ROSE PETROLEUM PLC

REPORT & FINANCIAL STATEMENTS

Year ended 31 December 2013

DIRECTORS, ADVISORS AND OFFICERS

DIRECTORS

Rt Hon Earl of Kilmorey PC	Non-Executive Chairman
PE Jeffcock	Non-Executive Director
MC Idiens	Chief Executive Officer
KK Hefton	Chief Operating Officer
KB Scott	Technical Director

SECRETARY

IH McNeill

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HIGHLIGHTS

GENERAL HIGHLIGHTS

- Strategic review of operations resulting in the pursuit of Oil & Gas opportunities
- Change of name from VANE Minerals plc to Rose Petroleum plc
- Establishment of a new Oil & Gas division
- Matthew Idiens replaced David Newton as CEO

FINANCIAL HIGHLIGHTS

- Revenue maintained at £5.71 million (2012: £5.76 million)
- Fundraise during the year raising gross proceeds of £1.4 million (2012: £nil)
- Cash balances of £1.18 million as at 31 December 2013 (2012: £0.53 million)

GOLD AND SILVER PRODUCTION AND MILLING

- 5,643 oz. Au and 71,639 oz. Ag produced in 2013 at a direct production cost of US$717.81 equivalent per oz. Au; or US$11.62 equivalent per oz. Ag (2012: 4,341 oz. Au and 85,241 oz. Ag produced at a direct production cost of $682.33 equivalent per oz. Au; or $12.62 equivalent per oz. Ag)
- 37,195 tonnes processed in period (114% of target) (2012: 32,070 tonnes)
- Average grades 8.26 g/T Au and 105 g/T Ag (2012: 6.07 g/T Au and 121 g/T Ag)
- Average metal price received on sales of concentrates was US$1,358/oz. gold and US$22.40/oz. silver (2012: average prices of $1,662/oz. gold and $30.70/oz. silver)
- Average recovery rate of 81% Au and 74% Ag (2012: 79% Au and 77% Ag)

COPPER PORTFOLIO

- Partner sought to help fund exploration programmes on copper properties
- Company's agreement with Freeport-McMoRan Copper and Gold Inc. which provides access to Freeport's extensive domestic and international exploration files extended for an additional two-year period to 30 June 2015

URANIUM PORTFOLIO

- Key asset is Wate Mining Company LLC (Member companies VANE Minerals (US) LLC, as manager, and Uranium One Americas Inc., each holding 50%) which controls NI 43-101 compliant inferred resource of 1.118m Ibs eU_3O_8 at Wate breccia pipe project. Mineral Lease application in process
- Extension of the Mining Venture Agreement with Uranium One to 31 December 2017
- Remaining exploration programme continued on care and maintenance
- Intention to sell assets announced

OIL & GAS PORTFOLIO

- Appointment of Kelly Scott as Technical Director with responsibility for building Oil & Gas drilling and completion programmes
- Appointment of Dr Fivos Spathopoulos as Chief Consulting Geologist with responsibility for the development of the Company's European exploration programme
- Conditional sale and purchase agreement to acquire two hydrocarbon licences over 635,000 acres in Molasse Basin, southwest Germany
- Application submitted for an additional hydrocarbon licence covering approximately 657,000 acres in the Weiden Basin, southeast Germany

POST YEAR-END HIGHLIGHTS

OIL & GAS

- Completed acquisition of the three hydrocarbon licenses in Germany
- Appointed John Blair as Head of New Ventures Oil & Gas
- Signed farm-in agreement on significant U.S. shale oil play in the Uinta and Paradox Basins of Utah encompassing over 230,000 acres with nearby oil production
- Prospective Resources Report by Ryder Scott Company on Utah project estimates unrisked prospective (recoverable) resources of Best Case 966 MMBO and 1,888 BCFG on the Paradox Formation leasehold and 486 MMBO and 2,903 BCFG on the Mancos Shale leasehold

COPPER

- Joint venture agreement entered into with Lowell Copper Ltd on TC Project in State of New Mexico, U.S.A.

URANIUM

- U.S. Federal Court of Claims dismisses the Company's damages lawsuit pertaining to losses suffered as a consequence of the withdrawal of Federal lands in northern Arizona. The Company still has standing in lawsuit pending in U.S. District Court

CHAIRMAN'S STATEMENT

I am pleased to inform our shareholders that the Company was successful in carrying out significant changes in 2013 and has entered the new year with momentum.

The Company elected to move the emphasis of its core business into the Oil & Gas sector based on the excellent opportunities that have become available from the innovations revolutionising the Oil & Gas industry.

The Board itself has undergone substantial change during 2013 which reflect the Company's new and extended strategy. Matthew Idiens was appointed as Chief Executive Officer in July, having acted previously as a non-executive Director. Matthew was mandated to build both an Oil & Gas team and a portfolio of projects. This he has achieved with impressive results. Philip Jeffcock was appointed to the Board as a non-executive Director in August 2013. Philip has a distinguished career in Finance and Property, having worked at Goldman Sachs International, Barclays Capital and Royal Bank of Scotland, before setting up Cew Capital LLP. We believe his appointment will provide a significant contribution to the Board. We give a warm welcome to Kelly Scott who was appointed as Technical Director in September 2013 in recognition of the Company's intention to extend its activities into the Oil & Gas sector. Kelly has over 40 years of experience in both onshore and offshore drilling and has an international reputation in the Oil & Gas industry. Since the year-end, John Blair has joined the team as Head of New Ventures Oil & Gas. John has 27 years of experience in the industry mostly in the U.S. He has been a key hire and has played a major part in the Company's success in finding and acquiring our Utah project. Steve Van Nort and L Clark Arnold have resigned as non-executive Directors as the weighting of the Board moves more towards the new business. Steve and Clark have contributed a significant amount to the Company over the years and we are delighted that they will remain as consultants for AVEN, the porphyry copper exploration arm of the business.

The revised strategy of the Company has resulted in the establishment of a highly experienced and respected technical team and brought immediate rights to Oil & Gas interests located in Germany. During the second half of 2013 the new team evaluated a number of acquisition opportunities which, in early 2014, led to the signing of a farm-in agreement on an exciting opportunity in Utah in the Paradox and Uinta Basins which are undergoing a substantial increase in production. This opportunity, consisting of 230,000 acres, is surrounded by producing wells and increasing interest and activity. A Prospective Resources Report prepared by Ryder Scott Company, a leading Oil & Gas reserves consultant, as part of Rose's due diligence on this acquisition confirmed that the acreage being acquired holds very significant production potential. We look forward to developing this exciting project.

The Mexican operations continued to perform solidly despite the decrease in the prices received for our gold and silver sold. Ore throughput at the SDA mill increased as a result of mill improvements. The La Colorada ore deposit afforded us the ability, through selective mining, to raise the overall grade of ore mined and shipped to help offset the decrease in metals prices. I am optimistic that moving into 2014 our Mexican operations will continue to produce at 2013 levels and our efforts to locate additional production opportunities will result in the need to expand milling capacity at SDA.

Although the Mexican operations continued to be strong, the decrease in metals prices prevented us from funding fully our copper programme. We maintained several of our key copper properties while seeking funding from third parties. We extended our agreement with Freeport-McMoRan Copper and Gold Inc. on the exploration database for another two years to 30 June 2015. We met with several interested parties during the year including several field visits and I am pleased that this effort resulted in an agreement with Lowell Copper Ltd in early 2014 on our TC project. We continue to have interest in our copper assets and hope to see this culminate in further joint venture agreements in the coming year.

Our uranium programme continued on care and maintenance as we searched for a buyer of these assets. Since the year end we were informed that the U.S. Court of Federal Claims dismissed our damages case and we do not anticipate appealing. However, the case in U.S. District Court continues and we stand to benefit should a decision, expected in late 2014, be favourable.

We would like to thank our investors for their continuing support. We look forward to updating you with our progress throughout the rest of 2014.

Kilmorey

Rt Hon Earl of Kilmorey PC
30 May 2014

STRATEGIC REPORT

The Directors present their strategic report on the Group for the year ended 31 December 2013.

PRINCIPAL OBJECTIVES AND STRATEGIES

Rose Petroleum plc, formally VANE Minerals plc, was a mineral exploration company focused on the evaluation and development of mineral exploration targets, principally gold, silver, uranium and copper, together with the development and operation of precious metals mining and milling operations. During the year the Company underwent a strategic review and announced our intention to extend our activities into the Oil & Gas sector. Our objective is now to invest in the Oil & Gas and minerals sectors through the continuing investigation and evaluation of new properties thereby improving share price and, ultimately, enhancing shareholder value.

We will achieve these objectives through various strategies:

- continuing development of a Board consisting of highly experienced professionals covering Oil & Gas, mineral exploration, mine development, financing and financial control of public companies;
- establishment of a new division for our proposed diversification and ultimate shifting of emphasis into the Oil & Gas sector;
- commitment to operations involving the exploration and development of mineral deposits;
- the acquisition of interests in Oil & Gas and minerals projects or companies holding those interests in exchange for cash, royalties or other deferred interests;
- the acquisition of interests in Oil & Gas and minerals properties and projects through farm-in agreements and joint ventures; and
- consideration of the capital and financing required to achieve our objectives and market perception.

REVIEW OF OPERATIONS

Oil & Gas Division

During the year the Company indicated its intention to extend operating activities into the Oil & Gas sector, and changed the name of the Company to Rose Petroleum plc. A highly experienced Oil & Gas technical team was established with the appointment of Kelly Scott to the Board of Directors as Technical Director, Dr Fivos Spathopoulos as Chief Consulting Geologist and soon after, John Blair joined the team as Head of New Ventures.

The Company intends to capitalise on the many opportunities that have developed within the Oil & Gas industry as a result of successful production innovations which have transformed the industry during the last few years.

The Company made significant progress with the transition of the Company into a new petroleum company when it entered into a sale and purchase agreement in August 2013 to acquire the entire issued share capital of a company that was, at that time, in the process of renewing two hydrocarbon exploration licences in southwest Germany, covering an area of approximately 635,000 acres. This represented a significant opportunity for the Company to enter the Oil & Gas arena in a highly prospective geological setting with multiple target zones.

The appointment of Kelly Scott and Dr Spathopoulas in September 2013 put the Company in a strong position as it implemented its new strategy. Kelly Scott has over 40 years of experience in both onshore and offshore drilling, construction and completion, from Southeast Asia to South America and the Middle East. As Technical Director, Kelly will be responsible for building drilling and completion programmes and overseeing field well site supervision, field drilling coordination and field construction and regulatory coordination. As Chief Consulting Geologist, Dr Spathopoulos is responsible for the development of the Company's European exploration programmes and assessment of new projects within the region. He has over 20 years of experience in conventional petroleum exploration, extensive experience in international exploration and is an expert on organic geochemistry and reservoir maturity modelling.

German hydrocarbon licences

The two licences subject to the sale and purchase agreement signed in August 2013, the Konstanz and Biberach, were renewed in Q4 2013. The licences cover areas in the Molasse Basin in the State of Baden-Württemberg, southwest Germany, and contain both conventional and unconventional petroleum plays.

The first of the licences, Konstanz, covers an area of 369,863 acres and has significant historic data available, including two oilfields and two deep wells in the area, which have enabled the identification of four main target horizons: (a) shale oil in Tertiary black shales (Schoneck shales); (b) shale oil in Lower Jurassic (Posidonienschiefer) black shales; (c) shale gas in Early Permian (Autunian) black shales; and (d) tight gas in Upper Carboniferous (Stephanian) sandstones. All the shale sections have been sampled and show promising geochemical, maturity and petrological properties and all of the targets can be tested with a single well.

The Company believes that the second of the licences, Biberach, which covers an area of 266,073 acres, has similar target horizons: (a) shale oil in Tertiary black shales (Schoeneck shales); (b) shale oil in Lower Jurassic Posidonienschiefer black shales; and (c) possible shale gas and tight gas from Early Permian and Upper Carboniferous formations. Additional seismic data will be required to confirm the targets.

Two conventional oilfields exist as separate permits in this licence area owned by a third party.

In Q4 2013, the Company made a further licence application in respect of a concession for hydrocarbon exploration covering approximately 657,000 acres in the Weiden Basin, located in the State of Bavaria, southeast Germany. The licence is a conventional petroleum play and the Company established a new German subsidiary company, Naab Energie GmbH, through which it intends to hold the licences.

The Weiden licence was applied for based on the relatively recent discovery of hydrocarbons in the Weiden Basin. In 1989, the town of Weiden drilled a geothermal well (Weiden-1) which indicated the presence of oil in the Permian sandstones. A core, bleeding of oil, was recovered and, following analyses, it was reported that the oil came from Permian-Carboniferous source rocks. Later in 1989, the town of Weiden applied for a petroleum exploration licence covering a small area surrounding the town, but relinquished the licence in 1991. The exploration efforts were subsequently taken up by the consortium of Preussag/Maxus, companies headquartered in Germany and Texas. The permit awarded to these companies was called "Oberpfalz" and included all the prospective area of the Weiden Basin and the consortium shot four new seismic lines. The permit was relinquished in 1994 and the seismic data was subsequently acquired by Gaz de France (Germany), when it took over Preussag. Some of the seismic data and structural maps were published and several exploration targets are indicated in this seismic data. Conventional prospectivity is expected to focus on the oil charged by Paleozoic source rocks, found in structural traps in Permian sandstones.

Utah, U.S.A.

In early 2014, the Company appointed John Blair as Head of New Ventures. John, who is engaged as a consultant to Rose, has 27 years of experience in the upstream Oil & Gas industry and was previously Senior Vice President of Knowledge Reservoir, a global Oil & Gas consulting firm, which was sold to the RPS Group in 2013. He founded, and was President of three successful private U.S. Independent Oil & Gas companies with significant combined asset values. John has extensive experience in identifying, analysing and negotiating Oil & Gas investment opportunities worldwide and is considered as a recognised expert in both conventional and unconventional Oil & Gas exploration and development. He has particular expertise in operating in the Utah area, having operated there for 17 years.

In March 2014, the Company announced that it had signed a farm-in agreement in relation to approximately 230,000 acres in the Paradox and Uinta Basins in Utah. This is now the main focus of the Company’s operations with significant production potential. Ryder Scott Company completed a resource evaluation of the leases which confirms the immense, potential scale of the project.

The Utah project gives exposure to two different basins with two separate target formations. The Paradox Formation of the Paradox Basin has up to 18 target horizons including the Cane Creek Clastic, the deepest at around 10,000 feet. The Mancos Shale within the Uinta Basin has 5 separate potential pay intervals at depth of approximately 3,000 feet.

A summary of the Ryder Scott Prospective Resources Report is set out below:

(Full Report available on the website: www.rosepetroleum.com)

Table 1: Estimated 100% Gross Volumes Unrisked Undiscovered Original Hydrocarbon In Place (OOIP & OGIP) in the Mancos Shale and Paradox Formation:

Prospect/ Formation	OOIP - MMBO			OGIP – BCFG		
	P90	P50	P10	P90	P50	P10
Mancos Shale Collective Total	14,545	17,309	20,383	81,059	103,265	129,231
Paradox Formation Collective Total	15,876	19,139	23,008	26,005	32,999	41,300
Total	30,421	36,448	43,391	107,064	136,264	170,531

(MMBO = million barrels oil, BCFG = billion cubic feet gas)

Table 2: Estimated 100% Gross Volumes Unrisked Prospective Recoverable Hydrocarbon Resources (Estimated Ultimate Recoverable Reserves -EUR) in the Mancos Shale and Paradox Formation:

Prospect / Formation	EUR Oil/Condensate - MMBO				EUR Gas – BCFG			
	Low	Best	High	MEAN	Low	Best	High	MEAN
Mancos Totals	168.20	486.49	1,376.11	666.11	995.13	2,903.39	8,272.99	3,998.72
Paradox Totals	452.27	966.37	1,994.50	1,115.29	874.43	1,888.46	3,913.55	2,187.46

Paradox Formation, Paradox Basin, Utah

The Paradox source rocks and reservoir rocks are trapped vertically and laterally by thick salt intervals. This restricted the ability for the generated oil to migrate out of the salt-enclosed clastic cycles and thus has set up a regional resource play.

The Paradox is approximately 3,000 feet thick across the Rose leasehold at the depth of 6,500 to 10,000 feet.

The collective Low Case Prospective Recoverable Resource potential that Ryder Scott has determined for the Paradox Formation on Rose’s leases is 450 MMBO and 875 BCFG from the collective 15 prospective reservoirs that they identified (see Table 2). This is not to say that every prospective reservoir is necessarily going to be economic. Thus, Ryder Scott has placed a Chance of Success (COS) risk factor on each prospective reservoir, which vary across each individual reservoir from as low as a 21% COS to as high as a 56% COS.

Fidelity Exploration and Production (a wholly-owned subsidiary of MDU Resources Group – NYSE: MDU) is actively developing the Paradox immediately south of Rose’s Paradox acreage. Since 2012, Fidelity has regularly achieved IP initial rates of production of 1,000 BOPD (barrels of oil per day) per well and has produced over 5.2 MMBO and 4.2 BCFG from 20 wells. Fidelity is currently producing over 4,500 BOPD from the Paradox. Fidelity has reported individual well reserves of recent horizontal wells as high 1.5 MMBO per well.

The Paradox Formation consists of a series of clastic cycles of which the above production figures are primarily only from the lowest interval, known as the Cane Creek. However, Fidelity has established 10 additional clastic cycles within the Paradox that it believes to be productive and is just now beginning to develop those. Fidelity has released reserve estimates of 150 to 440 MBO (thousand barrels of oil) per interval per well for each of these additional 10 zones. Fidelity has a capital budget for the Paradox of $170M for 2014.

Mancos Shale, Uinta Basin, Utah

The Mancos Shale is stratigraphically equivalent to the Niobrara in northwest Colorado and the Eagle Ford in south Texas. The Mancos has a long history of production in the region having produced over 300 MMBO (million barrels of oil) and 5 TCFG (trillion cubic feet of gas).

The Mancos was divided into eleven prospects with each prospect having five separate potential “pay” intervals based on existing well control and surrounding production. The collective Low Case Prospective Recoverable Resource potential that Ryder Scott has determined for the Mancos on Rose’s leases is 168 MMBO and 995 BCFG. Similarly to the Paradox, Ryder Scott has cautioned that not every interval is necessarily going to be economic. Therefore, Ryder Scott has placed a Chance of Success (COS) risk factor on each of the five Mancos intervals. As the Mancos is much more homogeneous than the Paradox, the COS that Ryder Scott developed for the Mancos is the same for each of the five intervals. Ryder Scott’s COS for all the Mancos is 30%.

Rose plans to develop the project during the remainder of 2014. 3D seismic is planned particularly over the Paradox basin where Fidelity has proven 3D to be particularly effective. Rose also plans to drill 4 wells in the Mancos and one in the Paradox over the next 12-18 months. This will transform Rose into a producing Oil & Gas company and the Board anticipates this to be by Q2 2015.

Gold and Silver Mining Operations, Mexico

Minerales VANE SA de CV, the 100% owned subsidiary of Rose Petroleum plc, continued to improve its production performance in 2013. Its operations are directed from the headquarters located in Acaponeta, Nayarit that include offices and living quarters. Mill production is carried out at its nearby mill in San Dieguito de Arriba (SDA) where it also operates its analytical facility.

During the year, production focused primarily on ore from our joint venture with Met-Sin, located in La Rastra, Sinaloa. The joint venture has an area of interest covering some 1,500 square kilometres in southern Sinaloa. It includes three separate mining districts; La Rastra, Escuinapa and Rosario as well as four concessions controlled by Met-Sin. The La Colorada concession produced 96.5% of the ore shipped to and processed by SDA during 2013 which was subject to the 50:50 profit split under the terms of the JV agreement. The remaining production came from the Company’s 100% owned Diablito Mine where 1,297 tonnes of remaining pillar ore were mined and processed prior to starting mine closure.

Production of gold and silver from our operations continued to improve overall with a 30% increase in ounces of gold produced, which more than offset the 16% decrease in ounces of silver produced, compared with 2012. This was caused by higher average gold grades, but lower average silver grades of the ore milled as well as a 16% increase in SDA mill throughput. However, revenue has remained fairly consistent with that achieved in 2012 as a result of the decrease in metals prices during 2013, which saw an 18% decrease in gold price and 27% decrease in silver price received on sales of concentrates averaged over the year.

During the year, the SDA Mill produced 5,643 ounces of gold (Au) and 71,639 ounces of silver (Ag) at a direct production cost of US$717.81 per ounce and US$11.62 per ounce equivalent, respectively (2012: 4,341 ounces Au and 85,241 ounces Ag at a direct production cost of $682.33 per ounce Au and $12.62 per ounce Ag equivalent). This was produced from 37,195 tonnes of ore averaging 8.26 g/T Au and 105 g/T Ag processed through the mill (2012: 32,070 tonnes of ore averaging 6.07 g/T Au and 121 g/T Ag). Production averaged approximately 3,100 tonnes per month which is 114% of targeted production capacity (2012: 2,672 tonnes per month, 107% of targeted production capacity). The average mill recovery rates were 81% Au and 74% Ag

(2012: 79% Au and 77% Ag). The average metal prices received on sales of concentrates were US$1,358 per ounce Au and $22.40 per ounce Ag (2012: $1,662per ounce Au and $30.70 per ounce Ag).

The Company anticipates production from its Mexican operations to continue at the same rate during 2014 and continues to evaluate opportunities that could lead to the expansion of production and milling.

Copper Exploration, Southwest U.S.A.

The Company's porphyry copper programme is operated by the Company's wholly-owned subsidiary AVEN Associates LLC with offices located in Tucson, Arizona.

The global downturn in metals which severely impacted junior companies, carried over into AVEN's operations. As a result of decreased revenue available from the Company's Mexican operations due to declining metals prices, the copper exploration programme continued on a care and maintenance basis with the property positions being kept current while third-party financing was sought to continue the programme. AVEN met with a number of interested parties during the year including several field visits, and interest continued through the end of the year.

AVEN's covered-area concept and programme holds a number of prospective targets such as McGhee Peak, Peg Leg, Lone Hill, Railroad Well, and Cherry Creek where land positions are held as well as targets "in the pipeline".

Uranium Exploration, U.S.A.

The Company's uranium programme is led by the joint venture project with Uranium One Americas Inc. (U1) in northern Arizona.

All of the Company's uranium assets, other than set out below, are currently held on a care and maintenance basis following the withdrawal of Federal lands in northern Arizona and the weakening of the uranium market.

The most significant asset within the joint venture is the Wate Project located on State of Arizona lands and operated under Wate Mining Company LLC. The project has a NI 43-101 compliant resource of 1.118m lbs eU_3O_8 with an average grade of 0.79% eU_3O_8. Ownership of the project is 50:50 between VANE Minerals (US) LLC ("VANE US") and U1 and will remain 50:50 assuming that all development costs are split equally between the parties. VANE US is the manager of the Wate LLC. A Mineral Lease has been applied for with the Arizona State Land Department. A Mineral Lease gives authority to develop the project contingent on obtaining environmental compliance permits from the Arizona Department of Environmental Quality (ADEQ).

The Company continues to pursue the sale of its uranium assets.

Legal Update

As previous announced, VANE US, the wholly-owned subsidiary of Rose, filed a lawsuit, as principal, in the U.S. Court of Federal Claims seeking redress on financial losses as a result of the withdrawal of the Federal lands where VANE US held its mining claims on which it had invested. Since the year end, the U.S. Court of Federal Claims dismissed our damages case and we do not anticipate appealing. However, the case in U.S. District Court is ongoing and we stand to benefit should a decision expected in late 2014 be favourable.

FINANCIAL REVIEW

Revenue

Revenue for the year has been generated primarily from the Met-Sin joint venture mine, La Colarada. The Income Statement reports total revenue for the year ended 31 December 2013 of £5,710,172 (2012: £5,759,225). Despite the decrease in gold and silver prices during 2013, revenue from the Met-Sin joint venture have remained robust due to higher levels of production, grade control and improved recovery rates.

Income Statement

The Group reported a net loss after tax of £3,309,130 or 0.57p per share for the year ended 31 December 2013 (2012: net loss after tax of £542,619 or 0.12p). The Group reported a gross profit of £1,571,007 (2012: £1,707,977) after charging profit share payments due under the terms of the joint venture of £1,045,655 (2012: £1,428,558) and depreciation of £124,219 (2012: £379,954).

Impairment of the Group's intangible uranium exploration and evaluation assets resulted in a charge of £2,939,708 (2012: £nil) during the year.

Investment income representing interest received on the Group's cash balances was £2,596 (2012: £5,959).

Balance Sheet

Total investment in intangible assets at 31 December 2013 was £2,389,367 (2012: £5,254,481) reflecting an impairment of £2,939,708 recognised during the year.

Property, plant and equipment at 31 December 2013 was £614,156 (2012: £688,756) reflecting the continued depreciation of the Ore processing mill.

Trade and other receivables of £1,434,701 (2012: £702,541) represents amounts due in relation to trade receivables and VAT recoverable together with the sum of £257,577 in respect of the deposit paid under the terms of the SPA agreement in relation to the two hydrocarbon licences in southwest Germany.

Cash and cash equivalents at 31 December 2013 were £1,179,069 (2012: £529,367). During the year the Company completed a placing of 349,750,000 Ordinary Shares of 0.1p each at a price of 0.4p per share, raising gross proceed of £1,399,000.

Provision for decommissioning of the Diablito mine has now been treated as a current provision as the restoration of the site is expected to take place within the next twelve months.

Significant Equity Events

On 15 August 2013, the Company completed a placing of 349,750,000 Ordinary Shares of 0.1p each at a price of 0.4p per share, raising gross proceeds of £1,399,000.

Going Concern

The Directors have set out in note 3 to the financial statements their consideration of the future financing requirements of the Group and, having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements. This assessment has been carried out in the light of the guidance issued to the Directors by the Financial Reporting Council.

KEY PERFORMANCE INDICATORS

The Group measures its progress against a number of key performance indicators which are reviewed regularly by the Board. These are set out below in respect of 2013.

Item	Actual	Target	Comment
Maintenance of mineral grades - **Met-Sin JV**	8.26 Au/104.9g Ag	6gAu/110g Ag	Production grades were 37.6% higher than expectations and reflect the higher grades achieved from the Met-Sin JV mined ore
Recovery rates - **Met-Sin JV**	81.1%Au/74.5%Ag	75%Au/70%Ag	Recovery rates continue to improve due to better processing techniques
Mill throughput monthly averages (tonnes)	3,100	3,000	Target achieved due to excellent performance at SDA by Rose's technical team

RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance and could cause actual results to differ from expected and historical results. The principal risks and uncertainties that we face are:

Non-Financial Risks

- Overseas territories experience varying degrees of political instability. There can be no assurance that political stability will continue in those countries where the Group currently has, or in future will have, operations. Political instability or changes in government law or policies could materially affect the rights and title to the interests held by the Group, and the operations and financial condition of the Group could be adversely affected.
- The U.S. Department of Interior has issued a 20-year withdrawal from mineral entry on approximately 1,000,000 acres in the northern Arizona's uranium breccia pipe district. This order prevents work on our claims located on Federal lands. State of Arizona lands, on which the Group is now focusing its efforts, are unaffected by this withdrawal.
- The geographic locations of the Group's operations can present logistical difficulties in the installation, operation and maintenance of equipment related to the activities of the business. The Group currently generates its income from mining activities operated by contractors and is at risk of any disruption to mining or milling activities for reasons beyond the Group's control. The Group has excellent relationships with mining contractors operating at the mine and has access to alternative contractors if required.
- The Group's operations are such that minor and major injuries as well as fatalities could occur which could result in the temporary closure of the Group's operations.
- In certain overseas territories the Group is unable to obtain the comprehensive level of insurance cover that would be available in the United Kingdom.

Financial Risks

- There is a risk that the carrying value of the Group's assets will not be recovered through future revenues, leading to significant impairment losses. The Group manages the recoverability of its assets and assesses the economic viability throughout the exploration, development and production phases.
- The activities of the Group are subject to fluctuations in prices and demand for minerals, which are volatile and cannot be controlled. The Group sells all its concentrates to the only third party smelter in Mexico currently accepting custom concentrates. In addition to the risks of having a single outlet for concentrates, the Group is restricted to the commercial charges of those parties and the availability of capacity and continuity of labour. However, the Group's cyanide leach plant, the Merrill Crowe facility, is operational and in the future the Group has the option of processing its concentrates through this facility should it be required. This alleviates any potential bottleneck at the smelter and

provides the Group with the option of processing its own concentrates to produce high-grade zinc precipitates which can then be sold to a wider market.

- Changes in the U.S. mining laws may affect future operations in that royalties on minerals extracted from federal lands may be imposed.
- Funds are maintained by the Group in GBP, MXN and USD. There is a risk that purchasing power in Mexico and the U.S. is lost though foreign exchange translation. The Group considers its foreign exchange risk to be a normal and acceptable business exposure and does not hedge against the risk.
- There is a risk that there will be insufficient funds to meet all corporate, development and production obligations and activities and continue as a going concern into the foreseeable future. The Group manages liquidity risk by maintaining adequate cash reserves and monitoring forecast and actual cash flows. Management regularly reviews the Group's cash flow projections and forecasts.

CORPORATE SOCIAL RESPONSIBILITY

Employee Recruitment and Retention

Although the Group had no quantitative target for the number of employees it needs or retains, this metric is closely monitored. The Group has an excellent record of retaining key staff.

Health and Safety

It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees.

Significant Relationships

The Company enjoys good relationships with all of its suppliers, professional advisers and joint venture partners.

FUTURE DEVELOPMENTS

Your Board, management and dedicated exploration team continue to investigate and evaluate new opportunities designed to improve share price and, ultimately, shareholder value. The Company will continue to operate its gold and silver operations in Mexico and intends to open additional mines in the next 12 months. The Directors will seek to progress the sale of its uranium assets, identify further partners to finance its porphyry copper exploration programme and consider corporate actions.

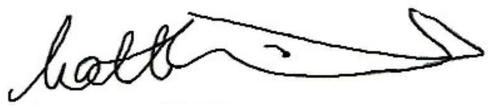
However, the main focus of the company going forward will be its Oil & Gas assets. In January 2014, the Company announced the completion of the acquisition of Parkyn Energy Holdings plc which in turn owns 100% of Parkyn Energy Germany Ltd, the sole owner of the two hydrocarbon licences in southwest Germany. Also in January 2014, the new hydrocarbon licence in the Weiden Basin, Germany was granted to the Company and commenced 1 February 2014 for an initial period of three years. The Company will be targeting the conventional reservoirs that are believed to exist within the licence areas. The initial programme will be mainly desktop evaluation.

The Ryder Scott Prospective Resources Report recently released shows the huge potential of the Utah project and its potential to dramatically change the Company going forward. We will be seeking to finance the exploration and development programme of this project and subject to the success of that funding, the development programme will be aggressively pursued.

Next year we plan to be our first year as a producing Oil & Gas company, we plan to expand this part of the business not only through organic growth but also through seeking additional acquisitions. As we have shown this year, we have a team capable of assessing opportunities quickly, efficiently and successfully. We plan to use this skill set to develop further opportunities whilst utilising the Oil & Gas team's operational track record to develop the projects on the ground.

We would like to thank all shareholders for their continued support.

By order of the board



MC Idiens
Chief Executive Officer

DIRECTORS' REPORT

The Directors present the annual report and financial statements of the Group for the year ended 31 December 2013. The Corporate Governance Statement and the Strategic Review form part of this report.

REVIEW OF THE BUSINESS

A review of the business, future developments and the principal risks and uncertainties facing the Group is given in the Strategic Report. The key performance indicators, which the Directors consider to be effective in managing the business, are included in the Strategic Report.

DIVIDENDS

The Directors do not recommend a dividend for the year ended 31 December 2013 (2012: £nil).

DIRECTORS

The following were Directors during the year and held office throughout the year, unless otherwise indicated:

Rt Hon Earl of Kilmorey PC
SD Van Nort - resigned 29 January 2014
LC Arnold - resigned 29 January 2014
MC Idiens
KK Hefton
DJ Newton - resigned 31 July 2013
PE Jeffcock - appointed 15 August 2013
KB Scott - appointed 3 September 2013

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

The Directors who held office at 31 December 2013 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2013	1 January 2013
Rt Hon Earl of Kilmorey PC	2,330,000	2,330,000
SD Van Nort	6,500,000 [1]	6,500,000 [1]
LC Arnold	10,500,000 [2]	10,500,000 [2]
MC Idiens	16,805,880	16,805,880
KK Hefton	116,000	116,000
PE Jeffcock	18,006,741 [3]	506,741 [3]
KB Scott	-	-

[1]Beneficial interest held through the Van Nort Family Trust.
[2]Beneficial interest held through L Clark and Ardith P Arnold Family Trust.
[3]Beneficial interest held through the Glenville Discretionary Trust.

Directors' interests in share options of the Company, including family interests, as at 31 December 2013 were as follows:

	Date of replacement/ grant	No. of shares	Exercise price	Option exercise period
MC Idiens	28 Sep 2011	5,200,000	1.125p	28/09/11 to 30/09/21
KK Hefton	28 Sep 2011	4,400,000	1.125p	28/09/11 to 30/09/21
Rt Hon Earl of Kilmorey PC	28 Sep 2011	500,000	1.125p	28/09/11 to 30/09/21
KK Hefton	30 Sep 2011	1,600,000	1.125p	01/09/12 to 29/09/21
Rt Hon Earl of Kilmorey PC	30 Sep 2011	250,000	1.125p	01/09/12 to 29/09/21
MC Idiens	30 Sep 2011	800,000	1.125p	01/09/12 to 29/09/21
Rt Hon Earl of Kilmory PC	3 Sep 2013	7,500,000	1.125p	03/09/14 to 01/09/23
MC Idiens	3 Sep 2013	15,800,000	1.125p	03/09/14 to 01/09/23
KB Scott	3 Sep 2013	23,800,000	0.475p	03/09/14 to 01/09/23

The market price of the shares at 31 December 2012 and 31 December 2013 was 0.75p and 0.40p respectively and the average during the year was 0.53p.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The Company currently has in place, and had for the year ended 31 December 2013, Directors and officers liability insurance for the benefit of all Directors of the Company.

SUBSTANTIAL SHAREHOLDINGS

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 30 May 2014:

	Number of shares	Percentage of issued share capital
Caithness Limited	125,000,000	15.77%
RG Williams	103,015,050	13.00%

POST BALANCE SHEET EVENTS

Events after the balance sheet date have been disclosed in note 35 to the financial statements.

FINANCIAL INSTRUMENTS

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 33 to the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

The Directors resolved that Baker Tilly UK Audit LLP be re-appointed as auditor. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

By order of the board

IH McNeill

IH McNeill
Company Secretary
30 May 2014

CORPORATE GOVERNANCE STATEMENT

The policy of the Board is to manage the affairs of the Group using the principles of the QCA Guidance as best practice. This statement describes how the principles of corporate governance are applied to the Group to the extent that the Board considers is appropriate for a group of its size, nature and stage of development.

THE BOARD AND ITS COMMITTEES

Board meetings are scheduled to take place every two months with contact between meetings as required. The meetings are held to set and monitor strategy, review exploration and trading performance, examine acquisition possibilities and approve reports to shareholders. The matters reserved for the Board include, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's financial statements and ensuring maintenance of good systems of internal control. Procedures are established to ensure that appropriate information is communicated to the Board in a timely manner to enable it to fulfil its duties.

Details of Directors who served during the year are set out in the Directors' Report. The Board is now comprised of three executive Directors and two non-executive Directors, one of whom acts as Chairman. There are separate roles for the Chairman and the Chief Executive Officer.

The Board has established an Audit Committee, which comprises the Chief Executive Officer, MC Idiens, a non-executive Director, PE Jeffcock, and the non-executive Chairman, Rt Hon Earl of Kilmorey PC. The Audit Committee meets twice a year and the external auditor is invited to meetings where appropriate. The main responsibilities of the Audit Committee are to review and report to the Board on matters relating to:

- the integrity of the financial statements of the Group, including its annual and interim accounts;
- the effectiveness of the Group's internal controls and risk management systems;
- the accounting policies and practices of the Group;
- audit plans and auditor's report, including any significant concerns the external auditor may have arising from their audit work; and
- the terms of appointment, remuneration and independence of the auditor.

The Board has established a Remuneration Committee, which comprises an executive Director, PE Jeffcock, and the non-executive Chairman, Rt Hon Earl of Kilmorey PC. The Remuneration Committee meets twice a year and reviews the performance of the executive Directors and the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee is also responsible for awards under the share option plan. No Director is involved in any decision relating to his own remuneration and the remuneration of Clark Arnold has not been revised during the time he has served on this committee.

COMMUNICATION WITH SHAREHOLDERS

The Board encourages regular dialogue with shareholders. All shareholders are invited to the AGM at which Directors are available for questioning. The notice of AGM is sent to all shareholders at least 21 working days before the meeting. The number of proxy votes received for and against each resolution is disclosed at the AGM and a separate resolution is proposed on each item. Financial and other information about the Company is available on the Company's website www.rosepetroleum.com.

INTERNAL CONTROLS

The Board is responsible for establishing the Group's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Board with reasonable and not absolute assurance against material misstatement or loss. The key procedures that have been established, and which are designed to provide effective internal control are as follows:

- each of the Group's subsidiaries is managed by an executive Director and there is a management reporting process in place to enable the Board to monitor the performance of the Group on a regular basis;
- an annual forecast is prepared and formally adopted by the Board. This is reviewed on a regular basis and actual performance against forecast is closely monitored;
- the Board reviews the major business risks faced by the Group and determines the appropriate course of actions required to manage those risks;

- the Board approves proposals for the acquisition of new businesses and sets guidelines for the development of new properties. Capital expenditure is regulated and written proposals must be submitted to the Board for any expenditure above specified levels; and
- consolidated management information is prepared on a regular basis.

The Board reviews the effectiveness of the system of internal controls and the control environment. No significant control deficiencies were reported during the year and no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainty which would require disclosure as recommended by the guidance for Directors on reporting on internal controls. The Board has reviewed the need for an independent internal audit function and has concluded that the Group is not large enough to warrant this at the present time.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Rose Petroleum plc website.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Rose Petroleum plc

We have audited the Group and parent company financial statements ("the financial statements") on pages 23 to 61. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As more fully explained in the Directors' Responsibilities Statement set out on page 20, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

OPINION ON FINANCIAL STATEMENTS

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Baker Tilly UK Audit LLP

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG

2 June 2014

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2013

	Notes	2013 £	2012 £
Continuing operations			
Revenue	5	5,710,172	5,759,225
Cost of sales		(3,093,510)	(2,622,690)
Profit share payments	7	(1,045,655)	(1,428,558)
Gross profit		1,571,007	1,707,977
Operating expenses		(241,588)	(247,156)
Administrative expenses		(1,260,108)	(1,351,365)
Impairment of intangible exploration & evaluation assets	8	(2,939,708)	-
Other operating income	9	-	55,435
Operating (loss)/profit		(2,870,397)	164,891
Investment income	10	2,596	5,959
Other gains and losses	11	-	15,000
Finance costs	12	(113,500)	(131,546)
(Loss)/profit before taxation	13	(2,981,301)	54,304
Taxation	16	(327,829)	(596,923)
Loss for the year attributable to owners of the parent company		(3,309,130)	(542,619)
Loss per Ordinary Share			
Basic and diluted	17	(0.57p)	(0.12p)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	2013 £	2012 £
Loss for the year attributable to owners of the parent company	(3,309,130)	(542,619)
Other comprehensive income		
Exchange differences arising on translation of foreign operations	(21,183)	(183,248)
Income tax relating to components of other comprehensive income	95,314	229,165
	74,131	45,917
Total comprehensive income for the year attributable to owners of the parent company	(3,234,999)	(496,702)

Rose Petroleum plc

CONSOLIDATED BALANCE SHEET

As at 31 December 2013

	Notes	2013 £	2012 £
Non-current assets			
Intangible assets	18	2,389,367	5,254,481
Property, plant and equipment	19	614,156	688,756
		3,003,523	5,943,237
Current assets			
Inventories	22	548,372	704,187
Trade and other receivables	23	1,434,701	702,541
Cash and cash equivalents	24	1,179,069	529,367
		3,162,142	1,936,095
Total assets		6,165,665	7,879,332
Current liabilities			
Trade and other payables	25	(785,238)	(688,005)
Taxation		(2,879)	-
Provisions	28	(16,424)	(15,180)
		(804,541)	(703,185)
Non-current liabilities			
Convertible loan notes	26	(852,117)	(819,563)
Deferred tax	27	(32,005)	(40,460)
Provisions	28	(30,954)	(40,841)
		(915,076)	(900,864)
Total liabilities		(1,719,617)	(1,604,049)
Net assets		4,446,048	6,275,283
Equity			
Share capital	29	19,613,377	19,263,627
Share premium account		6,838,894	5,838,030
Share option reserve		487,432	457,090
Other reserves	30	269,317	269,317
Cumulative translation reserves		149,643	75,512
Retained deficit		(22,912,615)	(19,628,293)
Equity attributable to owners of the parent company		4,446,048	6,275,283

The financial statements on pages 23 to 61 were approved by the Directors and authorised for issue on 30 May 2014 and are signed on its behalf by:

Kilmorey

Rt Hon Earl of Kilmorey PC, Chairman

MC Idiens, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital	Share premium account	Share option reserve	Other Reserves (note 30)	Cumulative translation reserves	Retained deficit	Total
	£	£	£	£	£	£	£
As at 1 January 2012	19,263,627	5,838,030	396,679	261,220	29,595	(19,275,678)	6,513,473
Loss for the year	-	-	-	-	-	(542,619)	(542,619)
Other comprehensive income:							
Currency translation differences	-	-	-	-	(183,248)	-	(183,248)
Deferred tax	-	-	-	-	229,165	-	229,165
Total other comprehensive income for the year	-	-	-	-	45,917	-	45,917
Total comprehensive income for the year	-	-	-	-	45,917	(542,619)	(496,702)
Share-based payments	-	-	60,411		-	-	60,411
Equity component of convertible loan note	-	-	-	198,101	-	-	198,101
Transfer to retained earnings in respect of equity component of convertible loan notes redeemed	-	-	-	(190,004)	-	190,004	-
As at 1 January 2013	19,263,627	5,838,030	457,090	269,317	75,512	(19,628,293)	6,275,283
Transactions with owners in their capacity as owners:							
Issue of equity shares	349,750	1,049,250	-	-	-	-	1,399,000
Expenses of issue of equity shares	-	(48,386)	-	-	-	-	(48,386)
Total transactions with owners in their capacity as owners	349,750	1,000,864	-	-	-	-	1,350,614
Loss for the year	-	-	-	-	-	(3,309,130)	(3,309,130)
Other comprehensive income:							
Currency translation differences	-	-	-	-	(21,183)	-	(21,183)
Deferred tax	-	-	-	-	95,314	-	95,314
Total other comprehensive income for the year	-	-	-	-	74,131	-	74,131
Total comprehensive income for the year	-	-	-	-	74,131	(3,309,130)	(3,234,999)
Share-based payments	-	-	55,150	-	-	-	55,150
Transfer to retained earnings in respect of forfeit options	-	-	(24,808)	-	-	24,808	-
As at 31 December 2013	19,613,377	6,838,894	487,432	269,317	149,643	(22,912,615)	4,446,048

Rose Petroleum plc

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	2013 £	2012 £
Operating activities		
(Loss)/profit before taxation	(2,981,301)	54,304
Investment income	(2,596)	(5,959)
Finance costs	113,500	131,546
Adjustments for:		
Depreciation of property, plant and equipment	138,716	384,029
Profit on disposal of property, plant and equipment	(74,737)	(1,200)
Impairment of Intangible exploration and evaluation assets	2,939,708	-
Share-based payments	55,150	60,411
Other gains and losses	-	(15,000)
Effect of foreign exchange rate changes	(57,931)	29,766
Operating inflow before movements in working capital	130,509	637,897
Decrease/(increase) in inventories	155,815	(340,467)
Increase in trade and other receivables	(687,588)	(664,562)
Increase/(decrease) in trade and other payables	97,233	(22,462)
Cash used in operations	(304,031)	(389,594)
Income tax paid	(7,968)	(66,247)
Interest paid	(80,946)	(107,301)
Net cash used in operating activities	(392,945)	(563,142)
Investing activities		
Interest received	2,596	5,959
Purchase of property, plant and equipment	(110,255)	(106,964)
Purchase of intangible exploration and evaluation assets	(30,696)	(600,244)
Proceeds on disposal of property, plant and equipment	117,219	1,200
Proceeds on disposal of available-for-sale investment	-	15,000
Decommissioning provision utilised	(7,263)	-
Advance on acquisition of subsidiaries	(257,577)	-
Net cash used in investing activities	(285,976)	(685,049)
Financing activities		
Proceeds from issue of shares	1,399,000	-
Expenses of issue of shares	(48,386)	-
Redemption of convertible loan notes	-	(500,000)
Net cash from/(used in) financing activities	1,350,614	(500,000)
Net increase/(decrease) in cash and cash equivalents	671,693	(1,748,191)
Cash and cash equivalents at beginning of year	529,367	2,299,546
Effect of foreign exchange rate changes	(21,991)	(21,988)
Cash and cash equivalents at end of year	1,179,069	529,367

COMPANY BALANCE SHEET

As at 31 December 2013 — Company No 04573663

	Notes	2013 £	2012 £
Non-current assets			
Investments	20	4,470,047	7,545,335
Current assets			
Trade and other receivables	23	253,207	53,101
Cash and cash equivalents	24	579,187	17,869
		832,394	70,970
Total assets		5,302,441	7,616,305
Current liabilities			
Trade and other payables	25	(123,990)	(78,948)
Non-current liabilities			
Convertible loan notes	26	(852,117)	(819,563)
Total liabilities		(976,107)	(898,511)
Net assets		4,326,334	6,717,794
Equity			
Share capital	29	19,613,377	19,263,627
Share premium account		6,838,894	5,838,030
Share option reserve		487,432	457,090
Other reserves	30	269,317	269,317
Retained deficit		(22,882,686)	(19,110,270)
Total equity		4,326,334	6,717,794

The financial statements on pages 23 to 61 were approved by the Directors and authorised for issue on 30 May 2014 and are signed on its behalf by:

Kilmorey

Rt Hon Earl of Kilmorey PC, Chairman

MC Idiens, Chief Executive Officer

Rose Petroleum plc

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital £	Share premium account £	Share option reserve £	Other reserves (note 30) £	Retained deficit £	Total £
As at 1 January 2012	19,263,627	5,838,030	396,679	261,220	(18,930,077)	6,829,479
Loss for the year	-	-	-	-	(370,197)	(370,197)
Total comprehensive income for the year	-	-	-	-	(370,197)	(370,197)
Share -based payments	-	-	60,411	-	-	60,411
Equity component of convertible loan note	-	-	-	198,101	-	198,101
Transfer to retained earnings in respect of equity component of convertible loan notes redeemed	-	-	-	(190,004)	190,004	-
As at 1 January 2013	19,263,627	5,838,030	457,090	269,317	(19,110,270)	6,717,794
Transactions with owners in their capacity as owners:						
Issue of equity shares	349,750	1,049,250	-	-	-	1,399,000
Expenses of issue of equity shares	-	(48,386)	-	-	-	(48,386)
Total transactions with owners in their capacity as owners	349,750	1,000,864	-	-	-	1,350,614
Loss for the year	-	-	-	-	(3,797,224)	(3,797,224)
Total comprehensive income for the year	-	-	-	-	(3,797,224)	(3,797,224)
Share -based payments	-	-	55,150	-	-	55,150
Transfer to retained earnings in respect of forfeit options	-	-	(24,808)	-	24,808	-
As at 31 December 2013	19,613,377	6,838,894	487,432	269,317	(22,882,686)	4,326,334

Rose Petroleum plc

COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2013

	2013 £	2012 £
Operating activities		
Loss from operations	(3,797,224)	(370,197)
Investment income	(225,035)	(225,321)
Finance costs	112,554	130,803
Adjustments for:		
Impairment of investments in subsidiary undertakings	3,663,679	300,000
Share -based payments	55,150	60,411
Operating cash outflow before movements in working capital	(190,876)	(104,304)
(Increase)/decrease in trade and other receivables	(200,106)	45,567
Increase in trade and other payables	45,041	1,543
Cash used in operations	(345,941)	(57,194)
Interest paid	(80,000)	(106,558)
Net cash used in operating activities	(425,941)	(163,752)
Investing activities		
Interest received	611	4,882
Loans to subsidiary undertakings	(363,966)	(361,589)
Net cash used in investing activities	(363,355)	(356,707)
Financing activities		
Proceeds from the issue of shares	1,399,000	-
Expenses of issue of shares	(48,386)	-
Repayment of convertible loan notes	-	(500,000)
Net cash from/(used in) financing activities	1,350,614	(500,000)
Net increase/(decrease) in cash and cash equivalents	561,318	(1,020,459)
Cash and cash equivalents at beginning of year	17,869	1,038,328
Cash and cash equivalents at end of year	579,187	17,869

1. GENERAL INFORMATION

At a General Meeting held on 15 August 2013, a resolution was passed by the shareholders of VANE Minerals plc by which the name of the Company was changed to Rose Petroleum plc.

Rose Petroleum plc (the 'Company' and, together with its subsidiaries, the 'Group') is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 145-157 St John Street, London, EC1V 4PW.

The nature of the Group's operations and its principal activities are the evaluation and acquisition of mineral exploration targets, principally gold, silver, uranium and copper targets in the United States, and the development and operation of mines in Mexico. During the year the Group underwent a strategic review and announced its intention to extend its activities into the Oil & Gas sector, establishing a new division for this purpose.

The financial statements are presented in pounds sterling as this is the currency in which funds from financing are generated and in which receipts are usually retained. Foreign operations are included in accordance with the policies set out in note 3.

As permitted by section 408 of the Companies Act 2006, the parent company's income statement and statement of other comprehensive income have not been included in these financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS

STANDARDS AFFECTING PRESENTATION AND DISCLOSURE

In the current year, the following new and revised Standards have been adopted but have not had any material impact on the amounts reported in these financial statements.

IFRS 7 (amended 2011)	*Financial instruments disclosure: offsetting financial assets and financial liabilities*
IFRS 13	*Fair value measurement*
IAS 1 (amended 2011)	*Presentation of items of other comprehensive income*
IAS 19 (amended 2011)	*Employee benefits*
IAS 32 (amended 2011)	*Financial instruments presentation: offsetting financial assets and financial liabilities*

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 2 (amended 2013)	*Share-based payment*
IFRS 3 (amended 2013)	*Business combinations*
IFRS 8 (amended 2013)	*Operating segments*
IFRS 9	*Financial instruments*
IFRS 10	*Consolidated financial statements*
IFRS 11	*Joint arrangements*
IFRS 12	*Disclosure of interests in other entities*
IAS 27 (amended 2011)	Separate *financial statements*
IAS 28 (amended 2011)	*Investments in associates and joint ventures*
IAS 36 (amended	Impairment of assets
Improvements to IFRS (May 2012)	

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group. As a result of the adoption of IFRS

11 *Joint arrangements,* the accounting treatment for the joint venture operated within Wate Mining LLC will be accounted for as a joint venture using the equity method of accounting. However this will not have a material impact on the numbers presented. The Mining Venture Agreement with Uranium One Exploration U.S.A Inc. ('U1') will be classified as a joint operation and will continue to recognise its share of the underlying assets, liabilities, revenues and expenses. The Met Sin joint venture will continue to be treated as a profit share agreement.

3. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU').

The 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 assets. The principal accounting policies adopted are set out below.

GOING CONCERN

The Group currently generates cash through its mining operations in Mexico and this activity provides cash flow to fund the other activities of the Group. Whilst the Group's exploration expenditure is largely discretionary and its activities can be adjusted to enable the Group to operate within available resources should this be required, the uranium and copper activities are operating at a loss and the Directors believe that there is some uncertainty that the Group will generate sufficient funds to fully finance its exploration and development programme for at least the next twelve months.

In addition to the capital resources available at the date of the financial statements and income generated from future operations, additional funding will need to be raised and the Company intends to seek further funding by means of a significant equity fund raise in June 2014. The Group's management believe that sufficient additional funding will be raised which will enable the Group to meet its obligations for the foreseeable future and continue as a going concern. Whilst the Board are confident that sufficient funds will be made available from the fundraise, the Company has prepared detailed forecasts and sensitivities which have been submitted to a significant shareholder in the Company. The Company is in receipt of a letter of comfort from that shareholder confirming its ability and willingness to support the Group financially so that the Group maintains adequate financial and working capital resources, based on those forecasts, for a minimum period of 12 months commencing from the date of signing of these financial statements.

Having made appropriate enquires, having considered all the matters raised in the preceding paragraphs, and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group can generate adequate resources to continue in operation for the foreseeable future. For this reason, they consider it appropriate to adopt the going concern basis in preparing the financial statements.

OPERATING EXPENSES

Costs incurred prior to obtaining the legal rights to explore an area together with any costs which cannot be allocated to a specific exploration project are expensed directly to the income statement and included as operating expenses.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (together, 'the Group') made up to 31 December each year.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interest in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

The Group reports its interest in joint venture arrangements using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis, apart from the Met-Sin joint venture which has been accounted for as a profit share arrangement.

INVESTMENTS

Long term investments representing interests in subsidiary undertakings are stated at cost less any provision for impairment in the value of the non-current investment.

INTANGIBLE EXPLORATION AND EVALUATION ASSETS

The Group applies the full cost method of accounting for Exploration and Evaluation ('E&E') costs, having regard to the requirements of IFRS 6 *Exploration for and Evaluation of Mineral Resources.* Under the full cost method of accounting, costs of exploring for and evaluating mineral resources are accumulated by reference to appropriate cost centres being the appropriate licence area, but are tested for impairment on a cost pool basis as described below.

E&E assets comprise costs of (i) E&E activities that are on-going at the balance sheet date, pending determination of whether or not commercial reserves exist and (ii) costs of E&E that, whilst representing part of the E&E activities associated with adding to the commercial reserves of an established cost pool, did not result in the discovery of commercial reserves.

Costs incurred prior to having obtained the legal rights to explore an area are expensed directly to the income statement as they are incurred.

Exploration and evaluation costs

All costs of E&E are initially capitalised as E&E assets. Payments to acquire the legal right to explore, costs of technical services and studies, seismic acquisition, exploratory drilling and testing are capitalised as intangible E&E assets.

Intangible costs include directly attributable overheads together with the cost of other materials consumed during the exploration and evaluation phases.

Treatment of E&E assets at conclusion of appraisal activities

Intangible E&E assets related to each exploration licence/project are carried forward until the existence (or otherwise) of commercial reserves has been determined. If commercial reserves have been discovered, the related E&E asset are assessed for impairment on a cost pool basis as set out below and any impairment is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets.

Intangible E&E assets that related to E&E activities that are determined not to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost less accumulated amortisation, subject to meeting a pool-wide impairment test in accordance with the accounting policy for impairment of E&E assets set out below. Such E&E assets are amortised on a unit-of-production basis over the life of the commercial reserves of the pool to which they relate.

IMPAIRMENT OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include, but are not limited to, those situations outlined in paragraph 20 of IFRS 6 *Exploration for and Evaluation of Mineral Resources* and include the point at which a determination is made as to whether or not commercial reserves exist.

Where there are indications of impairment, the E&E assets concerned are tested for impairment. Where the E&E assets concerned fall within the scope of an established full cost pool, the E&E assets are tested for impairment together with all development and production assets associated with that cost pool, as a single cash generating unit.

The aggregate carrying value is compared against the expected recoverable amount of the pool, generally by reference to the present value of the future net cash flow expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established cost pool, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full.

If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

The Group considers each area of exploration, gold and silver, uranium, copper and Oil & Gas on a geographical basis to be a separate cost pool and therefore aggregates all specific assets for the purposes of determining whether impairment of E&E assets has occurred.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives at the following rates:

Diablito Mine	over the life of the mine
Ore processing mill	over 10 years
Plant and machinery	over 5 to 10 years

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

REVENUE RECOGNITION

Revenue from the sale of minerals is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes. Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

LEASING

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

FOREIGN CURRENCIES

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each group company ('foreign currencies') are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in the profit or loss in the period in which they arise, except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which, therefore, form part of the net investment in the foreign operation. Foreign exchange differences arising on the translation of the Group's net investment in foreign operations are recognised as a separate component of shareholders' equity via the statement of other comprehensive income. On disposal of foreign operations and foreign entities, the cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Foreign exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On the disposal of a foreign operation all of the exchange differences accumulated in equity in respect of that operation are reclassified to profit or loss.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity. The Group has elected to treat fair value adjustments arising on acquisitions before the date of transition to IFRS as pound sterling denominated assets and liabilities.

RETIREMENT BENEFITS

The Group makes contributions to the personal pension schemes for some of its employees and Directors. Payments to these schemes are charged as an expense in the income statement in respect of pension costs payable in the year. There were no unpaid contributions at the period end.

TAXATION

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

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

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 and 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probably that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest 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 each reporting date 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 assets 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 that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

FINANCIAL INSTRUMENTS

Recognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial Assets

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

Trade and other payables

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

Compound Instruments

The component parts of compound instruments (convertible loan notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receipt can be measured reliably.

Decommissioning

Provision for decommissioning is recognised in full when the related facilities are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the producing life of the facility in the removal and decommissioning of the production, storage and transportation facilities currently in place. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement in accordance with the Group's policy for depreciation of property, plant and equipment. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

SHARE-BASED PAYMENTS

The Group has applied the requirements of IFRS 2 *Share-based Payment* for all grants of equity instruments.

The Group operates an equity-settled share option plan. The fair value of the service received in exchange for the grant of options is recognised as an expense. Equity-settled share-based payments are measured at fair value (excluding the effect non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of the Black Scholes model for non-performance based options. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

RECOVERABILITY OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

Determining whether an exploration and evaluation asset is impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. If there is any indication of potential impairment, an impairment test is required based on the recoverable amount of the asset. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. At 31 December 2013 the Directors determined that there were indicators of impairment in respect of the Group's intangible uranium exploration and evaluation assets on the basis that the carrying amount of these assets may not be recovered in full. The Directors therefore considered that it was appropriate to make a provision for impairment in respect of these assets at the year end.

The carrying amount of intangible exploration and evaluation assets at the balance sheet date was £2,389,367 (2012: £5,254,481) and an impairment of £2,939,708 was identified and recognised in the period (2012: £nil).

RECOVERABILITY OF LOANS TO SUBSIDIARY UNDERTAKINGS

The Company has an outstanding loan from its directly held subsidiary which has then made a number of loans to its own subsidiaries as the primary method of financing the activity of those subsidiaries. The principal loan is shown in the Company balance sheet on the basis that the loan incurs interest at a commercial rate according to the Group's inter-company loan policy, which is being rolled up until such time as the subsidiary is in a position to settle. However, there is a risk that the indirectly held subsidiaries will not commence revenue-generating activities and that the carrying amount of the Company's investment will, therefore, exceed the recoverable amount. The Board have assessed the recoverability of its loan based on this risk and, whilst the Mexican subsidiary, Minerales VANE S.A. de C.V., is generating revenue and cash and has commenced repayment of its loan the Directors consider that, in consideration of the losses currently being generated in the US and the impairment of its intangible exploration and evaluation assets which was recognised at 31 December 2013 a provision of £3,663,679 (2012: £300,000) should be recognised by the Company in the period to 31 December 2013.

5. REVENUE

The external revenue of the Group arises solely from the sale of precious minerals arising from activities in Mexico. Revenue is generated from one customer.

6. SEGMENTAL INFORMATION

For management purposes, the Group is organised into three operating divisions based on its principal activities of gold and silver mining, research and evaluation of potential uranium and copper properties and the exploration and development of Oil & Gas resources. These divisions are the basis on which the Group reports its segment information.

Segment information about these divisions is presented below.

	2013 £	2012 £
Income statement		
Revenue		
Gold and silver	5,710,172	5,759,225
Segmental results		
Uranium and copper	(3,274,899)	(510,477)
Gold and silver	1,221,580	1,397,917
Oil & Gas	(103,656)	-
Total segment results	(2,156,975)	887,440
Unallocated results	(824,326)	(833,136)
Current and deferred tax	(327,829)	(596,923)
Loss after taxation	(3,309,130)	(542,619)
Depreciation		
Uranium and copper	1,184	3,795
Gold and silver	137,532	380,234
	138,716	384,029
Impairment		
Uranium and copper	2,939,708	-

Employees

The average numbers of employees for the year for each of the Group's principal divisions were as follows:

	2013 Number	2012 Number
Uranium and copper	2	3
Gold and silver	46	46
Oil & Gas	1	-
Total segment employees	49	49
Unallocated employees	3	3
Total employees	52	52

	2013 £	2012 £
Balance Sheet		
Segment Assets		
Uranium and copper	2,559,684	5,393,126
Gold and silver	2,695,995	2,382,501
Oil & Gas	31,119	-
Total segment assets	5,286,798	7,775,627
Unallocated assets	878,867	103,705
Total assets	6,165,665	7,879,332
Segment Liabilities		
Uranium and copper	211,233	63,250
Gold and silver	455,251	580,562
Oil & Gas	36,519	-
Total segment liabilities	703,003	643,812
Unallocated liabilities	984,609	919,777
Current and Deferred Tax	32,005	40,460
Total liabilities	1,719,617	1,604,049
Capital Additions		
Uranium and copper	30,696	600,244
Gold and silver	110,255	106,964
	140,951	707,208
Net Assets		
Uranium and copper	2,348,452	5,329,876
Gold and silver	2,208,738	1,761,479
Oil & Gas	(5,400)	-
Total segment net assets	4,551,790	7,091,355
Unallocated net liabilities	(105,742)	(816,072)
Total net assets	4,446,048	6,275,283

7. PROFIT SHARE PAYMENTS

In December 2010 the Group entered into a joint venture agreement with Jose Ruiz Armenta and Jesus Hector Ruiz Armenta ('Met-Sin') in relation to gold and silver mining activities in Mexico. This agreement was subsequently revised on 3 October 2012, effective from 1 January 2013. See note 21.

Under the terms of the original joint venture agreement once a joint venture property became operational the gross margin earned was allocated 60 per cent to the Group and 40 per cent to Met-Sin. Under the terms of the revised agreement this allocation was amended to 50 per cent to the Group and 50 per cent to Met-Sin.

	2013 £	2012 £
Met-Sin	1,045,655	1,428,558

8. IMPAIRMENT OF INTANGIBLE EXPORATION AND EVALUATION ASSETS

	2013 £	2012 £
Intangible exploration and evaluation assets – uranium	2,939,708	-

At 31 December 2013, there were indicators of potential impairment of the Group's intangible uranium exploration and evaluation assets and an impairment test was performed. Based on the estimation of future cash flows expected to arise and using a suitable discount rate in order to calculate present value, an impairment was identified and recognised in the period (2012: £nil).

9. OTHER OPERATING INCOME

	2013 £	2012 £
Administration fee income	-	55,435

Administration fee income represents income from administrative services provided by the Group. No such services were provided during the year ended 31 December 2013.

10. INVESTMENT INCOME

	2013 £	2012 £
Interest on bank deposits	2,596	5,959

11. OTHER GAINS AND LOSSES

	2013 £	2012 £
Profit on disposal of available-for-sale investment	-	15,000

At 1 January 2012, the Group held an available-for-sale investment representing an investment of 17% in the Ordinary Share capital of Darley Energy plc, a mining and exploration company, which was impaired in full at that date. During the year ended 31 December 2012, the Group disposed of its investment for the sum of £15,000. See note 20.

12. FINANCE COSTS

	2013 £	2012 £
Interest on convertible loan notes	112,554	130,803
Other interest charges	946	743
	113,500	131,546

13. (LOSS)/PROFIT BEFORE TAXATION

The (loss)/profit for the year has been arrived at after charging/(crediting):

	2013 £	2012 £
Cost of inventories recognised as expense	3,165,984	2,485,666
Depreciation of property, plant and equipment	138,716	384,029
Profit on disposal of property, plant and equipment	(74,737)	(1,200)
Staff costs	933,969	934,489
Share-based payments	55,150	60,411
Operating leases - land and buildings	67,776	73,551
Non-recoverable VAT	28,364	-
Net foreign exchange losses	77,096	54,668

14. AUDITOR'S REMUNERATION

Amounts payable to Baker Tilly UK Audit LLP and its associates in respect of both audit and non-audit services:

	2013 £	2012 £
Audit services		
Statutory audit of parent and consolidated accounts	25,750	28,320
Other services		
The auditing of accounts of associates of the Company pursuant to legislation (including that of countries and territories outside the United Kingdom)	5,250	5,000
Taxation services (e.g. compliance and advisory)	6,050	5,500
	37,050	38,820

15. STAFF COSTS

The average monthly number of employees (including Executive Directors) was:

	2013 Number	2012 Number
Office and management	8	9
Production	44	43
	52	52

Their aggregate remuneration comprised:

	2013 £	2012 £
Wages and salaries	792,846	820,197
Social security costs	102,923	102,068
Other pension costs	25,333	20,167
Share-based payments	38,563	50,835
Compromise agreement	21,183	-
	980,848	993,267

Included within wages and salaries is £8,316 (2012: £7,943) capitalised to intangible exploration and evaluation assets.

16. TAXATION

	2013 £	2012 £
Current tax:		
Foreign tax	240,970	339,374
Total current tax	240,970	339,374
Deferred tax:		
Origination and reversal of temporary differences	86,859	319,814
Reversal of fair value adjustment on business combinations in prior periods	-	(62,265)
Total deferred tax	86,859	257,549
Tax charge on (loss)/ profit for the year	327,829	596,923

The credit charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2013 £	2012 £
(Loss)/profit before tax	(2,981,301)	54,304
(Loss)/profit multiplied by rate of corporation tax for UK companies of 23% (2012: 24.5%)	(685,699)	13,304
Effects of:		
Expenses not deductible for tax purposes	39,683	21,522
Temporary differences	(91,579)	-
Share-based payments	12,685	14,801
Unrelieved tax losses carried forward	956,188	358,571
Deferred tax asset not utilised	-	65,713
Mexican flat-rate business tax	-	1,180
Difference in foreign tax rates	96,551	121,832
Tax charge on (loss)/profit for the year	327,829	596,923

Unrelieved tax losses carried forward, as detailed in note 27, have not been recognised as a deferred tax asset, as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses must be utilised in relation to the same operations. Tax for other jurisdictions is provided at rates prevailing in those countries.

Income tax credit included in other comprehensive income during the year is:

	2013 £	2012 £
Foreign tax on exchange gain	(95,314)	(229,165)

17. LOSS PER ORDINARY SHARE

Basic loss per Ordinary Share is calculated by dividing the net loss for the year attributable to owners of the parent company by the weighted average number of Ordinary Shares in issue during the year. The calculation of the basic and diluted loss per Ordinary Share is based on the following data:

	2013 £	2012 £
Losses		
Losses for the purpose of basic loss per Ordinary Share being net loss attributable to owners of the parent company	(3,309,130)	(542,619)
	Number	Number
Number of shares		
Weighted average number of shares for the purpose of basic loss per Ordinary Share	575,157,905	442,923,658
Loss per Ordinary Share		
Basic and diluted	(0.57p)	(0.12p)

Due to the losses incurred in 2013 and 2012, there is no dilutive effect from the existing share options or convertible loan notes.

18. INTANGIBLE ASSETS

	Exploration and evaluation assets £
Cost	
At 1 January 2012	4,865,067
Additions	600,244
Exchange differences	(210,830)
At 1 January 2013	5,254,481
Additions	30,696
Exchange differences	(106,760)
At 31 December 2013	5,178,417
Impairment	
At 1 January 2012 and 2013	-
Additions	2,939,708
Exchange differences	(150,658)
At 31 December 2013	2,789,050
Carrying amount	
At 31 December 2013	2,389,367
At 31 December 2012	5,254,481

19. PROPERTY, PLANT AND EQUIPMENT

	Diablito mine £	Ore processing mill £	Plant and machinery £	Total £
Cost				
At 1 January 2012	4,388,975	544,817	410,099	5,343,891
Additions	-	-	106,964	106,964
Disposals	-	-	(4,622)	(4,622)
Exchange differences	17,142	15,109	8,664	40,915
At 1 January 2013	4,406,117	559,926	521,105	5,487,148
Additions	-	-	110,255	110,255
Disposals	-	-	(69,349)	(69,349)
Exchange differences	(21,511)	(13,788)	(12,676)	(47,975)
At 31 December 2013	4,384,606	546,138	549,335	5,480,079
Accumulated depreciation				
At 1 January 2012	4,120,855	198,289	79,794	4,398,938
Charge for the year	269,797	59,872	54,360	384,029
Disposals	-	-	(4,622)	(4,622)
Exchange differences	15,465	4,984	(402)	20,047
At 1 January 2013	4,406,117	263,145	129,130	4,798,392
Charge for the year	-	62,485	76,231	138,716
Disposals	-	-	(29,989)	(29,989)
Exchange differences	(21,511)	(11,070)	(8,615)	(41,196)
At 31 December 2013	4,384,606	314,560	166,757	4,865,923
Carrying amount				
At 31 December 2013	-	231,578	382,578	614,156
At 31 December 2012	-	296,781	391,975	688,756

The depreciation has been charged in the income statement as follows:-

	2013 £	2012 £
Cost of sales	124,219	379,954
Operating and administrative expenses	14,497	4,075
	138,716	384,029

20. INVESTMENTS

	Group Available-for-sale investment £	Company Shares in subsidiary undertakings £	Company Loans to subsidiary undertakings £	Total £
Cost				
At 1 January 2012	213,571	3,889,004	14,296,607	18,185,611
Disposal	(213,571)	-	-	-
Additions	-	-	582,028	582,028
At 1 January 2013	-	3,889,004	14,878,635	18,767,639
Additions	-	1	588,390	588,391
At 31 December 2013	-	3,889,005	15,467,025	19,356,030
Impairment				
At 1 January 2012	213,571	-	10,922,304	10,922,304
Disposal	(213,571)	-	-	-
Additions	-	-	300,000	300,000
At 1 January 2013	-	-	11,222,304	11,222,304
Additions	-	-	3,663,679	3,663,679
At 31 December 2013	-	-	14,885,983	14,885,983
Carrying amount				
At 31 December 2013	-	3,889,005	581,042	4,470,047
At 31 December 2012	-	3,889,004	3,656,331	7,545,335

The Groups available-for-sale investment represented an investment of 17% in the Ordinary Share capital of Darley Energy plc, a mining and exploration company. At 31 December 2011, licence applications for the exploration area were dormant and as there was no active market for this equity instrument the Board considered that it should be impaired in full.

During the year ended 31 December 2012, the Group disposed of its investment in the Ordinary Share capital of Darley Energy plc for the sum of £15,000. See note 11.

During the year ended 31 December 2013, the Group became the sole shareholder of a newly incorporated entity, Rose Petroleum (UK) Limited.

The Company has a number of loans made to its subsidiaries which incur interest at a commercial rate, according to the Group's inter-company loan policy. However, there is a risk that the subsidiaries will not commence revenue-generating activities and that the carrying amount of the investments exceed the recoverable amount. The Board have assessed the recoverability of these loans and consider that a provision of £3,663,679 (2012: £300,000) should be recognised in the period.

The Company had investments in the following subsidiary undertakings as at 31 December 2013 which principally affected the losses and net assets of the Group:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Directly owned:				
VANE Minerals (UK) Limited	UK	100%	100%	Holding company
Rose Petroleum (UK) Limited	UK	100%	100%	Holding company
Indirectly owned:				
AVEN Associates LLC	U.S.A.	100%	100%	Exploration
VANE Minerals (US) LLC	U.S.A.	100%	100%	Exploration
Minerales VANE SA de CV	Mexico	100%	100%	Mining
Minerales VANE Operaciones SA de CV	Mexico	100%	100%	Mining
Parkyn Energy Germany GmbH	Germany	100%	100%	Service company
Naab Energie GmbH	Germany	100%	100%	Service company

21. JOINT VENTURES

ARIZONA PROJECT

On 5 September 2008 the Group entered into a Mining Venture Agreement with Uranium One Americas Inc. ('U1'). The terms of this agreement created an equal Joint Venture Agreement ('JVA') between VANE Minerals (US) LLC ('VANE') and U1, combining interests in over 60 breccia pipe targets, including 10 known mineralized pipes, in northern Arizona. The JVA also secured access to U1's Ticaboo Mill in Utah for ore developed on JV properties. The Mining Venture Agreement was amended on 15 July 2013 to extend the terms of the agreement to 31 December 2017.

The aggregate amounts related to the joint venture included within the consolidated accounts are:

	2013 £	2012 £
Non-current assets	1,411,176	1,405,523
Current assets	29,539	49,400
Current liabilities	-	(658)
Expenses	(17,065)	(53,536)

WATE MINING COMPANY LLC

On 23 February 2011 the Group entered into a further JV operating agreement with U1 by which further study, exploration and development of the Wate breccia pipe, identified under the 2008 JVA, would be conducted by means of a limited liability company, Wate Mining Company LLC. ('Wate'). Each party to the joint venture has equal control of the Company.

The aggregate amounts related to the joint venture included within the consolidated accounts are:

	2013 £	2012 £
Non-current assets	176,836	176,769
Current assets	21,920	32,065
Current liabilities	(1,246)	(6,278)
Expenses	(1,122)	(3,858)

MET-SIN JOINT VENTURE

In December 2010 the Group entered into a JVA with Jose Ruiz Armenta and Jesus Hector Ruiz Armenta ('Met-Sin') in relation to gold and silver mining activities in Mexico.

Under the terms of the agreement:

- Rose would operate all mining activities and would pay Met-Sin for its services as mining contractors;
- Rose would provide the capital necessary to acquire, explore and develop mining projects. Rose would recover any capital cost at the rate of 150 per cent of the original cost ('recoverable amount');
- once a property becomes operational the gross margin earned would be allocated on the basis of 60 per cent to Rose and 40 per cent to Met-Sin; and
- Met-Sin would receive 20 per cent profit on presentation of an invoice and the other 20 per cent would be allocated against Rose capital expenditure until the recoverable amount was nil. Thereafter, the full 40 per cent would become due on presentation of an invoice.

On 3 October 2012 the terms of the original JVA were amended in respect of the following:

- the gross margin earned would be allocated on the basis of 50 per cent to Rose and 50 per cent to Met-Sin, effective from 1 January 2013; and
- Met-Sin committed to build and install a flotation mill which would process any production resulting from the joint venture activities in excess of 100 tons per day.

Rose exercises control over the activities of the JV and the Group has accounted for the operations on the basis of a profit share agreement. Therefore, revenue and cost of sales are recognised in full in the consolidated financial statements.

22. INVENTORIES

	Group	
	2013	2012
	£	£
Work in progress	548,372	704,187

During the year £3,165,984 of inventories was expensed (2012: £2,485,666) to the income statement.

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade receivables	408,585	410,038	-	-
Amounts owed by Group companies	-	-	220,650	41,568
Amounts owed by joint venture partners	18,844	26,464	-	-
VAT recoverable	278,111	209,035	11,387	3,950
Other receivables	425,690	16,494	1,721	-
Prepayments	303,471	40,510	19,449	7,583
	1,434,701	702,541	253,207	53,101

Trade receivables principally comprise amounts receivable from the sales of minerals. The average credit period for trade receivables is 22 days (2012: 22 days). No interest is charged on trade receivables.

Other receivables includes an amount of £234,844 (2012: £nil) due under the Met-Sin profit share agreement.

Prepayments includes an amount of £257,577 due under the terms of a share purchase agreement in respect of a business combination signed in August 2013, and which completed in January 2014. See note 35.

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

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2013 of £1,179,069 and £579,187 (2012: £529,367, £17,869) comprise cash held by the Group and the Company respectively. The Directors consider that the carrying amount of these assets approximate to their fair value.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade payables	272,462	191,068	37,912	12,980
Taxes and social security	24,826	23,569	4,698	-
Other payables	165,404	180,437	-	-
Accruals	322,546	292,931	81,380	65,968
	785,238	688,005	123,990	78,948

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 38 days (2012: 44 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

26. CONVERTIBLE LOAN NOTES

In 2007, the Company issued two convertible loan notes of £1,000,000 and £500,000 which were convertible into Ordinary Shares of the Company at any time up to the maturity dates of 31 May 2012 and 30 September 2012 respectively. The exercise price was 29p per share for the £1,000,000 loan and 22.75p per share for the £500,000 loan. If the notes were not converted into Ordinary Shares of the Company they would be redeemed at par in May and September 2012 respectively.

During the year ended 31 December 2012 the terms of the convertible loan notes were varied as follows:

- the redemption date of the £500,000 loan notes was varied from 30 September 2012 to 31 May 2012, with redemption to take place on that date;
- the redemption date of the £1,000,000 loan notes was varied from 31 May 2012 to 31 May 2017. In addition the exercise price was amended from 29p per share to 1.25p per share;
- the holders of the £1,000,000 loan notes became entitled to convert the notes at any time after the amendment of the conversion price was approved and before the 31 May 2017; and
- if either: (a) at any time prior to the redemption date the volume weighted average price of the Ordinary Shares on AIM (‘VWAP’) (for any consecutive period of 15 business days after 31 May 2012) exceeds twice the conversion price; or (b) at any time after 31 May 2015, but prior to the redemption date, the VWAP exceeds the conversion price, then the Company can serve an Early Redemption Notice. The Company shall pay to the note holder the sum which is equal to the par value of the notes being redeemed divided by the conversion price and multiplied by the VWAP set out in the Early Redemption Notice, together with any interest accrued.

Interest is paid six monthly until the notes have been converted or redeemed.

The net proceeds received from the original issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity Ordinary Shares. The equity component was credited to equity reserve. See note 30.

As a result of the variation in terms of the £1,000,000 loan notes the original split between the financial liability element and the equity component has been revised using the Black-Scholes model. The significant inputs into the model for the valuation were as follows:

	Revised Options
Weighted average share price	1.125p
Conversion price	1.25p
Expected term (years)	5
Expected volatility (%)	66.8
Expected dividends	nil
Risk-free rate (%)	0.73

Expected volatility was calculated by considering Rose Petroleum plc share price movements over a period commensurate with the expected term immediately prior to 31 May 2012.

The risk-free rate was calculated by reference to the yield on UK government gilt strips with duration similar to that of the expected term.

The increased valuation of the equity component of £198,101 was credited to equity reserve in the year ended 31 December 2012. See note 30.

	Group and Company	
	2013	2012
	£	£
Liability component at 1 January	819,563	1,483,409
Repayment	-	(500,000)
Equity component	-	(198,101)
Interest charged	112,554	130,803
Interest paid	(80,000)	(96,548)
Liability component at 31 December	852,117	819,563

The interest expensed for the year is calculated by applying an effective interest rate to the liability component. For the loans in issue, the relevant interest rates were 9.82% on the £1,000,000 loan and 10.8% on the £500,000 loan to 31 May 2012. The effective interest rate on the £1,000,000 loan after this date was 13.73%.

The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2013 represents the effective interest rate less interest paid to that date.

27. DEFERRED TAX

There are unrecognised deferred tax assets in relation to:-

	2013	2012
	£	£
UK tax losses	2,775,152	2,514,165
US tax losses	8,436,921	4,657,264
German losses	9,508	-
	11,221,581	7,171,429

The movement in the deferred tax balance was as follows:

	2013 £	2012 £
At 1 January	40,460	12,523
Release to income for the year	86,859	257,549
Charge to statement of changes in equity	(95,314)	(229,165)
Exchange difference	-	(447)
At 31 December	32,005	40,460

The analysis of the deferred tax balance is as follows:-

	2013 £	2012 £
Mexico business combinations deferred tax liability	32,005	40,460

The unrecognised deferred tax asset in relation to tax losses in the Company at 31 December 2013 was £306,066 (2012: £34,896).

28. PROVISIONS

	Group Decommissioning 2013 £	2012 £
At 1 January	56,021	54,510
Utilised in the year	(7,263)	-
Exchange differences	(1,380)	1,511
At 31 December	47,378	56,021
Current provision	16,424	15,180
Non-current provision	30,954	40,841
At 31 December	47,378	56,021

In accordance with the Group’s environmental policy and applicable legal requirements, the Group expects to restore sites where it has carried on activities, following final conclusion of those activities. Accordingly a provision is required to cover the decommissioning costs for the Ore processing mill and operating mines.

The Directors' assumptions are that restoration of the Diablito mine site will take place within the next twelve months, and that restoration of the Mill will not take place for at least a further twelve months.

29. SHARE CAPITAL

	Group and Company 2013 £	2012 £
Authorised:		
7,779,297,310 Ordinary Shares of 0.1p each	7,779,297	7,779,297
190,108,108 Deferred Shares of 9.9p each	18,820,703	18,820,703
	26,600,000	26,600,000
Allotted, issued and fully paid:		
792,673,658 Ordinary Shares of 0.1p each (2012: 442,923,658 Ordinary Shares of 0.1p each)	792,674	442,924
190,108,108 Deferred Shares of 9.9p each	18,820,703	18,820,703
	19,613,377	19,263,627

The Deferred Shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at, any general meetings, have no entitlement to receive a dividend or other distribution or any entitlement to receive a repayment of nominal amount paid up on a return of assets on a winding up nor to receive or participate in any property or assets of the Company. The Company may, at its option, at any time redeem all of the Deferred Shares then in issue at a price not exceeding £0.01 from all shareholders upon giving not less than 28 days notice in writing.

ISSUED ORDINARY SHARE CAPITAL

On 15 August 2013, the Company completed a placing of 349,750,000 Ordinary Shares of 0.1p each at a price of 0.4p per share, raising gross proceeds of £1,399,000.

	Ordinary Shares Number
At 1 January 2012 and 1 January 2013	442,923,658
Allotment of shares	349,750,000
At 31 December 2013	792,673,658

30. OTHER RESERVES

	Group and Company 2013 £	2012 £
At 1 January	269,317	261,220
Recognition of equity component of convertible loan note	-	198,101
Reclassification of equity component of convertible loan notes	-	(190,004)
At 31 December	269,317	269,317

This reserve represents the equity component of the issued convertible loan notes (see note 26).

The reclassification of equity component represents the movement between reserves on redemption of convertible loan notes.

31. SHARE-BASED PAYMENTS

EQUITY SETTLED SHARE OPTION PLAN

The Company had a Share Option Plan under which options to subscribe for the Company's shares had been granted to certain Directors and to selected employees and consultants. The Rose Petroleum plc Share Option Plan was originally adopted by the Company on 25 May 2004.

On 28 September 2011 the Share Option Plan was amended by a resolution of the Remuneration Committee by which the existing options ('old options') were cancelled and replaced with new options ('replacement options'). These options were granted with a new exercise price based on the market value of each Ordinary Share in the Company and were deemed to vest immediately.

On 30 September 2011 the Company issued a further 11,600,000 share options:

- 2,100,000 share options which vested on 1 September 2012; and
- 9,500,000 share options of which 3,166,667 vested on 1 September 2012 and the remainder vest in two equal tranches on 1 September 2013 and 2014.

In August 2013, the 2004 Share Option Plan was replaced by the adoption of the 2013 Share Option Plan Part A (employees) and 2013 Share Option Plan Part B (non-employees).

On 3 September 2013 the Company issued a further 70,400,000 share options which vest in three equal tranches on 3 September 2014, 2015 and 2016. Of these, 23,300,000 were granted with an exercise price of 1.125p and 47,100,000 with an exercise price of 0.475p.

At 31 December 2013, 89,600,000 options had been granted under the terms of the Share Option Plans and not exercised.

The Company has no legal or constructive obligation to repurchase or settle the options in cash. The latest date for exercise of the options is 1 September 2023 and the options are forfeited if the employee or consultant leaves the Group before the options vest, or if those options which have vested are not exercised within three months of leaving.

Details of the share options outstanding at the end of the year were as follow:

	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	26,100,000	1.125p	26,100,000	1.125p
Granted	70,400,000	0.69p	-	1.125p
Forfeited/lapsed	(6,900,000)	1.125p	-	-
Exercised	-	-	-	-
Outstanding at 31 December	89,600,000	0.783p	26,100,000	1.125p
Exercisable at 31 December	18,333,334	1.125p	19,766,667	1.125p

The options outstanding at 31 December 2013 had an estimated weighted average remaining contractual life of 2.3 years (2012: 4.6 years).

The fair value of the options issued during the year has been calculated using the Black Scholes model. The significant inputs into the model for the IFRS2 valuation were as follows:

	Grants in year 47,100,000 Share options	Grants in year 23,300,000 Share options
Exercise price	0.475p	1.125p
Expected volatility (%)	79 - 82	79 - 82
Expected life (years)	5.5 - 6.5	5.5 - 6.5
Risk free rates (%)	1.83 – 2.15	1.83 – 2.15
Expected dividends	-	-
Performance condition	None	None
Weighted average share price	0.475p	1.125p

Expected volatility was calculated considering Rose Petroleum plc share price movements over a period commensurate with the expected term immediately prior to grant date.

The fair value of the options granted during the year was £211,377 (2012: £nil).

In the year ended 31 December 2013 the Company recognised a total expense of £55,150 (2012: £60,411) related to equity-settled share-based payment transactions.

32. COMMITMENTS UNDER OPERATING LEASES

LESSEE ACTIVITY

Operating lease payments represent total rentals payable by the Group for certain of its mining sites.

	Group	
	2013 £	2012 £
Land and buildings		
Amounts due within one year	115,481	121,076
Amounts due in 2-5 years	337,518	462,404
	452,999	583,480

There were no commitments under operating leases in relation to the Company at 31 December 2013 (2012: £nil).

33. FINANCIAL INSTRUMENTS

CAPITAL RISK 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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of net debt (borrowings, as detailed in note 26, offset by cash and cash equivalents) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to externally imposed capital requirements.

The Group plans its capital requirements on a regular basis and as part of this review the Directors consider the cost of capital and the risks associated with each class of capital.

SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

CATEGORIES OF FINANCIAL INSTRUMENTS

	2013 £	2012 £
Financial assets measured at amortised cost		
Cash and cash equivalents	1,179,069	529,367
Trade receivables	408,585	410,038
Amounts owed by joint venture partners	18,844	26,464
Other receivables	328,301	16,494
	1,934,799	982,363
Financial liabilities measured at amortised cost		
Trade payables	272,462	191,068
Other payables	165,404	180,437
Convertible loan notes	852,117	819,563
	1,289,983	1,191,068

FINANCIAL RISK MANAGEMENT OBJECTIVES

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The policies for managing these risks are regularly reviewed and agreed by the Board.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

FOREIGN EXCHANGE RISK AND FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposures to exchange rate fluctuations arise.

The Group does not normally hedge against the effects of movements in exchange rates. The Group policy is not to repatriate any currency where there is the requirement or obligation to spend in the same denomination. When foreign exchange is required the Company purchases using the best spot rate available.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2013 £	2012 £	2013 £	2012 £
Pound sterling	-	-	-	-
US dollars	61,580	14,917	1,030,878	739,224
Mexican pesos	-	-	-	-

Foreign currency sensitivity analysis

The functional currencies of the Group companies are Pound Sterling (GBP), US dollars (USD) and Mexican Pesos (MXN). The financial statements of the Group's foreign subsidiaries are denominated in foreign currencies.

The Group is exposed primarily to movements in USD, the currency in which the Group receives its revenue, against other currencies, in which the Group incurs liabilities and expenditure.

The Group is exposed to foreign currency risk arising from recognised assets and liabilities as well as commitments arising from future trading transactions.

Sensitivity analyses have been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between GBP, MXN and USD. The analysis is based on a weakening and strengthening of USD, in which the Group has significant assets and liabilities at the end of each respective period, by ten per cent against GBP and MXN. A movement of ten per cent reflects a reasonably positive sensitivity when compared to historical movements over a three to five year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a ten per cent change in foreign currency rates.

The table below details the Group's sensitivity to a ten per cent dec rease in USD against GBP and MXN. A positive number below indicates an increase in profit where USD weakens ten per cent against GBP and USD. For a ten per cent strengthening of USD there would be an equal and opposite impact on the profit, and the balance below would be negative.

	2013 £	2012 £
Income statement	109,305	71,091

INTEREST RATE RISK MANAGEMENT

The Group's policy on interest rate management is agreed at Board level and is reviewed on an on-going basis.

The Group has no substantial exposure to fluctuating interest rates on its liabilities. The interest rates for the convertible loan notes have been fixed from commencement of the agreements. The Group has no other liabilities which attract interest charges.

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flow.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure on trade receivables.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

COMMODITY PRICE RISK

Inventories represent ore and concentrate already mined. The Group has exposure to risks in respect of the market price at date of sale of the minerals and the currency risk arising from the difference between the currency of the amount due (normally US Dollars) and pound sterling (being the currency in which the Group financial statements are prepared).

The following table summarises the impact of increases/decreases in the commodity price of gold and silver, these being the two precious metals, the sale of which comprises all of the Group's revenue. The assumption is that the sale of precious metals is split 83% gold and 17% silver, and price variances are calculated from the historical values experienced during the appropriate year.

The variances have been calculated as follows:

Commodity	Year USD	High USD	Low USD	Average USD	High variance USD	Low variance USD
Gold						
	2013	1,694	1,195	1,411	20%	15%
	2012	1,792	1,540	1,669	7%	8%
Silver						
	2013	32.23	19.05	23.79	35%	20%
	2012	37.23	26.67	31.15	20%	14%

Commodity	Variance %	Impact on revenue and pre-tax loss/equity £	Variance %	Impact on revenue and pre-tax loss/equity £
Gold	+20	948,808	+7	266,898
	-15	(725,342)	-8	(280,399)
Silver	+35	344,232	+20	415,946
	-20	(195,503)	-14	(306,451)

34. RELATED PARTY TRANSACTIONS

AMOUNTS DUE FROM SUBSIDIARIES

The Company has entered into a number of unsecured related party transactions with a subsidiary undertaking. The most significant transactions carried out between the Company and its subsidiary undertaking are management charges for services provided to the subsidiary company and long-term financing. Details of these transactions are as follows:

	2013 Transactions in the year £	2013 Amounts owing £	2012 Transactions in the year £	2012 Amounts owing £
Loans	363,967	13,492,385	361,589	13,128,418
Interest (1.5%)	224,423	1,974,640	220,439	1,750,217
	588,390	15,467,025	582,028	14,878,635
Management charges	286,314	220,650	155,180	41,568

A provision of £3,663,679 (2012: £300,000) has been made in respect of the amounts owed by the subsidiary company. The total provision at 31 December 2013 is £14,885,983 (2012: £11,222,304).

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2013 £	2013 Amounts owing/(receivable) £	2012 £	2012 Amounts owing/(receivable) £
Purchase of services	8,500	-	19,382	-
Sale of services	(23,621)	-	55,435	(45,064)

A Director of the related party is also a Director of the Company.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	2013		2012	
	Purchase of services £	Amounts owing £	Purchase of services £	Amounts owing £
Short-term employee benefits	310,045	28,410	367,975	-
Consultancy payments	129,799	99,947	112,968	44,070
Share-based payments	35,893	-	44,973	-
	475,737	128,357	525,916	44,070

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

DIRECTORS' EMOLUMENTS

Remuneration paid to Directors during the year was as follows:

		2013				
	Annual salary entitlement £	Emoluments[1] taken £	Compromise Agreement £	Consultancy £	Pension £	Total £
Executive Directors						
SD Van Nort	24,000	-	-	41,194	-	41,194
LC Arnold	24,000	-	-	42,190	-	42,190
MC Idiens	125,000	64,437	-	-	6,250	70,687
KK Hefton	100,000	120,631	-	-	-	120,631
DJ Newton	110,000	36,360	21,183	-	17,333	74,876
KB Scott	7,671	2,507	-	22,415	-	24,922
Non-executive Directors						
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	25,000	23,333	-	-	-	23,333
MC Idiens	20,000	11,937	-	24,000	-	35,937
PE Jeffcock	20,000	7,590	-	-	-	7,590
	455,671	266,795	21,183	129,799	23,583	441,360

[1]Emoluments include benefits-in-kind

MC Idiens became an executive Director with effect from 1 July 2013.

2012	Annual salary entitlement £	Emoluments[1] taken £	Consultancy £	Pension £	Total £
Executive Directors					
SD Van Nort	24,000	-	51,735	-	51,735
LC Arnold	24,000	-	58,233	-	58,233
MC Idiens	75,000	77,774	-	9,167	86,941
KK Hefton	100,000	121,639	-	-	121,639
DJ Newton	110,000	110,740	-	11,000	121,740
Non-executive Directors					
Rt Hon Earl of Kilmorey PC (formerly Sir Richard Needham)	20,000	20,000	-	-	20,000
MC Idiens	5,000	5,925	3,000	-	8,925
	358,000	336,078	112,968	20,167	469,213

[1]Emoluments include benefits-in-kind

The remuneration of Directors and key executives is decided by the remuneration committee having regard to comparable market statistics.

SD Van Nort and LC Arnold waived their annual salary entitlement in the current and prior year to aid the cash flow of the Group.

Directors share options are detailed in the Directors Report.

Directors' pensions

	2013 No	2012 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	1	2

35. POST BALANCE SHEET EVENTS

PARKYN ENERGY HOLDINGS PLC

On 20 January 2014, the Company completed its purchase of the entire issued share capital of Parkyn Energy Holdings plc, which in turn owns the entire issued share capital of Parkyn Energy Germany Limited, the sole owner of two hydrocarbon licences in south-western Germany.

Under the terms of the acquisition the Company has acquired a 100% interest in the two concessions covering over 635,000 acres for €400,000. In addition, the licences are subject to a 2% overriding royalty interest of gross sales of hydrocarbons, less certain costs, in favour of 3Legs Resources plc, plus a 0.5% overriding royalty interest to the original finder.

GRANT OF NEW HYDROCARBON LICENCE

On 31 January 2014, Naab Energie GmbH, a newly formed 100% owned subsidiary of the Company, was granted a new concession covering approximately 657,000 acres in the Weiden Basin, located in the state of Bavaria, south-eastern Germany for hydrocarbon exploration.

The licence commences on 1 February 2014 for an initial period of three years and the terms of the licence requires the Company to carry out a programme of works over that period to include 2D seismic and geophysical measurements designed to create a geological model of the licence are at an estimated cost of approximately €900,000.

The Licence is both a conventional and unconventional petroleum play and is subject to an overriding royalty interest of 0.5% payable on any revenues to the original finder.

THOMPSON CANYON JOINT VENTURE

On 3 February 2014, the Company signed a Joint Venture Agreement through its wholly owned subsidiary AVEN Associates LLC with Lowell Copper Ltd ('Lowell') in connection with AVEN's TC porphyry copper project in the State of New Mexico, U.S.A.

Under the terms of the agreement Lowell will provide financing for the initial exploration phase of US$250,000 in return for a 25% interest in the property. Lowell will then have the option of increasing its interest by:

(a) funding the next US$2,500,000 of the exploration programme to earn a 51% interest in the property; and
(b) funding the next US$3,500,000 of the exploration programme for a 70% interest in the property.

Once Lowell has provided the total of US$6,250,000 Lowell will have earned a 70% interest in the property.

Should Lowell elect to limit its investment to a 51% interest, then AVEN and Lowell will fund the programme according to their percentage interests.

The term of the initial Joint Venture Agreement is four years and AVEN has full, complete and exclusive control over the operations during this period of time.

MET-SIN JOINT VENTURE

On 28 February 2014, the terms of the Met-Sin Joint Venture Agreement in respect of gold and silver mining activities in Mexico was amended in respect of the following:

- Rose would provide the investment and operating funds to develop a new mining project in respect of the concession 'Maria Fernanda' for a term of three years commencing from the date of signing;
- Rose would recover any investment and development capital incurred prior to any distribution of profits; and
- once the property becomes operational and Rose has recovered its investment and development capital, the gross margin earned would be allocated on the basis of 65% to Rose and 35% to Met- Sin.

OIL & GAS FARM-IN AGREEMENT

In March 2014, the Company signed a farm-in agreement under which its newly incorporated subsidiary, Rose Petroleum (Utah) LLC ('Rose Utah') acquired the right to acquire 75% of certain oil, gas and hydrocarbon leases covering approximately 195,000 net acres in Grand and Emery Counties, Utah, from Rockies Standard Oil Company, LLC which retains the remaining 25% working interest. The net revenues to Rose Utah associated with the leases is 80%.

Rose Utah is the designated operator and its 75% working interest in the leases equates to approximately 146,250 acres net, together with a 75% interest in one shut-in well. The project targets two unconventional shale resource plays, Mancos and Cane Creek Shales.

The consideration for the farm-in agreement comprises:

- cash payments totalling US$2,000,000 to be made between February 2014 and November 2015;
- commitment from Rose to drill three Mancos wells and one Cane Creek well with a total project carry obligation of US$9,500,000 and US$7,500,000 respectively.

There are no specified time requirements for the drilling commitment or the expenditure of the carry obligations. Following completion of this commitment all costs and expenses in relation to the project are to be split 75% to Rose Utah and 25% to Rockies Standard Oil Company, LLC.

Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London, EC3A 6AB on 27 June 2014 at 09.00 AM at which the following matters will be dealt with:

ORDINARY BUSINESS

1. To receive the Reports of the Directors and Auditors and the Financial Statements for the Year ended 31 December 2013.
2. To appoint Philip Jeffcock, who was appointed by the Board since the last Annual General Meeting, as a Director of the Company.
3. To appoint Kelly Scott, who was appointed by the Board since the last Annual General Meeting, as a Director of the Company.
4. To re-elect Richard Kilmorey, who retires by rotation, as a Director of the Company.
5. To re-elect Kris Hefton, who retires by rotation, as a Director of the Company.
6. To re-appoint Baker Tilly UK Audit LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the requirements of section 437 and 438 of the Companies Act 2006 ("2006 Act") are complied with. .
7. To authorise the Directors to agree the remuneration of the auditors.

SPECIAL BUSINESS

As Special Business to consider and, if thought fit, to pass the following resolutions, of which resolution number 8 will be proposed as an ordinary resolution and resolution number 9 will be proposed as a special resolution:

8. That for the purposes of Section 551 of the 2006 Act (and so that expressions defined in that Section shall bear the same meanings as in this resolution) the Directors be, and they are, generally and unconditionally authorised to allot Relevant Securities (as defined in note 1 below) up to a maximum nominal amount of £800,000 to such persons at such times and on such terms as they think proper such authority to expire on the date falling 15 months from the date of passing of this resolution, or if earlier, on the date of the next Annual General Meeting of the Company to be held after the passing of this resolution (unless renewed, varied or revoked by the Company in general meeting)(or any adjournment thereof) save that the Company may at any time before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant Securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.
9. That the Directors be and they are hereby generally authorised pursuant to section 570 of the 2006 Act to allot equity securities (as defined in Section 560 of the 2006 Act) for cash of the Company pursuant to the authority conferred by resolution 8 above (as varied from time to time by the Company in general meeting) as if Section 561 of the Act did not apply to such allotment provided that this power shall be limited:

    a. to the allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of the holders of Ordinary Shares of 0.1 pence each ('Ordinary Shares') where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them on the record date for such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements, of any recognised regulatory body or any stock exchange in any territory;

b. the allotment of 750,000,000 Ordinary Shares in connection with a potential placing; and

c. to the allotment otherwise than pursuant to subparagraph (a) above and (b) above of equity securities not exceeding in aggregate the nominal amount of £50,000.

provided further that the authority hereby granted shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the date of passing this resolution or the date falling 15 months from the date of passing this resolution (unless renewed, varied or revoked by the Company prior to or on that date) (or any adjournment thereof) save that the Directors shall be entitled to make at any time before the expiry of the power hereby conferred any offer or agreement which might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this resolution has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 570 of the 2006 Act.

By Order of the Board 3 June 2014

Ian McNeill
Company Secretary
Rose Petroleum plc
145-157 St John Street
London
EC1V 4PW

Notes:

Entitlement to attend and vote

1 "Relevant Securities" means;

(a) shares in the Company other than shares allotted pursuant to:

(i) an employee share scheme (as defined by section 1166 of the 2006 Act);

(ii) a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or

(iii) a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security.

(b) any right to subscribe for or convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the 2006 Act). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

2 Only those members registered on the Company's register of members at:

- 6.00 pm on 25 June 2014; or,
- if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

3 A member is entitled to attend, speak and vote at the above meeting and is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each different proxy appointment form must be received by Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF not less than 48 hours before the time appointed for the meeting..

5 A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6 A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the Company's Registrars Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.

7 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (Capita Asset Services, ID RA10) not less than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

9 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

10 The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.

11 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

12 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services on 0871 664 0300 in the UK (Calls cost 10p per minute plus network extras). If calling from overseas please call +44 (0)20 8639 3399 lines are open 8.30am to 5.30pm.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

13 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 48 hours prior to the meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

14 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

15 As at 6:00pm on 3 June 2014, the Company's issued share capital comprised 792,673,658 Ordinary Shares of 0.1p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6:00pm on 3 June 2014 is 792,673,658.

Communication

Except as provided above, members who have general queries about the Meeting should contact the Company Secretary at Rose Petroleum plc, First Floor, 9 Savoy Street, London, WC2E 7ER or on +44 (0) 207 225 4590 (no other methods of communication will be accepted). You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the Chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Rose Petroleum

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