Chairman's Statement and Review of Operations

Strategy and Outlook

The Group continues with its strategy to acquire, preserve, and deploy distressed energy assets which exhibit potential for near-term recovery. The Group's primary growth objective remains to seek strategic acquisitions which will serve as a platform for growth in the offshore service industry, and our principal activities during the first half of this year focused on the identification, assessment, and pursuit of investment opportunities in established offshore service and technology groups. The Group also continues to be presented with opportunities to invest in related industries and has begun to consider these as an alternative strategy should it be unable to identify and complete acceptable investments in the offshore service industry.

Offshore Gulf of Mexico Service Assets

The Group continued to focus on preserving the condition of its offshore service vessels and dive equipment which remained laid up at its facility in Berwick, Louisiana during the period. The Group also continued to assess opportunities to operate these assets in the Gulf of Mexico. While the offshore industry has begun to recover somewhat due to sustained oil pricing recovery, conditions have not yet recovered sufficiently to allow the Group's offshore assets to be operated at a profit.

In spite of the industry conditions, the Group responded to multiple inquiries on these assets during the period and was able to divest of certain of its offshore service vessels and dive equipment at significant premiums to their purchase price during the first half of 2018. The Group will continue to monitor industry conditions in the Gulf of Mexico to identify opportunities to resume profitable operations and/or divest of its assets as the related economic factors improve.

Colombian Oil and Gas Assets

The Group also continued to focus on maintaining compliance with the contractual, environmental, and social obligations of its Bolivar and Bocachico oil and gas contracts in Colombia during the period. In accordance with the terms of these oil and gas contracts, the Group is currently developing reactivation plans for both of its Colombian oil and gas fields to ensure the contracts remain in good standing.

As the oil industry continues to recover from a prolonged period of low pricing, market conditions for the company's oil and gas properties in Colombia have begun to improve. The Group has received multiple expressions of interest related to its Colombian oil and gas contracts and, while the Group has not committed to any formal plan, it is currently evaluating potential divestment and/or strategic partnerships at both fields.

Business and Operational Review

Financial Position

The Group had a positive working capital position of $17.6 million at 30 June 2018. The decrease in the Group's working capital position of $2.4 million from 31 December 2017 is due to funding operating and administrative costs during the period while its asset base remains inactive. As the Group continues to hold significant cash balances, the Company amended its $4 million note receivable from Everest Hill Group, Inc. subsequent to the reporting period on 2 August 2018. The amendment extended the maturity date from 15 September 2018 to 30 April 2019. Interest continues to be received quarterly at a rate of 8 per cent per annum, and the Group has the right to call for repayment of $2 million with thirty days' notice.

The Group has $10.4 million recorded for its offshore assets within property, plant and equipment on its statement of financial position, and it recorded $980 thousand in depreciation against these assets during the current period. The Group sold certain of its non-strategic vessels and dive equipment for cash proceeds of $722 thousand during the current period which resulted in a substantial gain of $566 thousand over the assets' cost base of $156 thousand. The Group continues to receive inquiries about its offshore vessels and equipment and will consider opportunities to sell its vessels and equipment at amounts which would result in gains over its underlying cost basis.

The Group currently has $3.9 million in value for its oil and gas contracts within property, plant and equipment on its statement of financial position and did not record any depletion against these assets during the period as both fields remained shut in.

The Group currently has $16.8 million in non-current convertible debt and accrued interest which is comprised of $31.6 million of face value and $2.7 million of accrued interest, less $17.5 million of unamortized discount. These notes are due in 2027, 2029, and 2032, and accrued interest is not payable until conversion or maturity.

Results of Operations

Operating expenses decreased from $1.8 million during the prior year period to $685 thousand during the current period. Offshore vessel and equipment operating costs were reduced by $1.1 million due to approximately $482 thousand in one-time transition and assessment costs during the prior year period, as well as a reduction of $609 thousand in crewing, utilities, and staff costs due to the Group's decision to move the entire fleet to a laid-up status during the end of the financial year 2017. The Group expects to maintain its fleet in a laid-up status until market conditions in the Gulf of Mexico improve sufficiently to allow the vessels to be profitably operated.

Oil and gas operating costs decreased slightly during the year primarily due to the Group's decision to shut in production at its Bocachico field during late 2017 due to uneconomic pricing conditions. While both of the contract areas remained shut in during the period, the Group continues to incur security, environmental, and maintenance costs at both of these locations to ensure the contracts remain secure, compliant and in good standing with the local authorities and communities.

Due to sustained increases in oil pricing during 2018, the Group is currently developing and evaluating reactivation plans at both of its contract areas.

Administrative expenses decreased significantly to $2.4 million compared to $3.7 million for the prior period. The decrease was primarily due to staff reductions and other payroll reductions which were implemented to curtail costs while the Group's assets remain inactive. These cost savings were partially offset by approximately $204 thousand of travel, legal and diligence costs which were incurred while evaluating potential projects. The Group seeks to continue reducing its administrative costs until operations are re-established through reactivation of its current asset base and/or strategic acquisitions.

The Group recorded $993 thousand in charges for accrued interest and accretion of discount on its Series A, B, and C convertible notes during the period.

Conclusion

The Group took significant actions during late 2017 and early 2018 to reduce its cost base as it continues to consider various strategic options for its current asset base and to identify and evaluate strategic acquisition opportunities. This preservation of its liquidity and capital resources should continue to attract acquisition and merger opportunities that will benefit from its current asset base along with its established management team and business processes. Careful evaluation of these opportunities will allow the Group to identify the prospects which offer operating activities which can be combined with our existing assets and management team to create revenue growth potential and lead to increased value for our shareholders.

Mikel Faulkner
Chairman
22 August 2018

INDEPENDENT REVIEW REPORT TO NAUTILUS MARINE SERVICES PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the Unaudited Condensed Consolidated Statement of Comprehensive Income, Unaudited Condensed Consolidated Statement of Financial Position, Unaudited Condensed Consolidated Cash Flow Statement, Unaudited Condensed Consolidated Statement of Changes of Equity and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants and Registered Auditors
55 Baker Street
London
W1U 7EU
United Kingdom
22 August 2018
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2018

	Note	**Six months ended 30 June 2018 $'000 (Unaudited)**	Six months ended 30 June 2017 $'000 (Unaudited)
Continuing operations			
Revenue	4	**-**	140
Cost of sales	5	**(1,690)**	(2,683)
Gross loss		**(1,690)**	(2,543)
Gain on disposal of assets		**565**	54
Administrative expenses		**(2,442)**	(3,663)
Impairment charge		**-**	(2)
Operating loss from continuing operations		**(3,567)**	(6,154)
Finance income and other	6	**232**	597
Finance expense and other	7	**(1,207)**	(1,040)
Loss before taxation from continuing operations		**(4,542)**	(6,597)
Tax expense		**(123)**	(88)
Loss from continuing operations, net of tax		**(4,665)**	(6,685)
Loss from discontinued operations, net of tax		**(12)**	(8)
Total loss attributable to the equity holders of the parent		**(4,677)**	(6,693)
Other comprehensive income/(loss)		**-**	-
Total comprehensive loss attributable to the equity holders of the parent		**(4,677)**	(6,693)
Loss per share for continuing operations			
– Basic and diluted	3	**$ (0.13)**	$ (0.19)
Loss per share for discontinued operations			
– Basic and diluted	3	**$ -**	$ -
Total loss per share			
– Basic and diluted	3	**$ (0.13)**	$ (0.19)

Figures in thousands except for per share information which is stated in $.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Note	30 June 2018 $'000 (Unaudited)	31 December 2017 $'000 (Audited)
Assets			
Non current assets			
Intangible assets		**123**	130
Other non-current assets		**990**	946
Property, plant and equipment	9	**14,282**	15,427
Total non current assets		**15,395**	16,503
Current assets			
Materials and supplies inventories		**143**	146
Note receivable and accrued interest	8	**4,013**	4,013
Trade and other receivables		**2**	7
Prepayments and other assets		**372**	303
Cash and cash equivalents		**14,137**	16,758
Total current assets		**18,667**	21,227
Total assets		**34,062**	37,730
Liabilities			
Non current liabilities			
Convertible loan notes and accrued interest	10	**(16,802)**	(15,809)
Long term provisions		**(2,900)**	(2,712)
Total non current liabilities		**(19,702)**	(18,521)
Current liabilities			
Trade and other payables		**(473)**	(533)
Short-term provisions		**(361)**	(361)
Corporate and equity tax liabilities		**(18)**	(55)
Derivative financial liabilities	10,12	**(178)**	(262)
Total current liabilities		**(1,030)**	(1,211)
Total liabilities		**(20,732)**	(19,732)
Net assets		**13,330**	17,998
Capital and reserves attributable to equity holders of the parent			
Share capital	11	**608**	608
Share premium		**27,139**	27,139
Capital reserve		**30,435**	30,435
Other reserves	10	**1,307**	1,307
Accumulated losses		**(46,159)**	(41,491)
Total equity		**13,330**	17,998

The financial information on pages 8 to 14 was approved and authorised for issue by the Board of Directors on 22 August 2018 and is signed on its behalf by:

Mikel Faulkner
Chairman – 22 August 2018

Unaudited Condensed Consolidated Cash Flow Statement

For the period ended 30 June 2018

	Note	**Six months ended 30 June 2018 $'000 (Unaudited)**	Six months ended 30 June 2017 $'000 (Unaudited)
Cash flows from operating activities			
Cash used by operations	2	**(3,300)**	(6,835)
Taxes paid (continuing and discontinued operations)		**(203)**	(178)
Net cash used in operating activities		**(3,503)**	(7,013)
Cash flows from investing activities			
Interest on note receivable		**160**	206
Proceeds from disposal of assets		**722**	61
Purchase of intangible assets and property, plant and equipment		**-**	(94)
Net cash provided by investing activities		**882**	173
Cash flows from financing activities			
Issuance of convertible loan notes		**-**	10,500
Net cash provided by financing activities		**-**	10,500
(Decrease) increase in cash and cash equivalents for the period		**(2,621)**	3,660
Cash and cash equivalents at beginning of period		**16,758**	16,446
Cash and cash equivalents at end of period		**14,137**	20,106

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Note	Share capital $'000	Share premium $'000	Capital reserve $'000	Other reserves $'000	Accumulated losses $'000	Total equity $'000
At 31 December 2017 (Audited)		**608**	**27,139**	**30,435**	**1,307**	**(41,491)**	**17,998**
Comprehensive loss for the period:							
Total loss for the period		**-**	**-**	**-**	**-**	**(4,677)**	**(4,677)**
Other comprehensive income/(loss)		**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the period attributable to equity owners of the parent		**-**	**-**	**-**	**-**	**(4,677)**	**(4,677)**
Transaction with owners:							
Share based payment - options equity settled		**-**	**-**	**-**	**-**	**9**	**9**
Other movements within equity		**-**	**-**	**-**	**-**	**9**	**9**
At 30 June 2018 (Unaudited)		**608**	**27,139**	**30,435**	**1,307**	**(46,159)**	**13,330**
At 31 December 2016 (Audited)		608	27,139	51,855	-	(53,966)	25,636
Comprehensive loss for the period:							
Total loss for the period		-	-	-	-	(6,693)	(6,693)
Other comprehensive income/(loss)		-	-	-	-	-	-
Total comprehensive loss for the period attributable to equity owners of the parent		-	-	-	-	(6,693)	(6,693)
Transaction with owners:							
Share based payment - options equity settled		-	-	-	-	7	7
Capital reserve transfer		-	-	(21,420)	-	21,420	-
Equity proportion of convertible loan note	10	-	-	-	1,307	-	1,307
Other movements within equity		-	-	(21,420)	1,307	21,427	1,314
At 30 June 2017 (Unaudited)		608	27,139	30,435	1,307	(39,232)	20,257

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

1. Significant accounting policies

General information

The interim condensed consolidated financial statements of Nautilus Marine Services PLC (the "Company") and its subsidiaries (together the "Group") for the six months ended 30 June 2018 have been reviewed, but are unaudited. The interim financial information also incorporates unaudited comparative figures for the six months ended 30 June 2017. In the opinion of the Directors, the interim condensed consolidated financial statements for the period presents fairly the financial position, results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied.

The preparation of financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and income and expense. Actual results may differ from estimates.

Basis of preparation

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the full annual report for the year ended 31 December 2017.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the effect of new standards effective from 1 January 2018 as explained below. These are expected to be consistent with the financial statements of the Group as at 31 December 2018 that are/will be prepared in accordance with IFRS and their interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU").

The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006. The comparatives for the full year ended 31 December 2017 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

New and amended standards and interpretations

During the period, several new and revised Standards and Interpretations issued by the IASB became effective. IFRS 2 – Classification and Measurement of Share-based Payment Transactions, IFRS 9 - Financial Instruments, IFRS 15 - Revenue Recognition as well as IFRIC 22 – Foreign Currency Transactions and Advance Consideration took effect on 1 January 2018. The Group has adopted these standards, however given the Group's current operations and corporate structure, these did not have a material impact on the Group's condensed consolidated financial statements for the six months ended 30 June 2018.

Another new Standard, IFRS 16 – Leases takes effect on 1 January 2019. The Group has identified its lease arrangements as at 30 June 2018 and the impact of this new Standard is not considered to be material. Management will continue to assess the impact of this Standard if new leases are added during the remainder of the year.

Going concern

In forming its opinion as to going concern, the Board prepares a working capital forecast based upon its assumptions. The Board also prepares a number of alternative scenarios modeling the business variables and key risks and uncertainties. Based upon these, the Board remains confident that the Group's current cash on hand and current cash flow from operations will enable the Group to fully finance its future working capital discretionary expenditures beyond the period of 12 months of the date of this report.

2. Notes to the Condensed Consolidated Statement of Cash Flows

Reconciliation of loss before taxation to net cash flow used in operations:

	Six months ended	Six months ended
	30 June 2018	30 June 2017
	$´000	$´000
	(Unaudited)	(Unaudited)
Continuing operations		
Loss before tax	**(4,542)**	(6,597)
Adjustments for:		
Depreciation, amortisation and impairment	**1,005**	847
Gain on derivative financial instruments	**(72)**	(428)
Gain on sale of assets	**(565)**	(54)
Share based payment expense	**9**	7
Finance income	**(160)**	(206)
Interest and accretion expense on convertible loan notes	**993**	901
Unwinding of discount on decommissioning provision	**142**	111
Operating cash flow before movements in working capital	**(3,190)**	(5,419)
Decrease in inventories	**1**	14
Increase in trade and other receivables	**(107)**	(507)
Increase/(decrease) in trade and other payables	**12**	(913)
Cash used in continuing operations	**(3,284)**	(6,825)
Cash used in discontinued operations	**(16)**	(10)
Cash used in operations	**(3,300)**	**(6,835)**

3. Loss per share

Basic loss per share amounts are calculated by dividing loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding for the period.

Diluted loss per share amounts are calculated by adjusting the loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, comprised of those related to convertible loan notes and share options. The convertible loan notes are assumed to have been converted into ordinary shares and the net loss is adjusted to eliminate the related finance costs, including interest and accretion, and any gain or loss recognized on the derivative financial liability related to the convertible loan notes. The calculation of the dilutive potential ordinary shares related to employee and Director share option plans includes only those options with exercise prices below the average share trading price for each period.

The following table reflects the loss and share data used in the basic and diluted loss per share calculations:

(*Figures in thousands except for share and per share information which is disclosed in $)*

	Six months ended 30 June 2018 $´000 (Unaudited)	Six months ended 30 June 2017 $´000 (Unaudited)
Loss from continuing operations after taxation	**(4,665)**	(6,685)
Loss from discontinued operations after taxation	**(12)**	(8)
Net loss attributable to equity holders	**(4,677)**	(6,693)
Loss per share for continuing operations		
– Basic and diluted	**$ (0.13)**	$ (0.19)
Loss per share for discontinued operations		
– Basic and diluted	**$ -**	$ -
Total loss per share		
– Basic and diluted	**$ (0.13)**	$ (0.19)
Basic weighted average number of shares	**36,112,187**	36,112,187
Dilutive potential ordinary shares:		
Employee and Director share option plans	**-**	-
Shares on conversion of loan notes	**-**	-
Diluted weighted average number of shares	**36,112,187**	36,112,187

Basic and diluted loss per share are the same because the following potentially dilutive shares were considered to be anti-dilutive due to the loss arising in the periods:

	Six months ended 30 June 2018	Six months ended 30 June 2017
Employee and Director share option plans	**2,670,000**	3,550,000
Shares on conversion of loan notes	**25,802,596**	25,802,596

4. Segmental analysis

For management purposes, the Group is comprised of three operating segments as defined below:

- Offshore (comprised of offshore services equipment, currently located in the Gulf of Mexico)
- Oil and Gas (comprised of the Bolivar and Bocachico Contracts in the Magdalena Valley)
- Corporate (comprised of the Group’s corporate overhead and investing activities which were not allocated to the Offshore or Oil and Gas segments)

Corporate overhead expenses are allocated to the segments based on the estimated split of personnel services delivered to each segment. Group financing (including finance costs and finance income) is allocated among the segments based upon the segment receiving the benefit of the financing activities. However, the related financing assets and liabilities are held within the Corporate segment and not allocated to the operation segments as these facilities are managed on a Group basis.

Summarized selected financial information concerning each operating segment is as follows:

For the six months ended 30 June 2018

(in $'000)	**Offshore**	**Oil and Gas**	**Corporate**	**Total**
Revenue	**-**	**-**	**-**	**-**
Operating expenses	**(440)**	**(245)**	**-**	**(685)**
Depreciation and amortisation	**(980)**	**(1)**	**(24)**	**(1,005)**
Finance expense and other	**(994)**	**(209)**	**(4)**	**(1,207)**
Loss from continuing operations before tax	**(2,300)**	**(778)**	**(1,464)**	**(4,542)**

For the six months ended 30 June 2017

(in $'000)	Offshore	Oil and Gas	Corporate	Total
Revenue	-	140	-	140
Operating expenses	(1,531)	(307)	-	(1,838)
Depreciation and amortisation	(824)	-	(21)	(845)
Impairment charge	-	(2)	-	(2)
Finance expense and other	(901)	(80)	(59)	(1,040)
Loss from continuing operations before tax	(3,137)	(608)	(2,852)	(6,597)

For the six months ended 30 June 2018

(in $'000)	**Offshore**	**Oil and Gas**	**Corporate**	**Total**
Total non-current assets	**10,375**	**4,954**	**66**	**15,395**
Total non-current liabilities	**-**	**(2,900)**	**(16,802)**	**(19,702)**

For the year ended 31 December 2017

(in $'000)	Offshore	Oil and Gas	Corporate	Total
Total non-current assets	11,505	4,908	90	16,503
Total non-current liabilities	-	(2,712)	(15,809)	(18,521)

The Group's business units did not generate any revenues during the six months ended 30 June 2018. During 2017, all revenues from the Group's business units were generated from oil liftings from the Group's Bocachico field located in Colombia. This activity resulted in sales of crude oil to one Colombia-based customer which amounted to $140 thousand for the six months ended 30 June 2017. The Bocachico field was shut-in during late 2017 in order to decrease operating costs and environmental risk while the contract area remains uneconomic and remained shut-in during the 2018 period.

Operating expenses for the offshore segment during the six months ended 30 June 2018 consisted of $167 thousand in dock and facility costs, $86 thousand in vessel costs, and $187 thousand in allocated labour and management costs. Operating expenses for the offshore segment during the six months ended 30 June 2017 were comprised of non-recurring costs to transition the offshore service vessel ownership and technical management and to complete an initial assessment of the vessels and equipment of approximately $482 thousand, with the remaining costs consisting of $267 thousand in dock and facility costs, $152 thousand in vessel costs, $177 thousand in vessel crewing and technical management fees, and $453 thousand in allocated labour and management costs.

5. Cost of sales

A reconciliation of cost of sales by nature is as follows:

	Six months ended 30 June 2018 $´000 (Unaudited)	Six months ended 30 June 2017 $´000 (Unaudited)
Operating expenses	**685**	1,838
Depreciation and amortisation	**1,005**	845
Total cost of sales	**1,690**	2,683

6. Finance income and other

	Six months ended 30 June 2018 $´000 (Unaudited)	Six months ended 30 June 2017 $´000 (Unaudited)
Income on note receivable and other	**160**	169
Unrealized gain on derivative financial liabilities	**72**	428
Total finance income and other	**232**	597

7. Finance expense and other

	Six months ended 30 June 2018 $´000 (Unaudited)	Six months ended 30 June 2017 $´000 (Unaudited)
Unwinding of discount on decommissioning provision	**142**	111
Accretion expense on convertible loan notes	**(65)**	318
Interest expense on convertible loan notes	**1,058**	583
Net loss on foreign currency exchange	**72**	28
Total finance expense and other	**1,207**	1,040

8. Note receivable

The Group continues to hold a Note Receivable from Everest Hill Group, Inc. (“Everest”). The outstanding principal balance of $4 million and accrued interest of $13 thousand on the Note Receivable was classified as current as at 30 June 2018.

Please see note 14 for information on the post reporting date amendment to the Note Receivable.

9. Property, plant and equipment

	Vessels $'000	Offshore equipment and site improvements $'000	Oil properties $'000	Facilities and pipelines $'000	Office equipment and other $'000	Total $'000
Cost:						
At 1 January 2018	**12,025**	**1,341**	**45,101**	**2,956**	**545**	**61,968**
Disposals	(133)	(41)	-	-	(2)	(176)
Change in decommissioning and environmental provision	-	-	5	-	-	5
At 30 June 2018 (Unaudited)	**11,892**	**1,300**	**45,106**	**2,956**	**543**	**61,797**
Accumulated Depreciation and Impairment:						
At 1 January 2018	**(1,565)**	**(296)**	**(41,243)**	**(2,956)**	**(481)**	**(46,541)**
Provided during the period	(820)	(160)	-	-	(18)	(998)
Disposals	14	10	-	-	-	24
At 30 June 2018 (Unaudited)	**(2,371)**	**(446)**	**(41,243)**	**(2,956)**	**(499)**	**(47,515)**
Net book value at 30 June 2018 (Unaudited)	**9,521**	**854**	**3,863**	**-**	**44**	**14,282**
Net book value at 31 December 2017 (Audited)	**10,460**	**1,045**	**3,858**	**-**	**64**	**15,427**

During the six months ended 30 June 2018, the Group closed on the sale of two of its offshore service vessels and certain offshore equipment for proceeds of $722 thousand. These disposals resulted in a gain on disposal of assets of $566 thousand, partially offset by a negligible amount of loss on the sales of certain office equipment.

10. Convertible loan notes and interest payable

The Group determined the convertible loan notes issued to be compound financial liabilities. The Group classified the conversion features of the Series A Loan Notes as equity due to the fixed settlement terms. Accordingly, the proceeds received on issuance were allocated into their liability and equity components. The Group classified the conversion features of the Series B Loan Notes and Series C Loan Notes as derivative financial liabilities. Accordingly, the proceeds received on issuance were allocated into their host debt liability and embedded derivative components. The following table details the movements of the convertible loan note issuances during the period:

	Six months ended 30 June 2018 $´000 (Unaudited)	Year ended 31 December 2017 $'000 (Audited)
Balance at beginning of period	**15,809**	-
Issuance of convertible loan notes	**-**	16,140
Proportion classified as equity	**-**	(1,307)
Proportion classified as derivative financial liabilities	**-**	(780)
Interest payable	**1,058**	1,663
Accretion expense	**(65)**	93
Convertible loan notes and accrued interest	**16,802**	15,809

11. Share capital

	Six months ended 30 June 2018 (Unaudited)		Year ended 31 December 2017 (Audited)	
	Number of shares	**$´000**	Number of shares	$´000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**36,112,187**	**608**	36,112,187	608

The ordinary shares confer the right to vote at general meetings of the Company, to a repayment of capital in the event of liquidation or winding up and certain other rights as set out in the Company's articles of association. The ordinary shares also confer the right to receive dividends if declared by the Directors and approved by the Company. Pursuant to the terms of the convertible loan notes issued during 2017, the Company is precluded from declaring or paying any dividends for three years following the issuance date.

12. Financial instruments – fair value measurement

Financial instruments evaluated at fair value can be classified according to the following valuation hierarchy, which reflects the extent to which the inputs used in the valuation technique utilised are observable:

- Level 1: Quoted prices in active markets (not adjusted) for identical items.
- Level 2: Observable direct or indirect inputs other than Level 1 inputs.
- Level 3: Unobservable inputs (not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period in which they occur.

During 2017, the Group issued financial instruments measured at fair value. The Group has assessed the different levels in the fair value hierarchy, for its financial instruments, based on the inputs used in the valuation techniques. The following tables show the valuation techniques used in measuring level 3 fair values, as well as the significant unobservable inputs used.

Type	Level	Measurement	Valuation technique	Significant unobservable inputs
Derivative financial liabilities (derivative component of convertible loan notes)	3	Recurring	Binomial lattice model	Share price volatility
Contingent consideration	3	Recurring	Probability weighted cash forecasts	Operating and cash flow projections

During the six months ended 30 June 2018 and 2017, gains of $72 thousand and $428 thousand, respectively, were recognised on the revaluation of the derivative financial liabilities within finance income and other in the Condensed Consolidated Statement of Comprehensive Income. The contingent consideration relates to the acquisition of offshore service vessel-owning companies which own three vessels. The fair value of the contingent consideration related to the future net cash inflows through August 2018 of the three vessels was determined to be $nil as at 30 June 2018 and as at 31 December 2017. Changes to the Group's key assumptions regarding the projected net cash inflows generated by the vessels and the expected timing of potential revenues could impact the fair value of the contingent consideration, which will be assessed at each reporting period for the duration of the 18-month contingency measurement period.

13. Related party disclosures

The Group continues to hold a Note Receivable from Everest, a related party. Please see note 14 for information on the post reporting date amendment to the Note Receivable.

The Group entered into agreements with Oil and Advisors LTD, in which Zac Phillips, a non-executive director, performed independent consulting services. The Group paid $15 thousand and $17 thousand for contract services during the six months ended 30 June 2018 and 2017, respectively.

14. Post reporting date events

On 2 August 2018, the Group (the "Lender") amended the Note Receivable with Everest. Under the amendment, the Group extended the maturity date from 15 September 2018 to 30 April 2019. In addition, the amendment provides for a Lender's Call Option which requires Everest to pay $2 million of the outstanding principal amount no later than thirty days after the Group provides written notice of the exercise of the Lender's Call Option to Everest. The Note Receivable continues to be subject to an interest charge of 8 per cent per annum, payable quarterly in arrears, and the existing collateral remains in place. The change in maturity date does not impact the classification of the Note Receivable on the Condensed Consolidated Statement of Financial Position as it will continue to be a Current Asset.