ANNUAL REPORT 2018

ANNUAL REPORT 2018

2017 saw the launch of Echo Energy plc as a full cycle, gas focused, exploration led Entity with an exciting onshore asset base in Latin America.

Read more in Strategy and KPIs

Echo Energy has a bold growth strategy and the competence to rapidly deliver catalysts and shareholder value from both the existing portfolio and new opportunities providing an exciting platform for growth.

Echo maintains its philosophy of fair and equitable treatment of both private and institutional investors and its commitment to providing open access to managerial information.

01 STRATEGIC REPORT

02 Key Highlights
04 Chairman's & Chief Executive's Statement
06 Business Model
08 LatAm Natural Gas Markets
10 Strategy and KPIs
12 Key Partners
14 Reserves and Resources
16 Operational Review
18 Corporate and Social Responsibility
19 Managing Our Risks
22 Financial Review

25 GOVERNANCE

25 Corporate Governance
28 The Team
30 Directors' Remuneration Report
32 Directors' Report
34 Statement of Directors' Responsibilities

36 FINANCIAL STATEMENTS

36 Auditor's Report
40 Consolidated Statement of Comprehensive Income
41 Consolidated Statement of Financial Position
42 Company Statement of Financial Position
43 Consolidated Statement of Changes In Equity
44 Company Statement of Changes In Equity
45 Consolidated Statement of Cash Flows
46 Company Statement of Cash Flows
47 Notes To The Financial Statements
72 Shareholder Information

"In a relatively short space of time your company has come to be viewed as one of the premier independent explorers in the region and this reputation among state oil companies and in-country majors has provided access to world class acreage in both Bolivia and Argentina. We have since focused on the rapid technical development and de-risking to bring the licences to drill readiness.
We are excited at our multiple drilling opportunities in 2018 which we expect will add production, cash flow and additional reserves to the portfolio."

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

KEY
HIGHLIGHTS

LAUNCH AND CAPITALISATION OF ECHO ENERGY MARCH 2017

CASH BALANCE 31/12

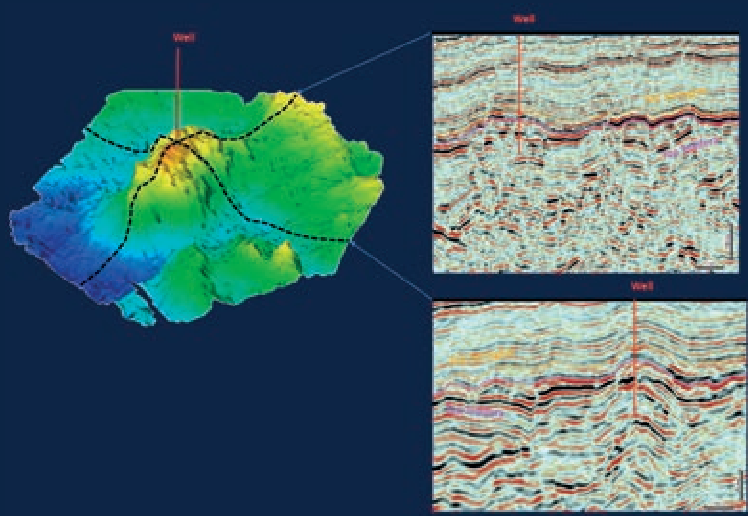
£19.72M

ARGENTINIAN RESERVES AND RESOURCES

*FROM 1 JANUARY 2018

2P+2C = 38.5 BCFE

HIGH-IMPACT MULTI-TCF EXPLORATION POTENTIAL



BOLIVIA

250KM²

OF 3D SEISMIC REPROCESSED

NEW BOARD AND EXECUTIVE TEAM

James Parsons, Marco Fumagalli and Steve Whyte appointed to board, and relaunching IRG to Echo Energy.

New experienced executive team with regional capability and credibility including Fiona MacAulay* CEO, Will Holland CFO and Julian Bessa VP Exploration.

* Appointed to board

Read more in **The Team** on pages 28 and 29

ARGENTINIAN DEAL SECURED

Transformational farm-in to 50% W.I. ("working interest") across four licences within six months of relaunch.

Deal completed on 3 January 2018.

Read more in the **Chairman's** and **Chief Executive's Statement** on pages 04 and 05

BOLIVIA SEISMIC REPROCESSING COMMENCED

Signature of JEA* on Huayco and TEA+ on Rio Salado.

Seismic reprocessing across both blocks commenced.

* JEA = Joint Evaluation Agreement
+ TEA = Technical Evaluation Agreement

Read more in the **Operational Review** on pages 16 and 17

DEVELOPING PARTNERSHIPS AND STRATEGIC ALLIANCES ACROSS THE REGION

Strong partner relationships with regionally experienced operators.

Read more in the **Financial Review** on pages 22 to 24

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

JAMES PARSONS
NON-EXECUTIVE CHAIRMAN

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

2017 was a transformational year for your company. Q1 saw the emergence of a well-capitalised South America focused gas exploration company targeting multi-Tcf potential. At Board and senior management level there have been a series of changes which have materially strengthened the company's technical and operational capabilities in the region and leave the company ideally positioned to capitalise on the opportunities we see in the current asset base and across Latin America.

In a relatively short space of time your company has come to be viewed as one of the premier independent explorers in the region and this reputation among state oil companies and in-country majors has provided access to world class acreage in both Bolivia and Argentina. We have since focused on the rapid technical development and de-risking to bring the licences to drill readiness. We are excited at our multiple drilling opportunities in 2018 which we expect will add production, cash flow and additional reserves to the portfolio.

ECHO ENERGY LAUNCH AND REFINANCING

In Q1 2017, Independent Resources announced that James Parsons, Stephen Whyte and Marco Fumagalli, all directors of Sound Energy, would join the Board as part of a capital raising, rebrand and strategic shift, which would result in the launch of Echo Energy, a well-capitalised Latin America focused gas explorer. As part of the transaction, Continental Investment Partners joined the shareholder register as a strategic cornerstone investor in the company. Echo Energy was formed to target multi-Tcf gas plays in energy hungry Latin America, utilising the Board's key learnings from the development of Sound Energy to compress the life cycle of the company from foundation and funding through to high-impact drilling de-risked through technical work and industry partnerships. In 2017 your company announced a series of high profile appointments including securing Fiona MacAulay as chief executive officer.

ITALY AND EGYPT EXIT

In 2017 Echo Energy commenced the process of divesting its interest in non-core assets it had inherited from Independent Resources. The Egyptian assets were sold to JV partner Nostra Terra Plc in June 2017. Closure and liquidation of the two Italian subsidiaries commenced in December 2017 and the licence that had been held in Tunisia came to its natural expiry date in August 2017.

BOLIVIA

In June 2017 Echo Energy announced that it had signed a binding joint evaluation agreement with Pluspetrol Bolivia Corporation SA ("Pluspetrol") which provided Echo with the opportunity to secure an 80% operated interest in the Huayco Block in Southern Bolivia. The 75 km^2 Huayco Block lies within the prolific Tarija Basin, close to existing hydrocarbon infrastructure including a gas export pipeline. Echo subsequently signed a Technical Evaluation Agreement ("TEA") with Pluspetrol and YPFB (Yacimientos Petrolíferos Fiscales Bolivianos) to progress the technical development of the Rio Salado Block which is adjacent to the Huayco Block. Following completion of the TEA the companies will have the opportunity to negotiate a commercial agreement with YPFB to define a work programme on the Rio Salado Block which would likely include the drilling of at least one exploration well.

Post period end Echo provided an update on the Bolivia work programme with 250 km^2 of seismic reprocessing including 5D interpolation and Common Reflection Surface technology now completed by its subsurface consultants ERC Equipoise, EPI and DMT. The current stage of the work programme is focused on working up the prospect, potential volumes and risking in addition to the future exploration well location, well plan and more detailed well costs.

The acquisition of an interest by Echo in Huayco and/or Rio Salado remains contingent on final commercial terms being agreed. Accordingly, the company does not have an interest or the right to acquire any interest at this stage during the non-exclusive evaluation period.

ARGENTINA

In November 2017 Echo announced that it had secured a material four licence country entry in Argentina following the signing of a binding farm-in agreement with Compañía General de Combustibles S.A. ("CGC"), a privately-owned subsidiary of the Argentinian conglomerate Corporación América International. The agreement secured Echo a 50% working interest in each of the Fracción C, Fracción D, Laguna de los Capones and Tapi Aike licences, onshore Argentina. The licences are located in the prolific Austral Basin of Santa Cruz province in Argentina and cover a total of 11,153 km^2. At the time of the agreement the Fracción C & D licences had existing gross production of approximately 11.4 MMscfe/d with the potential to increase near-term production to around 80 MMscfe/d through material exploration upside.

The Tapi Aike licence has exciting multi-Tcf exploration potential with the Competent Person's Report having identified 41 leads over three independent plays, each typically with gross (100%) prospective resources of 50-600 Bcf at the best estimate level; the largest two are assessed as potentially containing 3.8 Tcf and 2.6 Tcf of gas in place (on a gross unrisked basis) in the high case, with three others potentially containing in excess of 1 Tcf (on the same basis), all of these numbers confirming the highly prospective value of the Tapi Aike Exploration Permit.

By virtue of the size, the transaction was deemed a reverse takeover under Rule 14 of the AIM rules for companies, and shares were accordingly suspended from trading until publication of the AIM admission document on 18 December 2017.

Shareholder approval and subsequent completion of the transaction occurred post period on 3 January 2018. Admission of the enlarged share capital associated with the raise of £6.4 million (£4.7 million net of all expenses relation to both the placing and admission) took place on 4 January.

Post period Echo announced an update on their Argentina work programme. A drilling rig has been secured for the four well back-to-back exploration campaign in Fracción C and Laguna De Los Capones which is due to commence in May 2018, and tenders for a 2,000 km seismic acquisition campaign across Tapi Aike and Fracción C & D had been issued. The three well workover campaign on Fracción D has now commenced and initial results of this activity will be known during May and June 2018.

CORPORATE

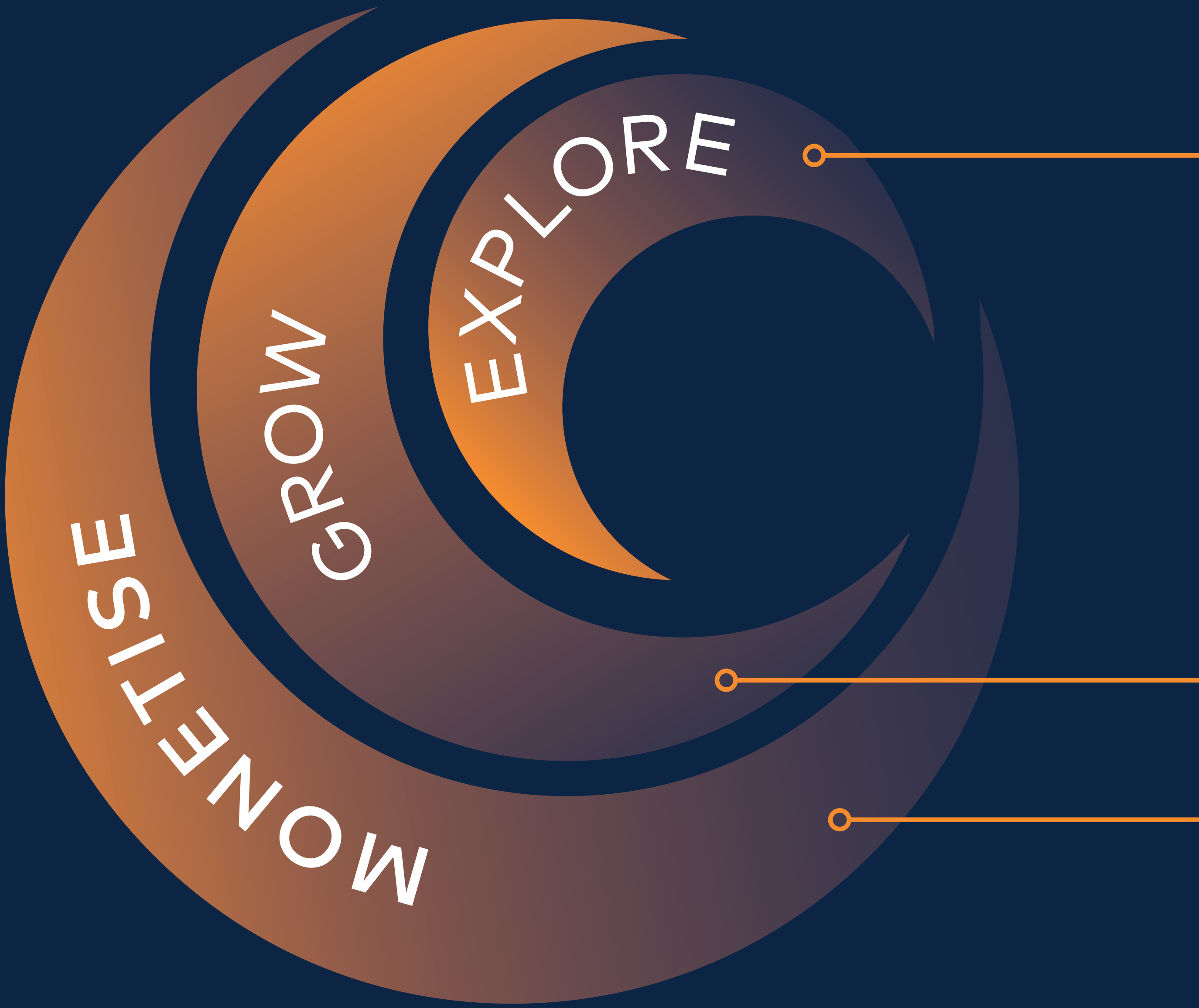
The company is in a robust financial position with a cash balance of £19.72 million as at 31 December 2017. As a company, we continue to relentlessly pursue low cost / high quality asset entry, technical development and industry partnerships which maximise shareholder exposure to exploration upside while mitigating downside risk. 2017 has been a year of transformation for your company and 2018 is the year in which these efforts begin to bear fruit via success with the drill bit.

2017 saw a number of changes at board and executive management level and we would like to welcome those who have joined the relaunched company in 2017 as we look forward to building a mid-cap South and Central American gas company together. We would also like to thank our shareholders for their continuing support and the host governments and partner companies for helping to facilitate the rapid and exciting growth of the company. Value creation for all of our shareholders is a core focus of everything that we do. We remain committed to fair treatment of retail shareholders and we look forward to welcoming a number of you to our Argentinian site visit in June 2018.

JAMES PARSONS
NON-EXECUTIVE CHAIRMAN

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

BUSINESS MODEL



HOW WE CREATE VALUE

Echo Energy was born from a vision of building a gas focused business with high quality exploration opportunities, in politically stable jurisdictions that benefit from existing infrastructure, fiscally attractive regimes and strong local commodity prices. This led the company to Latin America where it is now a young full cycle E&P company with a strong growth ambition. We have a gas leaning exploration and development agenda and operate in proven hydrocarbon basins that benefit from existing infrastructure that enables the company to create value through an active operational programme whilst at the same time continuing to build the business through further acquisitions. The exploration bias means that the company seeks high-impact transformational opportunities, yet we operate in a cost-conscious manner, ensuring that we are suitably financed through a mix of diverse funding options and portfolio management. We will develop selective projects, maximise the production over the life of fields, and monetise smartly at all points of the cycle.

EXPLORE

WE ARE COMMITTED TO REALISING VALUE THROUGH A CAREFULLY SELECTED EXPLORATION AND APPRAISAL DRILLING CAMPAIGN THAT WILL PROVIDE THE OPPORTUNITY TO SIGNIFICANTLY INCREASE OUR RESERVE AND RESOURCE BASE. BY CAPTURING HIGH-QUALITY EXPLORATION ACREAGE, GENERATING HIGH-GRADE PROSPECTS, WITHIN OUR EXISTING PORTFOLIO AND NEWLY ACQUIRED ACREAGE, AND ACTIVELY EXPLORING, WE WILL SEEK TO CREATE VALUE THROUGH THE DRILL BIT.

GROW

A SOLID ASSET BASE WITHIN THE PORTFOLIO CONTAINING MULTIPLE, ALREADY IDENTIFIED, HIGH-IMPACT PROSPECTS. THE COMPANY WILL LOOK TO GROW THE BUSINESS THROUGH SAFELY DEVELOPING SELECTED DISCOVERIES AND MAXIMISING PRODUCTION OVER THE LIFE OF THE FIELDS. WE HAVE DEMONSTRATED OUR ORIGINATION AND DEAL-MAKING CAPABILITY AND WILL CONTINUE TO SEEK NEW CORPORATE AND ASSET ACQUISITION OPPORTUNITIES WHICH FIT WITH OUR HIGH-IMPACT STRATEGY.

MONETISE

THE VALUE OF THE ASSET BASE CAN BE MAXIMISED BY MONETISING SMARTLY AND EFFICIENTLY AT ANY POINT IN THE EXPLORATION, DEVELOPMENT AND PRODUCTION CYCLE. FINDING THE RIGHT TIME AND METHOD OF MONETISING OUR DISCOVERED RESOURCE IS KEY TO CREATING LONG-TERM VALUE AND WE WILL APPLY OUR PROVEN DEAL-MAKING SKILLS TO MONETISE EITHER AT THE ASSET OR CORPORATE LEVEL.

KEY RESOURCES

- Highly experienced team with indisputable track record
- Strong balance sheet
- Portfolio of licences in Latin America
- Leading regional partners
- Cornerstone investor

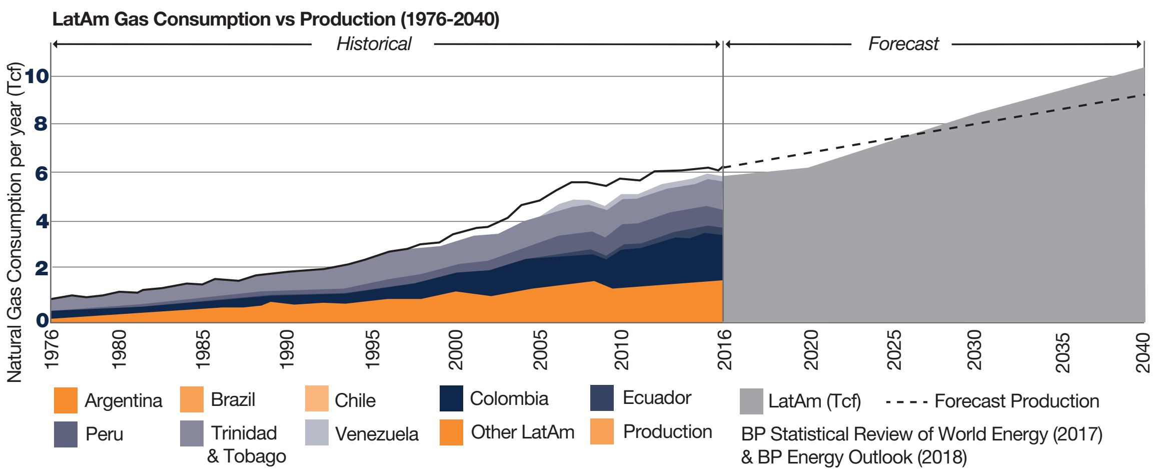
LATAM NATURAL GAS MARKETS

Echo Energy believes Latin America offers an advantageous market for the company's gas exploration strategy. General macro conditions throughout the region are favourable, and the company envisages these will continue to improve over time.

DEMAND INCREASE

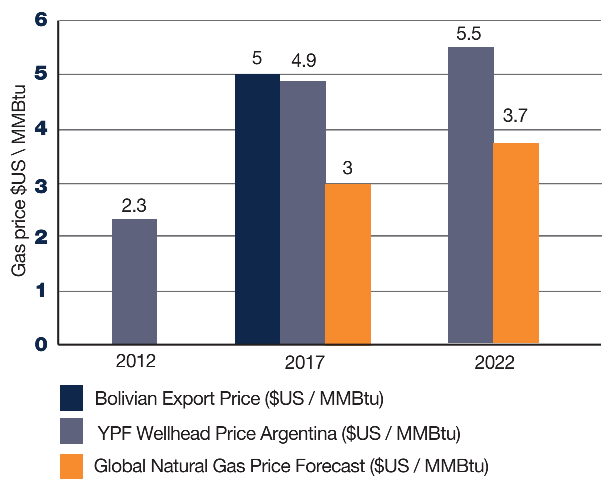
Latin America has seen a continuous increase in natural gas demand and in the last ten years consumption has increased by 27% to 6.1 Tcf in 2016 (2.4% per annum 2006-2016). In the same period, natural gas production within the region has seen only a 15% increase to 6.3 Tcf in 2016 (1.4% per annum 2006–2016). [*1]

The future of natural gas in the region is set to show a similar trend, with consumption predicted to increase by 77% by 2040 (1.7% per annum 2016-2040), whilst production is set to increase by 49% by 2040 (1.2% per annum 2016-2040). [*2]



NATURAL GAS PRICING

- Yacimentos Petrolifeos Fiscales ("YPF") wellhead gas prices in Argentina have shown a historical increase over the past five years (113%) to $US 4.9 per MMBtu. [*3]
- Notably, wellhead gas prices in Argentina are 63% higher than global natural gas prices. [*3 *4]
- This increased local natural gas price is driven by a supply-demand imbalance.
- Increasing demand has led to the Argentine Government offering incentives of $US 4.5 – 7.5 per MMBtu for unconventional gas.
- Local pricing is being driven up by the cost of importing LNG.



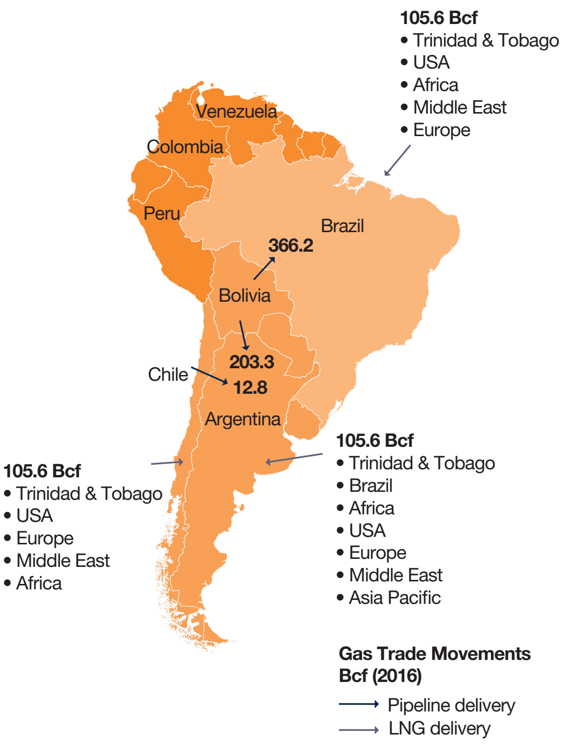
THE NATURAL GAS MARKET

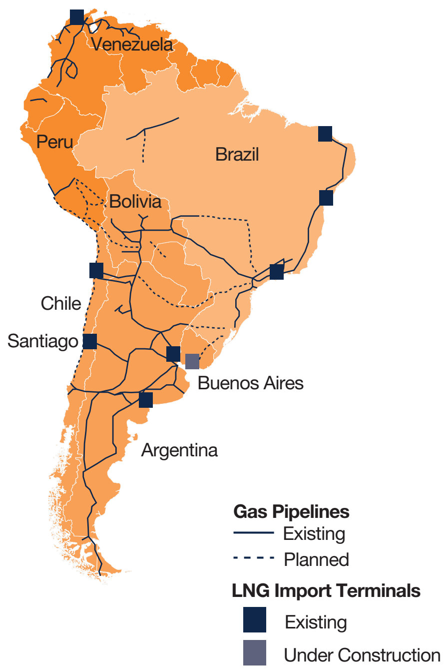
PIPELINE IMPORTS/EXPORTS

- Over 10,000 km of cross-border natural gas pipelines exist across Latin America with an export capacity of 1.9 Tcf. This network of pipelines currently works at 30.6% capacity. [*5*1]
- Bolivia is the primary pipeline exporter within LatAm, delivering 569.4 Bcf per/year to Brazil and Argentina. In 2016 Bolivian exports comprised 82% of all gas produced within the country.[*1]
- Bolivia has agreed to increase its natural gas exports to Argentina to 0.98 Bcf per day by 2021.

LNG IMPORTS/EXPORTS

- Argentina, Brazil and Chile all rely on LNG imports to meet their natural gas demand. This reliance on gas has driven the need for LNG imports from all corners of the globe. [*1]
- Eight LNG import terminals exist across the region with a total import capacity of 1.3 Tcf per year, and additional terminals are planned to meet an ever-growing natural gas demand. [*6]
- Since 2009, Argentina has been a net importer of natural gas, with imports comprising 22.9% of consumption. [*1]
- In Argentina, expensive LNG (US $10.4 per MMBtu[*6]) makes up 46.2% of gas imports. [*1]





[*1] - BP Statistical Review of World Energy (2017)

[*2] - BP Energy Outlook (2018)

[*3] - YPF Investor Day (2017)

[*4] - World Bank Commodities (2017)

[*5] - Oxford Institute of Energy Studies (2016)

[*6] - IGU World LNG Report (2017)

STRATEGY AND KPIs

The Key Performance Indicators ("KPIs") are how we measure the performance of our board of directors, executive team and staff against the strategic objectives of the business.

Following the relaunch of the business as Echo Energy in March 2017, these objectives are broadly categorised into four areas as detailed below:

Executive Team Restructuring
Balance Sheet Restructuring
Asset Rationalisation
New Business

It is clear that the board and executive team have delivered against these metrics as is evidenced by the fact that Echo ended the year with a new executive team that has secured a transformation deal in Argentina with Compañía General de Combustibles S.A. and benefit from a strong balance sheet consisting of £19.7 million of cash at year end.

2017 KPI	MEASURE	PERFORMANCE
1. EXECUTIVE TEAM RESTRUCTURING		
Hire a new executive team	Recruit key team members required to execute the strategic objectives.	Fiona MacAulay was hired as CEO on 12 June 2017 and at the same time Julian Bessa was hired as VP Exploration. Will Holland was hired as CFO on 27 June 2017.
2. BALANCE SHEET RESTRUCTURING		
Capitalise the business	Raise sufficient funds to acquire and explore a LatAm asset base.	Approximately £25.5 million was raised via a combination of equity and bonds.
3. ASSET RATIONALISATION		
Divest legacy assets	Divest Egyptian asset.	Independent Resources Egypt was disposed during the period.
	Liquidate Italian assets.	Italian companies Independent Gas Management SRL and Rivara Gas Storage SRL were put into liquidation.
	Exit Tunisia.	The Tunisia licence expired on 7 August 2017.
4. NEW BUSINESS		
Secure transformational new assets	Secure position in Bolivia.	Signed JEA with Pluspetrol for 80% operated interest in Huayco Block. Signed TEA with Pluspetrol to evaluate the Rio Salado Block.
	Acquire substantial asset position in Argentina.	Secured a 50% interest in four licences covering 11,153km^2 in the Austral Basin with existing production, underutilised infrastructure and multi-Tcf exploration potential.

2018 KPIs

The 2018 performance of the business and its staff will be measured across both financial and operational functions and is captured in a corporate scorecard. The scorecard is made up of various KPIs and is tracked throughout the year. The board and executives performance is judged on the delivery of the desired outcomes and a summary of these targets is listed below:

- Deliver a successful exploration and appraisal programme on the Eastern Austral assets;
- Identify high-grade prospects and schedule Tapi Aike drilling programme;
- Rationalise Bolivia opportunities;
- Diversify asset base with further asset or corporate acquisitions to build on the existing Argentinian position;
- Fund the subsequent development of the Eastern Austral assets, new business ventures and continue exploration programme; and
- Explore opportunities to monetise assets following success.

General corporate and operational objectives include HSE, cost control, staff diversity, sustainability and investor support.

KEY PARTNERS

ECHO PARTNERSHIPS

BOLIVIA

PLUSPETROL

Pluspetrol is a leading private, independent, international company with over 35 years of experience in the exploration and production of oil and gas. Present in Angola, Argentina, Bolivia, Colombia, United States, Netherlands, Peru, Uruguay and Venezuela, Pluspetrol promotes responsible energy development and fosters activities at an international level.

Echo is involved with Pluspetrol by means of an ongoing Joint Evaluation Agreement ("JEA") for the Huayco block and a Technical Evaluation Agreement ("TEA") on the Rio Salado block. Both blocks exist within the prolific Tarija Basin of the southern Bolivian Sub-Andean. Subject to usual regulatory approvals, Echo will take an 80% operated position (Pluspetrol currently holds a 100% operated position). Whilst Echo will pay 100% of the first well (and 80% of the wells thereafter), the evaluation agreement only commits Echo to fund the agreed technical studies and as such, no back costs or consideration is payable.

YACIMIENTOS PETROLIFEROS FISCALES BOLIVIANOS ("YPFB")

YPFB is the state-owned oil and gas company of Bolivia. Founded in 1936, it is one of the longest standing energy companies in the country and is a key acreage holder in the Tarija Basin. Echo is participating in the Rio Salado Technical Evaluation Agreement ("TEA") with YPFB and Pluspetrol.

ARGENTINA

COMPAÑIA GENERAL DE COMBUSTIBLES S.A. (CGC)

In January 2018, Echo completed the acquisition of 50% interest in each of the Fracción C, Fracción D and Laguna De Los Capones concessions and in the Tapi Aike exploration permit. The remaining 50% interest in each of the blocks is held by CGC, which acts as the licence operator.

CGC is an independent energy company operating in Argentina that engages in the exploration, development and production of hydrocarbons, including natural gas, crude oil and, to a lesser extent, upstream liquid natural gas. CGC has a portfolio of 40 oil and gas fields in Argentina, with substantially all of the exploration and production activities focused onshore across the Austral Basin in the province of Santa Cruz in the southern part of the country.

Founded in 1920 as a fuel oil and diesel transportation and commercialisation company, CGC holds direct interests in and operates approximately 23 oil and gas fields across eight areas in the Austral Basin. In addition, CGC holds direct and indirect interests in a further 17 oil and gas fields in five additional areas in the Neuquina, Noroeste and Golfo de San Jorge basins in Argentina. CGC's licence areas in Argentina cover an aggregate of a gross 24,888km^2 (net area of 20,882km^2), with CGC's licence areas in Santa Cruz I Oeste in the Austral Basin comprising the majority of CGC's production and reserves and constituting its core areas of activity and ongoing focus.

In addition to CGC's upstream business, CGC has interests in a network of pipelines in northern and central Argentina, with stakes in the Transportadora de Gas del Norte ("TGN"), which is the largest natural gas pipeline system in the country in terms of capacity according to the Argentinian national regulator of gas ("ENARGAS"), Gasoducto GasAndes ("GasAndes") and Transportadora de Gas del Mercosur ("TGM") pipeline systems.

CGC's controlling shareholder, Latin Exploration S.L.U., is beneficially owned by the Southern Cone Foundation, which also controls the conglomerate known as Corporación América. Corporación América has interests in airport, agribusiness, energy, infrastructure, services and technology companies in ten countries and had revenues of approximately US$1.4 billion and a workforce of approximately 12,300.

RESERVES AND RESOURCES

AS PART OF THE DEAL TO ACQUIRE THE ASSETS IN ARGENTINA, ECHO WILL, FROM 1 JANUARY 2018, HAVE PRODUCTION AND RESERVES.

As part of the readmission document dated on 15 December 2017 the company published the Competent Persons Report ("CPR") prepared by Gaffney, Cline & Associates. The CPR followed the requirements of the "AIM Note for Mining and Oil & Gas Companies" dated June 2009 and the report represents an independent assessment of the Reserves, Contingent Resources and Prospective Resources.

The petroleum reserves and resources in the CPR are classified in accordance with the 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System ("PRMS").

The CPR was performed as at an effective date of 31 August 2017. Therefore, the Reserves have been adjusted to account for the production from the period September-December 2017, to provide the status as at 31 December 2017. The data used for the correction is the mandatory published production data from the Ministerio de Energía y Minería ("MINEM") of Argentina ("Ministry of Energy and Mining").

AAPG: American Association of Petroleum Geologists

SPE: Society of Petroleum Engineers

SPEE: Society of Petroleum Evaluation Engineers

WPC: World Petroleum Council

PROSPECTIVE GAS INITIALLY IN PLACE (GROSS)

25.3 TCFE

(HIGH CASE, AGGREGATED)

PRODUCTION NET

5.5 MMSCFE/D

(DECEMBER 2017)

2P + 2C RESERVES AND RESOURCES (NET)

38.5 BCFE

(MID CASE)

NET CONTINGENT RESOURCES AND PROSPECTIVE RESOURCES

(AS AT 31 DECEMBER 2017 (MEASURED BEFORE ROYALTIES)

Reserves (Oil and Gas)

Licence	BCFE		MMBOE	
	Proved + Probable	Proved + Probable + Possible	Proved + Probable	Proved + Probable + Possible
Fracción C	19.6	21.0	3.5	7.1
Fracción D	0.7	0.7	0.1	0.3
Total	20.3	21.7	3.6	3.9

Contingent Resources (Oil and Gas)

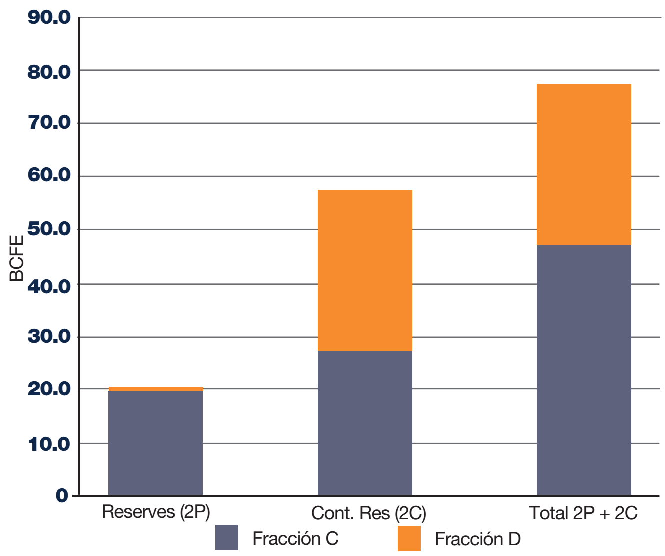
Licence	BCFE		MMBOE	
	2C (Best)	3C (High)	2C (Best)	3C (High)
Fracción C	26.7	52.4	4.8	9.3
Fracción D	30.0	75.3	5.3	13.4
Total	56.7	127.7	10.1	22.7

Prospective Resources (Oil and Gas)

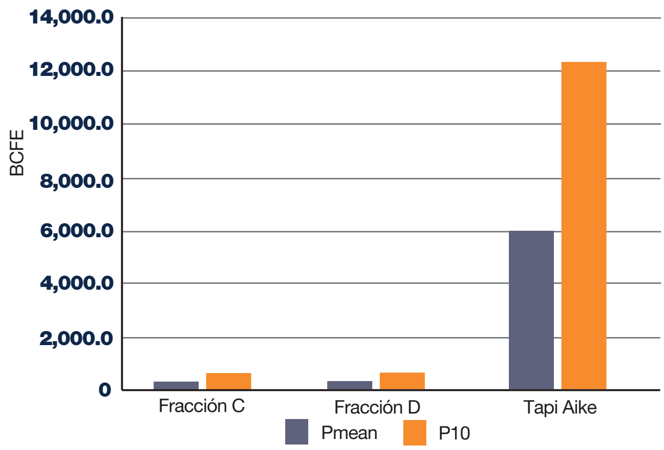
Licence	BCFE		MMBOE	
	Pmean	P10	Pmean	P10
Fracción C	319.4	635.1	56.9	113.1
Fracción D	98.4	204.2	17.5	36.4
Tapi Aike	6,054.1	12,437.1	1,078.4	2,215.4
Total	6,471.9	13,276.3	1,152.9	2,364.9

P50 RESOURCE OVERVIEW

NET RESERVES AND CONTINGENT RESOURCES (2P + 2C)



NET PROSPECTIVE RESOURCES



OPERATIONAL REVIEW

GEOFF PROBERT
CHIEF OPERATING OFFICER

DR JULIAN BESSA
VP OF EXPLORATION

WITH ECHO ENERGY PLC REFOCUSING ON LATIN AMERICAN ("LATAM") GAS IN 2017, OPERATIONS CONCENTRATED ON IDENTIFYING, ACQUIRING AND WORKING GREAT OPPORTUNITIES TO KICK-START OUR PORTFOLIO ACROSS THE REGION.

BUILDING THE LATAM PORTFOLIO

Our market entry into LatAm was announced in June with the signing of a binding joint evaluation agreement with Pluspetrol Bolivia Corporation, positioning the company with an opportunity to secure an 80% operated interest in the Huayco block in southern Bolivia. The 75 km^2 block lies within the exciting Tarija Basin and benefits from full 3D seismic coverage. Importantly, prospects in this basin typically have significant Tcf gas potential and are located in close proximity to existing pipeline infrastructure, enabling discoveries to be rapidly connected to high value gas value markets in Brazil and Argentina, and benefiting from the premium pricing secured by the Bolivian state-owned company YPFB ("Yacimientos Petrolíferos Fiscales Bolivianos") in their long-term supply agreements.

Quick on the heels of this, the company signed a second agreement in Bolivia with YPFB and Pluspetrol. This Technical Evaluation Agreement covers the block surrounding Huayco, Rio Salado, and contains an extension of a structure previously identified by the company. On successful completion of the 12-month technical evaluation, the companies will have the opportunity to negotiate a commercial agreement with YPFB defining a work programme, likely including the drilling of an exploration well.

Throughout 2017, company geoscientists have been working to evaluate the exploration potential of these areas in Bolivia. In September, following a competitive tender process between eight companies, the contract for reprocessing the existing 3D seismic across the Huayco/ Rio Salado was awarded to DMT Petrologic. This processing house has extensive experience in the reprocessing of vintage seismic data from thrust belt areas. The scope of work is expected to be completed during Q1 2018.

In support of our growing presence in LatAm, we have made significant progress building a legal and administrative platform for the region. In October 2017 we announced the appointment of Andres Brockmann as regional representative. Mr Brockmann joined us from Petrobras where he previously held a number of senior positions, and is also a director of the Bolivian Chamber of Hydrocarbons and Energy, where he represents the company's interests.

In parallel with our announced progress in Bolivia, the company was very active building its portfolio. We were very pleased to announce on 1 November a binding farm-in agreement with Compañía General de Combustibles S.A. ("CGC"), a privately-owned subsidiary of the Argentinian conglomerate Corporación América International, for the acquisition by Echo of a 50% interest in each of the Fracción C, Fracción D, Laguna de los Capones and Tapi Aike licences, onshore Argentina. The transaction successfully closed on 3 January 2018.

The Company position in Argentina following the transaction comprises:

- Access to transformational multi-Tcf exploration potential on the Tapi Aike licence.
- Extensive exploration and appraisal potential across the Fracción C, Laguna De Los Capones ("LLC"), and Fracción D licences.
- Existing gross production of a total of approximately 11.2 MMscfe/d (5.6 MMscfe/d net to the company, pre-royalty) on Fracción C and Fracción D with the potential to significantly increase current gross production to over 80 MMscfe/d over a five-year period.
- Technical subsurface operatorship of the Fracción C and D licences with first activity (three workovers on Fracción D) starting in Q1 2018 and four exploration wells on Fracción C to start in Q2 2018.
- All discoveries across these licences are expected to be brought on stream rapidly and with low incremental costs due to the proximity to existing infrastructure.

The Tapi Aike licence, one of the largest recent block awards in Argentina (5,187 km^2), benefits from 3,400 kilometres of existing 2D seismic and three existing gas discoveries, and provides high impact exploration potential to the company. The work programme comprises reprocessing of selected existing 2D and 3D seismic, acquisition of 1,200 km^2 of 3D seismic and the drilling of four exploration wells. A Competent Person's Report (undertaken by Gaffney Cline Associates) has identified 41 leads over at least three independent plays. The range of prospective resources in Tapi Aike underlies its great potential and the highly prospective value of this block. The high case recoverable volume (unrisked) is 6.2 Tcf, with our expectation case (unrisked) being 3.2 Tcf.

Fracción C, LLC, and Fracción D licences provide production and lower risk exploration.

Fracción C (including LLC) is a 5,288 km^2 area and includes three existing production facilities and a gas export pipeline connecting directly to the main Buenos Aires evacuation pipeline. The licence area benefits from 1,192 km^2 of 3D seismic in addition to extensive 2D seismic coverage and existing gross production.

Fracción D is a 280 km^2 licence with existing production facilities and a low initial level of production. The company has identified significant development, appraisal and exploration potential within the field. The area has a proven gas cap already penetrated by a number of wells. The work programme is designed to explore, appraise and bring into production these resources utilising existing production facilities and a new 28 km pipeline to the gas metering point.

This transaction will underpin the growth of the company in 2018. The foundations set in 2017 will provide an exciting platform for value growth and news flow in the coming year.

REPOSITIONING LEGACY ASSETS

Consistent with our strategy to build a LatAm gas focused exploration business, the company confirmed in June 2017 that it had sold its legacy Egyptian assets, and ceased operational activity in Italy and Tunisia.

GEOFF PROBERT
CHIEF OPERATING OFFICER

DR JULIAN BESSA
VP OF EXPLORATION

CORPORATE AND SOCIAL RESPONSIBILITY

Echo prides itself in having a sound and robust approach to Corporate Social Responsibility ("CSR").

This preserves our reputation, helps to manage and mitigate risk and builds sustainable relationships with our stakeholders. Our CSR policy dictates that we act as a responsible explorer and producer of oil and gas at all times, and that our operations are carried out to the highest international standards. With our Code of Conduct, we have a clear set of guidelines on how we expect our people to behave in support of CSR, and our values form the foundation for everything we do.

Excellent stakeholder engagement is core with all stakeholders, including governments, local communities and employees. It is important to us to respect our hosts and the environment in which we operate.

LOCAL ENVIRONMENT

Echo Energy plc is proud to be working with the charity Children of Latin America which is a UK-based charity dedicated to improving the lives of children in some of the poorest countries in Latin America. We are currently in the process of identifying specific projects to participate in but have already attended various fundraising events.

DIVERSITY AND INCLUSION

We continue to embrace a culture of inclusivity and are committed to recognising that all our employees have different needs and aspirations. We are an equal opportunities employer and have a stated policy as part of our Code of Conduct to deal fairly and equitably with all of our employees in the workplace. We remain dedicated to encouraging inclusion and diversity at all levels of the business, acknowledging that a more diverse workforce, with the right mix of skills, experience, culture, ethnicity, nationality, gender and knowledge, can make a valuable contribution to the company. We have a commitment to extend equal employment opportunities to all, irrespective of race, colour, gender, sexual orientation, religion or belief, age, nationality, ethnicity, marital or civil partnership status, pregnancy and maternity, or disability. As at 31 December 2017 the company has one female director, representing 25% of the board and throughout the company, women represent over 40% of our workforce, making us a leading E&P equality employer, having a diverse workforce where decades old practises are challenged.

Children of Latin America

"As a corporate citizen operating across LatAm and in the UK, we have responsibility for conducting a business that brings positive impact, drives progress and respects the resources on which our future depends."

SARAH DEES
CSR OFFICER

25%

FEMALE BOARD DIVERSITY

OVER

40%

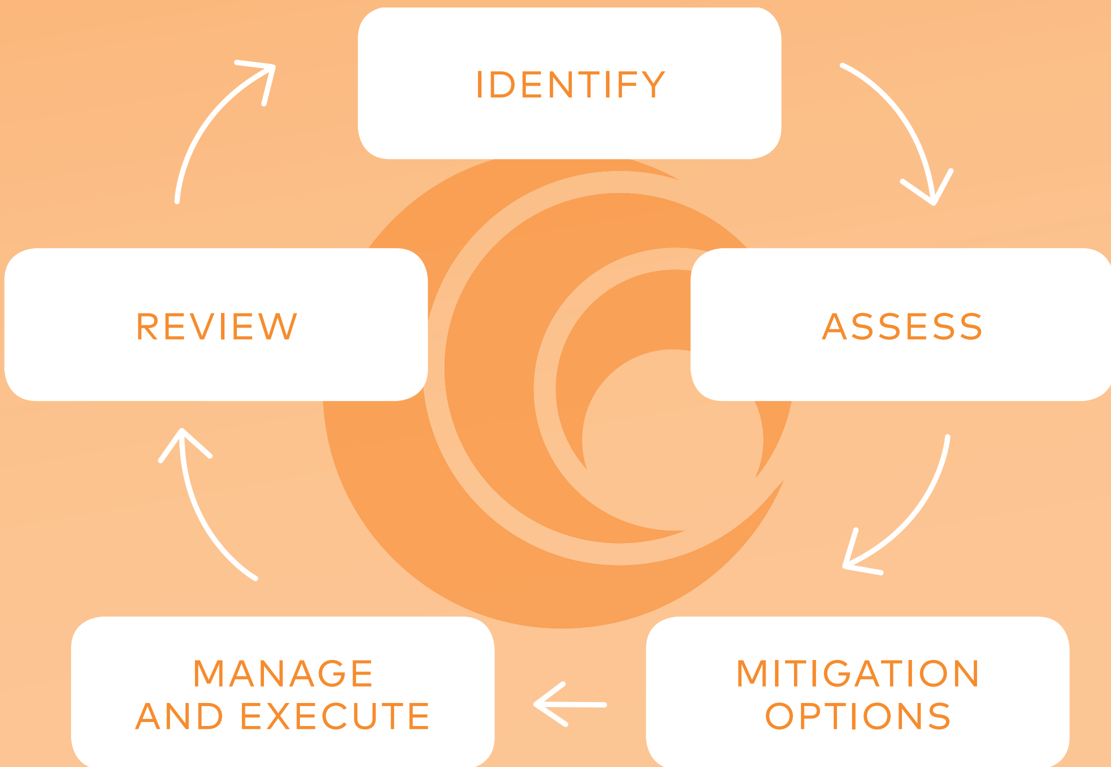
FEMALE WORKFORCE

MANAGING OUR RISKS

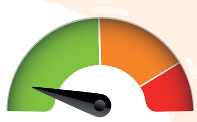
The substantial transformation of Echo Energy over the last 12 months has provided the company with new producing assets and an active exploration programme in Argentina, as well as in Bolivia. To assist senior management in delivering the value from these new assets to the shareholders, Echo has expanded its risk management system to cope with the new challenges.

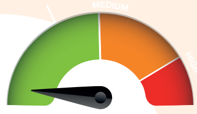
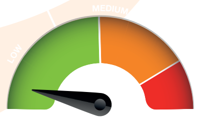
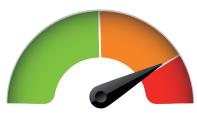
The new system provides for an active risk management process with five sequences to support the process.

The company has evaluated the risk picture on the back of the acquisition in Argentina and the key risks identified are summarised below, including the mitigating actions the company is taking and the assessment of the risk level.



MANAGING
OUR RISKS

RISK	DESCRIPTION	MITIGATIONS	ASSESSMENT OF RISK LEVEL
OPERATIONAL RISK			
Operational incidents	These operations carry risks of health, safety and environment incidents. Operations are not executed as planned resulting in cost overruns. Litigation exposure. Reputational damage.	Ensuring staff are competent and appropriately trained. High HSE ethic with plans and procedures in place to deliver the operation with maximum safety. Appropriate insurance.	
Unsuccessful workovers and exploration wells	Commercial volumes of hydrocarbons are not encountered during workovers and exploration drilling.	Designing and approving the well locations based on proper analysis of the available data. Carry out peer reviews of all operations with partners. Implementation of a gating process to ensure technical, financial, and where necessary board approvals are acquired.	
Reservoir risk	Reservoirs do not perform as expected and do not provide an adequate return on investment.	Monitor all current and future production carefully tracking against plan. Establish new sources of production through exploration drilling to diversify risk.	
STRATEGIC RISK			
Political instability	Fiscal and political pressure in either the UK and Latin America could result in changes to the fiscal and political landscape, delaying projects and changing the potential value associated with the assets. Argentina and Bolivia have a history of expropriation.	Work with our local partners to manage any situation that may arise and build strong relationships with governments and local authorities. Assess the political climate on a regular basis to ensure the best possible awareness when making investment decisions.	
Breach of Bribery Act	The company, its contractors or partners, breach the UK Bribery Act leading to prosecution and reputational damage.	Maintain an Anti-Bribery policy and ensure that all staff are suitably trained. All vendors and contractors are aware of the policy and compliance with it is factored into contracts.	
Macroeconomic uncertainty	Relates to the movement in macroeconomic parameters e.g. FX prices, interest rates and inflation.	Management of the company's cash position and FX exposure. Treasury policy developed with CGC for the treatment of JV cash in Argentina.	

RISK	DESCRIPTION	MITIGATIONS	ASSESSMENT OF RISK LEVEL
STRATEGIC RISK			
Loss of key personnel	Can happen through resignation, illness, injury or death. Valuable knowledge and relationships could be lost. Can result in a lack of leadership and direction.	Travel policy in place to ensure safe business travel activity. Knowledge sharing across disciplines to minimise the loss of knowledge. Adequate remuneration to ensure staff retention.	
Portfolio diversification	Echo is exposed to only one main set of assets located in one jurisdiction.	Activities to evaluate new opportunities in Latin America to secure additional assets.	
Argentina company registration	The Argentinian Government does not award final recognition of Echo as an oil and gas producer. This will prevent Echo from transferring title of the assets acquired.	All technical and commercial criteria have already been met. Through our local lawyers and partners establish a strong relationship with the appropriate approving authorities.	
FINANCIAL RISK			
Insufficient funding	There are insufficient funds for the company to meet its financial obligations or carry out new capital investment opportunities. Echo is dependent on the availability of external finance to fund the development of new discoveries. Cost overruns on the exploration work programme and/or delay in payments from sales of existing hydrocarbon production.	Raise equity following exploration success to take advantage of share price strength. Fund the development programme through mezzanine debt financing. Control finances through annual budgeting and variance analysis. Delay capex and other discretionary spending.	

FINANCIAL REVIEW

WILL HOLLAND
CHIEF FINANCIAL OFFICER

THE RECAPITALISED BALANCE SHEET HAS ENABLED ECHO TO SECURE A MATERIAL POSITION ACROSS LATAM AND ENGAGE ON AN OPERATIONALLY ACTIVE PROGRAMME.

SUMMARY

In a year that saw significant change for the company the activities of Echo can be broadly categorised into two activities that occurred sequentially during the year. The first was to capitalise the business and hire the key executive team members required to execute on the Latin America gas strategy. This commenced immediately following the relaunch of the company on 6 March 2017 and was completed by the end of the first half of the year. With the core team in place and £25.5 million of available cash it was immediately followed by the second activity which was to originate and secure a material deal that could deliver multiple value drivers through an active exploration and development programme. Echo ended the year having secured a transformation deal in Argentina with Compañía General de Combustibles S.A. ("CGC") and a strong balance sheet consisting of £19.7 million of cash, sufficient to complete the first phase of the exploration and appraisal programme.

INCOME STATEMENT

The group statement of comprehensive income shows a net loss of £7.4 million for the period ended 31 December 2017, primarily consisting of:

- £5.3 million administrative expense reflects the group's activity in growing the LatAm business and building the team, which included:
  - £2.0 million for staff costs, of which £0.7 million is for share-based payments, a non-cash item;
  - £1.2 million in non-recurring professional and technical fees relating to restructuring the group;
  - £0.8 million in additional fees for project-specific costs.

The pre-licence status of the Bolivian assets and the status of the Argentinian acquisition at the end of the year meant that no general and administrative costs were capitalised in the period.

In Tunisia, the license expired on 7 August 2017 and has been fully impaired at £0.5 million.

The financing expenses of £1.7 million resulted from:

- £0.9 million cash interest expense accrued in the period for debt financing;
- £0.5 million unwinding of the discount on the value of the bond issue;
- £0.2 million amortisation of the bond fee; and
- £0.1 million with other finance costs and the accretion of the right of use asset.

FINANCING

Following the relaunch of the company in March and through until May the company undertook a number of fundraisings consisting of the following (note that on 22 May 2017 a resolution was passed to consolidate the ordinary share capital of the company at a 1:25 ratio. The below is reported on a consolidated basis):

- £0.65 million equity subscription at 1.62 pence per share;
- £1.0 million three-year loan facility with 12% annual coupon;
- £1.45 million open offer at 1.62 pence per share
- £10 million equity subscription at 10.125 pence per share
- €20 million five-year non-amortising secured bond with 8% annual coupon; and
- £1.3 million raised over the course of the year from exercise of warrants.

BALANCE SHEET

The group ended the year with a cash balance of £19.7 million, which is sufficient to fund the first phase obligations under the farm-in agreement with CGC announced on 1 November 2017. The agreement was for the acquisition by the company of a 50% working interest in each of the Fracción C, Fracción D and Laguna de los Capones Concessions and in the Tapi Aike Exploration Permit each located in the Austral Basin of Santa Cruz province, onshore Argentina, and covering a total of 11,153km^2.

TAPI AIKE LICENCE

No upfront cash was paid but Echo agreed to carry CGC for 15% of the work programme costs during the initial three-year period. This work programme comprises reprocessing of selected existing 2D and 3D seismic, acquisition of 1,200 km^2 of 3D seismic and the drilling of four exploration wells.

FRACCIÓN C, D AND LAGUNA DE LOS CAPONES LICENCES

These licences include three existing production facilities and a gas export pipeline connecting directly to the main pipeline to Buenos Aires. The work programme is designed to explore, appraise and develop the resources utilising existing production facilities. All discoveries across these licences are expected to be brought on stream rapidly and with low incremental costs due to the proximity to existing infrastructure.

The consideration for Fracción C, Fracción D and Laguna de los Capones was a cash payment of $2.5 million, paid upon signature of the Farm-In Agreement. The cash consideration of £1.8 million ($2.5 million) is included in intangible assets on the balance sheet.

In addition, Echo will meet CGC 's 50% working interest of an agreed initial work programme which will include, reprocessing and analysis of existing 3D seismic in the Laguna de los Capones licence, acquisition of c.500 km^2 on the Fracción C licence and the drilling and testing of four exploration wells on the Fracción C licence and their completion as producing wells following a success case. Workover of three wells on the Fracción D licence and the drilling, testing and completion of one new well in Fracción D contingent on satisfactory results arising from the workovers. Acquisition of c.230 km^2 of 3D seismic in the Fracción D licence subject to satisfactory results arising from the workovers / contingent development well. This seismic requirement may be transferred to the Fracción C licence. A deferred cash payment of US$2.5 million on completion of the initial term work programme is payable.

FINANCIAL REVIEW

After the completion of the initial term work programme, the company has the option to progress to the second term on the licences for which a provisional work programme has been envisaged, including expanding the total seismic acquisition across the blocks (including that acquired in first term) to 2,000 km^2 and drilling a further eight exploration wells across the licences. On election by the company to progress to the second term, the total carry of CGC's interests by Echo (including all expenditure in the initial term) would be capped at a total of US$35 million and during the term a second deferred payment of US$5 million would be payable which may at the election of the company be deferred to development costs.

By the size of the transaction, the deal constituted a reverse takeover under Rule 14 of the AIM Rules for Companies. The company's ordinary shares were suspended from trading on AIM on 30 October 2017 and recommenced trading on 18 December after the publication of an admissions document. At a General Meeting of the company on 3 January 2018 the shareholders approved the acquisition, and dealings in the Enlarged Share Capital, as enlarged by the issue of the Placing Shares, recommenced on AIM on 4 January 2018. Concurrently with the approval of the acquisition, the company has raised a further £6.4 million at 17.5 pence per share. These funds were received post the balance sheet date as transaction did not complete until 2018.

LEGACY ASSETS

Following the shift in strategic focus, the Italian and Egyptian activities have been classified as discontinued operations. The Italian companies Independent Gas Management SRL and Rivara Gas Storage SRL were put into liquidation in 2017.

The Joint Venture with Independent Resources Egypt was sold to Nostra Terra Oil & Gas plc.

With the exception of a non-material amount of current assets, all of the assets relating to the Mediterranean operations have now been fully impaired and removed from the balance sheet. The sale of Independent Resources Egypt was for a total consideration of US $500,000, split into three tranches:

- US $100,000 is due when the Egyptian General Petroleum Corporation approves the registration of any member of the buyer's Group as a party to the concession.
- US $200,000 is due when production from the area reaches 800 bopd for 30 consecutive days.
- US $200,000 production reaches 1,000 bopd from the area for 30 consecutive days.

The consideration is payable in either cash or shares. Due to the lack of certainty on the timing of receipt, no receivable for this consideration has been recognised in the accounts.

The payables balance at year end represents accrued costs and payables for costs incurred in support of the acquisition and readmissions process, as well as staff bonuses for 2017. In addition interest payable on the loan notes for 2019 has been reclassified from long term liabilities.

With an exciting year ahead of us involving multiple operations that could each drive significant value for the company, the balance sheet strategy going forward is to ensure that the company maintains its control on administration costs and the appropriate balance sheet decisions are made as the operations programme progresses.

GOING CONCERN

The directors have reviewed the forward cash flow projections for the group for the foreseeable future, being at least the next 12 months from the date of this report, which show that the group has sufficient financial resources to undertake its committed work programme, and thus the directors have concluded that the group is a going concern.

WILL HOLLAND
CHIEF FINANCIAL OFFICER

The Strategic Report is signed on behalf of the board by:

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

13 April 2018

CORPORATE GOVERNANCE

JAMES PARSONS
NON-EXECUTIVE CHAIRMAN

IT IS ONLY BY BEING WELL GOVERNED THAT WE EFFECTIVELY DE-RISK OUR BUSINESS AND CAPTURE VALUE IN A RAPIDLY CHANGING WORLD.

The board of directors fully endorses the importance of sound corporate governance. The company supports the principles and recommendations of the Corporate Governance Code for Small and Mid-Size Quoted Companies published by the Quoted Company Alliance (the "Code"). Whilst is it not compulsory for companies whose shares are traded on the AIM market to adhere to the Code, the board applies those principles of the Code to the extent that it considers is reasonable and practical given the size, nature and stage of development of the company.

The policies of the Code and the process and procedures for the company will be monitored on a regular basis.

MATTERS RESERVED FOR THE BOARD

The directors adopted a schedule of those matters that should be reserved for the board, which is reviewed on an annual basis. Those matters include:

- Approval of the group's strategy and objectives;
- Approval of the group budgets, including annual operating and expenditure budgets;
- Growth of activities into new business or geographical locations;
- Material changes to the group's structure and management
- Changes to the company's listing, governance and business processes.

CORPORATE GOVERNANCE

THE BOARD AND ITS COMMITTEES

The composition of the board changed completely during 2017 with the appointment of James Parsons as non-executive chairman during March 2017, at which time Marco Fumagalli and Stephen Whyte joined the board as non-executive directors and the company announced the institutional investment by Greenberry plc (since renamed Nusaken plc). Fiona MacAulay joined as chief executive officer in July 2017. The non-executive directors are independent in character and judgement and have the range of experience and calibre to bring independence on issues of strategy, performance, resources and standards of conduct which is vital to the success of the group. The roles of the non-executive chairman and chief executive officer are split in accordance with best practice. James Parsons, the non-executive chairman has the responsibility of ensuring that the board discharges its responsibilities and leads the board to achieve the strategy and objectives of the business. Fiona MacAulay, chief executive officer, drives the business and ensures the strategic objectives are delivered.

The board retains full and effective control over the company. The company holds regular scheduled board meetings, as well ad hoc ones as and when the demands of the business requires.

Individual directors may engage outside advisors at the expense of the company upon approval by the board in appropriate circumstances.

The board has established an audit committee and a remuneration and nominations committee.

AUDIT COMMITTEE

The audit committee comprises Marco Fumagalli (chairman) and Stephen Whyte. The committee generally meets three times a year.

The audit committee's main functions include:

- Monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance and reviewing significant financial reporting judgements contained in them;
- Reviewing and monitoring internal financial control systems and risk management systems on which the company is reliant;
- Considering annual and interim accounts and audit reports; and
- Making recommendations to the board in relation to the appointment and remuneration of the company's auditor and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications.

REMUNERATION AND NOMINATIONS COMMITTEE

The remuneration and nominations committee comprises James Parsons (chairman), Marco Fumagalli and Stephen Whyte, and meets regularly to consider all material elements of the remuneration policy, including directors' remuneration.

It is also responsible for board recruitment and succession planning, ensuring the right skill set for the board.

The directors' attendance at scheduled board meetings and board committees during 2017 is detailed in the table below:

Director	Board	Audit	Remuneration and Compensation
James Parsons(i) (chairman)	17	–	3
Fiona MacAulay(ii)	8	–	–
Marco Fumagalli(iii)	16	2	3
Stephen Whyte(i)	14	2	3
Owain Franks(iv)	2	–	–
W Gregory Coleman(v)	11	–	–
Grayson Nash(vi)	2	–	–
Total meetings	**19**	**2**	**3**

(i) appointed to the board on 9 March 2017
(ii) appointed to the board on 5 July 2017
(iii) appointed to the board on 28 March 2017
(iv) resigned from the board on 6 March 2017
(v) resigned from the board on 20 July 2017
(vi) resigned from the board on 14 March 2017

HEALTH AND SAFETY REVIEW

Protecting the health and safety of everyone who works on behalf of Echo Energy plc and our subsidiaries is of fundamental importance to the company.

This applies to staff, contractors and those down the supply chain. Echo Energy plc will always act responsibly and safely in our business to bring energy resources to market for the benefit of the community at large. This will not be compromised by other business priorities.

Echo is committed to conducting its business and operations in a manner that safeguards the health of employees, contractors and the public and minimises the impact of operations on the environment.

The company is committed to ensure that these objectives are achieved through:

- Providing all employees with training of a high standard and only using equipment that is certified and appropriate for its scope.
- Using only qualified contractors, who can work to the highest possible HSE standards.
- A robust and consistent Company HSE Management System that is constantly reviewed and updated to reflect lessons learned.
- Implementing and improving procedures for emergency scenarios with training and drills regularly carried out so that all personnel are familiar with these procedures.
- Designing our operations so that health and safety hazards and environmental impacts have been fully assessed and appropriately mitigated.

HSE performance is regularly reported to the board of directors, which ensures that appropriate resources are provided to achieve these objectives in full. Where the company participates in, but does not operate joint ventures, it seeks to ensure that similar standards are adopted by its operators.

These commitments are in addition to our basic obligation to comply with applicable laws and regulations where we work.

Whilst 2017 was not an operational year for Echo, this has been an important year to embed our HSE culture prior to our significant upswing in operational activity in 2018.

THE TEAM

BOARD OF DIRECTORS

JAMES PARSONS
NON-EXECUTIVE CHAIRMAN

CEO of Sound Energy plc for the last five years and grew the company from approximately £30 million to FTSE 250 scale.

James has over 20 years experience in strategy, general management, M&A and finance across Europe, South America and Central America. James spent 12 years with Royal Dutch Shell working in Brazil, the Dominican Republic, Scandinavia, Holland and London. Specialist in restructuring, funding and growing small listed upstream companies; he is a qualified accountant.

James is also the non-executive chairman of Coro Energy plc.

MARCO FUMAGALLI
NON-EXECUTIVE DIRECTOR

Marco is a founding Partner at Continental Investment Partners SA, a Swiss based investment firm, and leading shareholder in Nusakan Plc (formerly Greenberry plc), cornerstone shareholder in Echo Energy. Previously a group Partner at 3i; Marco is a qualified accountant.

STEPHEN WHYTE
NON-EXECUTIVE DIRECTOR

Stephen Whyte has over 25 years' experience in the oil and gas industry.

He was chief operating officer and executive director for Exploration and Production at Galp Energia until 2014 and Senior Vice President, Commercial at BG Group. He had previously spent a total of 14 years with Shell and six years with Clyde Petroleum.

Stephen was formerly Shell Country Chairman in Brazil and speaks Portuguese. Stephen is also chairman of Genel Energy plc.

EXECUTIVE TEAM

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

Fiona has over 30 years of experience in the oil and gas industry, including executive roles of chief operating officer and technical director at Rockhopper Exploration plc.

Fiona, a Chartered Geologist, started her career with Mobil North Sea Limited in 1985 and has subsequently held key roles in a number of leading oil and gas firms across large mid and small cap E&Ps including BG and Hess.

She is European President of the American Association of Petroleum Geologists.

WILL HOLLAND
CHIEF FINANCIAL OFFICER

A proven financier with extensive operational experience spanning more than 20 years in the upstream industry.

Originally from a technical background, Will has spent the majority of his career in commercial, financial and M&A roles and has significant experience in corporate acquisitions, setting up and growing small cap E&P companies. Will has an engineering degree from Warwick University and an MBA from Heriot Watt University.

Throughout his career Will has worked deals across Latin America.

GEOFF PROBERT
CHIEF OPERATING OFFICER

Geoff Probert brings over 30 years of operational experience with an upstream career incorporating senior and executive roles around the globe with Shell, BHP Billiton and most recently as North Africa managing director for Petroceltic. Geoff is a recognised expert in exploration drilling, field appraisal, field development and field rehabilitation operations and brings with him a wealth of experience in asset monetisation. Geoff has a degree in Chemical Engineering and a Masters degree in Petroleum Engineering from Heriot Watt University.

DR JULIAN BESSA
VP OF EXPLORATION

A geologist with over 20 years exploration experience across LatAm, including at BG where he spent time as Bolivian Exploration Manager and VP Exploration Brazil.

Additionally, Julian has managed significant exploration programmes offshore Uruguay and Honduras.

Julian (our Doctor of the Rocks) has a D.Phil from the University of Oxford and an MBA from the Rotterdam School of Management.

DIRECTORS' REMUNERATION REPORT

During 2017 the company was refinanced, embarked on a new strategy and built a new board of directors and executive team. The company remains in the early stages of its new phase of development and together with this is building an executive and wider teams within the business to pursue its strategy.

The remuneration committee, which consists of the non-executive chairman and two non-executive directors, along with the board as a whole is committed to attracting and retaining talent within the boardroom and the wider executive group to ensure the success of the company.

As the business continues to grow and the board and executive team embeds within the business, the remuneration committee will work to ensure that the policies and framework is in place to reward staff for achievements and targets met, which in turn creates value for stakeholders.

The company offers a fixed remuneration package of salary, pension and certain benefits. In addition, there is a discretionary bonus award and EMI/ share option scheme in place. As the business grows it may consider implementing a performance related LTIP for senior executives and executive directors.

The bonus and option awards are presented to the remuneration committee by the chief executive officer for approval. The bonus awards are made to individuals taking account of their own performance and the company's performance as a whole over the previous year.

Members of the executive team have their level of bonus reviewed in line with their individual scorecards that are agreed at the beginning of the financial year. The amount of bonus and options awarded is set within a pre-agreed range for each level of staff.

The chief executive officer's scorecard, bonus award and options granted are agreed by the remuneration committee.

A pension scheme is provided to all employees which, subject to certain criteria, the company contributes 5% of the individual's base salary into the scheme.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS' FEES

The fees paid to the chairman and non-executive directors are set at a level both in line with the market and to appropriately reward and retain individuals of a high calibre. The fees paid reflects the level of commitment and contribution to the company.

Fees are paid monthly in cash and are inclusive of all committee roles and responsibilities.

REMUNERATION OF DIRECTORS

	Salary (£)	2017 Cash bonus award (£)	Total 2017 (£)	Total 2016 (£)
EXECUTIVE DIRECTOR				
Fiona MacAulay[i]	168,962	201,250	**370,212**	–
W Gregory Coleman[ii]	160,000	–	**160,000**	
Owain Franks[iii]	–	–	**–**	••
Grayson Nash[iv]	10,000	–	**10,000**	••
NON-EXECUTIVE DIRECTORS AND CHAIRMAN				
James Parsons[v]	50,590	–	**50,590**	–
Stephen Whyte[v]	30,205	–	**30,205**	–
Marco Fumagalli[vi]	27,917	–	**27,917**	–

i. Fiona MacAulay joined the company on 5 July 2017.
ii. W Gregory Coleman left the company on 20 July 2017. Severance payments of £260k were offset against the shares to be issued reserve of £190k.
iii. Owain Franks left the company on 6 March 2017. Severance payments of £132k were offset against the shares to be issued reserve.
iv. Grayson Nash left the company on 14 March 2017, with a severance pay of £10,000.
v. James Parsons and Stephen Whyte joined the company on 9 March 2017.
vi. Marco Fumagalli joined the company on 28 March 2017.

SHARE OPTION AWARDS

	Date of Grant	Exercisable Date	Acquisition price per share (pence)	Options held at 1.1.17 000's	Options held at 31.12.17 000's
Fiona MacAulay	08.12.17	12.06.20	16.12	**–**	**24,000**
James Parsons	09.03.17	09.03.20	1.625	**–**	**24,000**
Stephen Whyte	09.03.17	09.03.20	1.625	**–**	**4,000**
Marco Fumagalli	09.03.17	09.03.20	1.625	**–**	**4,000**
W Gregory Coleman	04.03.13	04.03.13	25	**8**	**8**
W Gregory Coleman	10.10.14	10.10.15	75	**105**	**105**
W Gregory Coleman	09.03.17	09.03.20	1.625	**–**	**3,000**
Owain Franks	10.10.14	10.10.15	75	**21**	**–**

WARRANTS

	Date of issue	Expiry Date	Acquisition price per share (pence)	Warrants held at 1.1.17 000's	Warrants held at 31.12.17 000's
Grayson Nash	16/11/15	18/11/17	25	**206**	**–**
W Gregory Coleman	16/11/15	18/11/17	25	**100**	**–**
Grayson Nash	20/04/17	09/03/22	3		**3,000**

This Remuneration Report was approved by a duly authorised committee of the board of directors on 13 April 2018 and signed on its behalf by:

JAMES PARSONS
CHAIRMAN

13 April 2018

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2017

The directors submit their report and accounts for the financial year ended 31 December 2017. The comparative period is the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

Echo Energy plc is the holding company for a group of companies. The company's principal long-term focus is developing as a full cycle exploration led, gas focused E&P company in Latin America. The company's growth strategy is to deliver shareholder value from both the existing asset portfolio and new opportunities.

RESULTS AND DIVIDENDS

Turnover for the year was £nil (2016: £nil), and the loss before tax was £7,439,547 (2016: £1,486,863). The directors have not declared any dividend in respect of the year ended 31 December 2017 (2016: £nil).

DIRECTORS

The directors who served during the year were as follows:

W Gregory Coleman (resigned 20 July 2017)

Owain Franks (resigned 6 March 2017)

Marco Fumagalli (appointed 28 March 2017)

Fiona MacAulay (appointed 5 July 2017)

Grayson Nash (resigned 14 March 2017)

James Parsons (appointed 9 March 2017)

Stephen Whyte (appointed 9 March 2017)

SUBSTANTIAL SHAREHOLDERS

At 13 April 2018, in addition to the directors' interest as set out in the Directors' Remuneration Report, the following institutions hold interests in excess of 3% of the company's issued share capital with voting rights:

Nusakan plc (Formerly Greenbury plc)	9.98%
Pegasus Alternative Fund Ltd	4.69%
Kairos Investment Management	3.44%

DIRECTORS' INSURANCE

The company has taken out an insurance policy to indemnify the directors and officers of the company against liability when acting for the company.

AUDITOR

Each person who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware;

  and

- the director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint the auditor Crowe Clark Whitehill LLP will be proposed at the Annual General Meeting.

DIRECTORS' SHAREHOLDINGS AND INTERESTS IN SHARES

Directors and connected persons	No of Shares at 31.12.17
James Parsons	–
Fiona MacAulay	142,766
Marco Fumagalli (Continental Investment Partners)	40,118,865
Stephen Whyte	–

SUBSEQUENT EVENTS

Events which have occurred since 31 December 2017 are included in note 25 to the attached financial statements.

GOING CONCERN

The financial information for the year to 31 December 2017 has been prepared assuming the group will continue as a going concern.

Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations.

As at 31 December 2017, the company had cash on hand of £19.7 million prior to an equity raise in early 2018.

Based on an assessment made based on the group's anticipated activities for the next 12 months from the date of authorisation of the financial statements, the directors have formed a judgement that the going concern basis should be adopted in preparing the financial statements.

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:

- assessment of financial risk.

Signed by order of the directors

F. MacAulay

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

13 April 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

JAMES PARSONS
NON-EXECUTIVE CHAIRMAN

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

MARCO FUMAGALLI
NON-EXECUTIVE DIRECTOR

STEPHEN WHYTE
NON-EXECUTIVE DIRECTOR

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. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and to disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are further responsible for ensuring that the Strategic Report and the Directors' Report and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable laws in the United Kingdom. The maintenance and integrity of the company's website is the responsibility of the directors: the work carried out by the auditor does not involve the consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

FIONA MACAULAY
CHIEF EXECUTIVE OFFICER

AUDITOR'S REPORT

OPINION

We have audited the financial statements of Echo Energy plc (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2017, which comprise:

- the group statement of comprehensive income for the year ended 31 December 2017;
- the group and parent company statements of financial position as at 31 December 2017;
- the group and parent company statements of cash flows and statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the group and parent company financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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 loss for the period then ended;
- the group's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

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 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, 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.

CONCLUSIONS RELATING TO GOING CONCERN

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

- 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 and the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

MATERIALITY

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified. Based on our professional judgement, we determined overall materiality for the group financial statements as a whole to be £250,000, which represents 1% of the group's total assets.

We use a different level of materiality ("performance materiality") to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate, performance materiality may be reduced to a lower level, such as for related party transactions and directors' remuneration. We agreed with the audit committee to report to it all identified errors in excess of £7,500. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

OVERVIEW OF THE SCOPE OF OUR AUDIT

The group and its subsidiaries are accounted for from one central operating location, the group's registered office. Our audit was conducted from the main operating location and all group companies were within the scope of our audit testing.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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 which 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Loans due in more than one year During the year the group entered into two loan arrangements, in each instance warrants were issued alongside the loan by the company. The group has classified the funds received between the debt and equity elements which requires a material judgement to determine the discount rate.	We have considered the judgement made by management in determining the discount rate used to calculate the separate components. This included: • Benchmarking of the rates used by similar companies; • Re-performance of the calculation discounting the cash flows; • Consideration of the adequacy of disclosures surrounding the judgement provided by management.
Intangible assets The group's primary focus is on exploration activities in Latin America. Exploration expenditure in the year totalled £1.9 million and relates to initial fees paid to acquire 50% working interest in the Fracción C, Fracción D and Laguna de los Capones licences area where the acquisition was not formally completed until after the year end. We have considered the risk that exploration assets are incorrectly capitalised or impaired.	We have agreed the costs capitalised to underlying supporting documentation considering whether it meets the criteria of IFRS 6. We have reviewed management's assessment which concluded that there are no facts or circumstances that suggest the carrying amount of the asset exceeds the recoverable amount. In considering this assessment we considered the following sources of evidence: • Board minutes and budgets setting out the group's plans for the continued commercial appraisal of the exploration assets. • Discussing plans and intentions with management.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our 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 Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the 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.

We have nothing to report in respect of the following matters where 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 THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the Directors' Responsibilities Statement, 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 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 the 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.

M Stallabrass

MATTHEW STALLABRASS (Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP
Statutory Auditor
London

13 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017

	Notes	Year to 31 December 2017 £	Year to 31 December 2016 Restated £
CONTINUING OPERATIONS			
Revenue		**–**	–
Cost of sales		**–**	–
GROSS PROFIT		**–**	–
Exploration expenses		**(432,486)**	–
Administrative expenses		**(5,322,458)**	(1,327,968)
OPERATING LOSS	3	**(5,754,944)**	(1,327,968)
Share of post-tax losses of equity-accounted joint venture		**–**	(137,906)
Financial income		**2,596**	144
Financial expense	5	**(1,687,199)**	(21,133)
LOSS BEFORE TAX		**(7,439,547)**	(1,486,863)
Taxation	7	**–**	–
LOSS FROM CONTINUING OPERATIONS		**(7,439,547)**	(1,486,863)
DISCONTINUED OPERATIONS			
Profit/(loss) after taxation for the year from discontinued operations	6	**25,991**	(5,767,321)
LOSS FOR THE YEAR		**(7,413,556)**	(7,254,184)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translating foreign operations		**(91,653)**	807,370
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(7,505,209)**	(6,446,814)
Loss attributable to:			
Owners of the parent		**(7,413,556)**	(7,254,184)
Total comprehensive loss attributable to:			
Owners of the parent		**(7,505,209)**	(6,446,814)
LOSS PER SHARE (PENCE)	8		
Basic		**(2.7)**	(18.6)
Diluted		**(2.7)**	(18.6)
LOSS PER SHARE (PENCE) FOR CONTINUING OPERATIONS			
Basic		**(2.7)**	(3.8)
Diluted		**(2.7)**	(3.8)

The notes on pages 47 to 71 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2017

	Notes	**31 December 2017 £**	31 December 2016 Restated £
NON-CURRENT ASSETS			
Property, plant and equipment	10	**285,145**	3,647
Other intangible assets	11	**1,885,984**	432,486
		2,171,129	436,133
CURRENT ASSETS			
Other receivables	14	**1,055,336**	235,217
Cash and cash equivalents	15	**19,719,072**	184,849
		20,774,408	420,066
Assets held for sale	6	**54,777**	86,686
		20,829,185	506,752
CURRENT LIABILITIES			
Trade and other payables	17	**(2,500,372)**	(417,801)
Liabilities directly associated with the assets held for sale	6	**(28,391)**	(11,548)
		(2,528,763)	(429,349)
NET CURRENT ASSETS		**18,300,422**	77,403
Non-current liabilities			
Loans due in over one year	21	**(11,412,361)**	–
Right of use liability	22	**(166,624)**	–
		(11,578,985)	–
TOTAL LIABILITIES		**(14,107,748)**	(429,349)
NET ASSETS		**8,892,566**	513,536
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital	18	**3,112,586**	2,430,612
Share premium	19	**24,636,445**	17,621,763
Deferred shares		**–**	–
Shares to be issued		**–**	277,468
Warrant reserve		**8,574,827**	714,977
Share option reserve		**669,456**	85,515
Foreign currency translation reserve		**380,027**	471,680
Retained earnings		**(28,480,775)**	(21,088,479)
TOTAL EQUITY		**8,892,566**	513,536

These financial statements were authorised for issue and approved by the board of directors on 13 April 2018.

FIONA MACAULAY

WILL HOLLAND

Company registration number 05483127

The notes on pages 47 to 71 form an integral part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 £	31 December 2016 £
NON-CURRENT ASSETS			
Property, plant and equipment	10	**275,130**	3,647
Other intangible assets	11	**1,885,984**	–
Interest in subsidiary undertakings	12	**13**	3
Investments in equity-accounted joint ventures	13	**–**	85,565
Amounts receivable from group undertakings	14	**106,801**	1,073,235
		2,267,928	1,162,450
CURRENT ASSETS			
Other receivables	14	**1,052,939**	235,217
Cash and cash equivalents	15	**19,698,801**	181,424
		20,751,740	416,641
CURRENT LIABILITIES			
Trade and other payables	17	**(2,459,742)**	(411,350)
		(2,459,742)	(411,350)
NET CURRENT ASSETS		**18,291,998**	5,291
NON-CURRENT LIABILITIES			
Loans due in over one year	21	**(11,412,361)**	–
Right of use liability	22	**(166,624)**	–
		(11,578,985)	–
TOTAL LIABILITIES		**(14,038,727)**	(411,350)
NET ASSETS		**8,980,941**	1,167,741
EQUITY			
Share capital	18	**3,112,586**	2,430,612
Share premium	19	**24,636,445**	17,621,763
Deferred shares		**–**	–
Shares to be issued		**–**	277,468
Warrant reserve		**8,574,827**	714,977
Share option reserve		**669,456**	85,515
Retained earnings		**(28,012,373)**	(19,962,594)
EQUITY SHAREHOLDERS' FUNDS		**8,980,941**	1,167,741

These financial statements were authorised for issue and approved by the board of directors on 13 April 2018.

The company has not presented its own profit and loss account. Its loss for the year was £8,071,039 (2016: £4,487,164).

FMacAulay

FIONA MACAULAY

WILL HOLLAND

Company registration number 05483127

The notes on pages 47 to 71 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Retained earnings £	Share capital £	Share premium £	Shares to be issued £	Warrant reserve £	Share option reserve £	Foreign currency translation reserve £	Total equity £
1 January 2016	(13,841,975)	2,159,247	16,628,623	–	302,453	71,718	(335,690)	4,984,376
Loss for the year	(7,254,184)	–	–	–	–	–	–	(7,254,184)
Exchange differences	–	–	–	–	–	–	807,370	807,370
Total comprehensive loss for the year	(7,254,184)	–	–	–	–	–	807,370	(6,446,814)
New shares issued	–	264,065	887,329	–	–	–	–	1,151,394
New share warrants issued	–	–	–	–	412,524	–	–	412,524
Share issue costs	–	–	(9,889)	–	–	–	–	(9,889)
Share options lapsed	7,680	–	–	–	–	(7,680)	–	–
Share-based payments	–	7,300	115,700	277,468	–	21,477	–	421,945
31 December 2016	(21,088,479)	2,430,612	17,621,763	277,468	714,977	85,515	471,680	513,536
1 January 2017	**(21,088,479)**	**2,430,612**	**17,621,763**	**277,468**	**714,977**	**85,515**	**471,680**	**513,536**
Loss for the year	**(7,413,556)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7,413,556)**
Exchange differences	**–**	**–**	**–**	**–**	**–**	**–**	**(91,653)**	**(91,653)**
Total comprehensive loss for the year	**(7,413,556)**	**–**	**–**	**–**	**–**	**–**	**(91,653)**	**(7,505,209)**
New shares issued	**–**	**681,974**	**8,116,002**	**–**	**–**	**–**	**–**	**8,797,976**
New share warrants issued	**–**	**–**	**–**	**–**	**7,859,850**	**–**	**–**	**7,859,850**
Share issue costs	**–**	**–**	**(1,101,320)**	**–**	**–**	**–**	**–**	**(1,101,320)**
Share options lapsed	**47,565**	**–**	**–**	**–**	**–**	**(47,565)**	**–**	**–**
Share-based payments	**(26,305)**	**–**	**–**	**(277,468)**	**–**	**631,506**	**–**	**327,733**
31 December 2017	**(28,480,775)**	**3,112,586**	**24,636,445**	**–**	**8,574,827**	**669,456**	**380,027**	**8,892,566**

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017

	Retained earnings £	Share capital £	Share premium £	Shares to be issued £	Warrant reserve £	Share option reserve £	Foreign currency translation reserve £	Total equity £
1 January 2016	(15,483,110)	2,159,247	16,628,623	–	302,453	71,718	–	3,678,931
Loss for the year	(4,487,164)	–	–	–	–	–	–	(4,487,164)
New shares issued	–	264,065	887,329	–	–	–	–	1,151,394
New share warrants issued	–	–	–	–	412,524	–	–	412,524
Share issue costs	–	–	(9,889)	–	–	–	–	(9,889)
Share options lapsed	7,680	–	–	–	–	(7,680)	–	–
Share-based payments	–	7,300	115,700	277,468	–	21,477	–	421,945
31 December 2016	(19,962,594)	2,430,612	17,621,763	277,468	714,977	85,515	–	1,167,741
1 January 2017	**(19,962,594)**	**2,430,612**	**17,621,763**	**277,468**	**714,977**	**85,515**	**–**	**1,167,741**
Loss for the year	**(8,071,039)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,071,039)**
New shares issued	**–**	**681,974**	**8,116,002**	**–**	**–**	**–**	**–**	**8,797,976**
New share warrants issued	**–**	**–**	**–**	**–**	**7,859,850**	**–**	**–**	**7,859,850**
Share issue costs	**–**	**–**	**(1,101,320)**	**–**	**–**	**–**	**–**	**(1,101,320)**
Share options lapsed	**47,565**	**–**	**–**	**–**	**–**	**(47,565)**	**–**	**–**
Share-based payments	**(26,305)**	**–**	**–**	**(277,468)**	**–**	**631,506**	**–**	**327,733**
31 December 2017	**(28,012,373)**	**3,112,586**	**24,636,445**	**–**	**8,574,827**	**699,456**	**–**	**8,980,441**

Share premium reserve represents the amounts subscribed for share capital in excess of the nominal value of the shares issued, net of cost of issue.

Deferred shares are a separate class of share capital.

Shares to be issued represents the fair value of shares to be issued upon the satisfaction of certain criteria in respect of services received.

Warrant reserve represents the cumulative fair value of share warrants granted.

Share options reserve represents the cumulative fair value of share options granted.

Foreign currency translation reserve represents gains and losses arising on the retranslation of net assets of overseas operations.

Retained earnings represents the cumulative net gains and losses recognised in the consolidated income statement.

The notes on pages 47 to 71 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Year to 31 December 2017 £	Year to 31 December 2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss from continuing operations	**(7,439,547)**	(1,486,863)
Loss from discontinued operations	**25,991**	(5,767,321)
	(7,413,556)	(7,254,184)
Adjustments for:		
Depreciation of property, plant and equipment	**34,066**	5,441
Loss on disposal of property, plant and equipment	**–**	2,437
Impairment of intangible assets and goodwill	**432,486**	5,756,250
Share of post-tax loss of equity-accounted joint ventures	**–**	137,906
Share-based payments	**672,510**	421,945
Warrants issued	**–**	412,524
Financial income	**(2,596)**	(144)
Financial expense	**1,939,485**	21,133
	(4,337,605)	(496,692)
(Increase)/decrease in other receivables	**(771,367)**	316,195
Increase/(decrease) in trade and other payables	**1,859,835**	(731,190)
CASH USED IN OPERATIONS	**(3,249,137)**	(911,687)
NET CASH USED IN OPERATING ACTIVITIES	**(3,249,137)**	(911,687)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible assets	**(1,885,984)**	–
Purchases of property, plant and equipment	**(45,061)**	(396)
NET CASH USED IN INVESTING ACTIVITIES	**(1,931,045)**	(396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from debt	**13,202,175**	–
Interest received	**2,596**	144
Interest paid	**(540,484)**	(21,133)
Repayments of right of use liability	**(42,771)**	–
Issue of share capital	**13,194,209**	1,026,510
Share issue costs	**(1,101,320)**	(9,889)
NET CASH FROM FINANCING ACTIVITIES	**24,714,405**	995,632
Net increase in cash and cash equivalents	**19,534,223**	83,549
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2017	**184,849**	101,300
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2017	**19,719,072**	184,849

The notes on pages 47 to 71 form an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017

	Year to 31 December 2017 £	Year to 31 December 2016 £
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(8,071,039)**	(4,487,164)
Adjustments for:		
Provision against amounts owing by subsidiary undertakings	**1,124,886**	2,797,766
Impairment of carrying value of investment in subsidiary undertakings	**–**	595,077
Impairment of investment in joint venture	**85,565**	(209,326)
Depreciation of property, plant and equipment	**33,863**	5,431
Loss on disposal of property, plant and equipment	**–**	2,437
Share-based payments	**672,510**	421,945
Warrants issued	**–**	412,524
Financial income	**(2,596)**	(57,331)
Financial costs	**1,939,484**	23,739
	(4,217,327)	(494,902)
(Increase)/decrease in other receivables	**(817,722)**	278,461
Increase/(decrease) in trade and other payables	**1,918,932**	(672,769)
CASH USED IN OPERATIONS	**(3,116,117)**	(889,210)
NET CASH USED IN OPERATING ACTIVITIES	**(3,116,117)**	(889,210)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equity-accounted joint ventures	**–**	418,652
Purchases of property, plant and equipment	**(36,474)**	(396)
Purchase of intangible assets	**(1,885,984)**	–
Decrease/(increase) in amounts owing by subsidiary undertakings	**(158,453)**	(492,045)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(2,080,911)**	(73,789)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from debt	**13,202,175**	–
Interest received	**2,596**	57,331
Interest paid	**(540,484)**	(23,739)
Repayment of right of use liability	**(42,771)**	–
Issue of share capital	**13,194,209**	1,026,510
Share issue costs	**(1,101,320)**	(9,889)
NET CASH FROM FINANCING ACTIVITIES	**24,714,405**	1,050,213
Net increase in cash and cash equivalents	**19,517,377**	87,214
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2017	**181,424**	94,210
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2017	**19,698,801**	181,424

The notes on pages 47 to 71 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

GENERAL INFORMATION

These financial statements are for Echo Energy plc ("the company") and subsidiary undertakings. The company is registered, and domiciled, in England and Wales and incorporated under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the Directors' Report on page 32.

The company's functional currency is the Euro, and presentational currency is Great British Pounds Sterling. The principal accounting policies are summarised below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements are for the year 1 January 2017 to 31 December 2017. The comparatives shown are for the year 1 January 2016 to 31 December 2016.

New standards and interpretations not applied

At the date of authorisation of these financial statements, a number of Standards and Interpretations were in issue but not yet effective.

Early adoption of new standards

Echo has chosen to adopt IFRS 16 early. Echo has adopted IFRS 15 early and as such qualifies for early adoption of IFRS 16. As Echo has no sales / revenues in either 2016 or 2017, the early adoption of IFRS 15 will have no impact on the results or balances of either 2017 or the comparative period 2016. As Echo had no leasehold obligations in place in the prior year, the early adoption of IFRS 16 has no impact on the results or balances of the comparative period 2016.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiaries under the acquisition method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Acquisitions are accounted for under the acquisition method.

(c) Going concern

The financial information has been prepared assuming the group will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. As at 31 December 2017, the Group had a cash balance of £19.7 million of available cash.

Based on an assessment made based on the group's anticipated activities for the next 12 months from the date of authorisation of the financial statements, the directors have formed a judgement that the going concern basis should be adopted in preparing the financial statements.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss. Land is stated at cost and is not depreciated.

Depreciation is charged so as to write off the cost or valuation of assets less any residual value over their estimated useful lives, using the straight line method, on the following bases:

Fixtures and fittings	12% to 33.3% straight line
Motor vehicles	25% straight line

1. ACCOUNTING POLICIES CONTINUED

(e) Property right of use asset

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use lease is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the group incremental borrowing rate.

(f) Other intangible assets - exploration and evaluation costs

Exploration and evaluation expenditure comprises costs which are directly attributable to researching and analysing exploration data. It also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. When it has been established that a mineral deposit has development potential, all costs (direct and applicable overhead) incurred in connection with the exploration and development of the mineral deposits are capitalised until either production commences or the project is not considered economically viable. In the event of production commencing, the capitalised costs are amortised over the expected life of the mineral reserves on a unit of production basis. Other pre-trading expenses are written off as incurred. Where a project is abandoned or is considered to be of no further interest, the related costs are written off.

(g) Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Taxation

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the balance sheet date.

Deferred taxation

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantively enacted tax rates.

1. ACCOUNTING POLICIES CONTINUED

Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and it is probable that future taxable profit will be available against which the asset can be utilised.

Deferred tax is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent it is probable that the temporary difference will reverse.

(i) Conversion of foreign currency

In consolidating subsidiary undertakings, foreign currency transactions are translated at average exchange rates provided that they are a reasonable approximation of exchange rates ruling at the date of transactions. Liabilities are translated at the rates prevailing at the balance sheet date. Assets are translated at the rates ruling at the balance sheet date.

The group has significant transactions and balances denominated in Euros. The year end exchange rate for Euro to Sterling was 1.1254 (2016: 1.168) and the average exchange rate during the year was 1.1432 (2016: 1.225).

In the company financial statements the income and expenses of foreign operations are translated at rates ruling at the dates of the transactions. Exchange differences arising on translation are recognised directly in equity until the disposal of the investments in the foreign operation. The assets and liabilities of foreign operations, both monetary and non-monetary, are translated at exchange rates ruling at the balance sheet date. The reporting currency of the company and group is Sterling.

(j) Share-based payments

The fair value of equity instruments granted to employees, or warrants issued to shareholders, is charged to the income statement, with a corresponding increase in equity. The fair value of share options is measured at grant date, using the binomial option pricing model or Black-Scholes pricing model where considered more appropriate, and spread over the period during which the employee becomes unconditionally entitled to the award. The charge is adjusted to reflect the number of shares or options that vest, except where forfeiture is due to market-based criteria.

(k) Financial instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are initially measured at fair value and are subsequently reassessed at the end of each accounting period.

Cash and cash equivalents

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

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

Shares issued are held at their fair value.

1. ACCOUNTING POLICIES CONTINUED

(l) Accounting estimates and judgements

The preparation of financial statements in conforming with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities as at the balance sheet date and the reported amount of revenues and expenses during the period. Actual outcome may differ from those estimates.

(m) Use of estimates

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the impairment of intangible exploration and evaluation assets and the discount factor applied to the long-term liabilities.

Expenditures recognised as exploration and evaluation assets are tested for impairment whenever facts and circumstances suggest that they may be impaired, which includes when a licence is approaching the end of its term and is not expected to be renewed, there are no substantive plans for continued exploration or evaluation of an area, or whilst development of a licence is still likely to proceed in an area but there are indications that the exploration and evaluation asset are unlikely to be recovered in full.

When considering whether E&E assets are impaired, the group first considers the IFRS 6 indicators. IFRS 6 requires an entity to assess whether Exploration and Evaluation assets require impairment when facts and circumstance suggest that the carrying amount of the assets may exceed their recoverable amount. These include:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The group signed a Farm Out Agreement with Compañía General de Combustibles S.A. (“CGC”) to acquire a 50% working interest in the Fracción C, Fracción D and Laguna de los Capones licences area, and a $2.5 million fee was payable upon signature. At the balance sheet date, completion of the acquisition transaction was still dependent on fulfilment of certain conditions. However, in management’s view, completion was imminent, and indeed has since happened, so it considered that retention of these E&E costs was appropriate.

Per the details set out in note 21 (loans due in more than one year), debt instruments were issued during the accounting period. The bonds were issued at an estimated discount of 20%, the rate being reflective of the costs of capital for an exploration and production company at this stage in its development life cycle. A 2% reduction in the rate applied would increase the valuation of the long-term liability on the balance sheet by £3.5 million.

(n) Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

1. ACCOUNTING POLICIES CONTINUED

(o) Commitments and contingencies

Commitments and contingent liabilities are disclosed in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(p) Events after the balance sheet date

Post period-end events that provide additional information about a company's position at the balance sheet date and are adjusting events are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes when material.

(q) Borrowings

Borrowings are recognised initially at the fair value of the proceeds received which is determined using the corporate rate of interest. In subsequent periods borrowings are recognised at amortised costs, using an effective interest rate method. Any difference between the fair value of the proceeds costs and the redemption amount is recognised as a finance cost over the period of the borrowings.

2. BUSINESS SEGMENTS

The group has adopted IFRS 8 Operating Segments. Per IFRS 8, operating segments are regularly reviewed and used by the board of directors being the chief operating decision maker ("CODM") for strategic decision-making and resources allocation, in order to allocate resources to the segment and assess its performance. The group's reportable operating segments are as follows:

a. Parent Company
b. Eastern Austral Basin and Tapi Aike
c. Bolivia
d. Ksar Hadada
e. Rivara

In future periods the Tapi Aike prospect will be included as an Operating Segment, as at the balance sheet date there was no asset-specific activity to report.

The previously reported segment of Rivara has been classified as a discontinued operation and has been shown here for comparative purposes only.

Performance is based on assessing progress made on projects and the management of resources used. Segment assets and liabilities are presented inclusive of inter-segment balances.

The group did not generate any revenue during the year to 31 December 2017 nor in the year to 31 December 2016.

2. BUSINESS SEGMENTS CONTINUED

Information regarding each of the operations of each reportable segment within continuing operations is included in the following table.

	Parent Company £	Eastern Austral Basin £	Tapi Aike £	Bolivia £	Ksar Hadada £	Consolidation £	Total £
YEAR TO 31 DECEMBER 2017							
Interest revenue	**2,596**	**–**	**–**	**–**	**–**	**–**	**2,596**
Interest expense	**(1,687,199)**	**–**	**–**	**–**	**–**	**–**	**(1,687,199)**
Depreciation	**(33,863)**	**–**	**–**	**(202)**	**–**	**–**	**(34,065)**
Impairment of intangible assets	**–**	**–**	**–**	**–**	**(432,486)**	**–**	**(432,486)**
Income tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Loss before tax	**(5,453,253)**	**(589,698)**	**(589,698)**	**(281,831)**	**(525,067)**	**–**	**(7,439,547)**
Assets	**22,259,938**	**1,885,984**	**–**	**32,534**	**151**	**(1,233,070)**	**22,945,537**
Liabilities	**(14,042,852)**	**–**	**–**	**(120,352)**	**(1,149,223)**	**1,233,070**	**(14,079,357)**

Consolidation adjustments in respect of assets relate to elimination of intercompany assets in the Tunisian company.

	Parent Company £	Eastern Austral Basin £	Ksar Hadada £	Rivara £	Consolidation £	Total £
YEAR TO 31 DECEMBER 2016						
Interest revenue	57,331	–	–	–	(57,187)	144
Interest expense	(23,739)	–	–	–	2,606	(21,133)
Depreciation	5,431	–	–	–	10	5,441
Impairment of intangible assets	–	–	–	–	–	–
Income tax	–	–	–	–	–	–
Loss before tax	(4,487,164)	–	(34,752)	–	3,035,053	(1,486,863)
Assets	1,579,091	–	433,226	–	(1,156,118)	856,199
Liabilities	(411,350)	–	(1,079,688)	–	1,073,237	(417,801)

Consolidation adjustments are in respect of intercompany assets and liabilities of £1,073,235 and £85,865 in respect of joint venture equity-accounted assets and other receivable adjustment of (£2,982). Adjustment to P&L represents impairment of intercompany loans. From 2018 the Group reporting segments will be Parent Company, Eastern Austral Basin, Tapi Aike and Bolivia. The Eastern Austral Basin, and Tapi Aike are both Argentine operational areas.

2. BUSINESS SEGMENTS CONTINUED

The geographical split of non-current assets arises as follows:

	United Kingdom £	Overseas £	Total £
31 DECEMBER 2017			
Property, plant and equipment	**275,130**	**10,015**	**285,145**
Intangible assets	**–**	**1,885,984**	**1,885,984**
31 DECEMBER 2016			
Property, plant and equipment	3,647	–	3,647
Intangible assets	–	432,486	432,486

3. EXPENSES AND AUDITOR'S REMUNERATION

	Year to 31 December 2017 £	Year to 31 December 2016 £
The operating loss is stated after charging the following amounts:		
Depreciation of property, plant and equipment - owned	**34,065**	5,441
Loss on disposal of property, plant and equipment	**–**	2,437
Fees payable to the company's auditor for the audit of the company's annual accounts	**20,000**	20,000
Fees payable to the company's auditor and its associates for other services:		
- corporate finance services	**63,750**	3,000
- audit of subsidiaries	**5,000**	–
Rent of land and buildings	**85,010**	119,932
Share-based payments	**672,510**	421,945
Net foreign exchange losses	**53,960**	869

4. STAFF COSTS AND NUMBERS

The average number of persons employed by the group during the year including executive directors is analysed below:

	Year to 31 December 2017	Year to 31 December 2016
Administration	**9**	4

Group employment costs - all employees including executive directors:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Wages and salaries	**1,130,317**	219,393
Severance pay	**70,000**	–
Social security costs	**125,051**	8,013
Pension contributions	**14,173**	–
Share-based payments – equity-settled	**672,510**	309,284
	2,012,051	536,690
Payments made to third parties in respect of services provided by directors	**–**	–
	2,012,051	536,690

5. FINANCIAL EXPENSE

	Year to 31 December 2017 £	Year to 31 December 2016 £
Interest payable	**1,660,001**	21,133
Accretion of right of use liabilities	**27,198**	–
	1,687,199	21,133

6. DISCONTINUED OPERATIONS

Following the relaunch in March 2017, a strategic review of the existing assets was undertaken. Specifically, and as a result of the company stated agreement to avoid conflict of interest between Sound Energy plc and its officers which includes Echo exiting its Italian business, the directors have decided to terminate and exit all activities in Italy. The Italian interests have therefore been classified as discontinued.

On 15 June 2017, the company announced it had disposed of its joint venture operation in Egypt. For more detail see note 13.

Rivara Gas Storage srl and Independent Gas Management srl were placed into liquidation by the company in December 2017. The activities of these companies have been classified as discontinued operations, and removed from the accounts.

The results of the Italian and Egyptian operations, incorporating consolidation adjustments, are presented below:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Operating expenses	**–**	(11,071)
Operating loss before impairment	**–**	(11,071)
Impairment of assets	**25,991**	(5,756,250)
Operating loss after liquidation	**25,991**	(5,767,321)
Financial income	**–**	–
Financial expense	**–**	–
Loss on ordinary activities before taxation	**25,991**	(5,767,321)
Taxation	**–**	–
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	**25,991**	(5,767,321)

The major classes of assets and liabilities of Independent Energy Solutions srl classified as held for distribution to equity holders of the parent as at 31 December 2017 are as follows:

	Year to 31 December 2017 £	Year to 31 December 2016 £
ASSETS		
Intangible assets - fully impaired	**–**	–
Property, plant and equipment	**–**	–
Other receivables	**54,768**	83,992
Cash and cash equivalents	**9**	2,694
Assets held for sale	**54,777**	86,686
LIABILITIES		
Trade and other payables	**(28,391)**	(11,548)
Liabilities directly associated with the assets held for sale	**(28,391)**	(11,548)
NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL GROUP	**26,386**	75,138

At the point of liquidation, VAT amounts are included within Italian assets with relevant cost accrued.

6. DISCONTINUED OPERATIONS CONTINUED

The net cash flows incurred by Independent Energy Solutions srl are as follows:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Operating	**9**	(8,063)
Investing	**–**	–
Financing	**–**	–
NET CASH (OUTFLOW)/INFLOW	**9**	(8,063)

	Year to 31 December 2017	Year to 31 December 2016
LOSS PER SHARE (PENCE)		
Liabilities directly associated with the assets held for sale	**–**	(14.8)
Liabilities directly associated with the assets held for sale	**–**	(14.8)

Immediately before the classification of Independent Energy Solutions srl as a discontinued operation, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment was identified. No adjustment has been made to reduce the carrying amount of the assets in the disposal group to their fair value less costs to distribute.

Immediately before the classification of Independent Energy Solutions srl as a discontinued operation, the recoverable amount was estimated for the company's intangible assets and these were impaired in full.

7. TAXATION

	Year to 31 December 2017 £	Year to 31 December 2016 £
TAX ON PROFIT ON ORDINARY ACTIVITIES		
Taxation charged based on profits for the period		
UK corporation tax based on the results for the period	**–**	–
Total tax expense in income statement	**–**	–

RECONCILIATION OF THE TAX EXPENSE

The tax assessed for the year is different from the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are explained below:

	Year to 31 December 2017 £	Year to 31 December 2016 £
Loss on ordinary activities before taxation	**(7,439,547)**	(7,250,370)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016: 20%)	**(1,413,514)**	(1,450,074)
Effects of:		
Expenses disallowed for tax purposes	**555,997**	1,281,268
Deferred tax not provided - tax losses carried forward	**857,517**	168,806
Total current tax	**–**	–

The parent entity has tax losses available to be carried forward estimated to be £6.9 million, and further tax losses are available in certain subsidiaries. With anticipated substantial lead times for the group's projects, and the possibility that these may expire before their use, it is not considered appropriate to anticipate an asset value for them.

No amounts have been recognised within tax on the results of the equity-accounted joint ventures.

8. LOSS PER SHARE

The calculation of basic and diluted loss per share at 31 December 2017 was based on the loss attributable to ordinary shareholders. The weighted average number of ordinary shares outstanding during the year ending 31 December 2017 and the effect of the potentially dilutive ordinary shares to be issued are shown below.

	Year to 31 December 2017 £	Year to 31 December 2016 £
Net loss for the year	**(7,413,556)**	(7,254,184)
Basic weighted average ordinary shares in issue during the year	**276,158,657**	38,962,494
Diluted weighted average ordinary shares in issue during the year	**276,158,657**	38,962,494
Loss per share (pence)		
Basic	**(2.7)**	(18.6)
Diluted	**(2.7)**	(18.6)

The company has consolidated all of the existing ordinary shares as at close of business on 22 May 2017 into ordinary shares of 0.25 pence on the basis of one consolidated share for every 25 existing ordinary shares.

In accordance with IAS 33 and as the average share price in the year is lower than the exercise price, the share options do not have a dilutive impact on earnings per share for the year ending 31 December 2017.

Deferred shares have been excluded from the calculation of loss per share due to their nature. Please see note 18 for details of their rights.

9. LOSS OF THE PARENT COMPANY

The parent company is not required to produce its own profit and loss account (or IFRS equivalent) because of the exemption provision in Section 408 of the Companies Act 2006.

10. PROPERTY, PLANT AND EQUIPMENT
(GROUP)

	Fixtures & Fittings £	Property Right-of-Use Assets £	Total £
31 DECEMBER 2017			
COST			
1 January 2017	31,765	–	31,765
Exchange differences	1,670	–	1,670
Transfer to discontinued operations	(7,673)	–	(7,673)
Additions	45,061	268,872	313,933
31 December 2017	70,823	268,872	339,695
DEPRECIATION			
1 January 2017	28,118	–	28,118
Exchange differences	39	–	39
Transferred to discontinued operations	(7,673)	–	(7,673)
Charge for the year	7,179	26,887	34,066
Disposals	–	–	–
31 December 2017	27,663	26,887	54,550
CARRYING AMOUNT			
31 December 2017	43,160	241,985	285,145
31 December 2016	3,647	–	3,647
31 DECEMBER 2016			
COST			
1 January 2016	57,710	–	57,710
Exchange differences	1,075	–	1,075
Charge for the year	396	–	396
Disposals	(27,416)	–	(27,416)
31 December 2016	31,765	–	31,765
DEPRECIATION			
1 January 2016	46,583	–	46,583
Exchange differences	1,073	–	1,073
Charge for the year	5,441	–	5,441
Disposals	(24,979)	–	(24,979)
31 December 2016	28,118	–	28,118
CARRYING AMOUNT			
31 December 2016	3,647	–	3,647
31 December 2015	11,127	–	11,127

10. PROPERTY, PLANT AND EQUIPMENT CONTINUED
(COMPANY)

	Fixtures & Fittings £	Property Right-of-Use Assets £	Total £
31 DECEMBER 2017			
COST			
1 January 2017	24,092	–	24,092
Additions	36,474	268,872	305,346
Disposals	–	–	–
31 December 2017	60,566	268,872	329,438
DEPRECIATION			
1 January 2017	20,445	–	20,445
Charge for the year	6,976	26,887	33,863
Disposals	–	–	–
31 December 2017	27,421	26,887	54,308
CARRYING AMOUNT			
31 December 2017	33,145	241,985	275,130
31 December 2016	3,647	–	3,647
COST			
1 January 2016	51,112	–	51,112
Charge for the year	396	–	396
Disposals	(27,416)	–	(27,416)
31 December 2016	24,092	–	24,092
DEPRECIATION			
1 January 2016	39,993	–	39,993
Charge for the year	5,431	–	5,431
Disposals	(24,979)	–	(24,979)
31 December 2016	20,445	–	20,445
CARRYING AMOUNT			
31 December 2016	3,647	–	3,647
31 December 2015	11,119	–	11,119

11. OTHER INTANGIBLE ASSETS (GROUP)

DEVELOPMENT AND EXPLORATION

	Argentina E&E £	Ksar Hadada exploration acreage £	Total £
31 DECEMBER 2017			
COST			
1 January 2017	–	1,513,315	1,513,315
Additions	1,885,984	–	1,885,984
31 December 2017	1,885,984	1,513,315	3,399,299
IMPAIRMENT			
1 January 2017	–	1,080,829	1,080,829
Impairment charge for the year	–	432,486	432,486
31 December 2017	–	1,513,315	1,513,315
CARRYING AMOUNT			
31 December 2017	1,885,984	–	1,885,984
31 December 2016	–	432,486	432,486
31 DECEMBER 2016			
COST			
1 January 2016	–	1,517,641	1,517,641
Exchange differences	–	–	–
Additions	–	(4,326)	(4,326)
31 December 2016	–	1,513,315	1,513,315
IMPAIRMENT			
1 January 2016	–	1,080,829	1,080,829
Impairment charge for the period	–	–	–
31 December 2016	–	1,080,829	1,080,829
CARRYING AMOUNT			
31 December 2016	–	432,486	432,486
31 December 2015	–	432,486	5,387,018

The primary intangible assets are all internally generated.

For the purpose of impairment testing of intangible assets, recoverable amounts have been determined based upon the value in use of the group's projects.

The Argentine asset has been assessed for impairment. Based on the expectation of continuing operations in the Austral Basin no impairment indicators apply.

12. SHARES IN SUBSIDIARY UNDERTAKINGS

	Year to 31 December 2017 £
COST	
1 January 2017	**4,834,095**
Additions in year	**10**
31 December 2017	**4,834,105**
IMPAIRMENT	
1 January 2017	**4,834,092**
Impairment	**–**
31 December 2017	**4,834,092**
CARRYING AMOUNT	
31 December 2017	**13**
31 December 2016	**3**

The group has decided, for strategic reasons, to close its Italian operations and therefore has impaired in full its investments in its Italian subsidiaries.

Details of the subsidiaries are as follows:

Subsidiary	Class of share	% owned	Country of registration	Nature of business
Independent Resources (Ksar Hadada) Limited	Ordinary	100%	England & Wales	Appraisal of oil and gas exploration permit
Independent Resources (Sahara) Limited	Ordinary	100%	England & Wales	Dormant
Independent Resources (Tunisia) Limited	Ordinary	100%	England & Wales	Dormant
Echo Energy Holdings (UK) Limited	Ordinary	100%	England & Wales	Holding company
Echo Energy Argentina Holdings Limited	Ordinary	100%	England & Wales	Holding company
Echo Energy Tapi Aike Limited	Ordinary	100%	England & Wales	Holding company
Eco Energy TA Op Limited	Ordinary	100%	England & Wales	Holder of Argentinian branch assets
Echo Energy C D & LLC Limited	Ordinary	100%	England & Wales	Holding company
Eco Energy CDL Op Limited	Ordinary	100%	England & Wales	Holder of Argentinian branch assets
Echo Energy Bolivia (Hold Co 1) Limited	Ordinary	100%	England & Wales	Holding company
Echo Energy Bolivia (Op Co 1) Limited	Ordinary	100%	England & Wales	Holder of Bolivian branch assets
Echo Energy Bolivia (Hold Co 2) Limited	Ordinary	100%	England & Wales	Holding company
Echo Energy Bolivia (Op Co 2) Limited	Ordinary	100%	England & Wales	Holding company

13. INVESTMENTS IN EQUITY-ACCOUNTED JOINT VENTURES

	Year to 31 December 2017 £
COST	
1 January 2017	**294,891**
Additions in year	**–**
Disposal of asset	**(294,891)**
31 December 2017	**–**
IMPAIRMENT	
1 January 2017	**209,326**
Impairment recognised in parent company	**85,565**
Disposal of asset	**(294,891)**
31 December 2017	**–**
SHARE OF POST-TAX LOSSES OF EQUITY-ACCOUNTED JOINT VENTURES	
1 January 2017	**294,891**
Share of post-tax losses of equity-accounted joint ventures for the year	**–**
Disposal	**(294,891)**
31 December 2017	**–**
CARRYING AMOUNT - GROUP	
31 December 2017	**–**
31 December 2016	**–**
CARRYING AMOUNT - COMPANY	
31 December 2017	**–**
31 December 2016	**85,565**

On 15 June 2017, the group announced that it had entered into an agreement to sell its 25% effective working interest in its Egyptian East Ghazalat licence to its joint venture partner, Nostra Terra plc.

The sale is for a total consideration of US $500,000 and is split into three trances. A payment of US $100,000 is payable when the Egyptian General Petroleum Corporation approve the registration of any member of the buyer's group as a party to the concession. The balance of the consideration is payable in two tranches triggered upon achievement of two performance milestones, namely production of 800 bopd for 30 consecutive days and production of 1,000 bopd from the area for 30 consecutive days. The consideration is payable either in cash or shares. The consideration had not been recognised as receivable as relevant conditions have not been achieved.

14. OTHER RECEIVABLES

	31 December 2017		31 December 2016	
	Group £	Company £	Group £	Company £
NON-CURRENT				
Amounts owing by subsidiary undertakings	–	4,742,107	–	5,147,056
Amounts provided against	–	(4,635,306)	–	(4,073,821)
	–	106,801	–	1,073,235
CURRENT				
Amounts due in relation to shares issued	–	–	124,884	124,884
Amounts owing by joint venture	–	–	–	–
Other receivables	509,752	509,460	70,332	70,332
Prepayments	545,584	543,479	40,001	40,001
	1,055,336	1,052,939	235,217	235,217

Other receivables in the group and the company principally comprise recoverable value-added tax, prepayments and deposits. Included within other receivables are amounts due in more than one year of £113,692 (2016: £nil).

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

15. CASH AND CASH EQUIVALENTS

	31 December 2017		31 December 2016	
	Group £	Company £	Group £	Company £
Bank balances	19,719,072	19,698,801	184,849	181,424
	19,719,072	19,698,801	184,849	181,424

16. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT

TREASURY RISK MANAGEMENT

The group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

CREDIT RISK

The group's principal financial assets are bank balances and cash and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK and Italian banks with high credit ratings assigned by international credit rating agencies.

The group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The group's policy is therefore one of achieving high returns with minimal risks. In order to provide a degree of certainty, the group primarily invests in short-term fixed-interest treasury deposits. As part of this policy, a proportion of the funds has fixed interest rates though these are over short periods of no more than three months. For the purpose of sensitivity analysis, these are treated as floating rates. The consolidated statement of comprehensive income would be affected by £197,191 (2016: £14) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis. The statement of comprehensive income of the parent company would be similarly affected by approximately £196,988 (2016: £14) by a reasonably possible 1 percentage point change in floating interest rates on a full year basis.

The maximum exposure due to credit risk for the group on other receivables and amounts due from equity-accounted joint ventures during the year was £1,055,335 (2016: £772,703). No collateral is held in respect of these amounts. An impairment adjustment of £1,124,886 (2016: £2,797,766) has been made in the parent company accounts for the year in respect of amounts not expected to be recoverable.

The maximum exposure due to credit risk for the company on inter-company receivables and other receivables during the year was £5,147,056 (2016: £5,147,056). No collateral is held in respect of these amounts. Amounts due of £4,635,306 (2016: £4,073,821) are considered to be impaired and have been provided against in full. All other amounts are expected to be received in full.

FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT

Currency risks

The group's operations are primarily located in the United Kingdom, and South America, with the main exchange risk being between GBP Sterling, the US Dollar, Argentine Pesos and Bolivian Bolivanos, the Group also has Euro denominated debt. Each group company operates primarily within its local currency with little exposure to currency fluctuations other than on inter-group financing, with gains or losses thereon being eliminated through reserves on consolidation which do not affect earnings. Future operations will generate exposure to fluctuations in US Dollars, Argentine Pesos and Bolivian Bolivars.

Due to the limited risks to the group, forward exchange contracts are not considered necessary and are not used.

The translation risk on the group's foreign exchange payables and receivables has increased significantly due to group acquisition of Euro denominated debt. As the group does not use foreign exchange hedges, the consolidated statement of comprehensive income would be affected by approximately £2,363 (2016: £1,000) by a reasonably possible 10 percentage point fluctuation in the exchange rate between GBP Sterling and the Euro on the translation of foreign subsidiary results. The statement of comprehensive income of the parent company would be similarly affected by approximately £1,074,345 (2016: £2,000) by a reasonably possible 10 percentage point fluctuation in the exchange rate between GBP Sterling and the Euro on the conversion of loans to foreign subsidiaries and foreign currency bank balances.

16. FINANCIAL INSTRUMENTS AND TREASURY RISK MANAGEMENT CONTINUED

Liquidity risk

The group currently has no operational revenue streams. Operational cash flow represents the ongoing appraisal and testing of the group's projects, assessing target acquisitions and administration costs. The group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The group's policy to ensure facilities are available as required is to issue equity share capital and form strategic alliances in accordance with long-term cash flow forecasts. The group currently has no undrawn committed facilities as at 31 December 2017.

The group actively manages its working finance to ensure the group has sufficient funds for operations and planned activities.

The group's financial liabilities are primarily trade payables and operational costs. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines and all within one year.

The group's now holds Euro denominated long-term debt.

The group does not currently use derivative financial instruments as hedging is not considered necessary. Should the group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No material embedded derivatives have been identified.

Commodity contracts

The group does not use commodity forward contracts and futures to hedge against price risk in commodities as these are not considered necessary at this time.

Capital management

The group's activities are of a type and stage of development where the most suitable capital structure is that of one entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced. The group considers its capital to consist of share capital only.

The group's financial strategy is to utilise its resources to further appraise and test the group's projects, forming strategic alliances for specific projects where appropriate, together with assessing target acquisitions. The group keeps investors and the market informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

Categories of financial instruments

All of the group's financial assets are classified as loans and receivables, and all of the group's financial liabilities are classified as financial liabilities at amortised cost.

17. TRADE AND OTHER PAYABLES

	31 December 2017		31 December 2016	
	Group £	**Company £**	Group £	Company £
Trade payables	**1,104,174**	**1,081,753**	237,971	237,369
Amounts owing to subsidiary undertakings	**–**	**–**	–	2
Taxation and social security costs	**48,013**	**48,013**	13,537	13,537
Non-trade payables	**533,318**	**522,380**	21,353	21,353
Accruals	**814,867**	**807,596**	144,940	139,089
	2,500,372	**2,459,742**	417,801	411,350

18. SHARE CAPITAL

	31 December 2017		31 December 2016	
	Group	**Company**	Group	Company
	£	**£**	£	£
ISSUED, CALLED UP AND FULLY PAID				
364,539,732 0.25p (2016: 2,293,749,294 0.01p) ordinary shares				
1 January 2017	**2,430,612**	**2,430,612**	2,159,247	2,159,247
Equity shares issued	**681,974**	**681,974**	271,365	271,365
31 December 2017	**3,112,586**	**3,112,586**	2,430,612	2,430,612

The holders of 0.25p ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the company.

Following a General Meeting of the company on 22 May 2017, the company consolidated its 0.01p shares into 0.25p shares. The consolidation event was designed to improve the liquidity and marketability of the shares. The 2,293,749,294 shares in issue as at 1 January 2017 together with 3,863,617,714 issued from the beginning of the year were consolidated to 246,294,681 shares at 0.25p per share.

In addition to the 0.25p ordinary shares detailed above, as part of capital reorganisations in 2015 and 2016, 202,591,368 deferred shares with a nominal value of 0.9p and 419,905,876 2016 deferred shares with a nominal value of 0.09p have been created. The deferred shares and the 2016 deferred shares have no value or voting rights and the shareholders were not issued with a share certificate, nor are they listed on AIM. These shares remain issued, called up and fully paid at the period end.

During the period, warrant holders exercised a total of 1,006,157,250 warrants to acquire shares at either 0.08p or 0.12p per share.

Further shares issued and the sub-division of capital during the year was as follows:

	Date	Shares	Price
Pre-consolidation		2,293,749,294	
Shares issued @ 0.01p, creditor settlement shares	01/02/2017	57,699,283	.0636p -0.6p
Shares issued @ 0.01p, Nusakan Plc placing	09/03/2017	1,002,971,638	0.065p
Shares issued @ 0.01p, exercise of warrants	20- 30/03/2017	566,666,666	0.12p
Shares issued @ 0.01p, open offer share placing	19/04/2017	2,236,280,127	.065p
Consolidation Event 25:1 ratio		**246,294,681**	
Shares issued @ .25p, Pegasus Share Placing	15/05/2017	98,765,429	10.125p
Shares issued @ .25p, exercise of warrants	25/05/ - 27/06/ 2017	19,479,622	1.63p - 3.00p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 31 DECEMBER 2017

19. SHARE PREMIUM ACCOUNT

	31 December 2017		31 December 2016	
	Group £	**Company £**	Group £	Company £
1 January 2017	**17,621,763**	**17,621,763**	16,628,623	16,628,623
Premium arising on issue of equity shares	**8,116,002**	**8,116,002**	1,003,029	1,003,029
Transaction costs	**(1,101,320)**	**(1,101,320)**	(9,889)	(9,889)
31 December 2017	**24,636,445**	**24,636,445**	17,621,763	17,621,763

20. SHARE-BASED PAYMENTS

(A) SHARE OPTIONS

The group has a share option scheme established to reward and incentivise the executive management team and staff for delivering share price growth. The share option scheme is administered by the remuneration committee. The expected life of the options is based on the maximum option period and is not necessarily indicative of exercise patterns.

The expected volatility was determined with reference to the company's share price since it was admitted for trading on AIM in December 2005. 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.

Details of the tranches of share options outstanding at the year end are as follows:

	Number 31/12/2017	WAEP* (Pence) 31/12/2017	Number 31/12/2016	WAEP * (Pence) 31/12/2016
Outstanding as at 1 January	**197,201**	**73**	218,229	73
Granted during the year	**96,400,000**	**6**	-	-
Expired during the year	**-**	**-**	-	-
Forfeited during the period	**(21,474,057)**	**2**	(21,029)	75
Exercised during the year	**-**	**-**	-	-
Options outstanding as at 31 December	**75,123,144**	**8**	197,201	73
Exercisable at 31 December	**123,143**	**72**	197,201	73

*Weighted Average Exercise Price (WAEP)

The weighted average outstanding life of vested share options is 7.2 years. The weighted average share price of outstanding options is 7.71p (2016: 73.17p).

The outstanding share options are not subject to any share performance-related vesting conditions but vesting is conditional upon continuity of service.

The group recognised total expenses of £672,510 (2016: £21,477) related to equity-settled, share-based payment transactions relating to share options during the year.

A deferred taxation asset has not been recognised in relation to the charge for share-based payments due to the availability of tax losses to be carried forward.

20. SHARE-BASED PAYMENTS CONTINUED

(B) WARRANTS OVER ORDINARY SHARES

The company issued warrants over ordinary shares to the company to subscribers of new ordinary shares and as fundraising commission in respect of equity fundraisings completed during the years to 31 December 2016 and 31 December 2017.

Details of the tranches of warrants outstanding at the year end are as follows:

Warrants	Number 2017	WAEP* (Pence) 2017	Number 2016	WAEP * (Pence) 2016
Outstanding as at 1 January	**47,928,584**	**7**	7,682,294	0.27
Granted during the year	**287,723,646**	**12**	40,246,290	0.03
Forfeited during the period	**(7,282,294)**	**28**	-	-
Exercised during the year	**(42,146,291)**	**3**	-	-
Outstanding as at 31 December	**286,223,645**	**12**	47,928,584	7

21. LOANS DUE IN OVER ONE YEAR

	31 December 2017 £	31 December 2016 £
Five-year secured bonds	**(10,527,751)**	–
Other loans	**(882,610)**	–
	(11,412,361)	–

	Cash received	Value of warrants issued	Loan capitalised	Amortised finance charges less cash interest paid	Exchange adjustments	31 December 2017
20 million five-year secured bonds	13,900,800	(2,977,117)	10,923,683	850,876	252,286	**12,026,845**
Other loans	1,000,000	(184,500)	815,500	67,110	-	**882,610**
Loan fees	(1,698,625)	-	(1,698,625)	201,531	-	**(1,497,094)**
Total	13,202,175	(3,161,617)	10,040,558	1,119,517	252,286	**11,412,361**

On 22 May 2017, the company announced that Greenbury S.A. ("Greenbury") had subscribed for a five-year non-amortising secured bonds with an aggregate issue value of €20 million (the "Bonds"). Alongside the Bonds, the company issued 169,402,469 warrants to subscribe for new ordinary shares in the company at an exercise price of 15.1875 pence per ordinary share and an exercise period of approximately five years concurrent with the term of the Bonds, to Greenbury (the "Warrants"). The Bonds are secured over the share capital of Echo Energy Limited. The Bonds have an 8% coupon and were issued at a 20% discount to par value. A total cash fee of £1.7 million (€2 million) was payable by the company.

The Warrants were recorded within equity at fair value on the date of issuance and the proceeds of the notes net of issue costs were recorded as a non-current liability. The coupon rate of percentage for the Bonds ensures that the company's ongoing cash outflow on interest payments remains low, conserving the company's cash resources. The effective interest rate is approximately 21.55%. The five-year secured Bonds are due in May 2022.

22. RIGHT-OF-USE LIABILITY

The group's right-of-use asset comprises the lease of its London office (note 10).

MATURITY ANALYSIS

Contractual undiscounted cash flows:

	31 December 2017 £	31 December 2016 £
Amounts due within one year	**86,675**	–
Amounts due after more than one year	**303,363**	–
	390,038	–

The lease liabilities included in the statement of financial position:

	31 December 2017 £	31 December 2016 £
Amounts due within one year	**86,675**	–
Amounts due after more than one year	**166,624**	–
	253,299	–

Amounts recognised in the statement of comprehensive income/(loss):

	31 December 2017 £	31 December 2016 £
Interest on leasehold liabilities	**27,198**	–

Amounts recognised in the statement of cash flows:

	31 December 2017 £	31 December 2016 £
REPAYMENTS OF LEASE LIABILITIES	**42,771**	–

In calculating the right-of-use liability the office lease on the corporate headquarters was assumed to run to the full term of five years. Interest on the financing amount was imputed at the same rate of interest as that of the bond financing at 20%.

23. RELATED PARTY TRANSACTIONS

INTER-GROUP BALANCES

In order for individual subsidiary companies to carry out the objectives of the group, amounts are loaned to them on an unsecured basis. At the year end the following amounts were outstanding:

	31 December 2017 £	31 December 2016 £
Amounts owed to Echo Energy plc from:		
Echo Energy Bolivia Op Co 1	**102,691**	–
Independent Energy Solutions srl	**–**	–
Independent Gas Management srl	**–**	2,325,745
Independent Resources (Ksar Hadada) Limited	**1,124,886**	1,031,704
Rivara Gas Storage srl	**–**	21,507
	1,227,577	3,378,956

Echo Energy plc has provided against an amount due from Independent Resources (Ksar Hadada) Limited as at 31 December 2017 amounting to £1,124,886 (2016: £1,186,703) as management assesses this amount to be irrecoverable. Independent Gas Management srl and Rivara Gas Storage srl were put into liquidation in 2017.

The directors are key management personnel, for the purpose of the directors' remuneration report.

During this financial year, consultancy fees of £164,616 (2016: £172,040) were paid to Rocky Mountain Limited, a company controlled by Brian Hepp, former chief operations officer for the company.

Nasukan plc (formerly Greenbury plc) is a significant shareholder in the company. Please refer to note 21 for details of debt transaction in 2017.

24. CONTROLLING PARTY

The directors do not consider there to be a controlling party.

25. SUBSEQUENT EVENTS

The company announced on 1 November 2017 that, in line with its stated strategy, it had entered into a conditional farm-in agreement with Compañía General de Combustibles S.A. ("CGC") for the acquisition by the company of 50% working interests in each of the Fracción C, Fracción D, Laguna de los Capones and Tapi Aike licences, each located in the Austral Basin of Santa Cruz province, onshore Argentina, and covering a total of 11,153km^2.

There was no upfront cash consideration for the acquisition of the Tapi Aike licence interest. However Echo are to carry CGC for 15% of the total Tapi Aike work programme during the initial work programme period of three years. An upfront payment of US$2.5 million was paid as consideration for the interest in Fracción C, D and LLC.

Details of the proposed acquisition were set out in the RNS announcement on the company website on 18 December 2017. In January 2018, at a general meeting of the company, the shareholders approved the acquisition.

The company has raised £6.2 million before expenses through the Placing of 36,391,412 Placing Shares at 17.5 pence per Placing Share, being equal to the closing mid-market price per Ordinary Share on 27 October 2017, being the last date prior to the Ordinary Shares being suspended from trading on AIM.

SHAREHOLDER INFORMATION

DEALING INFORMATION
Country of incorporation
England & Wales (Registered Number 5483127)

MAIN COUNTRY OF OPERATION
Argentina

TRADING INFORMATION
Shares in Echo Energy plc are only traded on AIM, a market operated by the London Stock Exchange plc, and the company has not applied or agreed to have any of its securities admitted or traded to any other exchange or platform.

There are no restrictions on the transfer of ordinary shares.

ADDRESS
Echo Energy plc
40 George Street
London
W1U 7DW

NOMINATED ADVISER
Smith & Williamson
25 Moorgate
London
EC2R 6AY

BROKERS
Hannam & Partners (Advisory) LLP
2 Park Street
London
W1K 2HX

AUDITOR
Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
London
EC4Y 8EH

SOLICITORS
FieldFisher
Riverbank House
2 Swan Lane
London
EC4R 3TT

REGISTRARS
Link Asset Services
34 Beckenham Road
Kent
BR3 4TU


01

echo
ENERGY

Commercial and registered office

40 George Street
London, W1U 7DW

info@echoenergyplc.com

Tel: +44 (0) 20 7190 9930