QTR3

2019

Unaudited interim condensed consolidated financial information for

Sand Hill Petroleum B.V.

Amsterdam, 4 December 2019

Sand Hill Petroleum B.V.
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Management Commentary

Pricing

Commodity prices continued to fall in 3Q19:

- TTF day ahead averaged $3.7/mcf for the quarter, down from $4.7/mcf in 2Q19 and $9.2/mcf in 3Q18
- VTP day ahead averaged $3.8/mcf for the quarter, down from $5.3/mcf in 2Q19 and $8.9/mcf in 3Q18
- Brent dated averaged $62/bbl for the quarter, down from $69/bbl in 2Q19 and $75/bbl in 3Q18

Operational

Production
During Q3 2019, the total daily production averaged 23.7 MMscfe/d, consisting of 20.6 MMscf/d gas, 438 bpd condensate and 80 bpd oil. Production decreased compared to the previous quarter due to statutory gas plant maintenance and upgrades in the Endrőd Gas Processing Plant. Additional production decreases were due to wells in the Konyár area declining at a high rate and because of delayed capital investment due to the gas price decline.

Production levels in Q1-Q3 2019 were lower than in the same period of 2018 mainly due to six Konyár gas wells, which experienced a high decline rate. Their initial production was significantly higher than anticipated, however, four of these wells experienced accelerated declines due to faster depletion of the reservoirs.

Sales
Sales revenue was EUR 11.4 mn in Q3 2019. Gas sales accounted for 83% of total sales. Production decreased by 22% during the quarter and the reference gas prices and oil prices also dropped. Despite the significant drop in reference gas prices, hedging arrangements in place supported the revenue stream in Q3. Average Dutch TTF DA and Austrian VTP dropped by 21% and 28% respectively between Q2 and Q3; while Brent prices dropped by 10%. Revenue was circa 28% lower compared to the previous quarter.

In line with lower market prices and lower production during the year, sales revenues were 22% lower in Q1-Q3 2019 than in Q1-Q3 2018. Hedging arrangements are in place for approximately 50% of current gas production providing some protection against the price drop.

Costs and expenses
Production costs in Q3, excluding mining royalties, were in-line with average first half average expenses. Some additional workovers were performed to maintain well production.

Mining royalties decreased compared to Q2 by 25% due to the decrease in the reference Brent price and production. Employee benefit expenses were in line with Q2 expenses.

Other operating expenses decreased by 22% compared to Q2 due to continued cost management programs.

Overall, year-to-date production costs excluding mining royalties in Q1-Q3 2019 were higher than in Q1-Q3 2018 due to production coming from a higher number of mature wells requiring more chemicals, compression, maintenance and workover costs.

Production costs were also higher due to increased gas processing fees paid to 3rd parties in Q1 2019, the operational expenses of the Konyár gas plant (commissioned in January 2019) and the increase in supervision fees paid to authorities following a change in legislation in Hungary.

Employee benefit expenses increased in Q1-Q3 2019 compared to Q1-Q3 2018 as the Group expanded its activities in Hungary as well as in Romania in 2019. Management is continuing to revise staff numbers to align them with expected future operational and investment activity levels.

Other operating expenses decreased in Q1-Q3 2019 compared to Q1-Q3 2018 mainly due to continued cost management programs and reclassification of rental fees with the adoption of the IFRS 16 Standard.

Investments

Capital expenditure was EUR 8.2 mn in Q3 2019. The Group invested EUR 1.2 mn in geoscience and seismic activities, EUR 0.2 mn in exploration, appraisal, and development drilling and EUR 6.8 mn in facilities construction.

In Q2-Q3, the Group deferred the drilling of new wells due to the lower gas price environment. Instead, workover projects and the installation of compressors have been undertaken to enhance production levels. The Company continues to work on new prospects and to procure drilling permits to be ready to restart drilling based on future capital allocation decisions.

Hungary

Hungarian seismic data interpretation and reprocessing activity continued during the quarter.

The Konyar Gas Plant began operation in January 2019. Further upgrades, including compression and additional storage were in progress in Q3, with all remaining works to be completed in Q4 2019. Development of the Szandaszőlős gas project continued in Q3. The well sites and a gathering station are complete. Limited production from the project started in November..

The Körös exploration license expired by the end of Q3. The Company's Hungarian subsidiary applied for production licenses based on the discovered fields and reservoirs. Production is not affected.

The Nadudvar concession expired during Q3. The Group filed for an extension of 2 years by offering the Hungarian authorities a low value work program in exchange for the extension. The Group has also taken steps to extend the Ujleta concession.

Romania

Prospecting and geologic evaluation continued for the first half of the Romanian EX-1 3D seismic program. The permitting process for 3D seismic acquisition continued for the remaining 340 sq. km.

The permitting process for the EX-5 3D seismic survey was ongoing during the quarter.

The Company's Romanian subsidiary began to plan and permit drilling locations on the Romanian license areas.

HSE

There were no reportable high-potential HSE incidents during Q3/19.

SUMMARY OF 2019 QTR 3 RESULTS

	30-Sept-19
Production (MMcfe/d) in Q3	23.7
	(EUR '000)
Operating profit/(loss) in Q3	(346)
Current Assets	26 515
Current Liabilities	13 686
Net Interest Bearing debt	61 991
EBITDA (calculated for the last 12 months)	27 534
Current ratio	1.94
Leverage ratio	2.25
Liquidity	9 590

Based on current year-end forecasts the Company does not expect to comply with the Leverage Ratio set by the Bond terms for 31 December 2019. The Company has been engaged in discussions with its shareholders and, with the assistance of its financial adviser, ABG Sundal Collier AS, its bondholders to find a mutually acceptable temporary waiver from the Leverage Ratio. On this basis the Company presented its proposal to the bondholders on 4 December 2019.

Notes:

EBITDA (consolidated operating profit before Interest, Taxes, Depreciation, Amortization, impairment and non-cash expenses, and excluding any items of a one-off, non-recurring, extraordinary and exceptional nature) is calculated for the period of 12 months ending on September 30, 2019.

Net Interest Bearing Debt means the sum of all interest bearing financial indebtedness on a consolidated basis (excluding any Shareholder Loan and any liability under any preference shares in the Issuer (equity instrument), the HMA Guarantee Facility and any Permitted Hedging), less the amount standing to the credit of Pledged Accounts.

Current Assets means the aggregate book value of the consolidated assets of the Group which are treated as current assets less the aggregate book value of any restricted cash (where restricted cash means cash which is held in accounts that are both pledged and blocked)

Current Liabilities means the aggregate book value of the consolidated liabilities of the Group which are treated as current liabilities excluding the current portion of long term debt, and liabilities to non-controlling interests.

Current ratio means the ratio of Current Assets to Current Liabilities.

Liquidity reflects cash that can be used without restriction.

Relevant Period means each period of twelve (12) months ending on a Quarter Date (each 31 March, 30 June, 30 September and 31 December).

Leverage Ratio means, in respect of any Relevant Period, the ratio of Net Interest Bearing Debt on the last day of that Relevant Period to EBITDA in respect of that Relevant Period.

Pledged Accounts means all accounts held by SHP BV and its subsidiaries, including but not limited to: the Escrow Account (in connection with the settlement of the Bonds); the Debt Service Retention Account; and any account that is held by SHP BV with banks in the Netherlands, but excluding the following accounts:

(i) the cash collateral account held by OGDC related to the HMA Guarantee Facility in an amount up to EUR 1,500,000;

(ii) any Hedging Collateral Account;

(iii) any cash collateral account securing counter-indemnity obligations in respect of a guarantee, bond, standby or documentary letter of credit issued by a bank or financial institution in respect of any underlying liability of a Group Company in the ordinary course of business of the Group up to a maximum of EUR 1,000,000;

(iv) any Abandonment Collateral; and

(v) any cash collateral security granted pursuant to paragraph (l) of the definition of "Permitted Encumbrances".

Please refer to the definition of the above terms in the Bond Terms for SHP BV (ISIN NO 0010820616).

UNAUDITED

INTERIM

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CONSOLIDATED

QTR 3 2019

FINANCIAL

INFORMATION

WITH NOTES

Consolidated unaudited statement of profit or loss and other comprehensive income
(in EUR 000's)

	notes	*2019.01.01-2019.09.30* *unaudited*	*2018.01.01-2018.09.30* *unaudited*	*2019Q3*	*2018Q3*
Revenue	2	44 518	56 774	11 359	23 805
Other income		131	13	77	-11
Own work capitalised	5	1 032	832	227	288
Production costs	3	-19 670	-18 594	-5 852	-7 525
Exploration expenses	4	-319	-392	-129	-220
Employee benefit expenses	5	-4 535	-3 445	-1 317	-1 270
Depreciation	6	-13 172	-11 184	-3 595	-5 084
Other operating expenses	7	-4 170	-4 281	-1 116	-1 612
Operating profit		**3 815**	**19 723**	**-346**	**8 371**
Finance income	8	118	509	38	-181
Finance expense	8	-4 996	-25 237	-1 679	-5 899
Profit before income tax		**-1 063**	**-5 005**	**-1 987**	**2 291**
Income tax expense	9	-1 335	-2 574	-451	-750
Profit for the period		**-2 398**	**-7 579**	**-2 438**	**1 541**
Other comprehensive income		8	-429	50	832
Total comprehensive income		**-2 390**	**-8 008**	**-2 388**	**2 373**

Consolidated unaudited Statement of Financial Position
(In EUR 000's)

Non Current Assets	*notes*	*2019.09.30 unaudited*	*2018.12.31 audited*
Exploration rights	10	10 224	8 312
Exploration and Evaluation Assets	11	42 773	43 211
Assets in Development	12	23 752	21 498
Producing Assets	13	98 876	81 492
Other property, plant and equipment	14	2 713	1 406
Goodwill	15	7 529	7 529
Other intangible assets		195	370
Deferred tax assets		2 465	2 466
Other financial assets	16, 24	8 929	10 628
Total non-current assets		**197 456**	**176 912**
Current assets			
Inventories	17	7 400	6 534
Trade and other receivables		8 263	16 534
Income tax receivable		1 262	396
Cash and short-term deposits	18	9 590	30 442
Total current assets		**26 515**	**53 906**
Total assets	-	**223 971**	**230 818**

Equity and liabilities	*notes*	*2019.09.30 unaudited*	*2018.12.31 audited*
Share capital	19	222	222
Share premium	20	182 706	182 633
Retained earnings		-61 005	-58 607
Translation difference		10 694	10 687
Total equity		**132 617**	**134 935**
Non-current liabilities			
Interest-bearing loans and borrowings	21	72 438	69 876
Deferred tax liabilities		211	211
Provisions	22	5 019	5 057
Total non-current liabilities		**77 668**	**75 144**
Current liabilities			
Trade and other payables	23	7 064	17 252
Income tax payable		753	44
Taxes and mining royalties payable		2 122	3 348
Interest-bearing loans and borrowings	21	3 568	0
Provisions	22	179	95
Total current liabilities		**13 686**	**20 739**
Total liabilities		**91 354**	**95 883**
Total equity and liabilities	-	**223 971**	**230 818**

Consolidated Statement of Cash Flows
(In EUR 000's)

	notes	*2019.01.01-2019.09.30 unaudited*	*2018.01.01-2018.09.30 unaudited*	*2019Q3*	*2018Q3*
Profit before income tax from operations		**-1 063**	**-5 005**	**-1 987**	**2 291**
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation, depletion and amortisation		13 172	11 184	3 595	5 084
Unwinding of discount on decommissioning		108	61	36	-12
Interest expenses and incomes		4 578	21 648	1 599	8 211
Other non-cash items		-54		-13	-3 334
Working capital adjustments:		0	0	0	0
Change in trade and other receivables		8 254	-5 451	-216	-5 336
Change in inventories		-867	-480	1 719	-655
Change in trade and other payables relating to operating activities		-10 404	-3 010	39	-2 701
				0	0
Income tax paid		-1 491	-1 212	-843	-701
Net cash flows from operating activities		**12 235**	**17 735**	**3 931**	**2 847**
Cash flows from investing activities					
Expenditures on E&E and oil&gas assets		-31 987	-44 346	-8 153	-15 861
Expenditure on other PPE		-147	-931	-19	-826
Expenditure on exploration rights		-2 355	0	0	0
Expenditure on other intangible assets		-16	-11	-10	109
Proceed on disposal of assets		0	0	0	0
Restricted cash decrease (increase)		3 918	-14 466	-822	3 076
Loans granted	24	-2 145	-470	-337	-151
Net cash used in investing activities		**-32 732**	**-60 224**	**-9 341**	**-13 653**
Cash flows from financing activities					
Proceeds from issuance of shares		74	-35	0	-108
Proceed from issuance of pref.shares		0	0	0	0
Proceeds from loans and borrowings		3 000	68 197	3 000	0
Payments of loan and borrowings		-358	0	-98	0
Interest paid		-3 166	0	-3	0
Net cash (used in) from financing activities		**-450**	**68 162**	**2 899**	**-108**
Increase/(Decrease) in cash		-20 947	25 673	-2 511	-10 914
Translation difference		95	1 470	-77	1 375
Cash and cash equivalents, beginning of period		30 442	9 309	12 178	45 991
Cash and cash equivalents, end of period		9 590	36 452	9 590	36 452

NOTES TO FINANCIAL INFORMATION

Basis of reporting

In line with the terms of the Senior Secured Callable Bonds 2018-2022 ISIN NO 0010820616 this unaudited interim condensed consolidated financial information for the first nine months ended on 30 September, 2019 is reported in accordance with IAS 34.
The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements.
The unaudited interim condensed financial information has been prepared on the going concern basis.
The preparation of the Group's consolidated financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial information. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
This unaudited interim condensed consolidated financial information has not been subject to review or audit by independent auditors

Note 1 Significant accounting policies

The unaudited interim condensed consolidated financial information is presented in EUR which is the Company's functional currency
The change of the functional currency took place in 2018 from USD to EUR due to changes in the business environment of the Company.

Exploration

The exploration costs in the Financial Information prepared in accordance with IFRS are accounted for using the Successful Efforts method of US GAAP (FAS-19), as it is allowed by IFRS 6 – Exploration for and Evaluation of Mineral Resources - to follow consistently any previously applied accounting policy not contradictory to IFRS.

The Group does not apply IFRS 6 to expenditures incurred:

- before the exploration for and evaluation of mineral resources, such as expenditures incurred before the entity has obtained the legal rights to explore a specific area.
- after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

Licence and property acquisition costs

Exploration licence and acquisition costs are capitalised in intangible assets.
Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit, i.e. the term of the concession contract.

Exploration and evaluation costs

Costs of E&E are initially capitalised as E&E assets.

Tangible assets used in E&E activities (such as the Group's vehicles, drilling rigs, seismic equipment and other property, plant and equipment used by the Company's Exploration Function) are classified as property, plant and equipment.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Capitalization of borrowing costs

Borrowing costs that are 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), form part of the cost of that asset.

Other borrowing costs are recognized as an expense using the effective interest method. The Group capitalizes borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets.

Capitalization ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are completed.

The Group does not capitalize borrowing costs related to E&E assets as it is unlikely that future economic benefits from that project can be considered probable.

Note 2 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services is 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.

All revenue is recognized at a point in time when control transfers. The only performance obligation is the sale of commodity. The Group applied the practical expedient not to disclose the remaining performance obligations when these are originally expected to have a duration of one year or less.

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components and consideration payable to the customer.

Consideration payable to customer:

Gas processing is performed by a customer of the Group for both the gas sold to that customer and sold to third parties.

In the first case processor takes control of the condensate and gas at the gathering station. In this case the processing fees are reflected as a reduction of the transaction price (rather than an expense) since the processor is not providing distinct services to the Group in exchange for those fees.

In the second case processor does not take control of the gas at the gathering station. In this case the processor is a service provider. The Group record product revenue for the sale of the processed commodities to the third-party customers. Fees paid to the processor would be classified as expense.

Note 3 Production costs

Production costs are all expenses incurred in relation to the production of hydrocarbons including materials and services used, damage compensations related to wells in production, work-overs and mining royalties.

Note 4 Exploration expenses

Geological and geophysical exploration costs related to areas where the company does not hold the concession rights are charged against income as incurred.
Exploration expenses include further the impairment of E&E assets in case hydrocarbons are not found and the exploration expenditure is written off as a dry hole, when the right to explore in a specific area has expired and is not expected to be renewed or when the company does not plan further expenditures or explorations in the specific area.

Note 5 Employee benefit expenses and own work capitalised

Employee benefit expenses are salaries and payroll related contributions (social security and taxes on wages and other related expenses).
Own work capitalised is salaries and payroll related contributions that are associated to capital projects, and are therefore capitalized and not expensed.

Note 6 Depreciation

Amortisation and depreciation of wells and pipelines is calculated on a unit-of-production basis, using the ratio of oil and gas production in the period to the estimated quantities of proved reserves on an entitlement basis at the end of the period plus production in the period, on a well-by-well basis.
Proved reserve estimates are based on a number of underlying assumptions including oil and gas prices, future costs, oil and gas in place and reservoir performance, which are inherently uncertain.
Management uses established industry techniques to generate its estimates and regularly references its estimates against those of joint venture partners or external consultants.
However, the amount of reserves that will ultimately be recovered from any field cannot be known with certainty until the end of the field's life.
Depreciation of other oil and gas properties e.g. gas plants have a straight-line depreciation.
Office equipment has a straight-line depreciation based on useful life.

With the adoption of IFRS16 Leasing Standard from 1 January 2019, the depreciation of Rights of Use Assets are included in Depreciation whereas before the adoption of the new standard, the costs of leased assets were included in Other operating expenses.

Depreciation was 25% lower in Q3 than in Q2 due to the lower production level.
Depreciation in Q1-Q3/19 was 15% higher than in Q1-Q3/18 due to the following reasons: starting depreciation on the Konyar Gas Plant, in Q1-Q3/19 some wells were depleting faster than the Q1-Q3/18 average well depletion and the office and car leases are now included under Depreciation with the adoption of IFRS 16 Standard.

Note 7 Other operating expenses

Other operating expenses comprise materials and supplies that cannot be held in inventory (energy, small items of equipment, office and cleaning materials), administrative and professional expenses (legal, audit, accounting and payroll), IT, travel and conference expenses, bank and postal charges and other items of expenditures. Rental fees (office and warehouse, cars) are included under Depreciation beginning in 2019 with the adoption of IFRS 16 Standard (please refer to Note 6). Only costs related to the leases (e.g. heating, fuel) remained in this category.

Note 8 Finance income and expense

Finance income comprises the following: interest income on investments, dividend income, gains from the financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues, using the effective interest method.

Finance expenses comprise the following: FX losses, interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognized on financial assets.

The amounts under this item in the comparative period were mainly interest on the preference shares and non-realised foreign exchange losses because of exchange rate movements between EUR/RON and USD/EUR related to the then (2018) outstanding USD denominated shareholder loans from Sand Hill Petroleum BV to the Hungarian and Romanian subsidiaries. EUR and RON are the functional currencies for the Hungarian and Romanian companies respectively.

Preference shares
The cumulative preference shares bore an interest expense until 18 December, 2018 as a result of reclassification from equity to liabilities. This interest expense is presented under financial expenses.

In line with the original intentions of the shareholders, under Dutch GAAP, the Company has continuously treated and reported the cumulative preference shares as an equity instrument. By adopting IFRS the Company has reviewed the Shareholding Agreement and the Articles of Association and came to a conclusion that under IFRS the cumulative preference shares have to be treated as financial liabilities. The Company's corporate documentation has been amended in December 2018 to be in line with the original intentions of the shareholders and the cumulative preference shares were reclassified to equity and the de-recognition gain was booked to retained earnings

Note 9 Tax

Corporate Income tax, local business tax and innovation contribution booked in Hungary for the period.

Note 10 Exploration rights

Concession fees and acquisition costs of the EX-1 and EX-5 Concession stakes in Romania.
Exploration rights increased since the end of 2018 due to the acquisition of the 3 new concession rights in Hungary during H1/19.

Note 11 Exploration and Evaluation assets

Exploration costs are accounted for using the Successful Efforts method of US GAAP (FAS-19), as it is allowed by IFRS 6 – Exploration for and Evaluation of Mineral Resources. The balance consists of capital expenditures the outcome of which are yet uncertain.

Note 12 Assets in Development

Expenditure is transferred from 'Exploration and evaluation assets' to 'Assets in development' once the work completed to date supports the future development of the asset and such development receives appropriate approvals. After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within ‘Assets in development’. E&E assets will no longer be classified as such when ‘technical feasibility and commercial viability of extracting a mineral resource are demonstrable’.

When a development project moves into the production stage, all assets included in ‘Assets in development’ are then transferred to ‘Producing assets’.
Assets in development contain the uncompleted infrastructure costs as well.

Note 13 Producing assets

Wells and infrastructure completed (gas processing plants), plus other equipment not reported under inventory.

Producing assets increased during Q1-Q3 2019 because of commissioning the Konyar gas plant and gathering stations in January 2019 and capitalising some of the new wells.

Note 14 Other PPE

Mainly office equipment.

IFRS 16 Leases was implemented on 01/01/2019 using the modified retrospective approach. The entire effect of the transition has been taken against the opening balance of 01/01/2019 and comparative figures for 2018 have therefore not been restated.

The total value of the right-of-use assets in the opening balance position as of 01/01/2019 was 1.6 m EUR.

Note 15 Goodwill

Goodwill arisen on the acquisition of OGD Central Kft that holds the Koros license (exploration and production licenses) in Hungary. The exploration license expired on 30 September, 2019. Company applied for new and expanded production licenses covering the areas of production within the expired exploration territory. The expiration of the exploration license did not affect the existing production licenses.

Note 16 Other financial assets

Cash set aside as collateral for obligations (e.g. as security for guarantees issued by Banks on behalf of OGDC Kft) held on separate accounts and not available for at least 12 months after the reporting period plus cash deposited on any blocked account (Escrow accounts including the DSRA account to service interest payments). Also includes amounts disbursed by Sand Hill Petroleum Romania srl. (SHPR) to Panfora Oil and Gas srl. under the Carry Financing Agreement signed with Panfora in 2016.

This amount decreased compared to the end of 2018 because the full amount was released from the Escrow Account following the execution of the registration of title and pledge on the Konyar gas plant land plot and the release of a cash collateral by the Hungarian authorities following the full payment for the 3 new concession rights in Hungary.

	30-Sep-19	31-Dec-18
	(EUR 000s)	
Other financial assets (escrowed account)	0	5 008
Debt Service Reserve Account (escrowed account)	3 146	1 575
Collaterals in Hungary (escrowed accounts)- concession rounds, Körös licence, mining plots	1 598	2 078
Carry Financing / Panfora Oil & Gas srl.	4 185	1 967
Total	8 929	10 628

Note 17 Inventory

Raw materials (valves, pipes, etc) stored in warehouse for future use initially measured at cost, subsequent to initial recognition, inventories should be measured at the lower of cost and net realizable value that is equal to the estimated selling price less costs to complete and sell.

The cost of inventories are determined based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories, their production or transformation costs, and other costs incurred in bringing them to their existing location and condition.

The increase compared to 2018 year end is mainly due to long lead well construction materials to be used during the next drilling campaign.

Note 18 Cash and short term deposits

Available non-restricted cash (excluding cash items shown under Other Financial Assets).

Note 19 Share capital

Ordinary and cumulative preference shares issued. Cumulative preference shares (except the equity component) were treated as financial liabilities before 18 December, 2018.

Note 20 Share premium

Premium paid over the nominal value of the ordinary and cumulative preference shares issued.
Cumulative preference shares (except the equity component) were treated as financial liabilities before 18 December, 2018.

Note 21 Interest bearing loans and borrowings

Non-current liabilities
The Company issued on April 13, 2018 a EUR 70 million senior secured callable bond maturing in 2022. The Company pays interest during the term of the Bond. The Bond is repayable in full at maturity.

Current liabilities
The Company's Hungarian subsidiary, O&GDC Kft. took out a short-term EUR 3 million loan from UniCreditbank Hungary Zrt. during Q3. The short-term loan is repayable in January 2020.

The Company recognizes a right-of-use asset and lease liability in line with IFRS 16 for leases previously classified as an operating lease applying IAS 17. The lease liability is measured at the present value of the remaining lease payments, discounted using the incremental (or implicit where applies) borrowing rates at the date of initial application. The short-term portion is reported under current liabilities.

Note 22 Provisions

The Group recognizes a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the field location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related oil and gas assets to the extent that it was incurred by the development/construction of the field.

Liabilities due within 12 months are shown as current liability whereas liabilities beyond 12 months are shown under non-current liabilities.

Note 23 Trade and other payables

The short term (liabilities within one year) portion of the payables are booked under current liabilities whereas the long term (liabilities exceeding one year) portion is booked as non-current liabilities.

Normal trade creditors are also shown under this item.

Note 24 Loans granted

The Company's Romanian subsidiary (SHPR) entered into a Joint Operating Agreement with its partner Panfora Oil & Gas srl. ("Panfora") in January 2017 and acts as an Operator in the Romanian EX-1 and EX-5 concessions. SHPR also entered into a Carry Financing Agreement with Panfora in 2017, whereas SHPR finances Panfora's share of expenditures within the Minimum Work Program obligations up to a total of EUR 6.35 mn, preferentially repayable from any production from the licences.

Contingent liabilities

Further to the requirements set by the Hungarian Mining Law, O&GDC Kft. as owner of OGD Nadudvar Kft., OGD Ujleta Kft., OGD Berettyoujfalu Kft., OGD Mogyorod Kft., OGD Nagykata Kft., OGD Ocsa Kft., OGD Tiszafüred kft, OGD Körösladány Kft., OGD Békéscsaba Kft., has put up a HUF 1 billion bank guarantee (EUR 2,986,590 as per balance sheet date) to secure certain obligations under the exploration licenses granted by the Hungarian Mining Authority.

The Company's 100% Romanian subsidiary, Sand Hill Petroleum Romania srl. ("SHPR"), is committed to carry out a work program together with its partner Panfora. SHPR and Panfora are jointly and severally liable towards the Romanian government for the work program obligations. SHPR has provided a parent company guarantee from the Company in favour of Panfora for its share of such obligations and have received a reciprocal parent company guarantee from MOL, the parent of Panfora.

A parent company guarantee securing the repayment of the EUR 3 mn loan taken out by O&GDC Kft. was issued during Q3. The guarantee expires upon repayment of the loan in full by O&GDC Kft.