted strong cost control both at the operating level and over capex and exploration costs. Bonuses were paid to the CEO at 94% of his 2016 salary ($850,000) and to the CFO at 55.1% of his salary ($234,000).

During 2017, the Company further developed the structure of its executive annual bonus. Annual bonus remains discretionary. At the start of each year the Remuneration Committee specified targets in a number of areas for both the CEO and CFO and assigned an indicative weighting to each reflecting the Company's priorities in that year. For the CEO in 2017 these included: operations (25%); production (25%); new business development (20%); financial performance (20%); and HSEQ (10%).

The Remuneration Committee assessed performance across these areas. In the light of strong performance across these areas, the CEO's 2017 bonus was 88% of salary. For the CFO in 2017 these areas included: efficient management of the finance function (20%), development of the finance function (15%), forward financial planning (25%), external relations (20%) and support for corporate development (20%). The Remuneration Committee assessed performance across these areas. In the light of strong performance, the CFO's 2017 bonus was 80% of salary.

In respect of 2018, the major corporate objectives for the year continue to be grow and diversify production, focus on growing reserves and resources through our development and exploration programmes and continue to leverage the strategic advantage of the OBA infrastructure. The target areas and weightings are as follows. For the CEO: operations (15%); production (20%); reserves (20%), new business development (15%); financial performance (15%); and HSEQ (15%).

For the CFO: efficient management of the finance function (20%), development of the finance function (15%), forward financial planning (25%), external relations (20%) and support for corporate development (20%).

From 2018, annual bonus payments will be subject to malus and clawback provisions.

Non-executive Directors

The remuneration of Non-executive Directors comprises a base fee set at a level sufficient to attract individuals with appropriate knowledge and experience and additional fees for being the Senior Independent Director and for chairing Committees.

The Non-executive base fee for 2017 was £58,000, with additional fees of: £10,000 for chairing the Audit Committee; £8,500 for chairing the Remuneration Committee; and £6,000 for being Senior Independent Director.

The remuneration of the Non-executive Directors is determined by the Board excluding the Non-executive Directors.

There was no change in non-executive remuneration for 2016, 2017 and 2018.

REMUNERATION REPORT CONTINUED

Directors' remuneration

The tables below set out the remuneration of the Chairman and Executive and Non-executive Directors during 2017 and 2016 and it includes a single total figure for each Director:

Audited	Salaries and fees $'000	2017 Annual bonus $'000	Pension and other taxable benefits $'000	2017 Single figure Total $'000	2016 Annual bonus paid in 2017 $'000
Chairman					
G Clarke[1]	**262**	**—**	**27**	**289**	**—**
Executive Directors					
J Wardle	**850**	**748**	**180**	**1,778**	**800**
N Harrison[1]	**234**	**187**	**43**	**464**	**129**
V Valdovinos[1,3]	**29**		**—**	**29**	**—**
G Woodcock[2,3]	**72**	**—**	**—**	**72**	**—**
Non-executive Directors					
S Foss[1]	**94**	**—**	**—**	**94**	**—**
C Jenkins[1]	**88**	**—**	**—**	**88**	**—**
D Ellenor[1]	**66**	**—**	**—**	**66**	**—**
D Coffield[4]	**55**	**—**	**—**	**55**	**—**
A Snow[1,4]	**56**	**—**	**—**	**56**	**—**
N Luson[1,3]	**18**	**—**	**—**	**18**	**—**
	1,824	**938**	**250**	**3,009**	**929**

Audited	Salaries and fees $'000	Annual bonus $'000	Pension and other taxable benefits $'000	2016 Single figure Total $'000
Chairman				
G Clarke	270	—	31	301
Executive Directors				
J Wardle	850	800	180	1,830
N Harrison	256	132	55	443
V Valdovinos	126	—	—	126
G Woodcock	142	—	—	142
Non-executive Directors				
D Ellenor	90	—	—	90
C Jenkins	52	—	—	52
S Foss	97	—	—	97
N Luson	83	—	—	83
	1,966	932	266	3,164

1 Cash payments are made in local currency and then translated into US$; therefore, cash remuneration totals are impacted by exchange rate movements during the year.

2 Details of the consultancy fees paid to companies under the control of these Directors can be found in Note 22. G Woodcock's fees include an additional $60k technical fee paid directly by the Colombian branch.

3 Fees up to the date of resignation.

4 Fees from date of appointment.

Directors' contracts and payments for loss of office

No Director has a service contract with a notice period longer than one year.

Full-time Executive Directors have contracts which can be terminated by either party on twelve months' notice. The CEO will be entitled to a lump sum payment of twelve months of his annual fee in the event he or the Company terminates the contract within six months of a change in control. The Chief Financial Officer will be entitled to a lump sum payment of twelve months of his annual salary and benefits in the event he or the Company terminates the contract within six months of a change in control.

The appointment of the Non-executive Directors can be terminated by either party on three months' notice. The appointment of the Chairman can be terminated by either party on twelve months' notice.

Service contracts

No Director has a service contract with a notice period longer than a year.

Long Term Incentive Plan ("LTIP")

An element of the executive remuneration package is the granting of share awards under the LTIP. As previously mentioned, following feedback from shareholders, no LTIP awards were made to Executive Directors in 2017.

The 2015 LTIP award is subject to a combination of absolute share price and operational targets. 63% of the awards made to the CEO and all the awards made to the Chairman and the CFO were subject to a share price performance target. The base price for the share price growth target is 37.22 pence, a substantial premium to the closing price at the time of the awards. 50% will vest when a 33% growth from the base price share price has been achieved within three years (10% per annum compound), a further 25% on a 52% increase from the base price (15% per annum compound) over three years and the final 25% on a 73% increase from the base price (20% per annum compound) over three years. The share price target must also be held for 30 calendar days.

For the CEO 37% of the award will vest on the successful installation of the OBA pipeline and commencement of operations. The vesting of this portion of the award will be determined by the Remuneration Committee's assessment of the results of the commissioning and operations of the pipeline.

The 2016 LTIP award, made on 20 May 2016, comprised a total of 11,300,000 awards, of which 6,300,000 were made to Directors as set out in the table below. Half of these awards are subject to an absolute total shareholder return performance condition whereby 30% of this portion will vest if 10% compound annual returns are achieved, measured at the end of the three-year performance period, and 100% will vest if 20% compound annual returns are achieved, with straight line vesting between these points. The base price for the share price growth is 27.5 pence, being the average of the closing price for the three calendar days prior to grant.

Half of the awards are subject to a comparative total shareholder return performance condition whereby 30% of this portion will vest at median performance, measured against the comparator group at the end of the three-year performance period, and 100% will vest at upper quartile performance, with straight line vesting between these points.

The comparator group comprises the following UK and Canadian quoted E&P companies: Bowleven Oil & Gas, Cairn Energy, Canacol Energy, EnQuest, Faroe Petroleum, Genel Energy, Gran Tierra Energy, Lekoil, Ophir Energy, Pantheon Resources, Parex Resources, Parkmead Group, Premier Oil, SOCO International, Sound Oil and Tullow Oil.

REMUNERATION REPORT CONTINUED

Share options

Director	As at 1 January 2017	Granted	Exercised	Lapsed	As at 31 December 2017	Exercise price	Exercise period begins	Exercise period ends
G Clarke	3,000,000	—	—	—	3,000,000	15.0p	23/12/09	23/12/19
J Wardle	3,000,000	—	—	—	3,000,000	11.1p	23/12/09	23/12/19
N Harrison	3,000,000	—	—	—	3,000,000	15.0p	23/12/09	23/12/19

LTIP awards[1]

Year of award	As at 1 January 2017	Granted	Exercised	Lapsed	As at 31 December 2017	Exercise price	Exercise period begins	Exercise period ends
G Clarke								
2014	1,500,000	—	—	(1,500,000)	—	0.1	15/02/14	15/02/17
2015	1,500,000	—	—	—	1,500,000	0.1	07/02/15	07/02/18
2016	1,100,000	—	—	—	1,100,000	0.1	20/05/16	20/05/19
	4,100,000	—	—	(1,500,000)	2,600,000			
J Wardle								
2014	3,500,000	—	—	(1,750,000)	1,750,000	0.1	15/02/14	15/02/19*
2015	3,770,000	—	—	—	3,770,000	0.1	07/02/15	See 2
2015	6,370,000	—	—	—	6,370,000	0.1	07/02/15	07/02/18
2016	4,200,000	—	—	—	4,200,000	0.1	20/05/16	20/05/19
	17,840,000	—	—	(1,750,000)	16,090,000			
N Harrison								
2014	1,500,000	—	—	(1,500,000)	—	0.1	15/02/14	15/02/17
2015	1,500,000	—	—	—	1,500,000	0.1	07/02/15	07/02/18
2016	1,000,000	—	—	—	1,000,000	0.1	20/05/16	20/05/19
	4,000,000	—	—	(1,500,000)	2,500,000			
Total	**25,940,000**	**—**	**—**	**(4,750,000)**	**21,190,000**			

1 Details of the awards and their conditions are set out in Note 17.

2 Post year end the Remuneration Committee agreed that 2,262,000 (60%) awards have vested.

* For remaining LTIP awards.

Shareholder Engagement

During the year, the Remuneration Report has engaged with a range of shareholders and other interested parties regarding the appropriateness of remuneration packages. This is an ongoing engagement exercise and one where the Committee welcomes feedback and suggestions from our shareholder base.

Stephen Foss, Chairman of the Remuneration Committee

14 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required to prepare the Group financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company financial statements in accordance with Financial Reporting Standard 101 ("FRS 101") 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of Group and the Company and of the profit or loss of Group and the Company for that period.

In preparing the Company financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of UK Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and make an assessment of the Company's ability to continue as a going concern.

In preparing the Group financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website: www.amerisurresources.com.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group and the undertakings included in the consolidation taken as a whole; and
- The Strategic Report and the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties faced.

Disclosure of Information to Auditors

The directors of the Company who held office at 31 December 2017 confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditors are unaware. In making this confirmation, the directors have taken appropriate steps to make themselves aware of the relevant audit information and to establish that the Company's auditors are aware of this information.

This responsibility statement was approved by the Board of Directors on 14 April 2018 and is signed on its behalf by:

John Wardle, CEO
14 April 2018

Nick Harrison, CFO
14 April 2018

RISK MANAGEMENT AND INTERNAL CONTROL

The corporate governance process in Amerisur is designed to determine the nature and level of risk that the Company is willing to take in pursuit of its strategy and to provide an appropriate level of assurance that any risks taken are appropriately managed and that the system of internal controls is effective.

The system of internal financial controls is vital in managing the risks that face the Group and safeguarding shareholders' interests. The Group's internal controls are designed to manage rather than eliminate risk as an element of risk is inherent in the activities of an oil and gas company. The Board's obligation is to be aware of the risks facing the Company, mitigate them where possible, insure against them where appropriate and manage the residual risk in accordance with the stated objectives of the Group.

Internal financial control and reporting

As noted on pages 47 and 48 the Audit Committee is responsible for overseeing the Group's system of internal financial controls and reviewing its effectiveness.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee has considered the need for an internal audit function but does not consider it necessary at the current time with the current controls in place and the relative complexity of the business.

The Board is responsible for the broader aspects of strategic and operational risk management and approves the annual budget. Performance against budget is reported to and monitored by the Board.

Bribery and corruption risk

Amerisur carries out its businesses with high standards of honesty and integrity. The Company does not tolerate bribery and corruption. Our employees, or any person representing our business, are prohibited by giving, requesting, accepting and agreeing any payment which can be considered a bribe in any form.

The Company maintains an Anti-Bribery and Corruption Policy. The Policy:

(a) sets out the Company's, employees' and agents' responsibilities in observing and upholding our position on bribery and corruption; and

(b) provides information and guidance on how to recognise and deal with bribery and corruption issues.

All employees receive a copy of the Policy on joining the Company and it is available on the Company intranet, from the human resources department and from line managers.

Amerisur seeks to ensure it is compliant with the UK Bribery Act 2010.

Failure to comply with the policy may lead to disciplinary action, up to and including dismissal or termination of employment. Should any employee of or person associated with Amerisur suspect that the policy has not been applied, then the procedures for using the Company's whistleblowing mechanisms should be followed. Reporting a genuine concern in good faith would not lead to any form of demotion or sanction. The Company will respond to all genuine concerns raised and encourages regular training for its employees and agents. The necessary procedures to update the policy are in line with requirements.

Whistleblowing policy

Amerisur operates a Whistleblowing Policy which enables employees and agents, in confidence, to raise concerns about possible improprieties or non-compliance with Amerisur's Company policies. The Board receives notification of whistleblowing incidents and ensures the procedures in place incorporate arrangements for the appropriate and independent investigation of matters raised and for the appropriate follow-up action.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AMERISUR RESOURCES PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Amerisur Resources Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated and company statement of changes in equity, the consolidated cash flow statement, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date that the financial statements are authorised for issue.

Overview of our audit approach

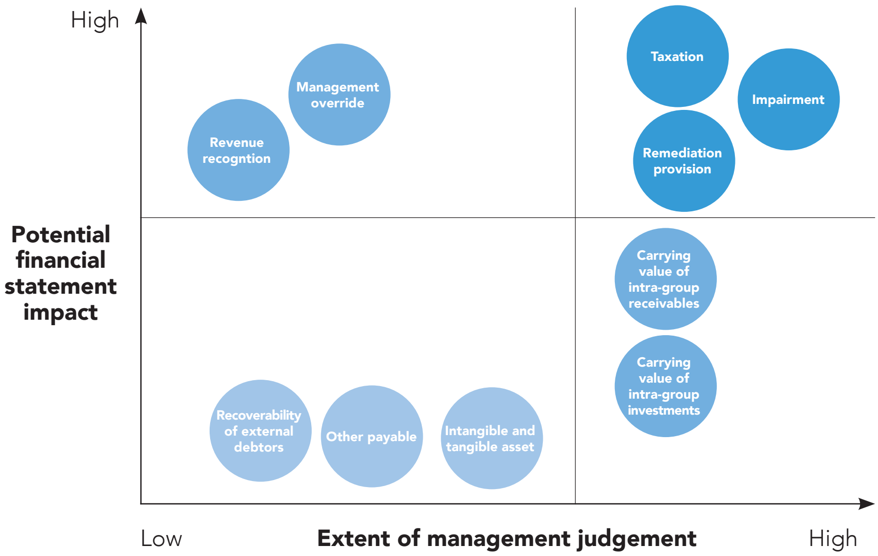
- Overall materiality: $0.73m (2016: $1.08m) which represents 4% of the group's average profit/(loss) before taxation during the three year period ended 31 December 2017
- Key audit matters were identified as the potential impairment of tangible fixed assets (development and production assets) and intangible fixed assets (exploration and evaluation (E&E)), the completeness and accuracy of the closing remediation provision, and the accuracy of the closing deferred tax balance
- Full scope audit procedures were performed by Grant Thornton UK LLP on the parent company Amerisur Resources Plc
- Full scope audit procedures were performed by the component auditor Grant Thornton Colombia on the significant components Amerisur Exploracion (Colombia) Limited and Petrodorado South America S.A
- Analytical procedures at group level were performed by us for the non-significant components Amerisur S.A, Fenix Oil and Gas S.A, and Amerisurexplor Ecuador S.A

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF AMERISUR RESOURCES PLC

Key audit matters

The graph to the right depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter – Group	How the matter was addressed in the audit – Group

Potential impairment of development and production assets and exploration and evaluation (E&E) assets

Key audit matter – Group

The group's single producing CGU is Platanillo. The net book value of D&P assets and plant and machinery carried forward is \$115.1m and \$36.7m respectively. Management has performed a detailed impairment review, which incorporates a number of judgements and assumptions. Based on this review management is of the opinion that no impairment charge is required in the current year.

The net book value of E&E assets carried forward is \$44.6m. Management has assessed whether there are indicators of impairment based on the prospects and intentions for each location. Based on this review management is of the opinion that no impairment charge is required in the current year.

The value of the above assets is material and is dependent on a number of management judgements. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, we therefore identified the potential impairment of these assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit – Group

Our audit work included, but was not restricted to:

Development and production assets:

- An assessment of the impairment review undertaken by management, including the underlying data and the key assumptions as follows:
  - Comparison of total reserves, future capital spend and oil price per barrel with the data per the reserves report prepared by management's expert, Petrotech Engineering Ltd
  - Comparison of cost per barrel with actual costs per barrel during the financial year
  - Comparison of estimated annual production with production levels in the current financial year
- A sensitivity analysis to evaluate the level of headroom available
- An assessment of the competence, objectivity and capabilities of managements' expert in accordance with ISA (UK) 500
- The use of the work of an external auditor's expert to assess the reasonableness of the assumptions within the reserves report, and whether the report had been prepared in accordance with industry practice.

E&E assets:

- An assessment of management's consideration of whether there are any indications of impairment based on current plans and prospects for each site

The group's accounting policies on intangible and tangible assets are shown in Section 4 of the Accounting Policies section of the financial statements and related disclosures are included in notes 9 and 10, respectively.

Key observations

Our audit work did not identify any significant issues that would require us to amend the nature or scope of our planned detailed testing.

Overall, based on our audit work, our assessment is that the accounting treatment applied is considered appropriate. The accounting treatment applied is in accordance with IFRS 6: 'Exploration for and Evaluation of Mineral Resources', and IAS 36: 'Impairment of assets', and is in accordance with the Group's accounting policy.

Key audit matter – Group	How the matter was addressed in the audit – Group
Completeness and accuracy of the closing remediation provision	
The remediation provision has increased in the year from $2.6m to $5.1m. Accounting standards require liabilities that will not crystallise until a future date to be discounted. The remediation provision has been discounted within the consolidated financial statements. The remediation provision is a significant estimate and is dependent on a number of management judgements. We therefore identified the potential understatement of the provision as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • An assessment of the closing provision, including the underlying data and the key assumptions applied by management as follows: – The discount rate applied and its calculation, including an assessment of the reasonableness of the underlying assumptions – Assessment of the reasonableness of the life applied to the producing wells – Comparison of the inflation rate applied with relevant market data – Comparison of total expected costs before discounting with the data per the reserves report prepared by management's expert • An assessment of the completeness and accuracy of the provision by considering whether a provision is present where appropriate for each operating location. The group's accounting policy on the remediation provision is shown in Section 4 of the Accounting Policies section of the financial statements and related disclosures are included in note 15. **Key observations** Our audit work did not identify any significant issues that would require us to amend the nature or scope of our planned detailed testing. Overall, based on our audit work, our assessment is that the treatment applied is deemed to be appropriate and in accordance with accounting standards. The accounting treatment applied is in accordance with IAS 37: 'Provisions, Contingent Liabilities and Contingent Assets', and is in accordance with the Group's accounting policy.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF AMERISUR RESOURCES PLC

Key audit matter – Group	How the matter was addressed in the audit – Group
The accuracy of the closing deferred tax position	
The group has made significant trading losses in the past and the acquisition of interests has also resulted in the group acquiring significant tax losses. We therefore identified the potential misstatement of the closing position as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessment of the treatment adopted historically to calculate the closing deferred tax position; • Analysis of consolidation entries posted in the financial years ended 31 December 2015, 31 December 2016, and 31 December 2017, and an assessment of the reasonableness of any associated deferred tax entries • Agreement of the consolidation entries posted to supporting schedules at each group entity requiring a full scope audit approach; • Agreement of the consolidation entries posted in the final audited consolidation schedule for the relevant financial year, and an assessment of the associated financial statement disclosures; • Confirmation of the rate at which deferred tax is provided; and • Assessment of management's analysis of the recoverability of the closing deferred tax asset, including challenging the underlying data and assumptions applied The group's accounting policy on taxation is shown in Section 4 of the Accounting Policies section of the financial statements and related disclosures are included in note 16. **Key observations** The assessment of the treatment adopted historically by management to calculate the consolidated deferred tax position identified that not all deferred tax liabilities had been recognised at group level correctly. This is a result of the calculation not incorporating consolidation entries that adjust the book value of assets and liabilities in Colombia. Consolidation entries of this nature in the financial years ended 31 December 2015 and 31 December 2016 have been checked in order to calculate the deferred tax liability that was not recognised. The deferred tax liability that was not recognised was $12.9m at 31 December 2015 and $12.2m at 31 December 2016. As a result a prior year adjustment has been recognised at 31 December 2015 to recognise a deferred tax liability of $12.2m and a corresponding reduction in retained earnings. Based on group financial statement materiality, the credit that would have been recognised in the consolidated income statement in 2016 of $0.7m is not considered to be material. Therefore, there has been no change to the consolidated income statement for the year ended 31 December 2016. We have also assessed consolidation adjustments of this nature in the financial year ended 31 December 2017 to assess whether the closing liability of $11.7m and the associated movement through the consolidated income statement of $0.5m are reasonable. We have assessed the related financial statement disclosures and consider them to be adequate and in line with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors'. Deferred tax assets with a total value of $4.7m have been recognised in relation to trading losses. We have assessed management's calculation of the recoverability of the assets, which, based on forecast performance, concludes that the assets will be recovered in full by 31 December 2022. This assessment of management's calculation included consideration of the reasonableness of the key underlying assumptions, being forecast revenues and costs, and the expected future tax rates. Overall, based on our audit work, our assessment is that the treatment applied is deemed to be appropriate and in accordance with accounting standards. The accounting treatment applied is in accordance with IAS 12: 'Income Taxes', and is in accordance with the Group's accounting policy.

Our application of materiality

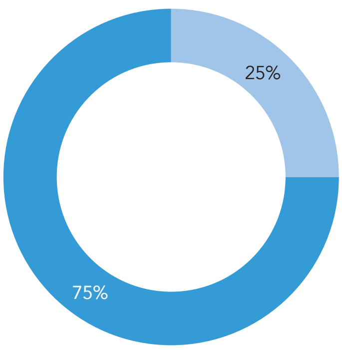
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

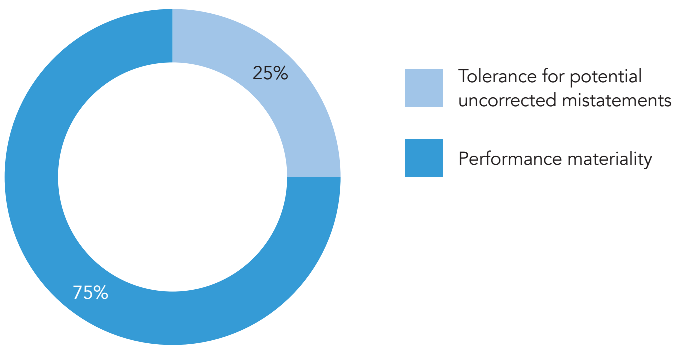
Materiality measure	Group	Parent
Financial statements as a whole	$0.73m, which represents 4% of the group's average profit/(loss) before taxation during the three year period ended 31 December 2017. This benchmark is considered the most appropriate because the business is profit driven. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 as the calculation period has decreased from five years to three years and the percentage applied has reduced from 5% to 4%. The calculation period and percentage applied were decreased to be consistent with the approach commonly adopted by the sector in which the client operates.	$0.65m, which is 1% of total assets capped at 90% of group materiality. This benchmark is considered the most appropriate because the parent company operates as a cost centre for the group. Materiality for the current year is lower than the level that we determined for the year ended 31 December 2016 due to the decrease in group materiality.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	Misstatements in excess of $36,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	Misstatements in excess of $33,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group



Overall materiality – parent



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. This evaluation focused on the significance of the component based on its percentage of the group's total assets, revenues and profit before taxation;
- a full scope UK statutory audit in respect of the parent company. This included the performance of interim agreed upon procedures, and evaluation of the internal controls environment including its IT systems and controls;
- analytical procedures at group level were performed by us for the non-significant components Amerisur S.A, Fenix Oil and Gas S.A, and Amerisurexplor Ecuador S.A;
- under instruction from us, full scope audit procedures were performed by Grant Thornton Colombia in respect of significant components Amerisur Exploracion (Colombia) Limited and Petrodorado South America S.A. We were involved in the risk assessment process and performed a review of the Grant Thornton Colombia audit files. The audit procedures included evaluation of the internal control environment including IT systems and controls and attendance at the year-end stock take. Regular correspondence was maintained with the component auditor throughout the audit process; and
- the full scope audit procedures detailed above covered 100% of group revenue, 95% of group underlying profit before taxation and 98% of total group assets.

INDEPENDENT AUDITOR'S REPORT CONTINUED TO THE MEMBERS OF AMERISUR RESOURCES PLC

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 96, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 55, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Christopher Smith, Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

14 April 2018

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017 $'000**	2016 $'000
Revenue	1	**92,524**	47,174
Cost of sales		**(74,474)**	(47,687)
Gross profit/(loss)		**18,050**	(513)
Administrative expenses		**(16,235)**	(11,895)
Impairment of E&E and PPE	9 & 10	**(1,216)**	(15,263)
Operating profit/(loss)		**599**	(27,671)
Net foreign exchange gains/(losses)		**1,369**	(1)
Finance and similar charges	5	**(1,622)**	(1,965)
Finance income	5	**284**	289
Profit/(loss) before tax	3	**630**	(29,348)
Capital taxation	6	**(269)**	(646)
Profit/(loss) after capital taxation		**361**	(29,994)
Income taxation	6	**12,211**	1,541
Profit/(loss) attributable to equity holders of the parent		**12,572**	(28,453)
Earnings/(loss) per share			
Basic (cents per share)	7	**1.04**	(2.40)
Diluted (cents per share)	7	**1.03**	(2.40)

All amounts relate to continuing activities.

The notes on pages 75 to 87 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 $'000	2016 $'000
Profit/(loss) attributable to equity holders of the parent	**12,572**	(28,453)
Other comprehensive loss:		
Other comprehensive loss to be classified to profit or loss in subsequent periods:		
Foreign exchange differences on retranslation of foreign operations	**(286)**	(285)
Total comprehensive income/(loss)	**12,286**	(28,738)

All amounts relate to continuing activities.

The notes on pages 75 to 87 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 $'000	Restated 2016 $'000	Restated 2015 $'000
ASSETS				
Non-current assets				
Goodwill	8	**—**	—	514
Deferred tax asset	16	**5,077**	—	—
Long-term restricted cash	12	**1,836**	—	—
Exploration and evaluation assets	9	**44,568**	32,704	27,002
Property, plant and equipment	10	**151,763**	147,866	141,437
		203,244	180,570	168,953
Current assets				
Inventory (crude oil)	11	**5,176**	5,085	6,958
Cash, cash equivalents and restricted cash	12	**39,426**	42,284	42,323
Trade and other receivables	13	**16,343**	15,078	13,571
		60,945	62,447	62,852
Total assets		**264,189**	243,017	231,805
LIABILITIES				
Current liabilities				
Trade and other payables	14	**(37,839)**	(24,635)	(28,914)
		(37,839)	(24,635)	(28,914)
Non-current liabilities				
Decommissioning provision	15	**(5,125)**	(2,633)	(2,730)
Deferred tax liability	16	**(12,079)**	(20,262)	(22,698)
		(17,204)	(22,895)	(25,428)
Total liabilities		**(55,043)**	(47,530)	(54,342)
Net assets		**209,146**	195,487	177,463
EQUITY				
Share capital	21	**1,761**	1,761	1,560
Share premium	21	**144,941**	144,941	109,070
Merger reserve	21	**13,532**	13,532	4,485
Other reserves		**12,485**	11,112	10,979
Foreign exchange reserve		**9,258**	9,544	9,829
Retained earnings		**27,169**	14,597	41,540
Total equity		**209,146**	195,487	177,463

These consolidated financial statements on pages 63 to 87 were authorised for issue by the Board of Directors on 14 April 2018 and were signed on its behalf by:

N Harrison, Director

Company number: 04030166

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Merger reserve $'000	Other reserves $'000	Foreign exchange reserve $'000	Retained earnings $'000	Total equity $'000
At 31 December 2015	1,560	109,070	4,485	10,979	9,829	53,723	189,646
Prior period adjustment (page 72)	—	—	—	—	—	(12,183)	(12,183)
At 31 December 2015 (restated)	1,560	109,070	4,485	10,979	9,829	41,540	177,463
Loss for the year	—	—	—	—	—	(28,453)	(28,453)
Other comprehensive loss	—	—	—	—	(285)	—	(285)
Total comprehensive loss	—	—	—	—	(285)	(28,453)	(28,738)
Share options exercised	—	—	—	(1,510)	—	1,510	—
Equity settled share-based payment charge	—	—	—	1,643	—	—	1,643
Allotments during the year:							
Issue of shares related to acquisitions	43	—	9,047	—	—	—	9,090
Issue of shares under share option schemes	6	—	—	—	—	—	6
Net proceeds from shares issued	152	35,871	—	—	—	—	36,023
Transactions with owners	201	35,871	9,047	133	—	1,510	46,762
At 31 December 2016 (restated)	1,761	144,941	13,532	11,112	9,544	14,597	195,487
Profit for the year	—	—	—	—	—	12,572	12,572
Other comprehensive loss	—	—	—	—	(286)	—	(286)
Total comprehensive (loss)/income	—	—	—	—	(286)	12,572	12,286
Equity settled share-based payment charge	—	—	—	1,373	—	—	1,373
Transactions with owners	—	—	—	1,373	—	—	1,373
At 31 December 2017	**1,761**	**144,941**	**13,532**	**12,485**	**9,258**	**27,169**	**209,146**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities:			
Profit/(loss) for the year		**12,572**	(28,453)
Adjustments for:			
Finance income	5	**(284)**	(289)
Finance charges	5	**1,622**	1,965
Taxation	6	**(11,942)**	(895)
Depreciation	10	**16,630**	11,147
Impairment charges	9 & 10	**1,216**	15,263
Share options charge	4	**1,373**	1,643
(Increase)/decrease in inventory		**(91)**	1,873
Increase in trade and other receivables[1]		**(8,322)**	(2,197)
Increase/(decrease) in trade and other payables[1]		**12,074**	(4,309)
Net cash generated by/(used in) operations		**24,848**	(4,252)
Tax receipt		**5,107**	907
Net cash generated by/(used in) operating activities		**29,955**	(3,345)
Cash flows from investing activities:			
Interest received		**284**	289
Payments for property, plant and equipment	10	**(23,792)**	(18,568)
Payments for exploration and evaluation assets	9	**(6,962)**	(12,478)
Net cash used in investing activities		**(30,470)**	(30,757)
Cash flows from financing activities:			
Proceeds from exercise of share options	21	**—**	6
Net proceeds from issue of equity shares on share placing	21	**—**	36,022
Finance charges	5	**(507)**	(1,965)
Net cash (used in)/generated by financing activities		**(507)**	34,063
Net decrease in cash, cash equivalents and restricted cash		**(1,022)**	(39)
Cash, cash equivalents and restricted cash at the start of the year	12	**42,284**	42,323
Cash, cash equivalents and restricted cash at the end of the year	12	**41,262**	42,284

1 Excludes movements in corporation tax balances.

ACCOUNTING POLICIES

1. General information

Amerisur Resources Plc is a public company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is Amerisur Resources Plc, Lakeside, St Mellons, Cardiff CF3 0FB. The primary activity of the Group is the discovery and production of oil and gas. It is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

2. Basis of preparation and going concern

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

The Group financial statements have been prepared under the historical cost convention, except for certain fair value adjustments required by those accounting standards. The financial statements are presented in US Dollars and all values are rounded to the nearest thousand ($'000) except where otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed on page 73.

Going concern

After making enquiries, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis as the Directors are of the opinion that the Group has sufficient funds to meet ongoing working capital and committed capital expenditure requirements. In making this assessment, the Directors and Audit Committee considered the Group budgets, the cash flow forecasts and the associated risks.

3. New standards, amendments and interpretations

Standards not affecting the reported results or the financial position

The following amendments were effective from 1 January 2017 but did not have a material impact on the Group:

Amendments to IAS 12 'Income Taxes' on recognition of deferred tax assets for unrealised losses.

Amendments to IAS 7 'Statement of Cash Flows'.

IFRS 12 'Disclosure of Interests in Other Entities'.

New standards and interpretations not yet effective

Certain new standards, interpretations and amendments to existing standards have been published and are mandatory only for the Group's accounting periods beginning on or after 1 January 2018 or later periods. The Group has not adopted these early. Those that may be applicable to the Group in future are as follows:

	Effective from
New standards	
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
IFRS 16 'Leases'	1 January 2019

IFRS 9 'Financial Instruments'

The Group will adopt IFRS 9 'Financial Instruments' for the year commencing 1 January 2018. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and introduces a new impairment model for financial assets, as well as new rules for hedge accounting. It replaces the old standard of IAS 39 in its entirety. The classification and measurement of financial assets is now based on the entity's business model for managing the financial asset, and the contractual cash flow characteristics of the financial asset. The classification and measurement of financial liabilities is materially consistent with that required by IAS 39, with the exception of the treatment of modification or exchange of financial liabilities which do not result in derecognition. No material impact as a result of IFRS 9's classification and measurement requirements has been identified. The new impairment model requires the recognition of "expected credit losses", in contrast to the requirement to recognise "incurred credit losses" under IAS 39. The Group has undertaken an assessment of the classification and measurement requirements, as well as the new impairment model, and does not expect a significant impact on the financial statements. The new hedge accounting rules will align the hedge accounting treatments more closely with the Group risk management strategy and address previous inconsistencies and weaknesses in the hedge accounting model in IAS 39. The Group plans to adopt the hedge accounting requirements of IFRS 9 if applicable.

The new standard will also expand the Group's disclosure requirements on financial instruments and, in particular, the impact of hedge accounting in its financial statements if applicable. Extended disclosures in the initial period of adoption will also be required.

ACCOUNTING POLICIES CONTINUED

3. New standards, amendments and interpretations continued

IFRS 15 'Revenue from Contracts with Customers'

The Group will adopt IFRS 15 'Revenue from Contracts with Customers' for the year commencing 1 January 2018. Amerisur has completed an assessment of the implications of adopting the standard and has concluded that the only material change will be to recognise revenue net of royalties instead of gross, under the existing accounting policy, although this has no net quantitative impact on the income statement. Amerisur will also include increased qualitative disclosures regarding the terms of the Group's sales arrangements, including the basis for determining pricing, significant payment terms, and elements of variable consideration (if any).

IFRS 16 'Leases'

The adoption of IFRS 16 'Leases', which the Group will adopt for the year commencing 1 January 2019, will impact both the measurement and disclosures of leases over a low value threshold and with terms longer than one year. The lease expense recognition pattern for lessees will generally be accelerated. Additional lease liabilities and right-of-use assets are expected to be recorded. Where leases are contracted by Amerisur as operator of a joint venture these lease liabilities are expected to be recorded on a gross basis, along with additional joint venture receivables to represent joint venture partner contributions expected to meet the lease obligations. The cash flow statement will be affected as payments for the principal portion of the lease liability will be presented within financing activities. Amerisur is in the process of identifying all lease agreements that exist across the Group. Amerisur has yet to complete its full assessment of the expected financial impact of the transition to IFRS 16.

4. Summary of significant accounting policies

Business combinations

Subsidiaries

Control is achieved when the Company has the power over the investee, is exposed to or has rights to variable returns from its involvement with the investees and has the ability to use its power to affect its returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

Acquisitions

The Group uses the acquisition method of accounting for the acquisition of a subsidiary (where the subsidiary meets the definition of a business). The cost of an acquisition is measured by the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the fair value of consideration paid over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired the difference is recognised directly in the income statement.

When an asset or group of assets does not meet the definition of a "business" in accordance with IFRS 3 'Business Combinations' then the transaction is treated as a trade and asset acquisition rather than a business combination. An asset acquisition triggers the initial recognition of an asset acquired or liability assumed. Assets are usually acquired through an exchange transaction, which can be a monetary or a non-monetary exchange. If liabilities are incurred or equity interests are issued as the consideration for an acquisition of an asset or group of assets, those liabilities and equity interests are recognised at the date of acquisition.

Farm-in/farm-out transactions

The Group may enter into farm-in or farm-out arrangements, where it may introduce partners to share in the development of an asset. For transactions involving assets at the exploration and evaluation phase, the Group adopts an accounting policy as permitted by IFRS 6 such that the Group does not record any expenditure made on its behalf under a "carried interest" by a farm-in partner (the "farmee"). Where applicable, past costs are reimbursed; any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest.

Joint arrangements

Arrangements under which the Company has contractually agreed to share control with another party or parties are joint ventures where the parties have rights to the net assets of the arrangement, or joint operations where the parties have rights to the assets and obligations for the liabilities relating to the arrangement. Investments in entities over which the Company has the right to exercise significant influence but neither control nor joint control are classified as associates.

Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, including the approval of the annual capital and operating expenditure work programme and budget for the joint arrangement, and the approval of chosen service providers for any major capital expenditure as required by the joint operating agreements applicable to the entity's joint arrangements. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess its rights and obligations arising from the arrangement.

4. Summary of significant accounting policies continued

Business combinations continued

Joint arrangements continued

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangements. In relation to its interests in joint operations, the Group recognises its:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output arising from the joint operation;
- share of the revenue from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

Goodwill

Goodwill arising from business combinations is the difference between the fair value of the consideration paid and the fair value of the assets acquired and liabilities and contingent liabilities assumed. It is recognised initially as an intangible asset at cost and is subject to impairment testing on an annual basis or more frequently if circumstances indicate that the asset may have been impaired. Details of impairment testing are described in the accounting policies.

Segmental reporting

IFRS 8 requires the Company to disclose information about its business segments and the geographic areas in which it operates. It requires identification of business segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker ("CODM") in order to allocate resources to the segment and assess its performance. The Group has determined that its CODM is the Executive Board of Directors of the Group (excluding Non-executive Directors).

Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency of each Group entity using the exchange rates prevailing at the dates of the transactions.

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the parent company has been determined to be US Dollars, consistent with its subsidiaries (with the exception of Paraguay), on the basis that it has a high level of integration in the way it operates with its subsidiaries, with frequent intercompany transactions and a material degree of co-dependency of cash flows and funding in US Dollars. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Group companies

The results and financial position of Group entities that have a functional currency different from the presentation currency adopted in these Group financial statements are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

ii) income and expenses for each income statement are translated at the actual rate on the date of the transaction; and

iii) all resulting exchange differences are recognised in other comprehensive income and accumulated as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken through the statement of other comprehensive income. Differences initially brought to equity are reclassified to the income statement on disposal of the business.

Revenue

Revenues associated with the sale of oil and any gas related items are recognised when the goods are delivered and title passes to the customer, as this is when the risks and rewards of ownership are considered to have passed to the customer. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. Revenue is stated gross of any prevailing sales royalties that are payable, which are levied based on a contractual percentage rate, dependent on production.

The corresponding costs in respect of sales royalties payable, arising from sales made in the year, are included within cost of sales on an accruals basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective rate applicable.

Oil and gas expenditure – exploration and evaluation assets

The Group adopts the successful efforts method of accounting for exploration and evaluation costs, having regard to the requirements of IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

ACCOUNTING POLICIES CONTINUED

4. Summary of significant accounting policies continued

Oil and gas expenditure – exploration and evaluation assets continued

Capitalisation

Costs incurred prior to acquiring the rights to explore are charged directly to the income statement.

Costs incurred after rights to explore have been obtained, such as geological and geophysical surveys, drilling and commercial appraisal costs and other directly attributable costs of exploration and appraisal including technical and administrative costs, are capitalised as intangible exploration and evaluation ("E&E") assets. The assessment of what constitutes an individual E&E asset is based on technical criteria but essentially a single licence area is designated as an individual E&E asset.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities, if technical feasibility is demonstrated, commercial reserves are discovered and commercial viability is demonstrable, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production ("D&P") asset in property, plant and equipment ("PPE"), but only after the carrying value of the E&E asset has been assessed for impairment and, where appropriate, its carrying value adjusted. If, after completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability or if the legal rights to explore expire or if the Group decides not to continue exploration and evaluation activities, then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period the relevant events occur.

Impairment

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. The cash-generating unit ("CGU") applied for impairment test purposes is generally a single licence area, except that a number of block interests may be grouped as a single cash-generating unit where the cash flows of each block are interdependent or where the blocks have continuous geology.

Where an indicator of impairment exists, management will assess the recoverability of the carrying value of the asset or CGU. This review includes a status report that indicates whether E&E drilling is still underway or firmly planned, or work is underway to determine that the discovery is economically viable. This assessment is based on a range of technical and commercial considerations and confirming that sufficient progress is being made to establish development plans and timing. If no future activity is planned, or the value of the asset cannot be recovered via successful development or sale, the balance of the E&E costs is impaired wholly or in part.

Oil and gas expenditure – development and production assets

Capitalisation

D&P assets represent the cost of developing the commercial reserves and bringing them into production, together with the E&E expenditures incurred in finding the commercial reserves previously transferred from intangible E&E assets as outlined in the policy above. The initial cost of a D&P asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning obligation.

Depreciation

D&P assets are not depreciated until production commences. Depreciation is estimated on a unit-of-production method, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the start of the period plus the production in the period. All commercial reserves are proven and probable oil reserves (commonly referred to as 2P reserves) which geological, geophysical and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reserves under existing economic conditions. The calculation takes account of the estimated future costs of development of recognised proven and probable reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively from the last reporting date. The depreciation is charged to cost of sales within the income statement.

The key areas of estimation regarding depreciation and the associated unit-of-production calculation for oil assets are:

- recoverable reserves; and
- future capital expenditure.

Impairment

An impairment review is performed each year to assess whether any indication of impairment exists. If any such indication exists then the asset's recoverable amount is estimated. If the carrying value of the assets is estimated to exceed the recoverable amount of the assets, based on the discounted future cash flows from sale of oil and gas based on 2P reserves, then the excess value is written off to the income statement in that period.

Commercial reserves

Commercial reserves are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable 2P reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

4. Summary of significant accounting policies continued

Non-oil exploration assets

Property, plant and equipment ("PPE")

PPE is recorded at cost net of accumulated depreciation and any provision for impairment.

Depreciation and impairment

Depreciation is provided using the straight line method to write off the cost of the asset less any residual value over its useful economic life as follows:

Buildings	20 years
Office equipment	10 years
Computer equipment	4 years
Motor vehicles	4 years
Plant and machinery	8–15 years

Individual assets are tested for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount is in excess of the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use.

Inventory

Inventories of crude oil resulting from drilling operations are valued on the basis of the average actual production cost. The inventory value of crude oil is recognised at the lower of cost and net realisable value ("NRV").

Financial instruments

Financial assets: Financial assets consist of cash and loans and receivables. Initial recognition is at fair value. Financial assets are assigned to their different categories by management on initial recognition depending on the contractual arrangements. Trade and other receivables are subsequently measured at amortised cost less any impairment. Cash and cash equivalents are measured at amortised cost at the balance sheet date.

Derecognition of financial assets occurs when the rights to receive cash flows expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Financial liabilities: Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. The Group's financial liabilities consist of trade and other payables. All interest related charges are recognised as an expense in "Finance costs" in the income statement.

Trade payables are recognised initially at their fair value and subsequently measured at amortised costs less settlement payments.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash

Restricted cash and cash equivalents comprises cash and cash equivalents pledged to secure letters of credit and to settle asset retirement obligations. Letters of credit currently secured by cash relate to work commitment guarantees contained in exploration contracts. Restrictions will lapse when work obligations are satisfied pursuant to the exploration contract or an asset retirement obligation is settled. The long-term portion of restricted cash and cash equivalents is included in long-term restricted cash on the Company's balance sheet.

Decommissioning provision

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to PPE. The unwinding of the discount on the decommissioning provision is included as a finance cost.

ACCOUNTING POLICIES CONTINUED

4. Summary of significant accounting policies continued

Finance leases

Leases of PPE where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. The PPE acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Taxes

Current income tax assets and liabilities comprise those obligations to fiscal authorities in the countries in which the Group carries out its operations. They are calculated according to the tax rates and tax laws applicable to the fiscal period and the country to which they relate.

In Colombia the corporate income tax (CIT) rate for 2017 is 40%. The basis for the calculation of the annual CIT payment is the higher of ordinary taxable income and presumptive income. Ordinary taxable losses can be carried forward in the following twelve taxable periods. No carryback is available.

Presumptive income is calculated as 3.5% for 2017 and is the prior fiscal year's net tax equity (tax assets less tax liabilities excluding intercompany balances with related parties abroad which are deemed as debt and excluding assets in a non-productive stage) calculated on 31 December. If presumptive income is higher than taxable income, the excess can be carried forward as compensation for five years.

Taxes on capital are levied in Colombia by the Government to fund certain programmes during its term in office. The charge in relation to this is included within the "Capital taxes" line in the income statement. All changes to current tax liabilities are recognised as a component of tax expense in the income statement. This tax has been eliminated from 2017.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amount of assets and liabilities in the consolidated financial statements with their respective tax bases. IAS 12 'Income Taxes' does not require deferred tax to be recognised on temporary differences relating to the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and that affected neither the accounting nor taxable profit.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to other comprehensive income or equity, in which case the related deferred tax is also charged or credited to other comprehensive income or equity.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for the remuneration of its employees. All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the fair value of the share option awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (e.g. profitability or sales growth targets).

All share-based compensation is ultimately recognised as an expense in the income statement with a corresponding credit to other reserves, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of shares options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium. At this time, the appropriate balance in the other reserve relating to the share options exercised is transferred to retained earnings by way of a transfer within reserves.

National Insurance contributions are accrued as a current liability in the financial statements where it is considered likely that certain share options will be exercised.

Equity

Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Pensions and other post-retirement benefits

The Group does not operate its own pension plan but makes pension contributions to private funds of its employees which are defined contribution plans. The cost of providing such benefits is expensed in the consolidated income statement as incurred.

Prior period restatement

A restatement of $12.2m has been made to increase the opening deferred tax liability, with an equal and opposite adjustment to brought forward reserves, as a result of deferred tax not being correctly recognised on consolidation entries that affect accumulated depreciation and gross costs of D&P assets. Every year D&P depreciation as recorded by subsidiaries is amended to ensure the overall group charge is in accordance with the group's accounting policy. This adjustment has historically led to the net book value of D&P assets in the group accounts being higher than their tax base. In 2015 this difference was $31.1m. In addition, in periods prior to 2015 $10.6m of G&A costs which had been expensed in subsidiaries were capitalised within D&P costs at group level.

4. Summary of significant accounting policies continued

Prior period restatement continued

The deferred tax liability impact of both of these adjustments totalling $12.9m had not been recognised. The deferred tax liability in 2016 should have been $12.2m. The adjustment to the 2015 balance sheet and opening reserves has been made using the 2016 calculated deferred tax liability adjustment as the movement that would have been recognised in 2016 of $0.7m is not considered to be material. As a result there is no restatement to the 2016 income statement.

5. Critical accounting estimates and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The key areas are summarised below:

Proceeds from oil sales from assets on long term test

The Group applied judgement to assess whether sales proceeds from the sale of oil received whilst the assets continue to be on long term production test can been accounted for as revenue in accordance with IAS 18. During the period, it was concluded that proceeds from the CPO-5 Mariposa-1 well of $1.5m satisfied the recognition criteria on the following basis:

(a) the significant risks and rewards of ownership of the goods have been transferred to the customer;

(b) there is no continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

An amount equal to the estimated lifting costs has been recognised in cost of goods sold relating to these sales.

Ecuador pipeline accounting

The Group applied judgement when assessing whether the Ecuadorian element of the OBA pipeline should be recognised as an operating or finance lease in accordance with IFRIC 4 'Determining Whether an Arrangement Contains a Lease' and IAS 17 'Leases'. The Group determined the extent to which the levels of risks and rewards incidental to ownership remained with the Group by considering the detailed terms of the legal agreement and the substance of arrangement.

The arrangement has been classified as a finance lease in accordance with IFRIC 4 and IAS 17 due to the dependency on the Group and Petroamazonas to cooperate with each other in the operation of the pipeline. The pipeline would require either significant modification or cooperation of the Group to be used by any other external party and the portion of the pipeline owned by Petroamazonas is of no use without the portion owned by the Group and vice versa and effectively operates as one single pipeline despite separate legal ownership. It would either require a new connection to be made or for the Group to give up control/right of use of its portion for another party to use the portion legally owned by Petroamazonas.

The carrying value of the OBA pipeline at 31 December 2017 is $22.7m (2016: $21.7m).

Future royalties included within purchase considerations

The terms of recent acquisitions include a specified percentage royalty per block payable to the seller once net production in the blocks exceed a specified volume. Management have assessed whether these contingent considerations form part of the initial fair value of the assets acquired based on whether or not Amerisur had an obligation on the date of purchase to pay the variable fee. On the basis that the variable payments are contingent on future production, this does not meet the recognition criteria of a financial liability until the volume milestone is reached. The royalty payments will be expensed to the income statement as incurred once the milestones are reached.

Commercial reserves

Management is required to assess the level of the Group's commercial reserves together with the future expenditures to access those reserves, which are utilised in determining the amortisation and depreciation charge for the period and assessing whether any impairment charge is required. The Group employs independent reserves specialists who periodically report on the level of commercial reserves by evaluating geological, geophysical and engineering data together with reports, presentations and financial information pertaining to the contractual and fiscal terms applicable to the assets. The last assessment by its independent reserves specialist was as at 31 December 2017. 2P reserves at 31 December 2017 are 20.7MMBO.

ACCOUNTING POLICIES CONTINUED

5. Critical accounting estimates and key sources of estimation uncertainty continued

Joint operations
Upon adoption of IFRS 11 the Group applied judgement when assessing whether its joint arrangements qualify as a joint operation. The Group determined the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances.

Deferred tax assets
The Group recognises deferred tax assets on unused tax losses where it is probable that future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the amount of deferred tax that can be recognised, as well as the likelihood of future taxable profits. Deferred tax assets on unused tax losses at 31 December 2017 are $12.2m.

Capitalisation of exploration costs
Detailed analysis of the technical feasibility and commercial viability of projects is needed to decide whether the costs incurred should be capitalised or expensed. Capitalisation is required where it is judged that there will be future benefits in excess of the costs which are capitalised.

Estimates in impairment and depreciation of oil assets
Estimates are required as to asset carrying values, revaluations and impairment charges, which apply to goodwill, intangible assets and PPE. The carrying value of goodwill, intangible assets and PPE totals $196.33m (Notes 8, 9 and 10) (2016: $180.57m).

Management assesses impairment in respect of intangible exploration and evaluation assets with reference to indicators in IFRS 6 and the specific facts and circumstances of each group of CGUs. In making the assessment management is required to make judgements on the status of each project and the future plans towards finding 1P and 2P reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to be impaired in future periods.

The impairment review for the Platanillo CGU is based on an assessment of the CGU's value in use ("VIU"). In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset/CGU. The Group bases its impairment calculation on assumptions used in detailed budgets such as projected oil prices, production costs and the estimated life of the oil reserves. Sensitivity analysis is also prepared to assess the impact of market price variances on the asset's VIU.

D&P assets are depreciated using a unit-of-production method over 2P reserves. Since 2P reserves assume future development costs to access the proved and probable reserves, an estimate of future development costs is required for the calculation of depreciation. Changes in estimates of reserve quantities and/or estimates of future development expenditure are reflected prospectively in the depreciation calculation.

Decommissioning provision
The level of decommissioning provision is calculated in accordance with guidelines specified by Colombia's Agencia Nacional de Hidrocarburos ("ANH"). Amounts used in recording a provision for decommissioning are estimates based on current legal and constructive requirements and current technology and price levels for the removal of facilities and plugging and abandoning of wells. Due to changes in relation to these items, the future actual cash outflows in relation to decommissioning are likely to differ in practice. To reflect the effects due to changes in legislation, requirements and technology and price levels, the carrying amounts of decommissioning provisions are reviewed on a regular basis. The effects of changes in estimates do not give rise to prior year adjustments and are dealt with prospectively. While the Group uses its best estimates and judgement, actual results could differ from these estimates. In estimating decommissioning provisions, the Group applies an annual inflation rate of 3–3.9% (2016: 3.0%) and an annual discount rate of 5.9% (2016: 7.8%).

See Note 15 for further details of the basis of the calculation.

Share-based payments
Calculation of the fair values used in share-based payments requires estimates of the share price volatility, the risk-free interest rate and which method or model to use to calculate the fair value. See Note 17 for further information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Segmental reporting
Our management information system produces reports for the Executive Board grouping financial performance by legal entity within the group.

The UK is primarily considered to be an administrative extension of the operations which are conducted within Colombia and Paraguay.

All business segments are responsible initially for the exploration and evaluation of oil reserves and then the development and production of oil wells. As permitted by IFRS 8, these business segments are deemed to have similar economic characteristics and are similar, if not the same, in all of the following as they:

- are both involved in exploration and production (E&P), whose economics are heavily influenced by the international Oil and Gas (O&G) market; and
- are subject to a similar regulatory environment.

The business segments have been aggregated into a single reportable operating segment, namely oil exploration and development and production. Each month the Executive Board is presented with financial information prepared in accordance with IFRS as adopted in the EU and the accounting policies set out in these financial statements. As such, information regarding this operating segment is already disclosed in the financial statements.

In the year under review the following 6 customers (2016: four) contributed to the majority of revenue:

Year to 31 December	**2017 $'000**	2016 $'000
Customer A	**—**	22,709
Customer B	**25,803**	9,493
Customer C	**12,559**	7,082
Customer D	**35,872**	—
Customer E	**16,610**	7,890
Others	**1,680**	—
	92,524	47,174

Geographical information

	Non-current assets		Revenue	
Year to 31 December	**2017 $'000**	2016 $'000	**2017 $'000**	2016 $'000
Colombia	**201,138**	178,464	**92,524**	47,174
Paraguay	**2,000**	2,000	**—**	—
United Kingdom	**106**	106	**—**	—
	203,244	180,570	**92,524**	47,174

The revenue split is based on revenue by origin by supply.

2. Remuneration of key management personnel
The Directors consider the key management personnel of the Group to be the Board of Directors. Further details of the remuneration of the Directors, including the highest paid Director, are given in the Remuneration report. Defined contribution pension allowances are paid to two Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. Profit/(loss) before tax

Year to 31 December	2017 $'000	2016 $'000
Profit/(loss) before tax has been arrived at after (crediting)/charging:		
Foreign exchange differences	**(1,369)**	(15)
Depreciation, amortisation and impairment:		
Depreciation of other PPE	**3,223**	1,851
Depreciation of D&P assets	**13,407**	9,296
Impairment charges	**1,216**	15,263
Employee benefits expense:		
Employee costs (Note 4)	**7,275**	6,996
Audit fees:		
Fees payable to the Company's auditor for the Company's Annual Report	**84**	81
Audit of the Company's subsidiaries pursuant to legislation	**45**	42
Audit related services – interim review	**6**	6
	135	129
Non-audit fees:		
Tax compliance services	**10**	8

4. Employees

Year to 31 December	2017 $'000	2016 $'000
Employee costs (including Directors):		
Wages and salaries	**5,346**	4,799
Social security costs	**300**	358
Pension costs – defined contribution plans	**256**	196
Share-based payments	**1,373**	1,643
	7,275	6,996

Details of Directors' remuneration, Directors' transactions and Directors' interests are set out in the audited section of the Directors' Remuneration Report which forms part of these financial statements.

The remuneration of the 2 UK employees is borne by the Company.

The average number of employees (including Directors) during the year is made up as follows:

Year to 31 December	2017 Number	2016 Number*
Management	**14**	15
Administration	**57**	49
Operational	**12**	12
	83	76

* A reclassification between Administration and Operational has been made to the 2016 number to be consistent with the classification in 2017.

5. Finance income and charges

Year to 31 December	2017 $'000	2016 $'000
Finance and similar charges	**1,494**	1,938
Unwinding of discount on decommissioning provision (Note 15)	**128**	27
Finance income	**(284)**	(289)
	1,338	1,676

Finance and similar charges include the amortisation of the fees relating to the former bank facility which was terminated in the year.

6. Taxation

a) Income tax credit on profit/(loss) for the year

Year to 31 December	2017 $'000	2016 $'000
Current tax charge		
Overseas tax – Colombia	**1,049**	895
Deferred tax credits		
On temporary differences, tax losses and changes in Colombian tax rules	**(13,260)**	(2,436)
Total tax credit on profit/(loss)	**(12,211)**	(1,541)

There are no items charged to equity with any current or deferred tax effect.

The only country in which the Group is currently paying tax is Colombia.

In Q4 2016, the Colombian Government approved tax legislation consolidating the corporate income and CREE taxes into a single income tax at 40% for 2017 (including a surtax of 6%), 37% for 2018 (including a surtax of 4%) and 33% for 2019 and onwards. The tax rates applied to the calculation of deferred income taxes, before valuation allowances, have been adjusted to reflect these changes. In the same legislation, the Colombian Government also instituted a 5% dividend tax on distributions of previously taxed earnings from 2017 onwards.

The law also increased the corporate minimum presumptive income tax from 3% to 3.5%. The tax is imposed on a taxpayer's net equity at the prior year end when the presumptive income exceeds actual taxable profits.

The deferred tax credit of $13.3m in 2017 (2016: credit of $2.4m) includes a one-off credit of $11.2m in respect of changes in Colombian tax base rules to bring them in line with IFRS, and a credit of $5.1m in relation to the recognition of a deferred tax asset on the carried forward tax losses in PDSA following a re-assessment of future profits available to utilise these losses.

b) Reconciliation of total tax credit

The combined Colombian tax rate of 40% (2016: 40%) has been used to explain the expected charge at this standard rate and the actual tax charge. The differences are explained below:

Year to 31 December	2017 $'000	2016 $'000
Profit/(loss) for the year after capital tax	**361**	(29,994)
Multiplied by the Colombian tax rate of 40% (2016: 40%)	**144**	(11,998)
Effect of:		
Expenses not deductible for tax purposes	**403**	7,985
Share options	**549**	339
Carry forward of unutilised tax losses	**(4,554)**	2,539
Presumptive tax base difference	**(949)**	895
Deferred tax assets not recognised	**1,999**	—
Change in Colombian tax base rules	**(11,174)**	—
Overseas tax losses forfeited	**2,258**	413
Deferred tax rate change	**(887)**	(1,714)
Total tax credit on profit/(loss)	**(12,211)**	(1,541)

Capital/wealth taxation

On 23 December 2014, the Colombian Congress passed legislation which imposes a capital tax levied on Colombian operations for 2015, 2016 and 2017. The capital tax is calculated based on a legislated measure, which is based on the Colombian balance sheet equity for tax purposes at 1 January 2015. This measure is subject to adjustment for inflation in future years. The equity tax rates for 1 January 2015, 2016 and 2017 are 1.15%, 1% and 0.4%, respectively. The legal obligation for each year's equity tax liability arises on 1 January of each year. The 2017 charge is $0.269m (2016: $0.646m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Earnings/(loss) per share

Year to 31 December	2017 $'000	2016 $'000
Profit/(loss) for the year attributable to equity shareholders of the parent	**12,572**	(28,453)
Earnings/(loss) per share:		
Basic (cents per share)	**1.04**	(2.40)
Diluted (cents per share)[1]	**1.03**	(2.40)

	Shares	Shares
Issued ordinary shares at start of the year	**1,213,205,768**	1,073,038,015
Ordinary shares issued in the year	**—**	140,167,753
Issued ordinary shares at end of the year	**1,213,205,768**	1,213,205,768
Weighted average number of shares in issue for the year	**1,213,205,768**	1,185,762,842
Dilutive effect of options in issue[1]	**8,704,189**	—
Weighted average number of shares for diluted earnings per share	**1,221,909,957**	1,185,762,842

1 In 2016, there is no difference between the basic and diluted EPS, because potential ordinary shares are anti-dilutive.

8. Goodwill

The Group has goodwill resulting from past business combinations:

	$'000
Cost at 1 January 2016, 2017 and at 31 December 2017	**514**
Amortisation at 1 January 2016	—
Impairment charge	(514)
Amortisation at 31 December 2016 and 2017	**(514)**
At 31 December 2017	**—**

Goodwill in relation to the legal entity in Paraguay was impaired during 2016.

9. Exploration and evaluation assets

	$'000
Cost	
1 January 2016	53,487
Additions	12,478
Acquisition of interests	7,000
At 31 December 2016	72,965
Additions[3]	3,381
Acquisition of interests[1]	4,850
Reclassification from PPE	5,578
Disposals[1]	(26,804)
At 31 December 2017	**59,970**
Impairment charges	
1 January 2016[2]	26,485
Impairment charge	13,776
At 31 December 2016	40,261
Impairment charge[1]	1,165
Reclassifications from PPE	780
Disposals	(26,804)
At 31 December 2017	**15,402**
Net book value as at 31 December 2016	32,704
Net book value as at 31 December 2017	**44,568**

1 See Note 20 for details of the acquisitions and disposals during the year.

2 The Fenix E&E asset was fully written down in 2014 following the decision to suspend the development programme relating to this block. This block was formally relinquished during the period. See Note 20 for further details.

3 Includes changes in accounting estimate in relation to the decommissioning provision and other non-cash additions of $1.3m.

The impairment charge in 2017 relates to the write-down of additional capital expenditure on the San Pedro block in Paraguay, which was fully impaired during 2016 and the write-down of the additional abandonment costs capitalised in relation to the Fenix block.

10. Property, plant and equipment

	Oil and Gas D&P $'000	Land and buildings $'000	Plant and machinery $'000	Office and computer equipment $'000	Motor vehicles $'000	Total $'000
Cost						
1 January 2016	176,594	1,994	21,247	871	692	201,398
Additions	1,885	56	16,490	74	63	18,568
Disposals	—	(19)	—	—	(189)	(208)
Reclassifications	—	(732)	750	(18)	—	—
At 31 December 2016	178,479	1,299	38,487	927	566	219,758
Additions	21,516[1]	334	3,345	150	31	25,376
Disposals	—	—	—	—	(67)	(67)
Reclassifications (Note 9)	(4,798)	—	(780)	—	—	(5,578)
At 31 December 2017	**195,197**	**1,633**	**41,052**	**1,077**	**530**	**239,489**
Depreciation and impairment						
1 January 2016	57,376	339	1,517	454	275	59,961
Charge for the year	9,296	137	1,487	100	127	11,147
Impairment losses	—	27	639	133	174	973
Disposals	—	—	—	—	(189)	(189)
Reclassifications	—	(72)	173	(146)	45	—
At 31 December 2016	66,672	431	3,816	541	432	71,892
Charge for the year	13,407	116	2,925	99	83	16,630
Impairment losses	—	—	51	—	—	51
Disposals	—	—	—	—	(67)	(67)
Reclassifications (Note 9)	—	—	(780)	—	—	(780)
At 31 December 2017	**80,079**	**547**	**6,012**	**640**	**448**	**87,726**
Net book value as at 31 December 2016	**111,807**	**868**	**34,671**	**386**	**134**	**147,866**
Net book value as at 31 December 2017	**115,118**	**1,086**	**35,040**	**437**	**82**	**151,763**

1 Includes changes in accounting estimate in relation to the decommissioning provision of $1.58m.

Development and production ("D&P") assets relate to the 100% owned Platanillo field.

Within the net book value of plant and machinery are assets of $22.7m (2016: $21.7m) relating to the OBA pipeline. On completion of the pipeline project in October 2016, ownership of part of the pipeline was transferred to Petroamazonas AS, owner of the VHR station and RODA pipeline.

The arrangement with Petroamazonas AS has been classified as a finance lease in accordance with IFRIC 4 and IAS 17 due to the dependency on the Group and Petroamazonas to cooperate with each other in the operation of the pipeline both in terms of modification of the pipeline for use by external parties and also because the pipeline operates as one single pipeline despite separate legal ownership of the two sections.

The pipeline is being depreciated over the life of the lease arrangement of 15 years. No finance lease liability is recognised on the basis that all payments relating to construction of the pipeline have already been made and the liability is therefore fully settled.

11. Inventories

As at 31 December	**2017 $'000**	2016 $'000
Crude oil		
Lower of cost and net realisable value	**5,176**	5,085
	5,176	5,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Cash, cash equivalents and restricted cash

As at 31 December	**2017 $'000**	2016 $'000
Cash and cash equivalents	**29,930**	40,051
Restricted cash deposits – current	**9,496**	2,233
	39,426	42,284
Restricted cash deposits – non-current	**1,836**	—
	41,262	42,284

The fair value of cash and cash equivalents is $41.3m (2016: $42.3m).

13. Trade and other receivables

As at 31 December	**2017 $'000**	2016 $'000
Trade receivables	**3,038**	2,405
Other receivables	**2,787**	2,827
Corporation tax	**381**	6,395
VAT	**9,638**	1,453
Prepayments	**499**	1,998
	16,343	15,078

All trade, VAT and other receivables are due within six months. There were no trade receivables overdue for receipt. Prepayments in the prior year include bank facility fees, released to the income statement over the period of the bank facility arrangement which expired during the year.

14. Trade and other payables

Year to 31 December	**2017 $'000**	2016 $'000
Trade payables	**27,004**	15,055
Other payables	**8,363**	6,055
Current tax liabilities	**1,069**	842
Social security and other taxes	**975**	1,280
Accrued expenses	**428**	1,403
	37,839	24,635

The change in trade payables and in other payables predominantly represents timing differences and levels of work activity.

15. Decommissioning provision

	2017 $'000	2016 $'000
At 1 January 2017	**2,633**	2,730
Increase/(decrease) in provision	**2,364**	(124)
Unwinding of the discount (Note 5)	**128**	27
At 31 December 2017	**5,125**	2,633

The decommissioning provision represents the present value of decommissioning costs which are expected to be incurred up to:

- 2030 for Platanillo;
- 2019 for Fenix;
- 2040 for Andaquíes; and
- 2035 for Coati.

The liabilities are discounted at a rate of 5.91% (2016: 7.75%).

The increase in the decommissioning provisions during the year was primarily due to the inclusion of the abandonment costs in relation to the Platform 2N wells in the Platanillo block.

These provisions have been created based on internal estimates. Assumptions based on the current economic environment have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning liabilities is likely to depend on the dates when the fields cease to be economically viable. This in turn depends on future oil prices, which are inherently uncertain.

16. Deferred taxation

As at 31 December	2017 $'000	2016 (restated) $'000
Deferred tax assets	**5,077**	—
Net deferred tax liabilities	**(12,079)**	(20,262)
	(7,002)	(20,262)

Reconciliation of movement in net deferred tax assets and liabilities:

	$'000
1 January 2016 (restated)	(22,698)
Credited in the year (Note 6)	2,436
At 31 December 2016 (restated)	(20,262)
Credited in the year (Note 6)	13,260
At 31 December 2017	**(7,002)**

The Group has recognised deferred tax assets and liabilities arising from:

	2017 $'000		2016 (restated) $'000	
As at 31 December	**Deferred tax assets**	**Deferred tax liabilities**	Deferred tax assets	Deferred tax liabilities
Temporary differences on:				
PPE (including D&P)	**—**	**(19,918)**	—	(27,635)
E&E assets	**186**	**—**	196	—
Current assets	**180**	**(1,357)**	—	(1,566)
Current liabilities	**202**	**(35)**	1,025	—
Remediation provision	**1,509**	**—**	41	—
	2,077	**(21,310)**	1,262	(29,201)
Tax losses carried forward	**12,231**	**—**	7,677	—
	14,308	**(21,310)**	8,939	(29,201)

Deferred tax assets and liabilities have been offset in the balance sheet where the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

In 2017, a new Colombian tax reform came into effect which introduced new amortisation rules for the calculation of the tax base in relation to D&P assets to bring them in line with IFRS. This resulted in a one-off uplift to the 2016 tax base values and therefore reduction in temporary differences of $33.9m in 2017, the tax effect of which at 33% is $11.2m, which has been recognised within the total deferred tax credit of $13.3m in the income statement.

A restatement of $12.2m has been made to increase the opening deferred tax liability, with an equal and opposite adjustment to brought forward reserves, as a result of deferred tax not being correctly recognised on consolidation entries that affect accumulated depreciation and gross costs of D&P assets. Every year D&P depreciation as recorded by subsidiaries is amended to ensure the overall group charge is in accordance with the group's accounting policy. This adjustment has historically led to the net book value of D&P assets in the group accounts being higher than their tax base. In 2015 this difference was $31.1m. In addition, in periods prior to 2015 $10.6m of G&A costs which had been expensed in subsidiaries were capitalised within D&P costs at group level. The deferred tax liability impact of both of these adjustments totalling $12.9m had not been recognised. The deferred tax liability in 2016 should have been $12.2m. The adjustment to the 2015 balance sheet and opening reserves has been made using the 2016 calculated deferred tax liability adjustment as the movement that would have been recognised in 2016 of $0.7m is not considered to be material. As a result there is no restatement to the 2016 income statement.

The Group has unused UK corporation tax losses of $56.0m (2016: $51.2m) for which no deferred tax asset has been recognised at the balance sheet date due to uncertainty of recovery of these losses. In addition, there are capital losses in the UK brought forward at 31 December 2017 of £30.5m/$41.0m (2016: £30.5m/$37.8m).

There are total tax losses to carry forward in Amerisur Exploración (Colombia) Limitada and Petrodorado South America SA of $36.5m (2016: $55.3m) – tax effect is $12.2m at an average rate of 33.5% (2016: $18.2m of which only $7.7m was recognised as a deferred tax asset).

The tax losses in respect of Paraguay are restricted in use and are not available to offset against future taxable profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Share-based payments

The Company has share-based payment schemes in place for the benefit of its employees and Directors. The charge in relation to these arrangements is shown below, with further details of the schemes following:

For the year ending 31 December	**2017 $'000**	2016 $'000
Long Term Incentive Plan	**1,373**	1,643

Of the total Long Term Incentive Plan ("LTIP") charge $0.8m (2016: $1.3m) relates to Directors of the Company as at 31 December 2017.

Share option scheme

Share options have previously been granted to Directors and to selected employees and consultants. The exercise price of the granted options is equal to the market price of the shares at the time of the award of the options. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The options were valued on grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the exercise price and the risk-free interest rate. The fair value of the option is amortised over the vesting period. There is no requirement to revalue the option at any subsequent date.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2017		2016	
As at 31 December	**Average exercise price in pence per share**	**Number of options**	Average exercise price in pence per share	Number of options
Outstanding at the beginning and end of the year	**13.68**	**9,000,000**	13.68	9,000,000
Exercisable at the end of the year	**13.68**	**9,000,000**	13.68	9,000,000

The average share price of the options during the year was 20.92 (2016: 26.33 pence). None were exercised during 2017 or 2016.

The range of exercise prices of the options at the end of the period was 11.05 to 15.00 pence.

The weighted average remaining contractual life of the options outstanding at 31 December 2017 was one year eleven months (2016: two years eleven months). All of the outstanding options can be exercised at an average of £0.1368 (2016: £0.1368) until 23 December 2019.

Long-term incentive plan

From 1 January 2012 equity-settled share options were granted under the Company's LTIP scheme. The table below summarises the conditions of each active LTIP scheme and its status at the year end.

Date of issue	Vesting period	Vesting conditions	Number of options at date of grant	TSR base price (pence)*	Status
17 December 2013	Three years to 17 December 2016	The options are eligible to vest subject to achieving a TSR* of 33.1% at any point over the three-year period.	3,085,000	46.76	All conditions have been met. 100,000 options remain to be exercised.
15 February 2014	Three years to 15 February 2017	4,750,000 awards are eligible to vest in three instalments, at the point that the TSR reaches 33% (50% of awards will vest), 52% (a further 25% will vest) and 73% (the final 25% will vest) over the three-year period. 1,750,000 options did not have performance conditions.	6,500,000	53.90	The 4,750,000 options with performance conditions have lapsed as conditions were not met by 15 February 2017. The 1,750,000 options lapse on 15 February 2019.
7 February 2015	Three years to 7 February 2018	The options are eligible to vest in three instalments, at the point that the TSR reaches 33% (50% of options will vest), 52% (a further 25% will vest) and 73% (the final 25% will vest) over the three-year period.	9,370,000	37.22	Options with performance conditions have lapsed post-year end as conditions were not met by 7 February 2018.
7 February 2015	Three years to 7 February 2018	The options are eligible to vest in three instalments, at the point that the TSR exceeds 10% (one-third of options will vest), 21% (a further one third will vest) and 33% (the final third will vest) over the three-year period.	5,165,000	37.22	Options with performance conditions have lapsed post-year end as conditions were not met by 7 February 2018.

17. Share-based payments continued

Long-term incentive plan continued

Date of issue	Vesting period	Vesting conditions	Number of options at date of grant	TSR base price (pence)*	Status
7 February 2015	Post-completion of OBA pipeline	These were awarded to John Wardle. These options have the opportunity to vest at any time during the vesting period (as determined by the Remuneration Committee) upon successful installation of the OBA pipeline between Colombia and Ecuador and the commencement of operations.	3,770,000	37.22	Post year end, the Remuneration committee agreed that 60% of these options (2,262,000) will vest.
20 May 2016 CTSR (Directors)	Three years to 20 May 2019	The options vest subject to the TSR performance measured against a comparator group of peer companies. 30% will vest at median performance, measured against the comparator group at the end of the three-year performance period and 100% will vest at upper quartile performance, with straight line vesting between these points.	3,150,000	27.5	Conditions must be met by 20 May 2019.
20 May 2016 ATSR (Directors)	Three years to 20 May 2019	30% of these options will vest if 10% compound annual returns are achieved, measured at the end of the three-year performance period and 100% will vest if 20% compound annual returns are achieved, with straight line vesting between these points.	3,150,000	27.5	Conditions must be met by 20 May 2019.
20 May 2016 ATSR (employees)	Three years to 20 May 2019	These options are eligible to vest in three instalments, at the point that the TSR exceeds 10% (one-third of options will vest), 21% (a further one-third will vest) and 33.1% (the final third will vest) over the three-year period.	5,000,000	27.5	Conditions must be met by 20 May 2019.
9 May 2017 ATSR (employees)	Three years to 9 May 2020	These options are eligible to vest in three instalments. At the point that the TSR exceeds 10% (one third of options will vest), 21% (a further one third will vest) and 33.1% (the final third will vest) over the three year period.	6,600,000	25.08	Conditions must be met by 9 May 2020.

* The TSR target is calculated from a base price of the average closing share price in the 30-day period to the date of the award.

Movements in the number of LTIP options outstanding and their related weighted average exercise prices are as follows:

As at 31 December	**2017** Average exercise price in pence per share	**2017** Number of options	2016 Average exercise price in pence per share	2016 Number of options
Outstanding at the beginning of the year	**0.1**	**36,245,000**	0.1	36,882,807
Granted	**0.1**	**6,600,000**	0.1	11,300,000
Lapsed	**0.1**	**(4,790,000)**	0.1	(6,805,000)
Exercised	**—**	**—**	0.1	(5,132,807)
Outstanding at the end of the year	**0.1**	**38,055,000**	0.1	36,245,000
Exercisable at the end of the year	**0.1**	**1,850,000**	0.1	140,000

There were no options exercised during 2017. The average share price of the options exercised during 2016 was 26 pence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. Share-based payments continued

Long-term incentive plan continued

The LTIP awards are valued using a Monte Carlo simulation model using the following inputs:

Date of grant	Date of vesting	Exercise price (pence)	Risk-free rate	Share price volatility (%)	Share price at grant (pence)	Fair value per share at grant (pence)	Number outstanding
09.05.17 with ATSR conditions[2]	May 2017–May 2020	0.10	0.21%	63.72	25.08	14.3	6,600,000
20.05.16 with CTSR conditions[1]	May 2016–May 2019	0.10	0.62%	60.14	27.5	9.0	3,150,000
20.05.16 with ATSR conditions[2]	May 2016–May 2019	0.10	0.62%	60.14	27.5	9.0	8,150,000
07.02.15 with conditions	February 2015–February 2018	0.10	1.23%	51.99	31.25	37.22	9,370,000
07.02.15 with conditions	February 2015–February 2018	0.10	1.23%	51.99	31.25	14.7	5,165,000
07.02.15 pipeline conditions	February 2015–February 2018	0.10	1.23%	51.99	31.25	31.2	3,770,000

1 CTSR: comparator group total shareholder return.

2 ATSR: absolute total shareholder return.

The following assumptions have been made:

- expected volatility was determined by calculating the historical share price over the three years prior to the grant date;
- the expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations;
- it has been assumed that no variables change during the life of the option (e.g. dividend yield);
- the option life is at the end of the allowed period; and
- since the Company has no history of paying dividends the impact of dividends has been ignored in the calculation of the LTIP share option charge.

The weighted average remaining contractual life of the LTIP options outstanding at 31 December 2017 was two years (2016: three years five months). All of the outstanding options can be exercised, subject to vesting conditions, at 0.1 pence over a three to five-year period.

18. Contingent liabilities

As at 31 December	**2017 $'000**	2016 $'000
Performance guarantees	**12,089**	5,040

Performance guarantees are letters of credit required in relation to work commitments on exploration programmes.

19. Financial instruments

Risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern whilst maximising the return to stakeholders through the effective management of liquid resources arising from operations or transactions or raised through share issues or borrowings. The principal risks faced by the Group resulting from financial instruments are liquidity risk, foreign currency risk and, to a certain extent, interest rate risk. The Directors review and agree policies for managing each of these risks and they are summarised below. The policies have remained unchanged from previous periods.

Categories of financial instrument

As at 31 December	2017 $'000	2016 $'000
Financial assets – loans and receivables		
Trade and other receivables	**16,343**	11,627
Cash and cash equivalents	**41,262**	42,284
Financial liabilities at amortised cost		
Trade and other payables	**(37,839)**	(24,635)
	19,766	29,276

There is no material difference between the carrying value and the fair value of the financial instruments due to their substantially short-term nature.

Capital

The Group objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and service commensurately with the level of risk; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Directors have determined that no dividend will be paid during the year.

There is currently no debt in the Group.

Foreign currency risk

The non-US Dollar-denominated cash balances carried within the Group comprise the following currency holdings:

As at 31 December	2017 $'000	2016 $'000
British Pound	**344**	1,271
Colombian Peso	**10,425**	4,237
Paraguayan Guarani	**55**	54
Canadian Dollar	**—**	1
	10,824	5,563

The effect of a 10% weakening or strengthening of the British Pound, Colombian Peso and Paraguayan Guarani against the US Dollar, which the Group considers reasonable based on experience of historical currency price fluctuations with these currencies, would give rise to an increase/decrease respectively (all other variables remaining constant) in the year-end balance and hence on profit or loss and equity:

As at 31 December	2017 $'000	2016 $'000
British Pound	**34**	127
Colombian Peso	**1,043**	424
Paraguayan Guarani	**5**	5

The Group is exposed to transaction and translation foreign exchange risk. In relation to translation risk, assets held in foreign currency are in the form of cash for specific obligations in that same currency and are therefore not separately hedged. Transaction exposures have been managed by holding both GBP Sterling and Colombian Pesos, which are used to settle foreign currency payments thus reducing transaction risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. Financial instruments continued

Interest rate risk

The Group finances its operations through equity fundraising and internally generated funds and therefore does not carry significant borrowings. Interest rate risk is therefore considered to be immaterial based on the prevailing rates currently being earned. The Group's cash balances and short-term and restricted cash deposits are held at floating interest rates based on LIBOR and are reviewed to ensure maximum benefit is obtained from these resources. Deposits are held at interest rates of up to 1.5% and a fall of interest rates over the year of 1% would have resulted in a decrease in deposit interest income of $284,000 (2016: $253,000), whilst an increase of 1% would have resulted in an increase of $284,000 (2016: $253,000) all other variables remaining constant.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In respect of the Group's oil sales, the Group manages credit risk through dealing with, whenever possible, either international energy companies or state-owned companies based in Colombia. The Group consistently monitors counterparty credit risk. The carrying value of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk at the year end. In addition, some of the Group's operations are typically structured via contractual joint arrangements. As such the Group is reliant on joint operation partners to fund its capital or other funding obligations in relation to assets and operations which are not yet cash generative. The Group closely monitors the risks and maintains a close dialogue with those counterparties considered to be highest risk in this regard.

The Group trades only with recognised, creditworthy third parties and does not need to securitise its trade and other receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably. The Group's operating cash flow is driven by annual production from the its producing fields reserves. This cash has principally been used to fund the Group's continued investments in its development, exploration and appraisal activities.

See Note 23 for details of the Shell prepayment agreement signed post-year end.

20. Acquisitions and disposals

The Group made the following acquisitions and disposals:

2017 acquisitions

On 16 March 2017, the Group announced the following working interest acquisitions, subject to ANH approval, from Meta Petroleum Corporation and Pacific Stratus Energy Colombia Corporation (both companies are ultimately owned by Pacific Exploration and Production ('Pacific'), a Canadian listed company, now called Frontera Energy):

- 60% in the Put-9 contract area;
- 58% in the Mecaya contract area;
- 100% in the Terecay contract area; and
- 50.5% in the Tacacho contract area.

The consideration for the acquisitions was $4.85m in total, which was paid in cash from existing resources. Additionally, a 2% overriding royalty interest ("ORRI") will be payable to Pacific in respect of Amerisur net production from the Terecay block and a 1.2% ORRI on net production from the Put-9 block.

2017 disposals

On 8 August 2017, Amerisur notified the ANH of its decision to relinquish the Fenix exploration and production block. At the balance sheet date, the abandonment was not fully complete due to the outstanding decision by the ANH to either return the production area in its current state and keep the restricted cash abandonment fund of $629,000 or for Amerisur to proceed with decommissioning.

2016 acquisitions

Platino Energy (Barbados) Limited ('Platino')

Platino, a private company, was acquired from COG Energy ("COG") on 26 January 2016 for a total consideration of $7m. The consideration was paid in Amerisur stock and the Company issued 22,711,494 ordinary shares.

A further payment of $590,000 was made to COG on 16 March 2016 following finalisation of the closing balance sheet, for the net non-cash current assets of the company. This payment was satisfied by the issuing of 1,620,480 ordinary shares.

In addition to the above Amerisur replaced $2.2m of cash guarantees with the ANH (classified as restricted cash in the balance sheet), relating to the Platino assets. Amerisur will also pay a 2% net royalty per block to COG, once net production in each block exceeds 5,000 barrels of oil per day ("BOPD").

20. Acquisitions and disposals continued

2016 acquisitions continued

Platino Energy (Barbados) Limited ('Platino') continued

The assets acquired through this transaction are:

- 50% (non-operated) working interest in Put-8 block adjacent to the west of Platanillo.
- 100% (operator) working interest in the Coati evaluation area (Temblon Field) within the Coati block located in the south west of the Putumayo basin. Canacol Energy Colombia SA ('Canacol'), already active in Colombia, after fulfilment of a carry in the next exploration well of $2.7m, will be entitled to a 20% working interest in the exploration area of the block, which does not include the Coati evaluation area (Temblon Field), which will remain 100% to Amerisur.
- 100% owned and operated Andaquies block located in the north east of the Putumayo basin.

Farm-out of Coati block

On 17 June 2016 the Group completed the modification to the farm-out agreement with Canacol. The modification increases Canacol's working interest participation from 20% to 40% in the exploration area of the Coati contract for a consideration of $6.99m.

Put-9 and Put-30

On 20 December 2016, the Group acquired the remaining 50% working interest in the Put-30 block and a new 40% working interest in the Put-9 contract from Talisman (Colombia) Oil and Gas Limited for a total consideration of $0.2m.

21. Share capital and merger reserve

The authorised share capital of the Company is £1,250,000 comprising 1,250,000,000 shares of 0.1 pence each.

	Number of ordinary shares	Nominal value (0.1 pence) $'000	Premium (net of costs) $'000	Merger reserve $'000	**Total $'000**
At 1 January 2016	1,073,038,015	1,560	109,070	4,485	**115,115**
Option exercises	5,132,807	6	—	—	**6**
Issue of shares related to acquisitions	29,034,946	43	—	9,047	**9,090**
Shares allotted	106,000,000	152	35,871	—	**36,023**
At 31 December 2016	1,213,205,768	1,761	144,941	13,532	**160,234**
At 31 December 2017	**1,213,205,768**	**1,761**	**144,941**	**13,532**	**160,234**

There were no share issues or option exercises during the period.

22. Related party transactions

The Group financial statements include the financial statements of Amerisur Resources Plc and its subsidiaries. A list of the Group's subsidiaries is contained in Note 4 to the Company financial statements.

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

The Group made payments of $66,010 (2016: $89,600) for Non-executive Director fees and consultancy services to Jade Oil & Gas Consulting Limited, a company in which Douglas Ellenor has an interest. The Company paid $155,438 (2016: $164,722) in relation to a recharge of accounting and other office costs to Westleigh Investment Holdings Limited, in which Giles Clarke and Nick Harrison have an interest.

During the year, the Group paid $1,650,000 (2016: $1,650,000) and had a share-based payment charge of $681,664 (2016: $1,164,092) relating to outstanding share options issued for consultancy services to Tracarta Limited, a company in which John Wardle has an interest.

Key management personnel comprise the Directors and details of their remuneration are set out in the Remuneration report.

23. Events after the balance sheet date

On 19 January Amerisur signed an agreement with Petroamazonas EP to fund the cost of the construction and commissioning of the Chiritza re-pumping station in Ecuador. Once operational, Amerisur will gain an additional 4,000 BOPD of guaranteed minimum carrying capacity, bringing Amerisur's guaranteed minimum carrying capacity to a total of 9,000 BOPD.

The principal features of the agreement and its annexes are:

- Amerisur estimates that the cost of the construction and commissioning will be approximately $3.7m, capped at $4m;
- the investment made by Amerisur is considered a prepayment of the existing transport tariff over the first 5,000 BOPD transported in order to recover the investment made at Chiritza; and
- the term of the agreement is 15 years but can be extended.

In April 2018, Amerisur entered into a $35m working capital facility with Shell Western Supply and Trading Limited ("SWST"), under which SWST will provide, at Amerisur's request, advance payments to Amerisur against deliveries of crude oil under an offtake agreement. Amounts due from SWST in respect of crude oil delivered by Amerisur would then be applied towards repayment of any drawdowns on the facility.

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2017

As at 31 December	Notes	**2017 $'000**	2016 $'000
ASSETS			
Non current assets			
Intangible assets	2	**106**	106
Investments	4	**20,319**	20,489
Intercompany loans	5	**51,107**	50,725
		71,532	71,320
Current assets			
Trade and other receivables	6	**267**	1,257
Cash, cash equivalents and restricted cash deposits	7	**30,393**	37,992
		30,660	39,249
Total assets		**102,192**	110,569
LIABILITIES			
Current liabilities			
Trade and other payables	8	**(520)**	2,069
		(520)	2,069
Total liabilities		**(520)**	2,069
Net assets		**101,672**	108,500
EQUITY			
Share capital	9	**1,761**	1,761
Share premium	9	**144,941**	144,941
Merger reserve	9	**13,532**	13,532
Other reserves		**12,485**	11,112
Retained earnings		**(71,047)**	(62,846)
Total equity		**101,672**	108,500

The Company reported a loss after taxation of $8.2m for the year ended 31 December 2017 (2016: $27.6m).

The financial statements were approved by the Board of Directors and authorised for issue on 14 April 2018.

They were signed on its behalf by:

Nick Harrison, Director

Company number: 04030166

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital $'000	Share premium $'000	Merger reserve $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
At 1 January 2016	1,560	109,070	4,485	10,979	(36,798)	89,296
Share options exercised	—	—	—	(1,510)	1,510	—
Equity-settled share-based payment charge	—	—	—	1,643	—	1,643
Allotments during the year:						
Issue of shares related to acquisition	43	—	9,047	—	—	9,090
Issue of shares under share option schemes	6	—	—	—	—	6
Proceeds from shares issued	152	35,871	—	—	—	36,023
Transactions with owners	201	35,871	9,047	133	1,510	46,762
Loss for the year	—	—	—	—	(27,558)	(27,558)
At 31 December 2016	1,761	144,941	13,532	11,112	(62,846)	108,500
Equity-settled share-based payment charge	—	—	—	1,373	—	1,373
Transactions with owners	—	—	—	1,373	—	1,373
Loss for the year	—	—	—	—	(8,201)	(8,201)
At 31 December 2017	**1,761**	**144,941**	**13,532**	**12,485**	**(71,047)**	**101,672**

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. Summary of significant accounting policies

Basis of preparation
These are the separate financial statements of Amerisur Resources Plc (the "Company"), a public limited company listed on the Alternative Investment Market ("AIM") and the parent company for Amerisur Resources Plc Group.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"), applicable accounting standards and in accordance with the Companies Act 2006.

The Company makes use of the following relevant disclosure exemptions permitted by FRS 101 on the basis that the equivalent disclosures are made in the consolidated financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- IFRS 7 'Financial Instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraph 38 of IAS 1 'Presentation of Financial Statements' – comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; and
  (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  – 10(d) (statement of cash flows);
  – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements, including cash flow statements);
  – 38B–D (additional comparative information);
  – 111 (cash flow statement information); and
  – 134–136 (capital management disclosures).
- IAS 7 'Statement of Cash Flows'.
- Paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 of IAS 24 'Related Party Disclosures' (key management compensation).
- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group.

These financial statements are prepared under the historical cost basis and in accordance with the Companies Act 2006. The functional and presentation currency of the separate financial statements is US Dollars on the basis that this is the currency of the primary economic environment in which the Company generates and expends cash. All values in the separate financial statements are rounded to the nearest thousand ($'000) except where otherwise stated.

No new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2017 have had a material impact on the Company.

No income statement is presented by the Company as permitted by Section 408 of the Companies Act 2006. The Company accounts present information about it as an individual undertaking and not about its Group. The Company reported a loss for the financial year ended 31 December 2017 of $8.2m (2016: loss of $27.6m), which includes an impairment of intercompany investments and loans of $2.3m (2016: loss $20.3m). There were no other recognised gains or losses in the period (2016: nil).

The particular accounting policies adopted by the Directors are described below and are considered suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Going concern
The Directors have reviewed the cash position of the Company as at the year end against the expected recurring operational income, expenditure and anticipated specific contractual transactions for a period of two years from the balance sheet date. On this basis, the Directors consider that the Company has sufficient resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's financial statements.

Investments
Investments held as non-current assets are stated at the lower of cost and net realisable value, less provision for any impairment. They comprise investments in subsidiary undertakings.

1. Summary of significant accounting policies continued

Intangible non-current assets

Intangible non-current assets are included at cost and amortised on a straight line basis over their useful economic life, which will be based on the expected life of the exploration area, once determined.

Share-based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments the fair values of their services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (e.g. profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "other reserves" in equity. The expense is recognised in the income statement of the entity in the country which the employee is employed over the vesting period. The awards with vesting conditions are based on market conditions, the likelihood of vesting is assessed at the date of grant and is not subsequently amended in arriving at the expense for each year in the vesting period.

Upon exercise of the share options, the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium.

National Insurance contributions payable on the exercise of share options by UK employees are accrued as a current liability in the financial statements where it is expected that certain share options will be exercised.

Financial assets

Financial assets consist of cash and cash equivalents, restricted cash deposits and loans and receivables. Initial recognition is at fair value. Financial assets are assigned to their different categories by management on initial recognition depending on the contractual arrangements. Trade and other receivables are subsequently measured at amortised cost less any impairment. Cash and cash equivalents are measured at amortised cost at the balance sheet date.

Derecognition of financial assets occurs when the rights to receive cash flows expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at each balance sheet date whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Provision against trade receivables is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company's financial liabilities consist of trade and other payables. All interest related charges are recognised as an expense in "Finance costs" in the income statement.

Trade payables are recognised initially at their fair value and subsequently measured at amortised costs less settlement payments.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Restricted cash

Restricted cash and cash equivalents comprises cash and cash equivalents pledged to secure letters of credit and to settle asset retirement obligations. Letters of credit currently secured by cash relate to work commitment guarantees contained in exploration contracts. Restrictions will lapse when work obligations are satisfied pursuant to the exploration contract or an asset retirement obligation is settled. Cash and claims to cash that are restricted as to withdrawal or use for other than current operations or are designated for expenditure in the acquisition or construction of long-term assets are excluded from the current asset classification. Any long-term portion of restricted cash and cash equivalents is included in other long-term assets on the Company's balance sheet.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

1. Summary of significant accounting policies continued

Equity

Equity comprises the following:

- "issued capital" represents the nominal value of equity shares;
- "share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- "merger reserve" represents the excess over nominal value of the fair value of consideration where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company;
- "other reserve" represents equity-settled share-based employee remuneration until such share options are exercised;
- "foreign exchange reserve" represents the differences arising from translation of foreign operations and differences arising on translation to the presentational currency in US Dollars; and
- "retained earnings" represents retained profits and losses.

2. Intangible assets

	Other intangible assets $'000
Cost and net book value	
At 31 December 2017 and 2016	106

Other intangible assets represent the capitalised market value of 1,000,000 ordinary shares awarded to Expet S.A. as consideration for introduction services rendered to the Company in Colombia in the year ended 31 March 2006.

3. Property, plant and equipment

	Office and computer equipment $'000
Cost	
At 31 December 2016 and 2017	12
Depreciation	
At 31 December 2016 and 2017	12
Net book value as at 31 December 2016 and 2017	**—**

4. Investments

	Subsidiary undertakings $'000
Cost	
1 January 2016	24,574
Additions	19,533
At 31 December 2016	44,107
Additions	1,910
At 31 December 2017	**46,017**
Impairment	
At 1 January 2016	3,293
Impairment charge	20,325
At 31 December 2016	23,618
Impairment charge	2,080
At 31 December 2017	**25,698**
Net book value as at 31 December 2017	**20,319**
Net book value as at 31 December 2016	20,489

The additions in 2017 largely relate to the following:

- increase in investment in Amerisur's subsidiary based in Paraguay of $1.3m, which was subsequently impaired to $nil at the year end; and
- share options granted to employees of the Colombian subsidiary of $0.6m.

The impairment charge in 2017 largely relates to the write-down of investments in Paraguay of $1.3m and Ecuador of $0.7m.

4. Investments continued

Investments in subsidiaries

The Company holds the following direct and indirect investments in subsidiary undertakings as at 31 December 2017:

Name of subsidiary	% voting rights and shares held	Registered address	Business
Amerisur Exploración Colombia Limited	100	HBCS Chambers, Rodus Building, Road Reef Marina, PO Box 3093, Road Town, Tortola, British Virgin Islands	Mineral resource hydrocarbon E&P permit applications and crude oil production and distribution *Branch in Colombia: Amerisur Exploración Colombia Limitada*
Amerisur S.A.	100	Edificio La Colina, Piso 4, Asunción, Paraguay	Mineral resource hydrocarbon E&P permit applications and crude oil production and distribution
Fenix Oil and Gas Limited	100	HBCS Chambers, Rodus Building, Road Reef Marina, PO Box 3093, Road Town, Tortola, British Virgin Islands	Mineral resource hydrocarbon E&P permit applications and crude oil production and distribution *Branch in Colombia: Fenix O&G*
Petrodorado South America Limited	100	Calle 51 y Avenida Federico Boyd Edificio Torre Universal, Piso 3 Panamá, República de Panamá	Mineral resource hydrocarbon E&P permit applications and crude oil production and distribution *Branch in Colombia: Petrodorado South America SA*
Amerisurexplor Ecuador S.A.	99	La Avenida Luxemburgo y Portugal, Edificio Cosmopolitan parc, Oficina 502 del Distrito Metropolitano de Quito, Ecuador	Mineral resource hydrocarbon E&P permit applications and crude oil production and distribution
E-plus S.A.	100	Edificio La Colina, Piso 4, Asunción, Paraguay	Dormant

5. Intercompany loans

As at 31 December	2017 $'000	2016 $'000
Amounts due from subsidiary undertakings	**51,107**	50,725

The amounts due from subsidiaries are non-interest bearing and have no fixed repayment date.

6. Trade and other receivables

As at 31 December	2017 $'000	2016 $'000
Bank facility fees	**—**	1,085
Prepayments and sundry debtors	**267**	172
	267	1,257

The bank facility fees are released to the income statement over the term of the three-year bank facility, which was terminated in September 2017.

7. Cash, cash equivalents and restricted cash deposits

As at 31 December	2017 $'000	2016 $'000
Cash at bank and short-term deposits	**22,250**	35,759
Restricted cash deposits	**8,143**	2,233
	30,393	37,992

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

8. Trade and other payables

As at 31 December	2017 $'000	2016 $'000
Trade payables	**51**	29
Other payables and accruals	**469**	2,040
	520	2,069

9. Share capital and merger reserve

The authorised share capital of the Company is £1,250,000 comprising 1,250,000,000 shares of 0.1 pence each.

	Number of ordinary shares	Nominal value (0.1 pence) $'000	Premium (net of costs) $'000	Merger reserve $'000	Total $'000
At 1 January 2016	1,073,038,015	1,560	109,070	4,485	115,115
Option exercises	5,132,807	6	—	—	6
Issue of shares related to acquisitions	29,034,946	43	—	9,047	9,090
Shares allotted	106,000,000	152	35,871	—	36,023
At 31 December 2016	1,213,205,768	1,761	144,941	13,532	160,234
At 31 December 2017	**1,213,205,768**	**1,761**	**144,941**	**13,532**	**160,234**

There were no shares issues during 2017.

24.3m ordinary shares were issued during the prior period as consideration for the acquisition of Platino and a further 4.7m ordinary shares were issued as final consideration for the acquisition of PDSA in 2016. The excess over the nominal value of the shares issued are classified within a separate merger reserve. This reserve is used where more than 90% of the shares in a subsidiary are acquired and the consideration includes the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006.

In March 2016, the Company undertook an equity placing of 106,000,000 new ordinary shares of 0.1 pence each at a price of 25 pence per placing share, raising net proceeds of $36m. The placing shares represented approximately 9.6% of the issued share capital.

10. Events after the balance sheet date

See Note 23 of the consolidated financial statements.

GLOSSARY

Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment and adjusted to exclude share option charges
Amerisur	Amerisur Resources Plc and its subsidiaries
ANH	Agencia Nacional de Hidrocarburos
ARCH	Agencia de Regulación y Control Hidrocarburífero
BO	Barrels of oil
BOPD	Barrels of oil per day
Canacol	Canacol Energy Colombia SA
Capex	Capital expenditure
COG	COG Energy
Company	Amerisur Resources Plc
Consulta Previa	The right of indigenous and ethnic groups to be consulted on matters affecting their culture and heritage
CREE tax	Income tax for equality
Group	Amerisur Resources Plc and its subsidiaries
Ha	Hectares
IFRS	International Financial Reporting Standard
KPI	Key performance indicator
LTIF	Lost Time Injury Frequency Rate
LTT	Long-term test
mb/d	Million barrels per day
MD	Measured depth
MMBO/MMBOE	Million barrels of oil (or oil equivalent)
OBA pipeline	Oleoducto Binacional Amerisur pipeline
Opex/bl	Operating expenses per barrel
Operating Netback	Cash operating costs represent the cash lifting and water disposal costs included in cost of sales in the field divided by production
OPEC	Organisation of Petroleum Exporting Countries
OWC	Oil water contact
Pacific	Pacific Exploration and Production
PDEL	Petro Dorado Energy Ltd
PDSA	Petrodorado South America SA
Platino	Platino Energy (Barbados) Ltd
PMA	Environmental management plan
psi	Pound per square inch
RODA	Red de Oleoductos Amazonas
SOTE	Sistema Oleducto Trans-Ecuatoriano
TD	Total depth
VAT	Value added tax
Vetra	Vetra Energia S/L.
WI	Working Interest
WTI	West Texas Intermediate
X factor	Percentage of gross production after royalty offered by the contractor during the bidding process

CORPORATE DIRECTORY

Directors

Chairman:
Giles Clarke, CBE, DL

Executive Directors:
John Wardle
Nick Harrison

Non-executive Directors:
Stephen Foss
Douglas Ellenor
Chris Jenkins
Dana Coffield (appointed 7 April 2017)
Alex Snow (appointed 10 May 2017)

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Joint brokers
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Branch offices
Tranversal 21 No. 98–71
Edificio Ayasha
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Bogotá, Colombia

Luxemburgo No. 34–359 y Portugal
Edificio Cosmopolitan Parc
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Edificio La Colina
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