GHANA NATIONAL PETROLEUM CORPORATION

Annual Report

2018

GNPC

Empowering Dreams

CONTENTS

INTRODUCTION

I am pleased to report that the Ghana National Petroleum Corporation (GNPC) delivered a strong performance in 2018. A year after taking up the role as the CEO, it has become increasingly clear to me that while the oil industry remains an attractive sector with promising prospects, it is also confronted with incessant periods of both challenges and opportunities. With the help of the Board of Directors and the management team, we took bold decisions to assuage some of these challenges, dominantly in finance, engineering, and stakeholder engagement.

In another development, the Corporation set the GNPC Foundation into full operation to drive its Corporate Social Investment (CSI) mandate of empowering lives across Ghana through its three operational units: Education and Training, Economic Empowerment and Environment and Social Amenities.

The Corporation also commenced the data acquisition and processing phase (2D seismic survey) of its flagship e project in the onshore Voltaian Basin, Ghana's most promising site for oil and gas production, which covers 40% of the country's land mass.

In addition, investment appetite in Ghana's oil and gas sector has seen a major boost following the International Tribunal for the Law of the Sea (ITLOS) ruling in favour of Ghana, largely maintaining the nation's historical maritime boundaries. The industry is well-anchored on a strong regulatory framework and clearly defined institutional roles. Currently, there are 17 Petroleum Agreements (PAs) in offshore operations.

Considering the Corporation's strategic quest for operatorship, it is imperative that GNPC partners entities with the right strategic fit, technical competence, financial strength and commercial capability. It is therefore critical that the need to build effective strategic partnerships for GNPC is backed by policy.

Furthermore, as part of our development agenda we continued restructuring through: promoting some hard-working staff to higher positions within the organisation; transferring some staff to other government ministries; recruiting young, knowledgeable and energetic graduates to fill up vacant positions; and facilitating skill development training courses for existing staff in their respective field of careers. A total of 120 new recruits were added to existing staff to fill various positions. These were both already existing, but vacant positions; and newly created ones particularly for the GNPC Foundation, which increased the Corporation's total staff strength to 487.

We also began a comprehensive review of our Corporate Plan to reflect changes in policy direction and operating environment landscape in general. GNPC continued to improve its systems and processes by deploying critical ICT solutions. Key internal policies and operating procedures are being reviewed and standardised in the Corporation's drive to build a robust internal mechanism in pursuit of the operatorship agenda, which will continue to be a major focus area in 2019.

The Corporation had its fair share of administrative and operational challenges, including: a sub-optimal gas value chain which has not been concluded, notwithstanding critical government interventions to resolve issues surrounding energy sector debt. Nonetheless, in the face of a highly challenging operating environment, the Corporation continued to make progress in fulfilment of its mandate and pursuit of its strategic agenda.

CORPORATE GOVERNANCE

BOARD CHAIRMAN'S STATEMENT

I am truly privileged to share with you GNPC's Operational and Financial performance as well as future endeavours. The Corporation continues to hold on to the ultimate mission to "lead the sustainable exploration, development, production and disposal of the petroleum resources of Ghana, by leveraging the right mix of domestic and foreign investments in partnership with the people of Ghana.", we strongly believe, our focus in realizing this goal is needed to proffer a sustainable growth.

As a Corporation, we recognize and appreciate the central role our employees play in our success. Our employees are held in very high esteem because of our quest to create a forward-thinking and stimulating work environment where our people can grow their careers and develop new skills and expertise which in turn feeds into the Corporation's future success.

Again, the Corporation's commitment to local participation in our supply chains, for supporting education and training, economic empowerment programmes and the provision of social amenities remains unprecedented in the communities in which we work. We have ensured that some basic social and educational infrastructure needed by deprived communities within our operational enclave are provided. Nevertheless, we believe there is room for improvement, and we are not going to relent on our current achievements, but we will stretch ourselves to do more for the people of Ghana.

The Board of GNPC is impressed thus far for the collective achievement of the operational and financial outcome during the year 2018. That said, I would like to use this opportunity to express our gratitude to the various stakeholders of GNPC for their invaluable contribution towards the growth of the Corporation.

The Accelerated Growth Strategy of the Corporation remained robust considering the on-going financial and developmental demands placed on the Corporation in fulfilment of its mandate, coupled with a difficult domestic and international economic environment. Despite the slowdown on the back of lower oil prices and a growing operational scope in the nation's oil and gas sector, the Corporation's Board, Management and staff have worked hard to produce a strong performance in 2018.

The world is transitioning to a lower carbon future; thus, the oil and gas industry faces exceptional challenges and opportunities considering the critical role oil and gas plays in energy supply. My role as Chair is to lead the Board to help navigate the Corporation through these transitions. The Board strongly supports the CEO's clear vision and growth agenda for the Corporation, including an unwavering commitment to creating sustainable value for our investors, communities across the country, especially those within our operational enclave, and opportunities for our talented people.

As we prepare for increased production in the medium term, we will continue to ensure transparency in the upstream petroleum sector by reporting on the production, revenue collection, management and use of the ensuing revenues. As a way of deepening transparency, Government has introduced licensing bid rounds for oil blocks to ensure that the most technically and financially competent companies are selected to extract petroleum resources. The country's first Oil and Gas Licensing Round for Offshore Oil Blocks in the Cape Three Points was held in August 2018 which evaluated sixteen (16) bid submissions.

Over the past years, the petroleum industry has faced several complex challenges. For our Corporation the protracted maritime dispute was one of the notable events that affected the operations of the corporation. Activities on the Tweneboa-Enyenra-Ntomme (TEN) fields had to be halted within this period because of the dispute.

In addition, the oil and gas industries like other industries have redefined their business development strategy on the basis of sustainable development and GNPC is no exception. The Corporation adopted supportive policies for protecting the environment to ensure safety measures in exploration and production activities.

In furtherance of the Government of Ghana's agenda to consolidate Ghana's upstream and midstream market segments at both the commercial and regulatory levels, the Corporation continued to adapt to the expansion of its activities both within the upstream gas segment and further down the value chain into the mid-stream gas segment.

In conclusion, as we align our strategy towards achieving operatorship, the Corporation will continually run in a financially disciplined way, managing our portfolio and risk in a way that protects value, all backed by operational management that meets the highest safety, security and environmental standards.

Finally, I would like, on behalf of the Board, to thank the executive leadership team and every employee across the organisation for their tireless efforts and dedication, not only in achieving our strategic objectives but in upholding the values of the Corporation while doing so.

OUR BOARD AND MANAGEMENT TEAM

The Board of Directors of the Corporation is appointed by the Government to oversee the performance of Management and governance of the Corporation in the delivery of approved corporate objectives and set targets. PNDC Law 64 mandates the Board to exercise “general control of the management, property, business and funds of the Corporation and any other affairs and concerns thereof.”

The Chief Executive as the head of the Corporation’s management team, is subject to the directions of the Board, and responsible for the day-to-day business of the Corporation, the implementation of the policies and decisions of the Board; and for the administration, organisation and control of the Corporation’s employees.

COMPOSITION OF THE BOARD

The eighth, seven-member Board of Directors of GNPC, consists of industry professionals and eminent personalities, with vast experience and credibility that provide the necessary policy direction and leadership to guide GNPC through the next phase of its accelerated growth strategy.

BOARD COMMITTEES

The Board is structured to enable it add value to the Corporation and shareholders through its composition, size and the commitment of all its members. For effectiveness and efficiency of operations, the Board is further divided into separate committees. The GNPC Board has the following committees, with each member belonging to at least one committee:

- Audit
- Technical Operations
- Legal and Governance
- Finance and Commerce
- Human Resource and Administration
- Brand, Communication and Corporate Social Investment (CSI).

BALANCE AND INDEPENDENCE OF THE BOARD

The Board recognises the unique and appropriate balance of power between the Executive and the Non-Executive Directors of the Corporation with the view to governing the Corporation effectively and promoting shareholder interests.

All Board members, except the Chief Executive, are Non-Executive. The roles and responsibilities of the Board Chairman are separate and independently defined. The Board is responsible for providing leadership, setting the strategic objectives and key policies, and ensuring appropriate resources are in place to enable the Corporation meet its objectives. The Board also reviews the Corporation's performance and oversees its internal control systems. The Chairman is responsible for encouraging debate and constructive criticism, speaking and acting for the Board and interfacing between the Board and the shareholder.

Whilst the Board takes responsibility for policy and strategy issues, Management's responsibility is to ensure effective and efficient implementation of those policies and strategies as designed and directed by the Board.

BRING GROWTH AND OPPORTUNITIES TO GHANAIANS

The Corporation's hard work in the year to consolidate all aspects of its business performance and management has laid a solid foundation to propel the organisation's growth. Our diverse asset base, mainly oil and gas fields and other profitable investments are generating value and will support the Corporation's vision of attaining a world-class operatorship by 2027.

GNPC AT A GLANCE

Our Backbone
We are Ghana's National Oil Company (NOC), established by Ghana National Petroleum Corporation Law, 1983, PNDC Law 64, as a strategic commercial vehicle for state participation in Ghana's oil and gas industry. We are also mandated to support the Government's objective of providing adequate and reliable supply of petroleum products and reducing Ghana's dependence on crude oil imports, through the development of the country's petroleum resources.
Our core mandate, "to undertake the exploration, development, production and disposal of petroleum", is additionally anchored on the Petroleum (Exploration & Production) Law 1984, PNDC Law 84.

This law was enacted to provide a framework for exploring Ghana's hydrocarbon resources, and further established the contractual relationship among the state, GNPC and prospective investors in upstream petroleum operations. In addition, PNDC Law 84 granted GNPC the right of entry into any open acreage to undertake exploration activities. PNDC Law 84 has since been repealed and replaced by the Petroleum (Exploration and Production) Law, 2016 Act 919, which became operational in 2016.

OUR BUSINESS

GNPC's focus over the years has largely been in the upstream segment of the petroleum value chain. However, in line with its legal mandate, industry development and government policy, the Corporation's activities are strategically expanding.

GNPC is wholly owned by the Government of the Republic of Ghana. Although the focus of the Corporation's activities has predominantly been the upstream segment of the petroleum value chain, the legal mandate permits operations along the entire industry value chain. As such, the Corporation's activities are strategically expanding because of consistent support of its upstream business and strengthened industry value chain. GNPC's business is centred on Ghana's four sedimentary basins in the country namely:

- The Western (Tano) basin
- The Central (Saltpond) basin
- The Eastern (Keta) basin
- The Onshore (Voltaian) basin.

Although, upstream activities remain the core of our business, GNPC is following in the footsteps of successful NOCs globally, to play the role of an 'enabler' of industry development. The philosophy is that as an industry enabler, GNPC will engage in other segments of the industry when necessary, to ensure that the industry develops in an integrated manner. The Corporation itself will ultimately benefit commercially from developing in a well-integrated sector value chain.

DELIVERING ON OUR MANDATE

Since the production of oil in commercial quantities commenced at the Jubilee field in 2010, the Ccorporation has not relented in the execution of its mandate, which requires of us to:

- Ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources;
- Obtain the effective transfer to Ghana of the appropriate technology relating to petroleum operations;
- Ensure the training of citizens and the development of national capabilities in all aspects of petroleum operations;
- Ensure that petroleum operations are being conducted in such a manner as to prevent adverse effects on the environment, resources and people of Ghana.

OUR STRATEGIC ROADMAP

As the NOC partnering all petroleum agreements, our strategic goal is to become a stand-alone operator by 2019 and a world-class operator by 2027. In our quest to achieving this, the Corporation adopted the 'Accelerated Growth Strategy' in 2012, anchored on four key pillars, namely:

- Building capacity and expanding activities
- Replacing and growing reserves
- Efficient capitalisation and optimum participation
- Catalysing local content development.

Strategic Pillar	What it entails...
Building Capacity and Expanding Activities	Investing systematically and prudently in building operating capacity and developing gas management capability to manage a wider portfolio of producing assets.
Replacing & Growing Reserves	Investing in highimpact initiatives for the replacement and growth of reserves.
Efficient Capitalization & Optimum Participation	Securing capital at the lowest possible cost to maintain an optimum level of participation in petroleum operations.
Catalysing Local Content Development	Expeditinging the creation of an appropriate environment for Ghanaian participation in the upstream sector of the petroleum industry.

Generally, we are on course to achieving our goal of attaining operatorship in 2019. The Corporation has adopted a phased approach to achieving full operatorship by 2019. The first phase involves entering into joint venture/ joint operator arrangements with world-class operators to achieve a rapid transfer of operating capabilities. Consequently, the Corporation will systematically assume full operatorship based on well-defined risk and opportunity assessments. With a newly incorporated subsidiary – GNPC Exploration and Production Company Limited (Explorco), GNPC is participating in incorporated joint ventures, with commercial interests held by Explorco.

Also, with a strong national desire for Ghanaians to manage and retain maximum benefits from the nation's petroleum resources, and the renewed drive for commercial operatorship of Ghana's oil and gas assets, the Corporation commenced the Voltaian Basin Project (VBP). We initiated the 2D seismic data acquisition and processing, environmental impact assessment and community relations management project borne solely by the Corporation. Exploration of the Voltaian Basin is GNPC's flagship project and we have scheduled the drilling of two conventional exploratory wells for 2020. This is indeed a giant step towards becoming a world class operator.

GNPC BOARD MEMBERS

Freddie Blay
Board Chairman

Dr. Kofi Koduah Sarpong
Chief Executive

Prof. J.S Nabila
Board Member

Kwabena Kwakye
Board Member

Nana Adjoa Hackman
Board Member

Ogyeahohoo Yaw Gyebi II
Board Member

Yaw Kyei
Board Member

Matilda Ohene
Board Secretary

BUSINESS ENVIRONMENT

THE REGIONAL INDUSTRY

Africa's contribution to the World's Oil Reserves is quite significant. Africa's total proved oil reserves stood at 126.5 billion barrels at the start of 2018 – accounting for approximately 7.1 percent of the world total oil reserve position, with a reserve-replacement ratio of 1.0. Natural gas proved reserves for the region remained at 487 trillion standard cubic feet as at the start of 2018, representing 7.0 percent of the world total gas reserves. As of the beginning of 2018, Africa's reserve-to-production ratio stood at 45 years.

In 2018, the average oil production in Africa stood at 8.1 mmbbls/d, a 5.2 percent increase from 7.7 mmbbls/d at the start of 2017. This was significantly led by increased flows from Libya and Nigeria. Correspondingly, Africa's share of world oil production inched up to 9.2 percent from 8.1 percent as recorded the previous year.

The region, in 2018, witnessed drilling successes and significant oil and natural gas condensates discoveries in Angola, Mozambique, Morocco, Niger, and Egypt. Growing Liquefied Natural Gas (LNG) trade continued to provide a marginal source of gas for the sub-region. Meanwhile, the regional industry remained challenged by uncertain regulatory frameworks, increasing financing cost and foreign currency volatility.

Sub-Saharan Africa (SSA) achieved modest growth in 2018, following a strong recovery in 2017. The broad acceleration in economic activity in the sub-region was strongly aided by increasing commodity exports propelled by rising global prices and robust global growth. Growth is expected to firm up to 3.6 percent in 2019, although, in some cases, high government debt levels are limited government's flexibility to institute critical fiscal adjustments.

It is anticipated that general improvements in crude oil prices and a relatively stable socio-political environment will expand investments in the region in 2019 and beyond.

THE GHANAIAN ECONOMY

The overall Gross Domestic Product (GDP) grew at 6.8 percent (5.4 percent non-oil growth) in 2018, compared to 8.5 percent growth in 2017, driven by ramped-up production from the producing oil and gas fields. Notwithstanding the continued high budget deficit and debt sustainability challenges, government's medium-term economic management focused on production, is expected to yield a GDP growth of 7.3 percent in 2019. Considering all downside risks, real GDP is projected to average 6.2 percent in the medium term (2018–2021).

Inflation eased in the fourth quarter with monthly inflation rates of 9.5%, 9.3% and 9.4% for October, November and December respectively. Inflation rate for the quarter averaged 9.4% compared to 9.7% in previous quarter. The performance over the period broadly aligns with the government's medium-term inflation target band (8 –10 percent) and inflationary expectation in the outlook remained well-anchored and is expected to support the continued disinflation process.

The Ghana Cedi depreciated cumulatively by 8.4 percent against the US dollar in the year to December 2018, compared with 4.9 percent depreciation for the same period in 2017, as the domestic currency came under external pressures. The relative stability of the Cedi however, improved against the Pound and the Euro, cumulatively depreciating respectively by 3.3 percent and 3.9 percent compared to 9.0 percent and 11 percent over the same period in 2017. The outlook is for a continued but moderated depreciation of the Cedi against the US dollar to be fueled by a strengthening US dollar and higher demand pressures in 2019.

THE OIL AND GAS INDUSTRY IN GHANA

Currently, there are 17 PAs in offshore operations, with a newly signed one with ExxonMobil for exploration and production right over the Deep-Water Cape Three Points (DWCTP), awaiting Parliamentary ratification. The introduction of the competitive bidding process in block acquisition, which started in 2018 is expected to attract more global giants as well as deepen transparency in the local sector. The industry is well-anchored on a strong regulatory framework and clearly defined institutional roles. Ghana's emerging oil and gas market is expanding, with major projects coming onstream. . Gas Export from the Sankofa Gye-Nyame (SGN) Field commenced and was profiled to ramp-up gradually to contracted off-take capacity of 171 MMScf/d in 2019. To further augment gas supply, GNPC as the national gas aggregator, signed an LNG contract with Rosneft to supply 250 MMscf/d of competitively priced gas.

Aker Energy ASA acquired majority interest in the DWTCTP block and has taken over operatorship from Hess Ghana.

The DWTCTP Plan of Development is expected to be submitted for approval in the first quarter of 2019.

There was also heightening activity in the nation's only onshore basin, the Voltaian Basin. The Voltaian Basin Project (VBP) is GNPC's flagship petroleum project, which has advanced into the data acquisition and processing phase to establish a petroleum system..

Although the long-term development prospects of the industry remained positive, there were perennial issues which continued to present challenges, including building local capacity to boost local participation in the upstream sector. There remained key challenges across the gas-power value chain, including the downstream credit risk and critical infrastructure deficits.

DEPARTMENTAL REPORTS

ENGINEERING

Reserves

Ghana's reserves position as at December 2018 stood at 1,092 MMboe, comprising 743 MMboe and 349 MMboe of oil and gas reserves respectively.

BASIN EXPLORATION

Data Acquisition and Processing

ProcessingThe Corporation together with South Deep Water Tano (SDWT) partners, acquired 3,200 sq. km of 3D seismic against a revised total data acquisition target of 3,422 sq. km 3D seismic data, 6 percent below the full year target. Acquisition of seismic data over the Deepwater Cape Three Points (DWCTP) block did not occur, as the Petroleum Agreement (PA) awaited parliamentary ratification.

Approximately 1,600 sq. km of 3D seismic data acquired has been processed as at December, representing a 50 percent performance of the revised target of 3,200 sq. km of 3D Seismic. An additional 1,120 sq. km of 3D seismic data was processed by the end of year, bringing total expected 3D seismic data processed by the end of year to 2,800 sq. km. (87.5%).

PROSPECTS GENERATION

The Corporation fully achieved its target of generating Eight (8) prospects across Ghana's offshore sedimentary basins as of December 2018.

THE REGIONAL INDUSTRY

Growth in Sub-Saharan Africa decelerated to 1.3 percent in 2016, the lowest level in two decades, as commodity exporters adjust to low market prices. Although some countries continued to grow robustly, conditions in many resource-intensive nations remained difficult with some oil exporters dipping into recession.

2016 witnessed a decline in crude oil production activity in Africa. The region recorded an average oil production of 7.9 mmbbls/d, a 5 percent drop from 8.3 mmbbls/d in 2015 as Nigerian and Libyan production decreased to reach a decade low. Consequently, Africa's share of world oil production bottomed at 9 percent. However, the region continues to play a significant role as a net energy exporter, accounting for about 10 percent and 8 percent of global oil and gas exports respectively.

Africa's total proved oil reserves stood at 128.0 billion barrels at the end of 2016 – accounting for 8 percent of the world total, with a reserve-to-production ratio of 44 percent. The region's natural gas proved reserves, on the other hand, rose by 1 percent to 503.4 Trillion Standard cubic feet.

GHANA'S INDUSTRY

The domestic economy continued to face challenges of high inflation and power supply deficit. Inflation for the year averaged 18 percent compared to 17 percent recorded for 2015. The period witnessed a relative stable Cedi against the US Dollar, depreciated by 6 percent compared to 15 percent slump in 2015.

The local oil and gas industry has been impacted by sustained low oil prices on the global market. The phenomenon has adversely impacted revenue and commercial investments as well as limiting the Corporation's flexibility to raise funds on the capital markets.

BUSINESS OVERVIEW

The Ghana National Petroleum Corporation (GNPC) was established by the GNPC Law 1983 (PNDC Law 64), beginning operations in February 1985. Its primary object is to undertake exploration, development, production and disposal of petroleum.

The Petroleum (Exploration and Production) Act, 2016 (Act 919), which was passed this year to replace the previous 1984 Act, also provides for the activities of the Corporation and all other entities within Ghana undertaking petroleum operations in all open blocks in Ghana. Act 919 also requires that all persons (or entities) seeking to undertake such activities in Ghana must do so in partnership with the Corporation and the Government of Ghana.

A DUAL COMMERCIAL AND DEVELOPMENTAL ROLE

GNPC is a strategic commercial vehicle, set up to enable the Government of Ghana to participate directly in Petroleum operations, and in doing so, maximize the benefits to Ghanaians. The law mandates GNPC to operate on sound commercial lines, taking necessary steps to produce a reasonable return on its assets. To this end, the Corporation has a dual commercial and developmental role as reflected in its founding objects which include:

- To accelerate the promotion of petroleum exploration activities to ensure early commercial discovery and production;
- To ensure the appraisal of existing petroleum discoveries
- To ensure production to meet national requirements;
- To ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources;
- To obtain the effective transfer to Ghana of appropriate technology relating to petroleum operations;
- To ensure the training of citizens of Ghana and the development of national capabilities in all aspects of petroleum operations; and
- To ensure that petroleum operations are conducted in such manner as to prevent adverse effects on the environment, resources and people of Ghana.

DRILLING, COMPLETIONS & FIELD DEVELOPMENTS

EXPLORATION AND APPRAISAL DRILLING

There was no exploratory and appraisal drilling during the year, against the expected three wells to be drilled. This was mainly due to the takeover of the SDWT block by Aker Energy ASA which impacted the planned work programme. Also, exploration drilling on the CTP Block 4 was postponed to first quarter of 2019 following the new schedule of the Offshore Cape Three Points (OCTP) drilling and completion activities.

WELL COMPLETIONS

A total of twelve (12) completions (Greater Jubilee: J53-P & J36-WI; TEN: Nt05-P; and OCTP: OP8 ST2, WI-3, SNK-D, SNKE-D & SNK-2A ST3 GI-4, OP-10, En10-P and En09-WI.) were executed by December 2018.

Average cost and duration of completions stood at US$23.95 million and 30.22 days respectively. This compares favourably to the target cost of US$65.00 million and planned duration of 55 days as completions were mostly for upper completions only, since lower completions had already been installed for OCTP wells. Drilling, Completion and Intervention operations carried out in the fourth quarter of 2018 realised a net gain of approximately USD 6.39 million (details are provided in table 1) against the approved Authorization for Expenditure (AFE).

The following activities took place in the final quarter of the year:

Drilling, Completion and intervention Operations:

- The following wells were successfully completed GI-4, SNKE-2A, J36-WI and J51-P while En10-P completion operations commenced in the quarter under review.
- Drilling operations on J52-WI and OP-10 commenced within the quarter under review and are still on-going
- Workover operations were carried on J13-WI and interventions carried out on OP-5, OP-6 and OP-7.
- Four drilling rigs namely: Maersk Voyager, Maersk Viking, Maersk Venturer and Stena Forth Drill ships were in operation in the Sankofa-Gye Nyame, Aker, Jubilee & TEN fields respectively.

Facilities Operations:

- Successfully completed the turret remediation activities and positioned the Jubilee FPSO in the required 205-degree heading. The FPSO is currently supported at the stern by new permanent mooring lines and Suction Embedded Plate Anchors (SEPLA).
- Commenced gas compression train #3 commissioning at the onshore receiving facility in Sanzule to increase sparing capacity for gas export.
- Trenching activities of the exposed OCTP Gas Export Sealine was stalled due to the inability to achieve the required depth and workers unrest at Sanzule.
- Progressed the Takoradi-Tema Interconnection Project (TTIP) project through various engagement of all stakeholders.
- Achieved stable operations on all three FPSO and recorded uptimes above 95% on all the facilities.

CRUDE OIL PRODUCTION & GAS EXPORT

CRUDE OIL PRODUCTION AND LIFTING

A total of 62,135,435.07 barrels of crude oil was produced from Ghana's three production fields in 2018: Jubilee Field produced 28,461,775 barrels representing forty-five percent (45%) of total production; TEN produced 23,557,361 barrels (38%); and SGN produced 10,751,671 barrels (17%). In comparison with 2017 total crude production (58,658,063.54 barrels), there was a 5.93% increase in 2018.

In accordance with the respective Crude Oil Lifting Agreements, GNPC lifted: five parcels of crude oil on behalf of the State (Ghana Group) from Jubilee totalling 4,807,432 bbls of oil (representing 16.14% of total liftings); four parcels of crude totalling 3,980,456 bbls from TEN (17.01% of total liftings); and one parcel of crude totalling 995,351 bbls from SGN (9.32% of total liftings).

GAS BUSINESS

The 2018 objective for gas business was to catalyse strategic investments along the gas value chain by reaching a capital investment decision on at least one gas utilisation project and complete feasibility studies on another project. The following gas-related activities were undertaken during the year:

Liquefied Natural Gas (LNG) Projects

- Executed all material contracts for the Tema LNG project.
- A new due diligence report was ommissioned to replace the existing due diligence on the former Gazprom deal, having been superseded by a current agreement with Rosneft for the Tema LNG solution.Blystad Energy Management, operator of the Tema LNG terminal, engaged Ghana Maritime and Ghana Ports and Harbours Authority on the initial works (permits, logistics base, dredging) to be executed at the port. An Environmental Impact Assessment (EIA) report was submitted to the Environmental Protection Agency (EPA).
- Negotiations for the Takoradi LNG agreement with West Africa Gas Limited (WAGL) are on-going.

GAS PRODUCTION AND EXPORT

A total of 91,459.30 MMSCF, compared to 77,294.44 MMSCF in 2017, of raw gas was produced from the Jubilee, TEN, and SGN Fields in 2018. Total gas export was 23,914.65 MMScf, averaging 95.90 MMScf/d. This was below the annualised target of the revised 195.65 MMScf/d by 50 percent due to lower exports from the SGN field because of offtake market challenges.

THE VOLTAIAN BASIN PROJECT

Voltaian Basin

GNPC made progress on the VBP, its preferred strategic vehicle to accelerate its pursuit of standalone operatorship capabilities, which started in 2017. It is a major vehicle through which GNPC seeks to achieve its vision of maximising the benefits of the nation's petroleum resources to the people of Ghana.

Despite being Ghana's largest sedimentary basin covering approximately 103,600 square km and over 40% of Ghana's land mass, it remains the least explored with little or no exploration database.

The Project's main objective is therefore to determine the prospects of the basin by enhancing the Corporation's knowledge base with respect to the geological and geophysical make-up of the Basin.

As the core vehicle for achieving operatorship, the VBP received additional support and emphasis in 2018. The project advanced towards acquiring and processing seismic, geochemical and satellite data to identify potential areas of hydrocarbon presence in the basin. The projected target for the year was to achieve additional 26% progress (cumulative 36%) of work required to find hydrocarbon presence in the Voltaian Basin. However, we achieved 20% progress (cumulative 30%) of work required to find hydrocarbon presence.

The Corporation is therefore poised to conduct and manage onshore exploratory drilling activities with a view to discovering hydrocarbons. In the medium term, the Corporation will continue the execution of the project's five-year exploration programme.

Performance Details:

- In 2018, the VBP advanced into the data acquisition and processing phase. Major activities undertaken by the end of the last quarter included the following:

  - Acquired 1,300 line km of 2D seismic data
  - Processed approximately 905 line km of 2D seismic data acquired
  - Completed geochemistry data gathering and analysis
  - Produced satellite imagery justification report

In summary, the Voltaian Basin Project cumulatively achieved 30% of work required to establish hydrocarbon presence in the onshore basin at the end of 2018.

DECOMMISSIONING OF SALTPOND FIELD

Phase one of the decommissioning of the Saltpond field continued in 2018. GNPC completed the procurement process and selected a consultant to provide project management consultancy services for the pre-decommissioning (decommission studies) phase. The consultant is working with GNPC to prepare a decommissioning execution plan for implementation in the second phase (decommissioning phase) of the project.

An amount of US$29.47 million has been earmarked for the next phase of decommissioning activities.

Finance

Corporate budget performance within the year was largely driven by stable volumes of crude oil production from the Jubilee, TEN and SGN fields, coupled with rebounding of crude oil prices from an average of US$51.83 per barrel, the previous year to US$72.33. This positive development translated into the performance details as follows:

Total revenue performance made up of Oil & Gas and Service Income from the period January to December amounted to US$ 473,956. 031
The favourable revenue performance is mainly due to significant northward movement in crude oil prices.

The Corporation achieved an overall average price of US$71.31/bbl against a projected price of US$57.36/bbl for the seven cargoes lifted from the Jubilee and TEN fields.
Actual expenditure closed the period at US$232.98m against a budget of US$276.57m, resulting in 16 percent lower than planned expenditure for the period. Re-scheduling of key development works within the Jubilee and TEN contract areas was responsible for the variance. As a result, net position closed the period on a positive note at US$44.89m against a projected negative position of (US$11.63m).

SUSTAINABILITY

RE-FOCUSING GNPC'S CORPORATE SOCIAL INVESTMENT (CSI)

The GNPC Foundation has been created in the new corporate organogram to spearhead CSR operations of GNPC. The move is to address the historically low impact of the Corporation's CSR activities which focused on Health, Education and Sports. The new model has three pillars, namely: Education and Training, Economic Empowerment, and Environment and Social Amenities. The revised focus is to make GNPC more visible and socially responsible through community engagements and investments, to forestall any backlash from host communities. In 2018, the Foundation achieved the following

EDUCATION AND TRAINING

- Awarded 62 foreign tertiary scholarships for the 2018/19 academic year. There are 978 beneficiaries of the GNPC local scholarship scheme and processes are underway to award 1,200 local scholarships for the 2018/19 academic year.
- Began construction of educational infrastructure (i.e. classrooms, dormitory facilities, dining halls and toilet facilities) in 12 schools.
- Provided laboratory cabinets and 100 laboratory stools to Archbishop Porter Girls' Secondary School.

Painting completion of St. Ann Vocational School confirmed was completed
and 100 new laboratory stools and 50 old ones were refurbished for Archbishop Porters SHS.

ENVIRONMENT AND SOCIAL AMENITIES

- Drilled 113 boreholes across Ghana.
- Commenced construction of four artificial turfs to promote sports and physical education in communities. The projects are at various stages of completion.
- Project sites have been handed over to contractors for the construction of sanitary facilities in six identified markets.

MEDEA Development Ltd, operator in the East Cape Three Points Block (ECTP) offshore in partnership with the GNPC Foundation, handed over a site for the construction of a mechanized water system to serve the local Cluster of Schools and the Funkoe community at large.
In addition, 13 out of 20 boreholes with handpumps earmarked for the Western Region were commissioned.

Clarion Health International in partnership with the GNPC Foundation organised a massive community-based eye screening campaign in the Western region of Ghana, offering inhabitants of the beneficiary communities free eye screening, treatment, optical aid and further support for surgery where required. The project was executed in two phases:

Phase I - Ellembelle District from 12-16 November 2018. These included:
Eikwe, Aiyinasi, Nkroful, Essiama, New Aiyinasi sub-districts.

Phase II - Bibiani Ahwianso-Bekwai Municipality from 23-30 November 2018. These included:
Awaso, Cherano, Bekwai, Bibiani, Anwiaso sub-districts.

By the end of the exercise, 9,693 patients, including children had been screened. Most of them were given instant medication and lenses, whilst those with critical conditions were referred to the appropriate health centres. In addition, 34 staff of the Corporation were also screened and given medication.

ECONOMIC EMPOWERMENT

- Provided skills training to about fifty (50) local artisans.
- Supported Western Dɛɛdɛw group with agriculture extension services. A total of 250 farmers were expected to benefit by December 2018.

GNPC PROFESSORIAL CHAIRS

GNPC has established Professorial Chairs in four public universities to enhance research and develop knowledge and expertise in the Petroleum sector. The Chairs are mainly research-based and are expected to specialise in various aspects of the petro-chemical business, with the objective of building local capacity and retaining much needed resources in Ghana.
As part of the four-year agreement with the Professorial chairs, each of the four universities is expected to set up a fully-furnished, state-of-the-art laboratory to undertake petroleum research.

The Professorial Chair of UG will research in the area of Petroleum Geoscience, KNUST will look at Petroleum Engineering, University of Cape Coast (UCC) – Petroleum Commerce, and the University of Mines and Technology (UMaT) – Mining Engineering.

GNPC has committed Four Million United States Dollars ($4Million) to the four universities, with each receiving Two Hundred and Fifty Thousand Dollars per annum, over a four-year period.
The first tranche of $250,000 for the Professorial Chair in Mining Engineering was officially handed over to the University of Mines and Technology on 7 November 2018. Highlights of discussion after the presentation included:

- Monitoring and Evaluation of the University's activities and programmes in relation to the Professorial Chair managed by the GNPC Monitoring and Evaluation team
- Plans to integrate local technical universities to develop their capacity
- Recommendations for the purchases of technical equipment
- Partnership with foreign universities

STAKEHOLDER ENGAGEMENT

TAMALE

The VBP Team met the Tamale Metropolitan Assembly to:

- Inform them about intended route of the Acquisition-VB 105 (under VBP) within one of the 'busy areas' in the Tamale township.
- Solicit support from the Assembly to ensure that the Vibroeseis Trucks move through the community without obstruction. Assess the possibility to deploy a taskforce (or Police Escort) en-route to Aboabo Market.

TOWN HALL MEETINGS IN THE KWAHU AFRAM PLAINS-EASTERN REGION

Town Hall meetings were held in the Kwahu Afram Plains, to deepen community understanding of the VBP, secure community buy-in and co-operation. A total of 26 communities in both the Kwahu Afram Plains North and South Districts were visited during the exercise.

POST-SEISMIC ENGAGEMENT IN THE NORTH

The Corporation undertook a post-seismic enagement in the north, to evaluate social infractions as a result of VBP activities . The farmers whose farms were used, including the Chiefs, were Respondents enumerated (with set of Questions).

PETROLEUM PROJECTS

GREATER JUBILEE FIELD DEVELOPMENT AND PRODUCTION

The execution of the Greater Jubilee Field development plan commenced this year with the drilling and completion of new development wells. The field also witnessed a planned shutdown for the implementation of the Turret Remediation Project (TRP). In 2019, the Contractor party will continue execution of the Plan Of Development and permanently spread moor the FPSO at a new heading. Production is expected to average 95,000 barrels of oil per day and an average daily gas export of 95 MMScf/d.

The following activities are also expected to be carried out in 2019:

- Continue production operations. A total of 34.68 MMbbls of oil to be produced with a projected total gas export of 34.68 Billion cubic feet (Bcf). The Ghana Group is expected to undertake six (6) liftings in 2019
- Continue reservoir studies, production surveillance and management
- Permanently spread moor the FPSO at a new heading
- Drill three and complete two development wells
- Engineer, fabricate, install and commission subsea infrastructure relating to wells drilled and completed
- Continue the Engineering, Procurement, Construction and Installation (EPCI) for the Oil Offloading System
- Remediate Gas Lift Riser-9
- Conduct Operational and Financial Audit.

The total project cost to be incurred by the Greater Jubilee Partners in undertaking these activities in 2019 was US$837.29 million. A total budgetary allocation of US$83.47 million was made in line with GNPC's interest.

J36-WI COMPLETIONS

Completion operations on J36-P continued in the fourth quarter of 2018. The 4-zone smart completion package was installed across the three zones. All associated pressure and function tests were successfully performed.

The total cumulative cost at the end of 2018 operations was USD 30.19MM against an AFE USD 27.46 MM. The overspend was attributed to the unplanned pulling out of hole of the SMART completions assemblies as a result of twisted baker TEC lines.

MAJOR ISSUES AND REMEDIAL ACTIONS

- Sulphate Removal Unit (SRU) feed pump-D shaft impaired; repairs are ongoing.
- Riser #5 leak rate has increased to 650 litres/min at 297 barg for two Sea Water Injection Pumps (SWIP) operations. Soft gasket to be installed to manage the leak whilst awaiting a new spool to be used to permanently fix the leakage.
- Maintenance works is required on Gas Turbine Generators (GTG) due to diesel quality issues.
- Completed tuning and calibration of SRU "A" after observation of erratic readings in permeate flowmeter.
- Leak observed at Riser #2 pull-in head connection at a rate of 3 litres/min.

TWENEBOA - ENYENRA - NTOMME (TEN) DEVELOPMENT AND PRODUCTION

Production from the Tweneboa-Enyenra-Ntomme (TEN) Field has ramped-up gradually since coming on-stream in 2016. Initially constrained by the protracted maritime dispute, the final ruling by the ITLOS in 2017 enabled resumption of the execution of its Plan Of Development (PoD) in 2018. Activities in 2019 will focus on accelerating the development work to increase production from the field to an average of 71,000 bopd and 15 MMScf/d of gas export. The Corporation will commence commercial negotiations and sign the TEN Non-Associated Gas Sales Agreement with the contractor party.

EN09-WI DRILLING

En09-WI was spudded on 10 November 2018 as a water injector targeting the E01U and E02 sands of the TEN field with the entire section being drilled by the Stena Forth.
The well was suspended, displacing it to 8.6ppg Brine with GT plug set and a TA cap installed on the wellhead on 23 December 2018 awaiting completions by the Maersk Venturer. The actual cost for this well was USD 24.15MM as compared to the budgeted amount of USD 19.98MM. The budgeted amount was exceeded due to unplanned bit pull in the 16" hole section. The stethoscope logging tool also failed in the reservoir section which had to be changed out. A total of 44.94 days was used for operations exceeding approved days by 14.01 days.

EN10-P DRILLING

En10-P was spudded on 3 October 2018 as an oil producer targeting the E01U and E02 sands of the TEN field with the entire section being drilled by the Stena Forth.

The well was suspended displacing it to 8.6ppg Brine with GT plug set at 2,118.09m MDBRT and a TA cap installed on the wellhead on 7 November 2018 awaiting completions by the Maersk Venturer.

The actual cost for this well was US$ 20.54MM compared with the budgeted amount of US$ 20.58MM (a total amount of US$ 0.04 MM was saved). A total of 38.6 days were used for operations exceeding approved days by 7.55 days. Although days spent on well exceeded the budgeted time, the actual well cost was less than budgeted, and this may be attributed to the fact that majority of NPTs recorded were from the rig contractor and service companies and not the operator.

A summary of the well data is presented in table 1 below. These costs and the productive / non-productive time breakdown for the operations are graphically presented below in figure 1 and figure 2 respectively.

Well Name	En10-P
Well Type	Oil Producer
Cumulative well cost (USD MM)	20.54
AFE (USD MM)	20.58
Actual Days on Well	38.6
Planned Days on Well	31.05

Table 1: Summary of En10-P well data

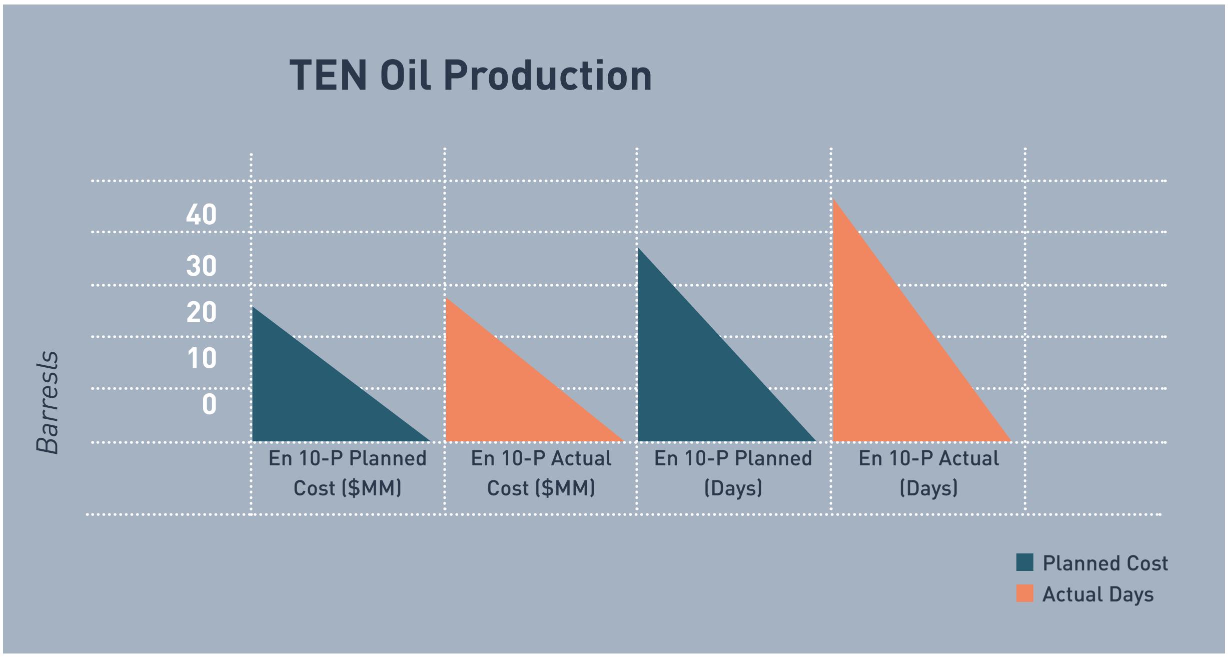

Figure 1: En10-P AFE Days vs Actual Days and AFE Cost vs Actual Cost

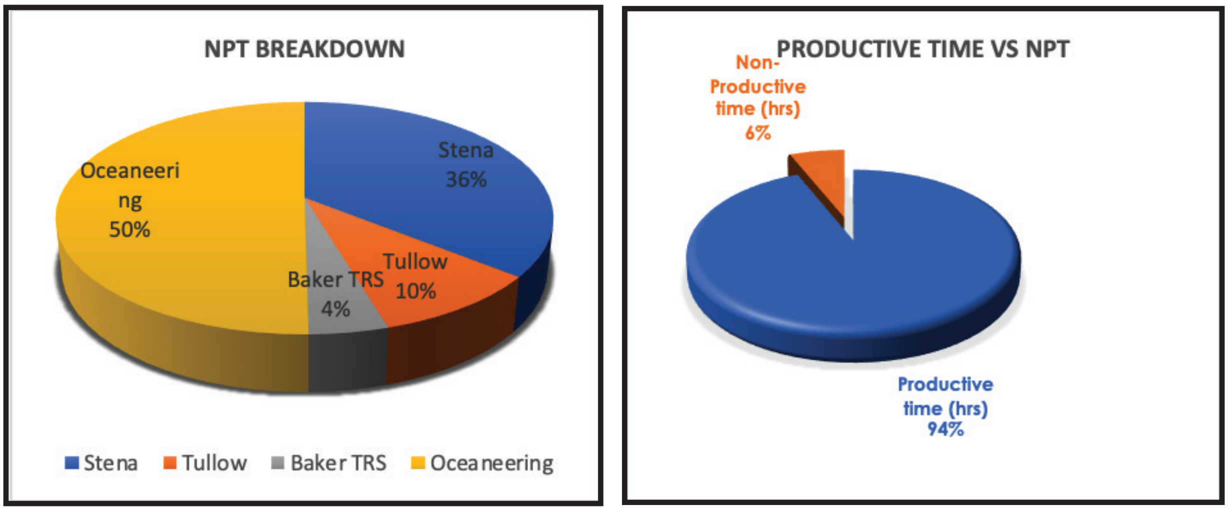

Figure 2: En10-P Productive Time (PT) vs Non-Productive Time (NPT) and the breakdown of the NPT

EN10-P COMPLETIONS

Completion operations began on 23 December 2018. A total of USD 6.22MM was spent on completion operations at the end of the period under review as compared with an AFE of USD 26.62MM.

The following activities will be undertaken in 2019:

- Continue production operations - A total production of 25.92 MMbbls of oil to be produced and 5.48 Bcf of gas to be exported to Atuabo Gas processing plant. GNPC on behalf of the Ghana Group is expected to make five (5) liftings from the TEN field in 2019;
- Continue reservoir studies, production surveillance and management;
- Drill three (3) and complete four (4) development wells;
- Engineer, fabricate, install and commission subsea infrastructure relating to wells drilled and completed;
- Acquire and process 4D seismic data over the field; and
- Commence commercial negotiations and sign TEN Non-Associated Gas Sales Agreement (GSAs).

The Corporation owes the TEN JV Partners an amount of US$235.11 million for its share of accrued development and production costs as of the end of September 2018, out of which a total of US$46.55 million is expected to be paid in 2019.
The development and production costs for the 2019 work programme will amount to US$532.69 million. GNPC's budget towards the TEN project in 2019 is US$109.25 million.

SANKOFA – GYE NYAME (SGN) DEVELOPMENT AND PRODUCTION

The integrated Sankofa – Gye Nyame (SGN) Field successfully achieved first gas in June 2018. Gas export from the field had commenced and was expected to ramp-up gradually in 2019. Oil production from the field, on the other hand had been adversely impacted by reservoir uncertainty. The focus of work in 2019 will be to resolve the reservoir challenges and achieve target oil production of an average of 30,000 bopd and export gas at an average of 130 MMScf/d in 2019 (contractor gas). The Corporation together with the OCTP-Partners will work to ensure critical gas infrastructure needs are resolved in time to enable full offtake of SGN gas.

GI-4 was spudded on 13 September 2018 as a gas injector in the OCTP field and drilling operation continued into the fourth quarter. The well was drilled to reach 12 ¼" hole section and production casing was cemented in place. Drilling operations on the well ended on 2 October 2018 at 00:00 hrs.
A total amount of USD 18,558,754 was spent on drilling operations as compared with an AFE of USD 19,566,185. A total of 19.54 days were used for operations compared with a planned time of 22 days thereby indicating that the drilling operations were completed 2.46 days ahead of schedule.

Completion operations commenced after the drilling operations. The lower section was completed as a Cased Hole Frac Pack with wire wrap screens and Upper completions were ran on 5 ½" single tubing with 9-5/8" Production Packer, Downhole Pressure & Temperature Gauge and 5 ½" TR-SCSSV.

In respect of the Completion operations, a total amount of USD 19.32MM was spent compared with an AFE of USD 30.77MM. A total of 26.99 days was used for operations compared with planned time of 29.65 days thereby indicating that the Completion operations were completed 2.66 days ahead of schedule.

OP-7 INTERVENTION OPERATIONS

Work Over operations on OP-7 which commenced on 29 October 2018 continued into November 2018. Acid stimulation was performed across the perforations interval with 160bbls HCl and over displaced the acid with 150bbls base oil. The total cumulative cost of OP-7 workover was USD13,119,953 against an AFE of USD 10,407,600. The incremental cost is attributed operational challenges in the unsuccessful latching of the Universal Running Tool (URT) Expro Landing String Assembly (ELSA) on the tubing hanger that required POOH, inspection and cleaning.

OP-5 INTERVENTION OPERATIONS

The Maersk Voyager rig commenced acid simulation job on the OP-5 well on 15 November 2018. A total amount of USD 3,554,733 was spent on the work-over operations compared with an AFE of USD 3,073,974. A total of 4 days was used for the operations as compared to a planned time of 3.78 days thereby showing that work- over operations were completed on schedule.

OP-6 INTERVENTION OPERATION

OP-6 workover commenced on 25 November 2018. Performed the OP-6 acid stimulation job with the coil tubing by pumping 100bbls of HCl into the formation and over displaced this with 460bbls of oil. The acid stimulation operation ended on 30 November 2018 and the total cumulative cost of OP-6 workover was USD 4,320,651 against an AFE of USD 4,284,000.

SNKE-2A COMPLETIONS:

SNKE-2A well operation commenced on 30 November 2018. The well was successfully re-entered with 8 ½" slick BHA and displaced to 50bbls of Hi viscous pill + 1.13sg CaCl2 viscous brine. The Campanian SK7b layer was perforated from 2680.5m MD to 2687.5m MD and associated losses were cured accordingly. Completion operations on the SNKE-2A well were successfully ended and the well cleaned up on 22 December 2018.

The total cumulative cost at the end of SNKE-2A completions operation as USD 21,077,714 against an AFE of USD 26,740,000.

Key activities on the SGN project in 2019 include:

- Continue production operations. Total oil production is expected to reach 10.95 MMbbls and gas export is anticipated to reach a total of 47.45 Bcf in 2019. The Ghana Group is projected to lift two parcels of crude from the field in 2019
- Continue reservoir studies, production surveillance and management
- Plan and execute acid simulation job on the impaired oil production wells
- Drill one well and complete two wells
- Engineer, fabricate, install and commission subsea infrastructure relating to wells drilled and completed
- Continue and conclude all commercial agreements including
    - Gas Sales Agreements
    - Gas Transportation Agreements
    - Interconnection Agreements.

The Corporation also owes the SGN JV partners accumulated development and production costs amounting to US$55.27 million as at 30 September 2018.
The development and production costs for the 2019 work programme will amount to US$463.00 million. The total amount budgeted for the Corporation's obligation in the SGN project in 2019 is US$77.20 million.

AMMONIA PROJECT

MAJOR ISSUES & REMEDIAL ACTIONS

Policy direction from the Ministry of Energy stipulates that, Ghana Gas and Ministry of Food and Agriculture should take the lead on the project. Therefore, GNPC will continue with the feasibility study and make its report readily available to interested parties.

OPERATING CONTEXT

Demand for oil averaged 100.1 MMbbls/d in the last quarter of 2018, representing a 0.3% increase from 99.8 MMbbls/d recorded in the previous quarter. The marginal increase in demand is mainly attributed to growth from OECD states and the recent slack in prices of crude oil on the global markets. Average oil demand reached 99.2 MMbbls/d in 2018 compared with 98.0 MMbbls/d for 2017.

Supply of crude for the fourth quarter of 2018 increased by 0.4% to 101.3 MMbbls/d from 100.9 MMbbls/d recorded in the last quarter as output cuts from OPEC member states in December less than offset gains recorded in non-OPEC output. The oil cartel is expected to extend its output reduction deal in 2019 in an attempt to address possible supply gluts in the markets. Overall supply averaged 99.9 MMbbls/d in 2018 as against 97.4 MMbbls/d recorded for the preceding year.
Brent crude price plunged by 10% in the last quarter of 2018, averaging US$67.4/bbls compared to US$75.5/bbl recorded for the third quarter. This is backed by oversupply and economic growth concerns. However, Brent crude prices on a year on year basis, witnessed about 31% rise from an average of US$54.4/bbl in 2017 to US$71.1/bbl in 2018.

OIL AND GAS PRODUCTION

A total of 16,373,892.44 bbls of crude oil was produced from the three producing fields during the last quarter. This represents a marginal decline of 2.42% compared to the previous quarter's position of 16,779,492.16 bbls. Consequently, average daily oil production reduced by 2.42% from 182,385.78 bbls in quarter three to 177,977.09 bbls in quarter four. However, average daily oil production exceeded the annualised target of 160,530 bbls by 10.87%.

Total gas production increased by 0.82% to 28,578.34 MMscf for the fourth quarter as against 28,346 MMscf recorded in the third quarter. This translates into an average of 310.63 MMscf/d.
Gas exported during the quarter was 9,960.56 MMscf, recording an increase of 8.01% from 9,221.51 MMscf in the previous quarter. On average, the quarter recorded a total gas export rate of 108.27 MMscf per day representing a 44.66% decline in performance against the annualised rate of 195.65 MMscf/d.

The details of crude oil, gas production and gas export from the three producing fields are below:

GREATER JUBILEE FIELD

Total crude oil produced from the Jubilee field amounted to 7,861,910 bbls during the fourth quarter compared to 8,676,559 bbls for the third quarter, resulting in a decline of 9.39%. Daily oil production averaged 85,455.54 bbls, a reduction of 9.39% compared to 94,310.42 bbls for the third quarter. Also, average daily oil production performed above the annualised target of 75,400 bbls by 13.34%. The shortfall in oil production was due to unavailability of flowline circulation pump and inefficiency in the gas dehydration system.
A total of 4,579.52 MMscf of associated gas was exported to the Ghana National Gas Corporation (GNGC) Processing Plant, which resulted in a reduction of 15.50% compared to 5,419.68 MMscf for the previous quarter. The average daily gas exported was 49.78 MMscf per day, representing a 39.04% decline against the annualised target of 81.65 MMscf. The reduction was as a result of a temporary shutdown of the gas compressor for mechanical work on the Tri Ethylene Glycol (TEG) system.Continued and commenced completion operations on the J36-WI and J51-P wells respectively during the quarter. Successfully completed the turret remediation activities and positioned the Jubilee FPSO in the required 205-degree permanent heading without the requirement of a facility shutdown. The FPSO is currently supported at the stern by new permanent mooring lines and Suction Embedded Plate Anchors (SEPLA).

TWENEBOA-ENYENRA-NTOMME (TEN) FIELD

The TEN field achieved a total crude oil production of 6,027,128 bbls compared with 5,757,966 bbls for the third quarter, showing a marginal increase of 4.67%. Average daily oil production also increased by 4.67% to 65,512.26 bbls from 62,586.59 bbls for the preceding quarter. The average daily production of 65,512.26 bbls was 9.19% above the annual target of 60,000 bbls.
The field produced a total volume of 10,787.72 MMscf of associated gas in the quarter under review against 10,223.41 MMscf produced in the third quarter. This represents a 5.52% increase in gas production.

The quarter recorded a total of 380.69 MMscf of gas export to the GNGC Processing Plant to support the Jubilee field nomination and outages. This represents a very substantial decrease of 85.63% compared to 2,648.77 MMscf recorded in the third quarter. Also, average daily gas exported was 4.14MMscf representing an 83.45% drop against the annualised target of 25MMscf. Gas export from the field was halted for a period as a result of maintenance activities on the Gas Processing Plant by GNGC.
Two wells (En09-WI and En10-P) were successfully drilled during the quarter.

SANKOFA GYE-NYAME (SGN) FIELD

Crude oil production from the SGN field increased to 2,484,854.44bbls for the fourth quarter compared with 2,344,967.16 bbls in the previous quarter, a rise of 5.97%. Consequently, average daily production increased by 5.97% from 25,488.77 bbls in the third quarter to 27,009.29 bbls for the fourth quarter. Average daily production was 7.48% above the annualised target of 25,130 bbls.
The Sankofa Gye-Nyame field achieved over 333.66% increase in gas export to VRA from 1,153.06 MMscf in the third quarter to 5,000.35 MMscf in the quarter under review. The field achieved an average daily gas export rate of 54.35 MMscf compared to 12.53MMscf for the preceding quarter. This represents 38.93% below the annualised target of 89 MMscf.

MARKETING AND LIFTING OF CRUDE OIL

The Jubilee field partners lifted nine parcels of crude oil totalling 8,575,502 bbls with an average parcel size of 952,834 bbls. The Ghana Group lifted its 46th cargo of crude oil amounting to 947,251 bbls from the field. The unit price achieved for the parcel was US$58.849/bbl with realised revenue of US$55.820 million.

In addition, six parcels of crude oil totalling 5,883,775 bbls were lifted by the TEN partners during the fourth quarter. One parcel constituting the Ghana Group's ninth cargo was lifted out of the six parcels, this totalled 995,171 bbls. The parcel was sold at a unit price of US$79.408/bbl with a realised revenue of US$79.074 million.

Partners from the SGN field lifted three parcels amounting to 2,895,762 bbls of which there was no lifting by the Ghana Group. ENI has applied oil entitlement of the Corporation to reduce GNPC's portion of accrued development and production cost.
Total crude oil lifted by the Ghana Group from Jubilee and TEN fields was 1,942,422 bbls. Total revenue realised was US$134.895 million with an average price of US$69.129/bbl from the two fields.

Annex 2 of this report illustrates production and lifting performance from the three producing fields (Jubilee, TEN and Sankofa Gye-Nyame), year-to-date oil and gas production profile and a summary of gas exported from the three fields.

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Freddie Blay	Chairman
	Dr. Kofi Koduah Sarpong	Chief Executive
	Ogyeahohoo Yaw Gyebi II	Member
	Mrs. Nana Adjoa Hackman	Member
	Mr. Kwabena Kwakye	Member
	Mr. Yaw Kyei	Member
	Prof. John S. Nabila	Member

SECRETARY Ms. Matilda Ohene

BUSINESS ADDRESS Petroleum House, Tema

POSTAL ADDRESS Private Mail Bag, Tema

EXTERNAL AUDITORS
Ernst & Young
Chartered Accountants
G15 White Avenue
Airport Residential Area
P O Box KA 16009
Airport - Accra

BANKERS
National Investment Bank Limited
Bank of Ghana
Ghana Commercial Bank Limited
Ecobank Ghana Limited
Ghana International Bank Plc – London

GHANA NATIONAL PETROLEUM CORPORATION

REPORT OF THE DIRECTORS
31 DECEMBER 2018

The Directors have the pleasure of presenting this annual report to the Government of Ghana, through the Minister for Energy, for the year ended 31 December 2018.

1. Principal activities

The Objects of the Corporation are to undertake the exploration, development, production and disposal of petroleum

The Corporation shall:

a) Promote the exploration and the orderly and planned development of the petroleum resources of Ghana
b) Ensure that Ghana obtains the greatest possible benefits from the development of its petroleum resources
c) Obtain the effective transfer to Ghana of appropriate technology relating to petroleum operations
d) Ensure the training of citizens of Ghana and the development of national capabilities in all respects of petroleum operations; and
e) Ensure that petroleum operations are conducted in such manner as to prevent adverse effects on the environment, resources and people of Ghana

2. Statement of directors' responsibilities

The directors are responsible for the preparation of the consolidated financial statements for each financial period, which give a true and fair view of the state of affairs of the Corporation and of the profit or loss for that period.

In preparing the consolidated financial statements, the Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2018. The directors confirm that the consolidated financial statements have been prepared on a going concern basis.

Results of operations

The results for the year and the state of affairs of the Corporation are shown in the attached financial statements.

Auditors

The auditors, Ernst & Young, Chartered Accountants have indicated their willingness to continue in office as auditors, subject to reappointment by the Auditor General.

Signed on behalf of the Board by:

Director:

Date: 3-1.12.2019

Director:

Date: 30/12/2019

INDEPENDENT AUDITORS' REPORT
TO THE GOVERNMENT OF GHANA, THROUGH THE MINISTER FOR ENERGY

Report on the Audit of the Consolidated and Separate Financial Statements Opinion

We have audited the consolidated and separate financial statements of Ghana National Petroleum Corporation (GNPC) set out on pages 8 to 68, which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Ghana National Petroleum Corporation (GNPC) as at 31 December 2018 , and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64), Petroleum Revenue Management Act, 2011 (Act 815) as amended and the Ghana Companies Act, 1963 (Act 179).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Ghana National Petroleum Corporation and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audits of Ghana National Petroleum Corporation (GNPC) and its subsidiaries. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements

Key Audit Matter	How the matter was addressed in the audit
Implementation challenges of the SAP Hana software The Corporation has invested over US$11 million in the implementation of an ERP software called SAP Hana. However, the software is not fully functional as at 31 December 2018, following the change in software from Navision 2013 to SAP Hana. The data migration process as a result of the change in software has challenges, where the opening balances for the old system were not successfully loaded into the SAP Hana system. The opening balances are therefore maintained outside SAP Hana. There exists the risk that affected general ledger balances may not be accurately stated.	Our audit procedures on valuation, existence and completeness of underlying transactions supporting the affected accounts included, among others, the following: • We evaluated the appropriateness of management's process for identifying and recording transactions relating to the affected general ledger and subledger accounts. • We reviewed contracts and agreements with vendors to understand the nature of timing and extent of these transactions. • We performed reasonableness tests on fixed assets depreciation. • We validated fixed assets additions and transfers from Work in Progress (WIP). • We reviewed general ledger and subledger reconciliations to ensure completeness of the underlying transactions for affected accounts. • Throughout the performance of our audit procedures, we remained alert for any transactions outside the normal course of business. • We utilized data analysis tools to interrogate entire data sets for potential unrecorded transactions. • We verified that transactions were duly authorized in line with the corporation's authority matrix. • We ensured that the closing balances for 2017 agree with the opening balances for 2018.

Key Audit Matter	How the matter was addressed in the audit
Significant accounts Revenue Increase in the value of liftings contributed to the increase in current year revenue. There exists the risk that liftings during the year may not be completely reported leading to misstatements in the corporation's earrings.	Our audit procedures on occurrence, measurement and completeness of underlying transactions supporting the affected accounts included, among others the following: • We performed revenue recognition procedures such as analytical procedures. • We reviewed sales agreement. • We reviewed certificates issued by the Operator which supported liftings, and performed tests of transactions.
Petroleum projects Petroleum projects constitutes approximately fifty four per cent (54%) of total assets as at end of the year. A rise in petroleum activities in the Tweneboa, Enyenra and Ntomme (TEN) and Sankofa Gyi-nyame (SGN) fields during the year contributed to the increase in petroleum projects as compared to prior year. There exists the risk that the valuation of petroleum projects may be materially misstated	Our audit procedures on valuation, existence and completeness of underlying transactions supporting the affected accounts included, among others the following: • Tested the basis on which additions, amortisations and disposals were recorded. • Examined invoices, authorisations, contracts, agreements and other data supporting ownership of assets capitalised during the period.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 1963 (Act 179). The other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate 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, 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.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64), Petroleum Revenue Management Act, 2011 (Act 815) as amended and the Ghana Companies Act, 1963 (Act 179), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting processes.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Ghana Companies Act, 1963 (Act 179) requires that in carrying out our audit we consider and report on the following matters. We confirm that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
ii. In our opinion proper books of account have been kept by the Group, so far as appears from our examination of those books; and
iii. The balance sheet (statement of financial position) and the profit and loss account (the profit or loss section of the statement of profit or loss and other comprehensive income) of the Group are in agreement with the books of accounts.

Signed by Victor Gborglah (ICAG/P/1151)
For and on behalf of Ernst & Young (ICAG/F/2019/126)
Chartered Accountants
Accra, Ghana

Date: 30/12/19

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group 2018 USD	Group 2017 USD	GNPC 2018 USD	GNPC 2017 USD
Revenue	5	**474,541,649**	268,252,251	**473,956,031**	267,737,386
Cost of sales	6	**(235,873,593)**	(102,700,261)	**(235,804,089)**	(102,603,540)
Gross profit		**238,668,056**	165,551,990	**238,151,942**	165,133,846
Other operating income	7	**35,191,418**	18,973,797	**35,219,826**	18,966,343
General & administrative expenses	8	**(138,380,846)**	(76,793,188)	**(143,870,691)**	(78,185,317)
Other operating expenses	9	**(1,726,144)**	(5,273,573)	**(1,726,144)**	(5,273,573)
Operating Profit		**133,752,484**	102,459,026	**127,774,933**	100,641,299
Finance cost	10	**(21,261,479)**	(15,582,276)	**(19,410,873)**	(13,752,570)
Share of profit of joint venture	20b	**324,747**	37,524	**-**	-
Profit before tax		**112,815,752**	86,914,274	**108,364,060**	86,888,729
Income tax expense	11b	**(11,499)**	(15,262)	**-**	-
Profit after tax		**112,804,253**	86,899,012	**108,364,060**	86,888,729
Other comprehensive income for the year					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement losses of defined benefit obligation	30.2	**(49,698)**	(21,870)	(49,698)	(21,870)
Items that may be reclassified subsequently to profit or loss					
Translation Difference		**(24,170)**	950,265	**-**	-
Other comprehensive income for the year, net of tax		**(73,868)**	928,395	**(49,698)**	(21,870)
Total comprehensive income for the year, net of tax		**112,730,385**	87,827,407	**108,314,362**	86,866,859
Profit/(Loss) for the year attributable to:				-	
Owners of the Corporation		**113,525,998**	87,193,644		
Non-controlling Interests		**(721,745)**	(294,632)		
		112,804,253	86,899,012		
Total comprehensive income attributable to:					
Owners of the Corporation		**113,461,798**	88,031,310		
Non-controlling interests		**(731,413)**	(203,903)		
		112,730,385	87,827,407		

The notes 1 to 41 form an integral part of these financial statements.

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		GNPC	
Assets	**Notes**	**2018**	2017	**2018**	2017
Non-current assets		**USD**	USD	**USD**	USD
Property, plant & equipment	12	**34,313,516**	25,392,887	**33,853,341**	24,884,237
Intangible assets	13	**1,824,875**	3,824,301	**1,824,875**	3,824,301
Exploration and evaluation assets	14	**58,911,998**	21,166,647	**53,036,046**	15,480,714
Petroleum projects	15	**538,127,871**	510,647,032	**538,127,871**	510,647,032
Other non-current assets	16	**3,041,333**	154,722	**3,041,333**	154,722
Other financial assets	17	**11,739,754**	121,753,892	**11,739,754**	121,753,892
Due from government agencies	18	**103,501,246**	290,912,779	**103,501,246**	290,912,779
Investment in subsidiaries	19	**-**	-	**22,720**	22,720
Investment in associate and Joint Venture	20	**1,301,713**	1,008,280	**131,563**	131,563
Total non-current assets		**752,762,306**	974,860,540	**745,278,749**	967,811,960
Current assets					
Inventories	21	**267,337**	326,973	**253,965**	314,238
Due from related parties	22	**217,140**	-	**6,879,565**	6,498,751
Trade & other receivables	23	**139,877,115**	167,527,617	**139,855,667**	167,512,152
Prepayment	24	**65,771,182**	2,001,822	**65,771,182**	2,001,822
Other current financial assets	17	**-**	4,000,000	**-**	4,000,000
Cash & bank balances	25	**34,566,551**	62,528,783	**34,540,042**	62,498,468
Total current assets		**240,699,325**	236,385,195	**247,300,421**	242,825,431
Total assets		**993,461,631**	1,211,245,735	**992,579,170**	1,210,637,391

The notes 1 to 41 form an integral part of these financial statements

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2018

		Group		GNPC	
Equity and Liabilities	**Notes**	**2018**	2017	**2018**	2017
Equity		**USD**	USD	**USD**	USD
Stated capital	26	**3,332,726**	3,332,726	**3,332,726**	3,332,726
Petroleum equity fund	27	**105,331,516**	117,830,392	**105,331,516**	117,830,392
Petroleum project fund	28	**280,263,069**	277,279,272	**280,263,069**	277,279,272
Retained earnings		**74,356,769**	215,900,962	**89,486,589**	236,192,171
Translation reserve		**2,825,446**	2,839,948	**-**	-
Equity attributable to equity holders of the parent		**466,109,526**	617,183,300	**478,413,900**	634,634,561
Non-controlling interests		**(2,926,998)**	(2,195,585)	**-**	-
Total equity		**463,182,528**	614,987,715	**478,413,900**	634,634,561
Non-current liabilities					
Training & technology fund	29	**38,328,796**	48,117,441	**38,328,796**	48,117,441
Medium term loan	30	**269,237,299**	443,066,268	**266,159,374**	435,859,518
Deferred tax liabilities	11c	**22,850**	21,259	**-**	-
Employee benefits obligation	31	**575,778**	532,200	**575,778**	532,200
Total non-current liabilities		**308,164,723**	491,737,168	**305,063,948**	484,509,159
Current liabilities					
Trade & other payables	32	**222,108,148**	104,506,696	**209,101,322**	91,493,671
Corporate tax liabilities	11a	**6,232**	14,156	**-**	-
Total current liabilities		**222,114,380**	104,520,852	**209,101,322**	91,493,671
Total liabilities		**530,279,103**	596,258,020	**514,165,270**	576,002,830
Total equity and liabilities		**993,461,631**	1,211,245,735	**992,579,170**	1,210,637,391

Director: [signature]

Date: 30/12/2019

Director: [signature]

Date: 30/12/2019

The notes 1 to 41 form an integral part of these financial statements.

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

Group

	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Exchange Translation reserve USD	Non Controlling Interest USD	Total equity USD
As at 1 Jan 2018	**3,332,726**	**117,830,392**	**277,279,272**	**215,900,962**	**2,839,948**	**(2,195,585)**	**614,987,715**
Effect of adoption of IFRS 9 (Note 2)	-	-	-	(264,535,572)	-	-	(264,535,572)
As at 1 Jan 2018 (restated)	**3,332,726**	**117,830,392**	**277,279,272**	**(48,634,610)**	**2,839,948**	**(2,195,585)**	**350,452,143**
Profit/ (loss) for the year	-	-	-	113,525,998	-	(721,745)	112,804,253
Other comprehensive income	-	-	-	(49,698)	-	-	(49,698)
Translation difference					(14,502)	(9,668)	(24,170)
Transfer to retained earnings	-	(12,498,876)	2,983,797	(9,515,079)	-	-	-
As at 31 Dec 2018	**3,332,726**	**105,331,516**	**280,263,069**	**74,356,769**	**2,839,446**	**(2,926,998)**	**463,182,528**

	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Exchange Translation reserve USD	Non Controlling Interest USD	Total equity USD
As at 1 Jan 2017	**3,332,726**	**60,021,333**	**215,506,462**	**248,311,057**	**1,980,411**	**(1,991,681)**	**527,160,308**
Profit for the year	-	-	-	87,193,644	-	(294,632)	86,899,012
Other comprehensive income	-	-	-	(21,870)	859,537	90,728	928,395
Transfer to retained earnings	-	57,809,059	61,772,810	(119,581,869)	-	-	-
As at 31 Dec 2017	**3,332,726**	**117,830,392**	**277,279,272**	**215,900,962**	**2,839,948**	**(2,195,585)**	**614,987,715**

The notes 1 to 41 form an integral part of these financial statements.

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

GNPC	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Total equity USD
Balance at 1 Jan 2018	**3,332,726**	**117,830,392**	**277,279,272**	**236,192,171**	**634,634,561**
Effect of adoption of IFRS 9	-	-	-	(264,535,023)	(264,535,023)
Adjusted Balance at 1 Jan 2018	**3,332,726**	**117,830,392**	**277,279,272**	**(28,342,852)**	**370,099,538**
Profit for the year	-	-	-	108,364,060	108,364,060
Other comprehensive income	-	-	-	(49,698)	(49,698)
Transfer from retained earnings	-	(12,498,876)	2,983,797	9,515,079	-
Balance at 31 Dec 2018	**3,332,726**	**105,331,516**	**280,263,069**	**89,486,589**	**478,413,900**

	Stated capital USD	Petroleum equity fund USD	Petroleum project fund USD	Retained earnings USD	Total equity USD
Balance at 1 Jan 2017	**3,332,726**	**60,021,333**	**215,506,462**	**268,907,181**	**547,767,702**
Profit for the year	-	-	-	86,888,729	86,888,729
Other comprehensive income	-	-	-	(21,870)	(21,870)
Transfer to retained earnings	-	57,809,059	61,772,810	(119,581,869)	-
Balance at 31 Dec 2017	**3,332,726**	**117,830,392**	**277,279,272**	**236,192,171**	**634,634,561**

The notes 1 to 41 form an integral part of these financial statements

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

			Group		GNPC
	Notes	**2018 USD**	2017 USD	**2018 USD**	2017 USD
Cash flows from operating activities					
Profit before tax		**112,815,745**	86,899,012	**108,364,054**	86,888,729
Adjustments for:					
Depreciation charge	12	**2,311,402**	2,147,869	**2,224,901**	2,068,472
Amortisation of intangible assets	13	**3,059,310**	3,052,098	**3,059,310**	3,052,098
Petroleum project cost amortisation	16.1	**52,809,293**	38,600,527	**52,809,291**	38,600,527
Net foreign exchange differences		**(3,760)**	(2,111,082)	**-**	-
Asset write off		**1,585,900**	-	**1,585,900**	-
Provisions and accruals		**43,578**	5,498,81	**43,578**	5,498,281
Profit on disposal of fixed assets	14	**-**	(4,432)	**-**	(4,432)
Dividend income		**-**	-	**(31,314)**	(31,247)
Share of (profit)/loss in joint venture	20b	**(324,747)**	(37,524)	**-**	-
Impairment of associate		**-**	2,199,384	**-**	2,199,384
Income Tax Expense		**11,499**	15,262	**-**	-
Finance cost		**21,261,479**	-	**19,410,873**	-
Finance income	7	**(4,556,644)**	(8,027,370)	**(4,556,644)**	(8,027,370)
Working capital adjustments:					
Decrease/(increase) in amount due from government & its agencies		**(7,000,673)**	(15,469,743)	**(7,000,673)**	(15,469,743)
Decrease/(Increase) in stocks		**59,644**	(58,834)	**60,273**	(57,539)
Increase in amount due from related party		**-**	853,168	**(380,814)**	(1,240,335)
increase in debtors and prepayments		**(101,877,952)**	(58,144,687)	**(101,668,671)**	(58,145,814)
Increase in creditors		**96,278,782**	30,698,126	**98,139,296**	29,324,947
Deferred income		**-**	-	**-**	-
		176,472,854	86,110,055	**172,067,148**	84,655,958
Income taxes paid		**(17,832)**	(11,086)	**-**	-
Net cash generated from operating activities		**176,455,022**	86,098,969	**172,067,148**	84,655,958

GHANA NATIONAL PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Group **2018** **USD**	 2017 USD	GNPC **2018** **USD**	 2017 USD
Net cash generated from operating activities		**176,455,022**	86,098,969	**172,067,148**	84,655,958
Cash flows from investing activities					
Proceeds from sale of fixed assets		**-**	48,403	**-**	48,403
Purchase of property, plant & equipment	12	**(13,621,519)**	(12,550,397)	**(13,546,534)**	(12,382,313)
Purchase of intangible assets	13	**(293,256)**	(297,468)	**(293,256)**	(297,468)
Additions to petroleum projects	16	**(80,290,132)**	(94,023,358)	**(80,290,132)**	(94,023,358)
Payments for other non-current assets		**(2,886,611)**	-	**(2,886,611)**	-
Exploration assets	15	**(37,745,352)**	(2,288,913)	**(37,555,332)**	(1,279,911)
Proceeds from financial assets at amortised cost		**110,003,768**	17,000,000	**110,003,768**	17,000,000
Dividend received		**31,314**	31,247	**31,314**	31,247
Interest received		**-**	5,987,395	**-**	5,987,395
Net cash used in investing activities		**(24,801,788)**	(86,093,091)	**(24,536,783)**	(84,916,005)
Cash flows from financing activities					
Proceeds from loan		**14,191,194**	55,858,324	**14,191,194**	55,858,324
Repayment of loan		**(188,020,163)**	(59,199,275)	**(183,891,338)**	(58,825,805)
Payment for Training & technology grant		**(9,788,647)**	5,009,452	**(9,788,647)**	5,009,452
Net cash (used in)/generated by financing activities		**(183,617,616)**	26,747,034	**(179,488,791)**	27,120,504
Net (decrease)/ increase in cash and cash equivalents		**(31,964,382)**	26,752,912	**(31,958,426)**	26,860,457
Net foreign currency exchange difference		**2,150**	55,456	**-**	-
Cash & cash equivalents at the beginning of the year		**66,528,783**	39,720,415	**66,498,468**	39,638,011
Cash & cash equivalents at the end of the year	24	**34,566,551**	66,528,783	**34,540,042**	66,498,468

The notes 1 to 41 form an integral part of these financial statements

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

1 GENERAL INFORMATION

Ghana National Petroleum Corporation is a Corporation established by the Ghana National Petroleum Corporation Law, 1983 (PNDC Law 64) and domiciled in Ghana. The Corporation's registered office is at Petroleum House, Tema. Its ultimate controlling party is the Government of Ghana.

The principal activities of the corporation are exploration, development, production, disposal and refining of crude oil.

2 NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

Certain standards and amendments became effective for annual periods beginning on or after 1 January 2018. The nature and the impact of these standards and amendments are described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at 1 January 2018. There was no impact in the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

2 NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

The effect of adopting IFRS 9 as at 1 January 2018 are as follows:

Assets	Total adjustment on equity Note	1 January 2018 US$
Due from government and its agencies	**b**	(194,412,208)
Trade and other receivables	**b**	(70,122,815)
Total Impact on equity		**(264,535,023)**

Upon the adoption of IFRS 9, the Group had the following required or elected reclassifications as at 1 January 2018.

			IFRS 9 measurement category		
			Fair value through profit or loss	**Amortised cost**	**Fair value through OCI**
IAS 39 measurement category		**Note**			**1 January 2018** US$
Loans and receivables					
Trade and other receivables	172,076,180	**a,b**	-	101,953,365	-
Due from related parties	6,498,751		-	6,498,751	-
Due from government and its agencies	290,912,781	**a,b**	-	96,500,573	-
Held to maturity financial assets	123,191,685			123,191,685	

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The main changes in the classification of the Group's financial assets is trade receivables and classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at *amortised cost* beginning 1 January 2018.

The Group has not designated any financial liabilities as at fair value through profit or loss.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

2 NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

(b) Impairment

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Group recognised additional impairment of US$ 194,412,208 and US$ 70,122,815 on the Group's Due from government agencies and Trade and other receivables respectively, which resulted in a decrease in Retained earnings of US$ 264,535,023 as at 1 January 2018.

Other standards, amendments and interpretations which became effective during year did not have a material impact on the financial statements of the group. These include:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities (including structured entities) controlled by the GNPC and its subsidiaries. Control is achieved when the Corporation:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

GNPC reassesses whether or not it controls an investee if the facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Corporation has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

GNPC considers all relevant facts and circumstances in assessing whether or not the Corporation's voting rights in an investee are sufficient to give it power, including:

- the size of the Corporation's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Corporation, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Corporation has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Corporation obtains control over the subsidiary and ceases when the Corporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Corporation gains control until the date when the Corporation ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Corporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Interests in joint arrangements

IFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control

3.4.1 Joint operations

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

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

3.4.2. Joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Corporation's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Corporation's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income (OCI) reflects the Corporation's share of the results of operations of the joint venture. Any change in OCI of that investee is presented as part of the Corporation's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Corporation recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Corporation and the joint venture are eliminated to the extent of the interest in the joint venture.
Investments in joint ventures are measure at cost in the corporation's separate financial statements.

3.4.3. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4.3. Investments in associates (continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in associates are measured at cost in the corporation's separate financial statements

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Foreign currencies

The Group's consolidated financial statements are presented in US Dollars, which is the same as the Corporation's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group presents its financial statements in US Dollars.

Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
(iii) all resulting exchange differences are recognised as a separate component of equity.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss

3.6 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of materials is the purchase cost, determined on first-in, first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.7 Provisions

Provisions are recognised when the Corporation has a present obligation (legal or constructive) as a result of a past event, 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 Corporation expects some or all of a provision to be reimbursed, for example, under an insurance contract, 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 statement of profit or loss and other comprehensive income 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 part of finance costs in the statement of profit or loss and other comprehensive income.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Oil exploration, evaluation and development expenditure

Oil exploration, evaluation and development expenditure is accounted for using the successful efforts method of accounting.

(a) Exploration and evaluation costs

Exploration and evaluation activity involve the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Once the legal right to explore has been acquired, costs directly associated with an exploration well are capitalised as exploration and evaluation intangible assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuel used, rig costs and payments made to contractors.

Geological and geophysical costs are recognised in the statement of profit or loss and other comprehensive income, as incurred. If no potentially commercial hydrocarbons are discovered, the exploration asset is written off through the statement of profit or loss and other comprehensive income as a dry hole. If extractable hydrocarbons are found and, subject to further appraisal activity (e.g., the drilling of additional wells), it is probable that they can be commercially developed, the costs continue to be carried as an intangible asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset.

All such capitalised costs are subject to technical, commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss and other comprehensive income.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties. Other than licence costs, no amortisation is charged during the exploration and evaluation phase.

(b) Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within oil and gas properties.

3.9 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, but exclude any restricted cash. Restricted cash is not available for use by the Corporation and therefore is not considered highly liquid - for example, cash set aside to cover decommissioning obligations.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

GHANA NATIONAL PETROLEUM CORPORATION

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Oil and gas properties and other property, plant and equipment

Initial recognition

Oil and gas properties and other property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

When a development project moves into the production stage, the capitalisation of certain construction/development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to oil and gas property asset additions, improvements or new developments.

Depreciation/amortisation

Oil and gas properties are depreciated/amortised on a unit-of-production basis over the total proved developed and undeveloped reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved developed and undeveloped reserves of the relevant area. The unit-of-production rate calculation for the depreciation/amortisation of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives. The following rates are applicable:

Leasehold land & buildings	2-7%
Furniture & fittings	10-30%
Office & bungalow equipment	20%
Motor vehicles	25%
Other machinery & equipment	5%
Oil and gas assets	Units of production (UoP)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major maintenance, inspection and repairs

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset, or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Corporation, the expenditure is capitalised. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) and is immediately written off. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

3.11 Other intangible assets

Other intangible assets include computer software

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets with definite lives are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any. Indefinite lived intangibles are not amortised, instead they are tested for impairment annually.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

3.12 Impairment of non-financial assets

The carrying values of non- financial assets are reviewed for indications of impairment annually, or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units to which the asset belongs are written down to their recoverable amount. The recoverable amount of non-financial assets is the greater of net selling price 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 current market assessments of the time value of money and the risks specific to the asset.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Impairment of non-financial assets (continued)

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the assets recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at revalue amount, in which case the reversal is treated as a revaluation increase.

3.13 Financial instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
  and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and amounts due from government.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:
- The rights to receive cash flows from the asset have expired

Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

The Group considers a financial asset in default when contractual payments are significantly past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Financial instruments (continued)

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.
Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. Control is generally transferred when the product is physically transferred into a vessel, pipe or other delivery mechanism.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any)

Revenue from the production of crude oil and gas is recognised based on the terms of the relevant Petroleum Agreement and the Petroleum Revenue Management Act 815, 2011 (PRMA).

The PRMA specifies the sharing of the crude oil proceeds between the State and GNPC. Revenue therefore represents the equity financing costs and the cash or the equivalent barrels of oil ceded to the national oil company out of the carried and participating interests recommended by the Minister of finance and approved by Parliament.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). The Group's summary accounting policies for financial assets are described in section 3.13.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Corporation during the period.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the probable economic benefits' test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

3.16 Employee benefit

The corporation operates a defined contribution plan and a defined benefit plan. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Under the National pension scheme, the corporation contributes 13.5% of employees' basic salary to the Social Security and National Insurance Trust (SSNIT) for employee pension. The corporation's obligation is limited to the relevant contribution, which were settled on due dates. The pension liabilities and obligation therefore rest with SSNIT.

A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The corporation pays its employees medical benefit after retirement until death of the retired employee.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period.

3.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

Revenue received under the Petroleum Revenue Management Act relating to crude oil and gas sales are non-taxable. Revenue received is a reimbursement of the cost incurred by GNPC in carrying out government business under petroleum agreements. Taxes are however, payable on the non-trading income, such as services to oil companies, rental income and interest on investments, obtained by the Corporation in the course of the reporting period.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Taxation (continued)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income] because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Value added tax (VAT)

GNPC does not deal in taxable goods and services. Crude is currently not a taxable supply for VAT purposes and therefore no VAT input tax relating to the activities of crude can be claimed or recovered. VAT input incurred is included as part of the cost of operations and expensed.

VAT is charged on non-trading income other than the interest on investments. Any input tax related to these taxable services are claimed to the extent that the input VAT is directly attributable to the taxable services.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases, which transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss and other comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

4.1 Judgements

In the process of applying the Corporation's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Joint arrangements

Judgement is required to determine when the Corporation has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Corporation has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement, such as approval of the capital expenditure program for each year and appointing, remunerating and terminating the key management personnel or service providers of the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Judgement is also required to classify a joint arrangement. Classifying the arrangement requires the Corporation to assess their rights and obligations arising from the arrangement. Specifically, the Corporation considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle;
- When the arrangement is structured through a separate vehicle, the Corporation also considers the rights and obligations arising from;
- The legal form of the separate vehicle;
- The terms of the contractual arrangement;
- Other facts and circumstances (when relevant).

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting.

Contingencies

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Corporation based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Corporation. Such changes are reflected in the assumptions when they occur.

Exploration and evaluation expenditures

The application of the Corporation's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Corporation defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.
If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

Units of production (UOP) depreciation of oil and gas assets

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located.

These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change. Changes to prove reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

Fair value measurement

In estimating the fair value of an asset or liability, the corporation uses market-observable data to the extent that it is available. Where Level 1 inputs are not available, the corporation engages third party qualified valuers to perform the valuation.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

5 REVENUE

	Group		GNPC	
	2018	**2017**	**2018**	**2017**
	USD	**USD**	**USD**	**USD**
Net share of crude oil revenue	**400,677,574**	240,466,535	**400,677,574**	240,466,535
Net share of gas sales	**73,278,457**	27,270,851	**73,278,457**	27,270,851
Services income	**585,618**	514,865	**-**	-
	474,541,649	268,252,251	**473,956,031**	267,737,386

The total revenue of the group was earned at a point in time.

The Group's revenue disaggregated by primary geographical markets is as follows:

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Foreign sales	**400,677,574**	240,466,535	**400,677,574**	240,466,535
Local sales	**73,864,075**	27,785,716	**73,278,457**	27,270,851
	474,541,649	268,252,251	**473,956,031**	267,737,386

5.1. SUMMARY OF LIFTING FOR THE YEAR

Jubilee Field	No. of barrels of oil	
	2018	2017
First lifting	**973,730**	947,806
Second lifting	**996,161**	948,931
Third lifting	**945,681**	952,938
Fourth lifting	**944,609**	953,094
Fifth lifting	**947,251**	947,648
Sixth lifting	**-**	992,459
	4,807,432	5,742,876

TEN Fields	**2018**	2017
First lifting	**994,723**	996,58
Second Lifting	**995,085**	995,657
Third Lifting	**995,477**	1,038,748
Fourth Lifting	**995,171**	1,007,382
	3,980,456	4,038,37

	2018	2017
Sankofa Field		
First Lifting	**2,020,941**	831,987

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

6. COST OF SALES

	Group 2018 USD	2017 USD	GNPC 2018 USD	2017 USD
Cost associated with production (note 6.1)	**176,305,128**	101,781,665	**176,305,128**	101,781,665
Gas product Cost *	**46,819,716**	-	**46,819,716**	-
Insurance Cost	**12,679,245**	821,875	**12,679,245**	821,875
Other	**69,504**	96,721	**-**	-
	235,873,593	102,700,261	**235,804,089**	102,603,540

*The cost of sales for prior year gas production was nil because the gas produced was an associated gas from the extraction of hydrocarbon.

6.1 ANALYSIS OF COST OF PRODUCTION

	Group 2018 USD	2017 USD	GNPC 2018 USD	2017 USD
Jubilee production	**89,523,830**	35,476,793	**89,523,828**	35,476,793
TEN production	**16,705,846**	18,240,159	**16,705,846**	18,240,159
SGN production	**17,266,161**	9,464,186	**17,266,161**	9,464,186
Jubilee cost amortisation	**6,835,567**	8,224,829	**6,835,567**	8,224,829
SGN cost amortisation	**12,696,909**	3,585,942	**12,696,909**	3,585,942
TEN capital cost amortisations	**33,276,815**	26,789,756	**33,276,817**	26,789,756
	176,305,128	101,781,665	**176,305,128**	101,781,665

7. OTHER OPERATING INCOME

	Group 2018 USD	2017 USD	GNPC 2018 USD	2017 USD
Interest on short term investments	**4,556,644**	8,027,370	**4,556,644**	8,027,370
Services rendered to oil exploration companies	**182,017**	138,811	**182,017**	138,811
Data licence fee	**254,493**	-	**254,493**	-
Transfer from Training & Technology Fund (Note 28)	**17,963,647**	2,425,843	**17,963,647**	2,425,843
Exchange gain	**1,224,545**	4,027,921	**1,221,639**	3,989,560
Rental income	**68,212**	46,016	**68,212**	46,016
Other non-trading income (Note 7.1)	**9,888,034**	2,904,123	**9,888,034**	2,903,783
Gain from fuel trading (note 7.2)	**1,053,826**	1,399,281	**1,053,826**	1,399,281
Divided	**-**	-	**31,314**	31,247
Disposals	**-**	4,432	**-**	4,432
	35,191,418	18,973,797	**35,219,826**	18,966,343

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

7.1 OTHER NON-TRADING INCOME

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Staff secondment to GNPC Technip	**217,139**	-	**217,139**	-
Refund from government*	**7,947,983**	-	**7,947,983**	-
Other non-trading income**	**1,722,912**	2,904,123	**1,722,912**	2,903,783
	9,888,034	2,904,123	**9,888,034**	2,903,783

***Refund from government**

This represents refund received from Ghana Government for payments made by the corporation on behalf of a Ghana Government agency. The payment was written off in the prior year as recovery from government was not expected. In the current year, the monies received has been recognised as other income.

****Other non-trading income**

This represents income from sale of tender documents and scraps.

7.2 GAIN/(LOSS) FROM FUEL TRADING

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Product sales	**220,893,721**	131,846,432	**220,893,721**	131,846,432
Product cost	**(219,839,895)**	(130,447,151)	**(219,839,895)**	(130,447,151)
Gain	**1,053,826**	1,399,281	**1,053,826**	1,399,281

Terms and conditions of products trading

GNPC is in a contractual arrangement to buy heavy fuel from Litasco and sell to Karpowership at a margin. GNPC is not involved in the product transfer of the Heavy Fuel, this is done directly between Litasco and Karpowership but the administrative work is done by GNPC hence the gain from fuel trading.

8. GENERAL AND ADMINISTRATIVE EXPENSE

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Personnel emoluments	**25,269,343**	17,165,839	**25,158,863**	17,054,206
General operating expenses	**53,788,722**	14,538,494	**59,475,548**	16,121,652
Exploration promotion expenses	**484,896**	490,425	**484,896**	490,425
Depreciation and amortization charge	**5,370,712**	5,199,966	**5,284,211**	5,120,570
Board expenses	**1,137,428**	930,943	**1,137,428**	930,943
Bank charges	**2,981,193**	665,137	**2,981,193**	665,137
SOPCL shut down cost (Note 8.1)	**332,005**	9,792,459	**332,005**	9,792,459
Petroleum project expenditure (Note 8.2)	**49,016,547**	28,009,925	**49,016,547**	28,009,925

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

	138,380,846	76,793,188	**143,870,691**	78,185,317

8.1 SOPCL SHUT DOWN COST

The board gave a directive to decommission the Oil field Saltpond Offshore Producing Company Limited (SOPCL) due to safety and environmental concerns. The cost of the decommissioning is to be borne by GNPC for which a budget allocation has been made and provided for in this account. This amount represents costs for consultants to prepare decommissioning plans and procedures.

8.2 PETROLEUM PROJECT EXPENDITURE

	Group		**GNPC**	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Ultra-Deep-Water Keta Project	**1,536,002**	1,029,109	**1,536,002**	1,029,109
North & South Project	**3,291,433**	2,024,461	**3,291,433**	2,024,461
TEN Project	**7,582,485**	4,663,758	**7,582,485**	4,663,758
OCTP - ENI Project	**2,448,872**	1,349,641	**2,448,872**	1,349,641
HESS block	**3,954,595**	2,432,352	**3,954,595**	2,432,352
Jubilee investment	**24,283,458**	14,936,023	**24,283,458**	14,936,023
South deep water	**2,560,003**	1,574,581	**2,560,003**	1,574,581
Voltain basin project	**3,359,699**	-	**3,359,699**	-
	49,016,547	28,009,925	**49,016,547**	28,009,925

9. OTHER OPERATING EXPENSE

	Group		**GNPC**	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Maritime boundary special project	**1,726,144**	5,273,573	**1,726,144**	5,273,573
	1,726,144	5,273,573	**1,726,144**	5,273,573

10. FINANCE COST

The finance cost relates to interest charged in relation to TEN outstanding debt and Bank loan.

	Group		**GNPC**	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Litasco Loan	**3,367,585**	10,621,915	**3,367,585**	728,729
TEN	**16,043,288**	3,130,655	**16,043,288**	13,023,841
Mole	**5,145**	-	**-**	-
Prestea Sankofo Gold	**1,845,461**	1,829,708	**-**	-
	21,261,479	15,582,278	**19,410,873**	13,752,570

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

11. TAXATION

a. Tax payable

Group

Year of assessment	Balance 1 January USD	Charge for the year USD	Payment in the year USD	Adjustment USD	Balance 31 December USD
Up to 2016	16,658	-	-	-	16,658
2017	(2,502)	-	-	-	(2,502)
2018	-	9,908	(17,832)	-	(7,924)
	14,156	9,908	(17,832)	-	6,232

b. Tax expense

	Group USD 2018 USD	USD 2017 USD
Income tax charge	9,908	8,584
Deferred Tax	1,591	6,678
	11,499	15,262

c. Deferred Tax

	Group USD 2018	USD 2017
Balance at 1 January	21,259	14,581
Charge to profit or loss	1,591	6,678
	22,850	21,259

The tax status of the Group is subject to review by the Ghana Revenue Authority.

d. Effective tax reconciliation

Reconciliation of tax expense and the accounting profit multiplied by the domestic tax rate is shown below:

	Group USD	USD
Accounting profit before tax from continuing operations	112,815,752	86,914,274
Tax at statutory tax rates (25%)	28,203,938	21,728,569
Tax effect of income exempt from tax	(28,192,439)	(21,713,307)
At the effective income tax rate of 0.01% (0.02%)	11,499	15,262

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT

12.1 At 31 December 2018 - Group

	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in-progress USD	Linen glass and silver ware USD	Total USD
Cost								
Balance as at 1 Jan	**11,559,139**	**689,090**	**7,355,712**	**3,743,605**	**505,616**	**9,713,483**	**14,064**	**33,580,709**
Additions	10,947	38,823	43,880	1,429,869	190,958	11,904,034	3,009	13,621,520
Reclassification (Note 12.5)						(766,628)		(766,628)
Write-Off (Note 12.5)	-	-	-	-	-	(1,580,900)	-	(1,580,900)
Translation Differences	(5,048)	(17,904)		(4,238)	(1,259)	(4,458)	(1,304)	(34,211)
Transfers	1,133,990	-	3,829,833	-	-	(4,963,823)	-	-
Total	**12,699,028**	**710,009**	**11,229,425**	**5,169,236**	**695,315**	**14,301,708**	**15,769**	**44,815,490**
Accumulated depreciation								
Balance as at 1 Jan	**399,388**	**362,989**	**4,649,396**	**2,397,593**	**374,085**	**-**	**4,371**	**8,187,822**
Charge for the year	232,625	74,321	1,059,240	846,830	93,666	-	4,720	2,311,403
Translation Difference	89	1,519	-	576	321	-	244	2,749
Total	**632,102**	**438,829**	**5,708,636**	**3,244,999**	**468,073**	**-**	**9,335**	**10,501,974**
Net book value								
As at 31 December 2018	**12,066,926**	**271,180**	**5,520,789**	**1,924,237**	**227,242**	**14,301,708**	**6,434**	**34,313,516**

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

12. PROPERTY PLANT AND EQUIPMENT (CONTINUED)

12.2 At 31 December 2017 - Group

	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in-progress USD	Linen glass and silver ware USD	Total USD
Cost								
Balance as at 1 Jan	**3,463,534**	**586,837**	**6,078,714**	**3,098,354**	**501,566**	**7,371,448**	**9,363**	**21,109,816**
Additions	7,522,289	102,253	187,901	724,756	4,050	4,004,448	4,701	12,550,398
Disposals	-	-	-	(79,505)	-	-	-	(79,505)
Transfers	573,316	-	1,089,097	-	-	(1,662,413)	-	-
Total	**11,559,139**	**689,090**	**7,355,712**	**3,743,605**	**505,616**	**9,713,483**	**14,064**	**33,580,709**
Accumulated depreciation								
Balance as at 1 Jan	**168,334**	**277,704**	**3,439,321**	**1,905,874**	**283,996**	**-**	**258**	**6,075,487**
Charge for the year	231,054	85,285	1,210,075	527,253	90,089	-	4,113	2,147,869
Disposals	-	-	-	(35,534)	-	-	-	(35,534)
Total	**399,388**	**362,989**	**4,649,396**	**2,397,593**	**374,085**	**-**	**4,371**	**8,187,822**
Net book value								
As at 31 December 2017	**11,159,751**	**326,101**	**2,706,316**	**1,346,012**	**131,531**	**9,713,483**	**9,693**	**25,392,887**

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.3 At 31 December 2018 - GNPC

	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in-progress USD	Total USD
Cost							
Balance as at 1 Jan	**11,465,558**	**372,667**	**7,214,925**	**3,681,250**	**461,668**	**9,706,346**	**32,902,414**
Additions	-	-	43,880	1,420,678	188,228	11,893,747	13,546,534
Reclassification (Note 12.5)						(766,628)	(766,628)
Write-off (Note 12.5)	-	-	-	-	-	(1,585,900)	(1,585,900)
Transfer	1,133,990	-	3,829,833	-	-	(4,963,823)	-
Total	**12,599,548**	**372,667**	**11,088,638**	**5,101,928**	**649,896**	**14,283,742**	**44,096,419**
Accumulated depreciation							
Balance as at 1 Jan	**391,300**	**290,348**	**4,599,134**	**2,378,598**	**358,797**	**-**	**8,018,177**
Charge for the year	230,898	41,544	1,031,083	833,931	87,445	-	2,224,901
Disposals	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	**622,198**	**331,892**	**5,630,217**	**3,212,529**	**446,242**	**-**	**10,243,078**
Net book value							
As at 31 December 2018	**11,977,350**	**40,775**	**5,458,421**	**1,889,399**	**203,654**	**14,283,742**	**33,853,341**

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

12.4 At 31 December 2017 - GNPC

	Leasehold land & buildings USD	Furniture & fittings USD	Office equipment USD	Motor vehicles USD	Machinery & equipment USD	Work-in-progress USD	Total USD
Cost							
Balance as at 1 Jan	**3,389,142**	**361,666**	**5,937,927**	**3,077,755**	**461,668**	**7,371,448**	**20,599,606**
Additions	7,503,100	11,001	187,901	683,000	-	3,997,311	12,382,313
Disposals	-	-	-	(79,505)	-	-	(79,505)
Transfer	573,316	-	1,089,097	-	-	(1,662,413)	-
Total	**11,465,558**	**372,667**	**7,214,925**	**3,681,250**	**461,668**	**9,706,346**	**32,902,414**
Accumulated depreciation							
Balance as at 1 Jan	**162,001**	**235,782**	**3,417,216**	**1,895,186**	**275,054**	**-**	**5,985,239**
Charge for the year	229,299	54,566	1,181,918	518,946	83,743	-	2,068,472
Disposals	-	-	-	(35,534)	-	-	(35,534)
Total	**391,300**	**290,348**	**4,599,134**	**2,378,598**	**358,797**	**-**	**8,018,177**
Net book value							
As at 31 December 2017	**11,074,258**	**82,319**	**2,615,791**	**1,302,652**	**102,871**	**9,706,346**	**24,884,237**

12.5 In 2018, the Write-off relates to an amount initially recognised as work in progress (WIP) based on the information available at initial recognition. Current information suggests that $1,580,900 relates to gas transportation cost which is recoverable through tariffs hence it has been expensed as part cost of sales. Also, an amount of $766,628 previously recorded in WIP has been reclassed to software due to new information received.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

13. INTANGIBLE ASSETS

GROUP

31 December 2018	Intangible - Software USD	Total USD
Cost		
Balance as at 1 Jan	**10,005,901**	**10,005,901**
Additions	293,256	293,256
Reclassification	766,628	766,628
Total	**11,065,785**	**11,065,785**
Accumulated amortization		
Balance as at 1 Jan	**6,181,600**	**6,181,600**
Charge for the year	3,059,310	3,059,310
Total	**9,240,910**	**9,240,910**
Net book value		
As at 31 December 2018	**1,824,875**	**1,824,875**

GNPC

31 December 2018	Intangible USD	Total USD
Cost		
Balance as at 1 Jan	**10,005,901**	**10,005,901**
Additions	293,256	293,256
Transfers	766,628	766,628
Total	**11,065,785**	**11,065,785**
Accumulated amortization		
Balance as at 1 Jan	**6,181,600**	**6,181,600**
Charge for the year	3,059,310	3,059,310
Total	**9,240,910**	**9,240,910**
Net book value		
As at 31 December 2018	**1,824,875**	**1,824,875**

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

13. INTANGIBLE ASSETS (CONTINUED)

GROUP

31 December 2017	Intangible	Work-in- progress	Total
	USD	USD	USD
Cost			
Balance as at 1 Jan	**8,379,186**	**1,329,246**	**9,708,432**
Additions	297,469	-	297,469
Transfers	1,329,246	(1,329,246)	-
Total	**10,005,901**	**-**	**10,005,901**
Accumulated depreciation			
Balance as at 1 Jan	**3,129,502**	**-**	**3,129,502**
Charge for the year	3,052,098	-	3,052,098
Total	**6,181,600**	**-**	**6,181,600**
Net book value			
As at 31 December 2017	**3,824,301**	**-**	**3,824,301**

GNPC

31 December 2018	Intangible	Work-in- progress	Total
	USD	USD	USD
Cost			
Balance as at 1 Jan	**8,379,186**	**1,329,246**	**9,708,432**
Additions	297,469	-	297,469
Transfers	1,329,246	(1,329,246)	-
Total	**10,005,901**	**-**	**10,005,901**
Accumulated ion			
Balance as at 1 Jan	**3,129,502**	**-**	**3,129,502**
Charge for the year	3,052,098	-	3,052,098
Total	**6,181,600**	**-**	**6,181,600**
Net book value			
As at 31 December 2017	**3,824,301**	**-**	**3,824,301**

14 EXPLORATION ASSETS

	Group		GNPC	
	2018	2017	**2018**	**2017**
	USD	USD	**USD**	**USD**
Explorco	**5,875,952**	5,685,933	**-**	-
Voltaian	**53,036,046**	15,480,714	**53,036,046**	15,480,714
	58,911,998	21,166,647	**53,036,046**	15,480,714

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

15. PETROLEUM PROJECTS

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Joint operations				
Jubilee field investment (Note 15.1)	**88,347,669**	99,532,179	**88,347,669**	99,532,179
TEN Projects (Note 15.1)	**269,343,465**	280,610,299	**269,343,465**	280,610,299
SGN Projects (Note 15.1)	**180,436,737**	130,504,554	**180,436,737**	130,504,554
	538,127,871	510,647,032	**538,127,871**	510,647,032

15.1 AMORTIZATION OF PETROLEUM PROJECTS

The Corporation's currently oil-producing fields are the Jubilee and TEN, Sankofa Gye Nyame (SGN) Oil fields, and are amortized based on units of production from each field, in proportion to the Corporation's stake in that field.

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	USD	USD
Cost				
Balance as at 1 Jan	**641,343,568**	547,320,212	**641,343,568**	547,320,212
Cash Overcall reversals (Jubilee – Note 15.2)	**(4,348,943)**	848,080	**(4,348,943)**	848,080
Cash call Additions (TEN)	**22,009,983**	26,507,430	**22,009,983**	26,507,430
Cash calls Addition (SGN)	**62,629,092**	66,667,848	**62,629,092**	66,667,848
	721,633,700	641,343,570	**721,633,700**	641,343,570
Amortization				
Balance as at 1 Jan	**130,696,538**	92,096,011	**130,696,538**	92,096,011
Jubilee	**6,835,567**	8,224,829	**6,835,567**	8,224,829
TEN	**33,276,815**	26,789,756	**32,276,817**	26,789,756
Sankofa Gye Nyame (SGN)	**12,696,909**	3,585,942	**12,696,909**	3,585,942
	183,505,829	130,696,538	**182,505,831**	130,696,538
Carrying amount at 31 December	**538,127,871**	510,647,032	**539,127,869**	510,647,032

15.2 Cash Overcall reversals

The resulted cash overcall in the prior year which was reversed in the current year due to confirmation received from the operator.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

16. OTHER NON-CURRENT ASSETS

	Group		GNPC	
	USD	USD	**USD**	USD
LNG Project	**3,041,333**	154,722	**3,041,333**	154,722

This relates to Liquified Gas Project (LNG) which the corporation has begun in 2017.No impairment has been recognised in the current year (2017; nil).

17 NON-CURRENT FINANCIAL ASSETS

a. Long term investments

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Deposits with banks	**9,187,917**	119,191,685	**9,187,917**	119,191,685
Interest accrued	**2,551,837**	2,562,207	**2,551,837**	2,562,207
	11,739,754	121,753,892	**11,739,754**	121,753,892

b. Details of long term investments

Institutions	Investment amount US$	Interest rate	Tenor (years)	Nature of bank guarantee
UMB	9,187,917	6%	10	VRA Crude purchase support

c. Short term investments

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Fixed deposits with banks	**-**	4,000,000	**-**	4,000,000

18 DUE FROM GOVERNMENT AND ITS AGENCIES

This represents the net position in respect of transfer of assets and liabilities between the Corporation and the government. Details of the amount due are disclosed below:

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Government of Ghana	**23,217,406**	23,217,406	**23,217,406**	23,217,406
Ministry of Finance	**50,000,000**	50,000,000	**50,000,000**	50,000,000
Tema Oil Refinery	**58,404,875**	58,404,875	**58,404,875**	58,404,875
Ghana National Gas Company	**73,313,089**	68,846,494	**73,313,089**	68,846,494
MoE Current Account	**25,262,500**	-	**25,262,500**	-
BOST Loan	**30,163,655**	96,500,573	**30,163,655**	96,500,573
Volta River Authority	**48,815,875**	-	**48,815,875**	-
	309,177,400	296,969,348	**309,177,400**	296,969,348
Less: Impairment	**(205,676,154)**	(6,056,569)	**(205,676,154)**	(6,056,569)
As at 31 December	**103,501,246**	290,912,779	**103,501,246**	290,912,779

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

18.1 DETAILS OF IMPAIRMENT

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Balance at 1 Jan	**6,056,569**	5,004,569	**6,056,569**	5,004,569
IFRS 9 adoption impact	**194,412,208**	-	**194,412,208**	-
Impairment during the year	**5,207,377**	1,052,000	**5,207,377**	1,052,000
Balance at 31 December	**(205,676,154)**	6,056,569	**(205,676,154)**	6,056,569

19 INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	GNPC	
	2018	2017
	USD	USD
Mole Motel Company Limited	**9,570**	9,570
Prestea Sankofa Gold Limited	**795,905**	795,905
GNPC Exploration and Production Company Limited	**13,150**	13,150
Less: Impairment	**(795,905)**	(795,905)
	22,720	22,720

Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group** 2018	2017
Mole Motel Company Limited	Hospitality	Mole, Ghana	**60%**	60%
Prestea Sankofa Gold Limited	Mining	Prestea, Ghana	**90%**	90%
GNPC Exploration and Production Company Limited	Crude oil exploration and production	Accra, Ghana	**100%**	100%

a. Details of non-wholly owned subsidiaries that have material non-controlling interests to the Group are disclosed below.

Name of subsidiary	**Principal activities**	**Proportion of ownership interest and voting power held by non-controlling interest** 2018	2017
Mole Motel Company Ltd	**Hotel and hospitality services**	**40%**	40%
Prestea Sankofa Gold Limited	Gold Mining	**10%**	10%

Summarised financial information in respect of the Group's subsidiaries is set out below. The summarised financial information below represents amounts before intragroup eliminations.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

19 INVESTMENT IN SUBSIDIARIES (CONTINUED)

a. MOLE MOTEL LIMITED

	2018 USD	2017 USD
Current assets	**51,467**	61,357
Non-current assets	**389,364**	404,581
Total assets	**440,831**	465,938
Current liabilities	**137,968**	162,087
Non-current liabilities	**196,505**	221,259
Equity attributable to owners of the Company	**106,358**	82,592
Non-controlling interests	**-**	-
Total equity and liabilities	**440,831**	465,938

Mole Limited	2018 USD	2017 USD
Revenue	**585,618**	514,865
Cost of sales	**(69,504)**	(96,721)
Other income	**2,905**	7,454
General and administrative expenses	**(459,584)**	(408,339)
Tax expense	**(11,499)**	(15,262)
Profit for the year	**47,936**	1,997
Profit attributable to owners of the Company	**28,762**	1,198
Profit attributable to the non-controlling interests	**19,174**	799
Profit for the year	**47,936**	1,997
Other comprehensive income for the year	**(24,170)**	(14,328)
Total comprehensive income for the year	**(23,766)**	(12,331)
Total comprehensive income attributable to owners of the Company	**(14,260)**	(7,399)
Total comprehensive income attributable to the non-controlling interests	**(9,506)**	(4,932)
	(23,766)	(12,331)

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

b. PRESTEA SANKOFA GOLD LIMITED

	2018 USD	2017 USD
Current assets	-	-
Non-current assets	-	-
Total assets	-	-
Current liabilities	12,096,089	12,096,089
Non-current liabilities	16,262,390	8,857,764
Equity attributable to owners of the Company	(28,358,479)	(20,953,853)
Non-controlling interests	-	-
Total equity & liabilities	-	-

Statement of profit or loss and other comprehensive income	2018 USD	2017 USD
Revenue	-	-
Cost of sales	-	-
Other incomes	-	-
Expenses	(7,404,626)	(2,954,303)
Profit (loss) for the year	(7,404,626)	(2,954,303)
Loss attributable to owners of the Company	(6,664,163)	(2,658,873)
Loss attributable to the non-controlling interests	(740,463)	(295,430)
Loss for the year	(7,404,626)	(2,954,303)
Other comprehensive income for the year	-	964,593
Total comprehensive income for the year	(7,404,626)	(1,989,710)
Total comprehensive income attributable to owners of the Company	(6,664,163)	(1,790,739)
Total comprehensive income attributable to non-controlling interests	(740,463)	(198,971)

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

19. INVESTMENT IN SUBSIDIARIES (CONTINUED)

c. GNPC Exploration and Production Company Ltd

	2018 USD	2017 USD
Non-current assets	**5,946,761**	5,790,000
Current assets	**11,559**	11,559
Total assets	**5,958,320**	5,801,559
Liabilities		
Current liabilities	**779,004**	769,004
Non-current liabilities	**6,496,270**	6,306,250
Equity attributable to owners of the Company	**(1,316,954)**	(1,273,695)
Non-controlling interests	**-**	-
Total equity and liabilities	**5,958,320**	5,801,559

Statement of profit or loss and other comprehensive income

	2018 USD	2017 USD
Revenue		
General administrative costs	**(43,258)**	(96,240)
Loss for the year	**(43,258)**	(96,240)
Other comprehensive income for the year	**-**	-
	(43,258)	(96,240)
Total comprehensive income attributable to owners of the Company	**(43,258)**	(96,240)
Total comprehensive income attributable to the non-controlling interests	**-**	-
Total comprehensive income for the year	**(43,258)**	(96,240)

d. IMPAIRMENT OF SUBSIDIARY

The Corporation's subsidiary, Prestea Sankofa Gold Limited has ceased operations during 2016 due to technical and financial challenges. The Subsidiary's local bankers have commenced legal action for the recovery of loan granted to the subsidiary company.

As a result, the corporation has fully impaired its investments in the subsidiary and any amounts due from the subsidiary.

In the consolidated financial statements, the subsidiary's assets have been fully impaired due to uncertainty over their recoverability.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Equity Investment in Airtel	**-**	-	**-**	-
Investment in joint venture (note 20a)	**1,301,713**	1,008,280	**131,563**	131,563
	1,301,713	1,008,280	**131,563**	131,563

Investment in associate and joint venture were accounted using the equity method for the group and at cost for Corporation (GNPC).

The Corporation had previously maintained a material interest in Airtel Ghana Limited as an associate However, in September 2016, Airtel Ghana Limited undertook a rights issue to raise additional equity capital which required GNPC to pay US$122million. However, GNPC declined the offer, leading to a dilution of GNPC shareholding to only 0.11% in 2017. In 2018 therefore after the merger of Airtel and Tigo, GNPC's interest has further been diluted to 0.055%. This investment in Airtel has been fully impaired. This investment has been measured at cost less impairment.

20a JOINT VENTURES

Details of the Group's material joint ventures at the end of the reporting period are as follows:

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Saltpond Offshore Producing Company (SOPCL)	**620,156**	620,156	**620,156**	620,156
GNPC-Technip Engineering. Services	**1,301,713**	1,008,280	**131,563**	131,563
Less: Impairment	**(620,156)**	(620,156)	**(620,156)**	(620,156)
	1,301,713	1,008,280	**131,563**	131,563

Name of Joint venture	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			2018	2017
Saltpond Offshore Producing Company Limited	Crude oil production	Saltpond, Ghana	45%	45%
GNPC-Technip Engineering Services	Technology training	Accra, Ghana	30%	30%

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

20. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

20a JOINT VENTURES (CONTINUED)

Summarised financial information in respect of the Group's joint ventures are set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	2018 USD	2017 USD
Balance at 1 January	1,008,280	1,002,002
Share of profit from GNPC Technip	324,747	37,524
Dividend	(31,314)	(31,246)
Balance at 31 December	1,301,713	1,008,280

Details of GNPC Technip financial statements

	2018 USD	2017 USD
Total assets	15,844,809	17,970,776
Total liabilities	(11,505,767)	(15,076,563)
Net assets	4,339,042	2,894,213
Group's carrying amount	1,301,713	1,008,280

Total revenue of joint venture	4,132,038	5,353,025
Total profit after tax of joint venture	1,082,490	125,080
Total comprehensive income	1,082,490	125,080
Dividends received from the joint venture during the year	31,314	31,246
Share of profit of joint venture (30%)	324,747	37,524

20b IMPAIRMENT

The equity investments in Saltpond Offshore Producing Company Limited (SOPCL), which is a joint venture has been fully impaired due to non-productivity of the investee. The project is planned to be decommissioned and the costs of decommissioning will be borne by GNPC.

21. INVENTORIES

	Group 2018 USD	2017 USD	GNPC 2018 USD	2017 USD
Non-trade stock	267,238	314,768	253,866	302,033
Fuel coupon	99	12,205	99	12,205
	267,337	326,973	253,963	314,238

There were no provisions held as at year end. (2017; nil)

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

22. DUE FROM RELATED PARTIES

This represents the advances due from related parties

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Saltpond Offshore Producing company	**5,996,696**	5,664,691	**5,996,696**	5,664,691
Prestea Sankofa	**-**	-	**13,184,465**	1,651,014
Mole Ltd	**-**	-	**173,655**	200,000
Technip	**217,139**	-	**217,139**	-
GNPC Explorco	**-**	-	**6,488,771**	6,298,751
Less: impairment	**(5,996,696)**	(5,664,691)	**(19,181,161)**	(7,315,705)
	217,139	-	**6,879,565**	6,498,751

23. TRADE AND OTHER RECEIVABLES

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Trade debtors - trade marketing	**131,086,629**	62,247,367	**131,086,629**	62,247,367
Share of Crude Proceeds from GOG	**109,405,853**	112,177,116	**109,405,853**	112,177,116
Other debtors-foreign	**41,423,380**	33,295,231	**41,401,914**	33,636,104
Other debtors-local	**261,048**	22,876	**259,373**	20,117
Staff debtors	**1,664,284**	474,837	**1,664,284**	474,837
Input VAT	**860,192**	860,193	**860,193**	860,193
Tax credits	**522,045**	518,699	**522,045**	518,699
	285,223,431	209,949,898	**285,200,291**	209,934,433
Less: Provision for impairment (Note 23.1)	**(145,346,316)**	(42,422,281)	**(145,344,624)**	(42,422,281)
	139,877,115	167,527,617	**139,855,667**	167,512,152

Trade receivables are non-interest bearing and are normally settled between 30 days from the date of invoice.

23.1 DETAILS OF IMPAIRMENT

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Balance at 1 Jan	**42,422,281**	40,906,511	**42,422,281**	40,906,511
IFRS 9 adoption initial impact	**70,124,507**	-	**70,122,815**	-
Impairment during the year	**32,799,528**	1,515,770	**32,799,528**	1,515,770
Balance at 31 Dec	**145,346,316**	42,422,281	**145,344,624**	42,422,281

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

24. PREPAYMENTS

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Advances under take or pay agreement	**12,277,130**	-	**12,277,130**	-
Payments for condensates	**52,006,721**	-	**52,006,721**	-
Other prepayments	**1,487,331**	2,001,822	**1,487,331**	2,001,822
	65,771,182	2,001,822	**65,771,182**	2,001,822

Under the OCTP agreement, the Corporation has a contractual obligation – Take or pay obligation – to purchase and pay for a minimum guaranteed quantity of gas from the OCTP partners, even where the corporation is unable to physically take the required quantities. In 2018, the corporation has been unable to take all the gas it has paid for. The corporation has five (5) years to take up the gas that has been paid for, but which it has been unable to take.Additionally, the corporation is required to pay for condensates that would have accrued to the OCTP partners had the corporation lifted the required quantities of gas.

25. CASH AND BANK

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Bank	**34,076,356**	62,040,048	**34,049,847**	62,009,733
Cash	**490,195**	488,735	**490,195**	488,735
	34,566,551	62,528,783	**34,540,042**	62,498,468

Included in the cash and bank balance is $25,882,523 (2017: nil) which is placed in an Escrow account to pay for invoices under the OCTP agreement, and is therefore restricted to that purpose.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Short term investments	**-**	4,000,000	**-**	4,000,000
Bank	**34,076,356**	62,040,048	**34,049,847**	62,009,733
Cash	**490,195**	488,735	**490,195**	488,735
	34,566,551	66,528,783	**34,540,042**	66,498,468

26. STATED CAPITAL

This represents amounts received from Government of Ghana towards the corporation's capitalisation.

27. PETROLEUM EQUITY FUND

Amounts received from government towards financing the Group's share of production and development cost in various oil fields. The fund represents the unutilised portion of monies received within equity. Details of the fund is shown in the statement of changes in equity.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

28. PETROLEUM PROJECT FUND

This represents the funds set aside to execute the Corporation's projects. Details of the fund is shown in the statement of changes in equity.

29. TRAINING AND TECHNOLOGY FUND

Training and Technology Fund is established to support the Corporation's manpower development and technology needs.

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
Balance at 1 January	**48,117,441**	43,107,990	**48,117,441**	43,107,990
Additions	**8,175,000**	7,435,294	**8,175,000**	7,435,294
Transfer to profit or loss	**(17,963,645)**	(2,425,843)	**(17,963,645)**	(2,425,843)
Balance at 31 December	**38,328,796**	48,117,441	**38,328,796**	48,117,441

30. MEDIUM TERM LOANS

	Group		GNPC	
	2018	2017	**2018**	2017
	USD	USD	**USD**	USD
TEN Partner financing	**177,567,269**	258,429,057	**177,567,269**	258,429,057
SGN Partner financing (OCTP)	**29,666,522**	91,081,858	**29,666,522**	91,081,858
Term Loan & Borrowing	**33,663,082**	-	**33,663,082**	-
Bank loan	**28,340,425**	93,555,353	**25,262,500**	86,348,603
	269,237,298	443,066,268	**266,159,373**	435,859,518

Terms and conditions of loans

TEN Partner financing
The TEN partner financing is funding provided by the DWT contractor for GNPC's share of the development cost for the TEN Fields. GNPC has elected to have the Contractor fund its additional interest of 5% in the field at an interest rate of Libor plus 1.5%pa in accordance with the terms of the petroleum agreement between the government of Ghana and GNPC on one hand and Tullow Ghana Limited, Sabre Oil and Gas Limited (PetroSA now owns the Sabre Oil & Gas interest) and Kosmos Energy Limited.

SGN Partner Financing (OCTP)
The Corporation is required to pay for its share of development cost associated with its additional interest of 5% in the OCTP Block (Sankofa Gye Nyame). Under terms agreed in the Petroleum Agreement, GNPC opted for the OCTP Partners (ENI and Vitol) to pre- finance the additional interest cost obligations at a specified rate of 1 percent plus 3 months LIBOR. Repayment of the loan has commenced using the Corporation's share of OCTP crude oil production.

Term Loan & Borrowing

- Litasco/BOST loan – GNPC was directed to take a loan facility from Litasco on behalf of BOST for USD100 million at 3-months LIBOR plus 4% which is being serviced by Government at eight equal instalments of US$14 million on every due date.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

30. MEDIUM TERM LOANS (CONTINUED)

Bank loan

This is in two parts:

- Bank loan – GNPC took a loan facility from GCB Bank to finance the construction of Gas Pipelines, Substation, Power Transmission Lines and Marine Civil engineering works in respect of the relocation of the Karpower Floating Plant from Tema to Sekondi Naval Base, Takoradi for US$ 25 million at 9.125% p.a. which is being serviced by Government through Level A when lifting commence with SGN (OCTP).

- Other Loans - loans granted to a subsidiary by its bankers repayable over an agreed out of court terms of settlement in eight equal instalments ending in March 2019.

31. EMPLOYEE BENEFIT OBLIGATION

The movement in the defined benefit obligation is as follows:

	2018	2017
	USD	USD
Balance at 1 January	**532,200**	545,984
Service cost	**7,441**	35,457
Interest cost	**28,243**	34,041
Actuarial loss	**49,698**	21,870
Benefits payment	**(41,804)**	(105,152)
Balance at 31 December	**575,778**	532,200

31.1 EMPLOYEE BENEFIT EXPENSE RECOGNISED IN PROFIT OR LOSS

	2018	2017
	USD	USD
Service cost	**7,441**	**35,457**
Interest cost	**28,243**	**34,041**
	35,684	**69,498**

31.2 REMEASUREMENT GAINS/ (LOSSES) IN OCI

	2018	2017
	USD	USD
Actuarial loss	**49,698**	21,870

a. Defined benefit obligation

The Corporation bears the cost of its retirees' medical expenses till death. The method of accounting and frequency of valuation are similar to those used for defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

The principal actuarial assumptions used are as follows:

Starting health care per capita costs

The starting per capita cost is based on plan experience for 2018. No assumption was made explicitly for morbidity aging factors. Starting Per capita health care cost is GHS 3,800.

Discount rate

A rate of 19.64% per annum was used.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

31. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

Post retirement mortality rates

Mortality rates are based on the South African SA 1956-62 mortality table with a loading provision of 20%. This is consistent with the Mortality table used in Ghana.

Health care trend rates

Assumed rates are based on publicly available data and the general increase in healthcare costs and macro-economic theory.

Claims rate
Assumed claim rates are based on the claims trend of GNPC as provided in the data. Hence a claim rate of 20% is fixed.

Changes in the significant actuarial assumptions
The calculation of the net defined benefit liability is sensitive to the significant actuarial assumptions mentioned above. The following table summarises the effects of changes in these actuarial assumptions on the defined benefit liability at 31 December:

		Impact on defined benefit liabilities	
		2018 USD	2017 USD
Discount rate	0.5% increase	**10,672**	10,253
Discount rate	0.5% decrease	**(10,672)**	(10,253)
mortality rates	1% increase	**16,927**	16,267
mortality rates	1% decrease	**(16,927)**	(16,267)
Health care trend rates	0.5% increase	**14,827**	11,827
Health care trend rates	0.5% decrease	**(14,827)**	(11,827)
Claims rate	0.5% increase	**18,726**	17,625
Claims rate	0.5% decrease	**(18,726)**	(17,625)

32. TRADE AND OTHER PAYABLES

	Group		**GNPC**	
	2018 USD	2017 USD	**2018 USD**	2017 USD
Trade & Other Creditors	**168,613,176**	76,243,552	**155,606,348**	64,275,620
Local creditors	**4,090,973**	12,443,516	**4,090,973**	11,398,425
Staff creditors	**509,573**	1,412,344	**509,575**	1,412,344
Jubilee Partner Financing (Note 32.1)	**48,894,426**	14,407,282	**48,894,426**	14,407,282
	222,108,148	104,506,694	**209,101,322**	91,493,671

Trade payables are non-interest bearing and are normally settled between 30 to 90 days.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

32.1 JUBILEE PARTNER FINANCING

This represent the amount the Group owes the Jubilee Partners from in respect of Development and Production Costs.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, other than derivatives, comprise accounts payable, bank loans and overdrafts, and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure programme. The Group's principal financial assets, other than derivatives, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

Risk exposures and responses

The Group manages its exposure to key financial risks in accordance with its financial risk management policy.

The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are: market risks comprising commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

The Group's senior management oversees the management of financial risks. The Group's senior management is supported by a Financial Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Group.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. Currently, the Group does not apply any form of hedge accounting.

The Board of Directors reviews and agrees policies for managing these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables and accrued liabilities. Sensitivity analysis relating to key market risks has been provided below:

(a) Foreign currency risk

During the year the Group has been exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency. The other currencies in which these transactions are denominated are in US$.

The group's exposure to foreign currency risk, as at the relevant year ends, was as follows based on foreign currency amounts:

The following significant exchange rates applied at the following reporting date with respect to the US$:

	2018 USD	2017 USD
Exchange rate USD / GHC	**4.8207**	4.4164

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which include an assessment of credit rating, short-term liquidity and financial position. The Group obtains sufficient collateral (where appropriate) from customers as a means of mitigating the risk of financial loss from defaults. In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and short-term investments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Set out below is an analysis of various credit exposures:

Group

Amount past due but not impaired	**2018**	2017
	USD	USD
Past due up to 30 days	**2,340,025**	1,300,355
Past due 31-60 days	**134,897,351**	112,177,116
Past due 61-90 days	**26,321,814**	16,840,307
Past due 91-120 days	**4,475,447**	6,245,050
Past due more than 120 days	**65,144,044**	35,543,218

GNPC

Amount past due but not impaired	**2018**	2017
	USD	USD
Past due up to 30 days	**2,340,025**	1,300,355
Past due 31-60 days	**134,897,351**	112,177,116
Past due 61-90 days	**26,321,814**	16,840,307
Past due 91-120 days	**4,475,447**	6,245,050
Past due more than 120 days	**65,144,044**	35,543,218

Collateral and other credit enhancement
The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.
The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The tables below summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments

Group
As at December 2018

	Less than 1 year	**More than 1 year**	**Total**
	USD	**USD**	**USD**
Interest-bearing loans and borrowings	**140,732,816**	**158,074,166**	**298,806,982**
Trade and other payables	**209,224,933**	**12,883,218**	**222,108,151**
	349,957,749	**170,957,384**	**520,915,133**

As at December 2017

	Less than 1 year	**More than 1 year**	**Total**
	USD	**USD**	**USD**
Interest-bearing loans and borrowings	115,666,365	344,606,654	460,273,019
Trade and other payables	91,493,671	-	91,493,671
	207,160,036	344,606,654	551,766,690

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

GNPC
As at December 2018

	Less than 1 year	More than 1 year	Total
	USD	USD	USD
Interest-bearing loans and borrowings	139,409,012	156,750,361	296,159,373
Trade and other payables	209,101,322	-	209,101,322
	348,510,334	156,750,361	505,260,695

As at December 2017

	Less than 1 year	More than 1 year	Total
	USD	USD	USD
Interest-bearing loans and borrowings	108,459,615	347,399,903	455,859,518
Trade and other payables	91,493,671	-	91,493,671
	199,953,286	347,399,903	547,353,189

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

In the definition of capital, the group includes, share capital, retained earnings and loans. The Group is not subject to any externally imposed capital requirements.

35. FAIR VALUE MEASUREMENT AND CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying amounts of the group and the Group's financial assets and liabilities approximate their fair values.

36. RELATED PARTY TRANSACTIONS

Information about subsidiaries

	Principal Activity	Country	Percentage of equity/interest 2018	2017
Prestea Sankofa Gold Limited	Mining	Ghana	90%	90%
Mole Motel Company Limited	Hospitality	Ghana	60%	60%

The holding entity:

GNPC is 100% owned by Government of Ghana.

Joint venture/Associate

The Corporation has a 45% interest in Saltpond offshore Corporation limited (2017: 45%) and 0.11% in Airtel Ghana. The group has fully impaired its investments in this joint venture in 2013, due to its loss-making situation. The group has also fully impaired its investment in the associate, as the associate has a negative net assets position.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

36 RELATED PARTY TRANSACTIONS (CONTINUED)

Related party transactions

During the year, the Corporation entered into the following transactions with its related parties:

Year end balances arising from transactions with related parties:

Name of related party	Amount due to USD	Amount due from USD
Prestea Sankofa Gold Limited	-	**13,184,465**
GNPC Exploration and Production Co. Ltd	-	**6,488,771**
Mole Motel	-	**173,655**
GNPC Technip	-	**217,139**
Saltpond Offshore Producing company	-	**5,996,696**
	-	**26,060,726**

Transactions with related parties

Transactions with related parties during the year are as follows:

Name of related party	Transaction type	Amount USD
GNPC Exploration and Production Co. Limited	Advances and payments of cash calls	**190,020**
Airtel Ghana Limited	Telecom services	**32,262**
Prestea Sankofa Gold Limited	Advances and payment of expenses	**11,533,451**
GNPC Technip	Credit Facility	**217,139**
Saltpond Offshore Producing Company Limited	Advances and payment of expenses	**332,005**
		12,278,532

Terms and conditions of transactions with related parties

Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, impairment of receivables relating to amounts owed by related parties was USD 19,181,161 (2017: $7,315,705).

Compensation of key management personnel and directors of the Corporation

The remuneration of directors and other members of key management personnel during the year was as follows:

Key management personnel

	2018 USD	2018 USD
Short term benefits	**356,173**	2,254,308

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

36 RELATED PARTY TRANSACTIONS (CONTINUED)

Directors' remuneration

	2018	2017
	USD	USD
Board fees	**428,315**	169,745
Other board expense	**575,373**	761,198
	1,003,688	930,943

The remuneration of directors and key executives is determined by the Board welfare committee having regard to the performance of individuals and market trends.

37 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's financial statements listed below are those that the Group reasonably expects will have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards and interpretations, if applicable when they become effective. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.
This standard is not expected to have a significant impact for the Group as it is not an operator and the corporation's office rent has been prepaid. The prepaid amount would be reclassified as right of use asset.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

37 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Other standards, amendments and interpretations that have been issued but not yet effective are not expected to have a material impact on the financial statements of the group. These include:

- ➢ IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
- ➢ Amendments to IFRS 9: Prepayment Features with Negative Compensation
- ➢ Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- ➢ Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- ➢ Amendments to IAS 28: Long-term interests in associates and joint ventures

37 COMMITMENTS FOR EXPENDITURE

Under the Off-Shore Cape Three Point (OCTP) agreement, the Corporation has a contractual obligation – Take or pay obligation – to purchase and pay for a minimum guaranteed quantity of gas from the OCTP partners, even where the corporation is unable to physically take the required quantities. Additionally, the corporation is required to pay for condensates that would have accrued to the OCTP partners had the corporation lifted the required quantities of gas.

Management believes that, it will be able to consume the assigned quantity of gas for the stipulated five years as stated in the agreement. Management will continue to assess its utilisation capacity on a yearly basis.

The corporation also has cash calls commitments from its joint venture partners for exploration and production activities.

GHANA NATIONAL PETROLEUM CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
31 DECEMBER 2018

38 CONTINGENT ASSETS AND LIABILITIES

Petroleum products supplied to Sage Petroleum Limited by the Corporation up to 2012 amounting to US$13,051,837.42 is currently in dispute. The case is currently being pursued in the law courts. The Corporation has therefore made full provision for this debt in its books.

39 DECOMMISSIONING LIABILITY

The Corporation has no liability to decommission currently producing oil fields, as the decommissioning liabilities is to be borne by the contractors.

40 CORPORATE SOCIAL RESPONSIBILITIES

The Corporation 2018 executed its CSR projects through the GNPC Foundation. The total spend for the year was Twenty-One Million, Six Hundred and Twenty-Seven Thousand, Two Hundred and Eighty-Six US Dollars (USD 21,627,286) disbursed as follows:

Key Activities undertaken:

- Construction of Eleven (11) 24 Unit Sanitary Facility at Market for communities and schools
- Construction of Six (6) Unit classroom block for 50 SHS Schools
- Construction of 160 bed 1 Story Dormitory- Takoradi school for the Deaf
- Construction of two (2) Science Laboratory Facility
- Construction of 80 bed Capacity Hostel at Duayaw Nkwanta
- Construction of 3 Unit Class room block for Salakpang
- Construction of 100 Borehole across the country
- Construction of 5 Artificial Soccer Turf with Flood Lighting and Wire Fencing
- Supply of Furniture to the Fifty (50) 6 Unit Classroom for SHS constructed
- Financial Support to Korle Bu ICU
- Financial sponsorship to Andasi Health Service
- Project support to Diabene SHS for refurbishment of Science Laboratory
- Support Focos Hospital for Equipments and Installation
- Project support to Western DeDeew Group Rice Project for 100 rice farmers
- Support for Professorial Chairs for 4 public Universities - UMAT, UG, UCC & KNUST
- Continued sponsorship of 1,989 Students consisting of 1917 local and 72 international scholarships to undertake graduate level studies. The scholarship covers full tuition and boarding

41 EVENTS AFTER THE REPORTING PERIOD

There have been no events subsequent to the reporting date that would require a disclosure or adjustment to these financial statements.

ANANSE NTONTAN

►Creativity and Innovation

GNPC

PARTNERING FOR GROWTH

As Ghana's national oil company and anchor partner in the country's upstream petroleum sector, our creativity and innovation facilitate effective stakeholder collaboration that delivers projects on time, leaving a positive impact on our partners, our economy and our people.

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