



ROSE PETROLEUM PLC

ANNUAL REPORT & FINANCIAL STATEMENTS

Year ended 31 December 2014

DIRECTORS, ADVISORS AND OFFICERS

DIRECTORS

Rt Hon Earl of Kilmorey PC
PE Jeffcock
KB Scott
MC Idiens
KK Hefton
CJ Eadie

Non-Executive Chairman
Non-Executive Director
Non-Executive Director
Chief Executive Officer
Chief Operating Officer Mining
Chief Financial Officer

SECRETARY

IH McNeill

REGISTERED OFFICE

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BANKERS

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Level 27
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My statement in last year's Annual Report outlined that your Board had begun to shift the direction and focus of the Group away from mining and towards oil and gas ("O&G") exploration and production, and that we had built a strong momentum to implement this strategy.

This momentum has continued both throughout the year under review and into 2015, and the Group continues to make sustained progress in spite of the challenging market conditions that continue to impact both the junior end of the market and, more specifically, the O&G industry.

Operational activity has continued on many fronts. The O&G division is operating a very large leasehold acreage in two very exciting unconventional opportunities in Utah which have significant potential resources as calculated by our independent qualified person, Ryder Scott Company LP. We have drilled our first well and we have assembled a very strong management and technical team with extensive experience in the region to move our operations forward. The Mining division commenced operations at the Mina Charay gold and silver project and we are scheduled to commence drilling on the Tango copper and molybdenum project in Q4 2015, after the rainy season has ended. In Q1 2015, we completed the disposal of the Wate Uranium project and this activity is helping move the Group forward to a situation where it can deliver on its key corporate objectives.

During the year we carried out two successful equity placings which raised gross proceeds of £10 million and, in May 2015, we announced that we had raised additional gross proceeds of £3.1 million by way of a placing and subscription which is conditional upon shareholder approval at a forthcoming General Meeting. In the current market environment, this is a considerable achievement and a strong endorsement of the Group's new strategy. The executive team, led by Matthew Idiens, was pleased by the response they received during the fundraising presentations which is a good indicator of the value that the market places on our O&G properties.

In order to achieve the highest level of success in our Utah projects it was essential to build an experienced operations team, the importance of which cannot be underestimated, and I want to emphasise the significant experience the team has in the U.S. unconventional resources sector including operating in the Bakken, Marcellus, Niobrara and Arkansas-Fayetteville Shale. The team are based at our office in Denver under the strong leadership of Ty Watson. Ty has worked across the vast majority of the premiere basins in the U.S., and, most importantly he has a track record of transforming historic vertical well plays into more efficient horizontal well plays which we anticipate will be of significant value to us in respect of the Mancos Shale opportunity.

Operations in Utah commenced in earnest during the year under review, and although we suffered some setbacks in the completion of the State 16-42 well in the Paradox Basin (where the cement casing of the previous well owner was inadequate), and the conventional target at the State 1-34 well in the Uinta Basin (where we were not able to capitalise on a potential cash generating conventional opportunity as a result of the existence of a fault), the main focus of the Uinta basin is the Mancos Shale and the results from the core have been extremely encouraging and look to be validating the key criteria used by Ryder Scott in their calculation of the resources. We believe that we are very well positioned for future development and growth. Our work to date on the Mancos Shale, the prime operational focus, has yielded a considerable amount of supporting technical information on the opportunity, and this will be our key focus over the next period. We are currently in the process of permitting six well locations and we look forward to commencing drilling on the first of these as soon as we are able.

The prospectivity of our Paradox acreage is very significant but, by virtue of the costs of drilling in this area (circa US\$8.5 million per well) and the need to undertake a 3-D seismic survey of the area prior to drilling, the drilling targets at the Mancos remain our initial target. The encouraging results from the core analysis on the Mancos Shale, reiterates the strong potential of the Mancos, which benefits from a low breakeven price considering the excellent infrastructure and low entry price.

As outlined above, we have now commenced mining at the Mina Charay Mine in Mexico, in which we have a 60% profit share arrangement in favour of the Group. The mine is nearing target operational capacity and development is currently advancing towards the high-grade gold and silver drill intercepts in the veins. We anticipate that this project will make a positive contribution to the Group's revenue in 2015.

During this period of transformation, cash management and internal control have remained key priorities for the Group and I was delighted to welcome Chris Eadie to the Board as Chief Financial Officer in early 2015.

Rose Petroleum plc

CHAIRMAN'S STATEMENT

I would like to thank our shareholders and advisers for their continuing support throughout the period and our employees for their continued efforts. I look forward to updating you with our progress throughout the rest of the year.

Rt Hon Earl of Kilmorey PC

3 June 2015

Rose Petroleum plc

STRATEGIC REPORT

The Directors present their strategic report on the Group for the year ended 31 December 2014.

PRINCIPAL OBJECTIVES AND STRATEGIES

Rose Petroleum plc is a diversified O&G and Mining Company with both exploration and production assets. The key strategic objective is to deliver shareholder returns through the enhancement of these assets.

This key objective will be achieved by various strategies:

- continuing development of a Board consisting of highly experienced professionals covering O&G, mineral exploration, mine development, financing and financial control of public companies;
- strong and experienced management teams to maximise returns from the Company's underlying O&G and Mining assets;
- the potential acquisition of further O&G and Mining interests through acquisition, farm-in agreements and joint arrangements; and
- consideration of the capital and financing required to achieve our objectives and market perception.

REVIEW OF OPERATIONS

Oil & Gas Division

U.S.A.

The Company's Annual Report for 2013 stated the Group's intention to focus its activity primarily in the O&G sector. More specifically, it intended to do so with a significant transaction in the U.S. unconventional resource arena. This strategy was fully realised in 2014.

Initial acquisition

In Q1 2014, the Group entered into an agreement under which it is able to earn into a 75% interest in approximately 230,000 gross acres in Utah. Throughout the remainder of 2014 and continuing into Q1 2015, the Group has added additional gross acres bringing the Group's current total gross leasehold position to over 263,000 gross acres.

The acreage is located in two highly prospective adjacent basins, the Uinta Basin and the Paradox Basin, with two separate target formations. The focus of exploration is on two unconventional O&G resource plays. The Uinta Basin targets the Mancos Shale at a maximum depth of approximately 3,200ft, and the Paradox Basin targets the Paradox Clastics at a maximum depth of approximately 10,500ft. Under the terms of the agreement the Group carries the seller, Rockies Standard Oil Company LLC, who retain a 25% interest in the leasehold, for the first US\$17 million spend on the projects, US\$9.5 million in the Uinta Basin and US\$7.5 million in the Paradox Basin.

Production is well established around both the Mancos and the Paradox acreage. The leading operator to date in the Paradox play is Fidelity Exploration and Production Company ("Fidelity") which is a wholly owned subsidiary of MDU Resources Group (NYSE: MDU). Since 2012, Fidelity has taken production from the Paradox Clastics from less than 100 barrels of oil per day ("BOPD") to over 4,500 BOPD on their acreage to the south of the Group's leasehold.

Reserves

The Mancos, which is stratigraphically equivalent to the Niobrara in north-eastern Colorado and to the Eagle Ford in south Texas, produces from hundreds of wells in Utah. Most of the Mancos production is in the gas window of the Uinta Basin where the Mancos has produced over 1.5 trillion feet of cubic gas ("TCFG"). The Group's Mancos acreage is in the O&G condensate window of the Uinta Basin with individual vertical wells having produced as much as 120,000 barrels of oil ("BO").

In early Q2 2014, Ryder Scott Company LP completed a Reserve Report on the Utah leasehold which was subsequently updated in Q4 2014, to include the additional leasehold that had been acquired. Based on the current Reserve Report, the Group's Mean Un-Risked Recoverable Prospective Resources total 1.8 billion BO and 6.5 TCFG, as illustrated in tables 1 and 2 below:

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STRATEGIC REPORT

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

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 (Uinta Basin) and Paradox Formation (Paradox Basin):

Prospect / Formation	EUR Oil/Condensate - MMBO				EUR Gas – BCFG			
	Low	Best	High	Mean	Low	Best	High	Mean
Mancos Totals	178.20	517.79	1,465.79	709.78	1,054.6	3,090.86	8,810.70	4,260.41
Paradox Totals	452.27	966.37	1,994.50	1,115.29	874.43	1,888.46	3,913.55	2,187.46

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

Cisco Dome acquisition

In Q4 2014, the Group made an important add-on acquisition with the purchase of the Cisco Dome Field, 76 miles of mid-stream gathering system, gas processing plant, compressor station and main pipeline tap and meter into Williams 26" natural gas pipeline. This asset acquisition gives the Group some minimal cash flow from existing production and the associated proven reserves but, most significantly, added over 11,000 acres in the heart of the Group's Mancos holdings and control of our own mid-stream gathering and processing in the area.

Exploration activity

In Q3 2014, the Group began permitting a 61 square mile 3-D seismic survey over its Paradox leasehold. Pending completion of permitting and the availability of sufficient funding, the Group hopes to begin the survey in Q4 2015. Once the seismic data is in-hand and interpreted, the Group will select its first Paradox well location with plans to begin drilling operations in H2 2016.

As part of the Group's initial acreage acquisition, it acquired an interest in an existing Paradox well, the State 16-42, which had been drilled, logged and cased. In Q4 2014, the Group attempted to complete the well, to test the various Clastics, but unfortunately the casing cement bond in the well bore was not sufficient to enable a successful completion.

In Q4 2014, the Group spudded the State 1-34 well on its Mancos acreage. The well was designed primarily to evaluate the Mancos Shale as well as the deeper conventional reservoirs that produce from over 400 wells in the area. The well was successfully drilled to 3,200ft total depth and mud logs indicated the presence of O&G throughout both the Mancos Shale and conventional sands. Well logs, conventional cores and side wall cores were taken across the Mancos and deeper conventional reservoirs.

Two whole cores were taken and analysed in the Mancos with extremely encouraging results reiterating the potential of this opportunity which benefits from a low breakeven price when considering the excellent

Rose Petroleum plc

STRATEGIC REPORT

infrastructure and low entry price. The core results matched or surpassed Ryder Scott's parameters for the Mancos Shale resource calculation of 709MMBO and 4.26 TCF gas for key criteria. Specifically:

- Total Organic Content ("TOC") used by Ryder Scott were 1.5-2%. The State 1-34 has an average background of 1.5-2% with a 150' "kitchen" interval in the Ferron member of TOC over 2.75% and up to 4.5%;
- potential target reservoir or "carrier" beds identified in the same four Ryder Scott defined Mancos intervals with porosities in the 6-9% range;
- state 1-34 average porosities 0.5-1% higher than Ryder Scott study (P50 values);
- state 1-34 hydrocarbon (oil) saturations both in core and in situ are in line with the Ryder Scott study;
- net potential "carrier" beds to Gross ratios are comparable with Ryder Scott; and
- Thermal maturity ("Tmax") confirms that the State 1-34 is within the "Intensive Generation Expulsion" window for the Ferron member.

In consideration of the potential for quick revenue and cash flows from the conventional opportunity, it was decided to carry out a completion on the conventional intervals below the Mancos. Four intervals were perforated and flow tested and none were deemed to be commercial by virtue of intersection of vertical fault breached with water. The well is currently shut-in pending completion of the Mancos core analysis, which was the primary objective of this well.

On the basis of the work undertaken on the State 1-34 well, the Group has begun the permitting application process in relation to six new Mancos wells, with the intention of submitting the 'APD - authority for permit to drill' to the Bureau of Land Management ("BLM") imminently. HRL Compliance Solutions and Uintah Engineering have completed the internal location site evaluation in respect of the Environmental Assessment ("EA") requirements and are completing reports to submit to the BLM. Subject to approval, the Group anticipates commencing drilling the first of these new wells in late 2015.

It is intended that the first horizontal well will be drilled at one of the six new Mancos wells. Detailed geological and engineering assessments suggest that the Mancos in the Cisco Dome field will deliver the best results given the better well control in the area and the excellent surface infrastructure of the gathering system and processing plant nearby.

In April 2015, it was announced that John Blair was stepping down from his role in the Company and would be replaced by Ty Watson who previously held the position of Vice President of Operations. Ty has extensive experience in the region has a track record of converting vertical plays to horizontal with significant success. A factor which we anticipate will play a major part in the development of the Mancos acreage in particular.

The Group is currently evaluating various proven reserve development opportunities in the U.S. although a transaction would only be considered if the asset acquisition came as part of a fully funded deal.

Germany

On 20 January 2014, the Group completed the acquisition of Parkyn Energy Holdings plc and its subsidiary Parkyn Energy (Germany) Limited, the sole owner of two hydrocarbon licences in south-western Germany, covering approximately 635,000 acres.

On 31 January 2014, the Group was granted a licence in respect of hydrocarbon exploration for an initial period of three years. The concession covers circa 657,000 acres (2,662.4 km²) in the Weiden Basin, located in the State of Bavaria, south-eastern Germany and the Group is committed to carry out a programme of works at an estimated cost of approximately €0.9 million.

During 2014, the political situation for exploring unconventional hydrocarbons in Germany became increasingly unclear and the Directors considered that this will likely remain the case for the foreseeable future. In addition, despite promising preliminary results, it was considered that with only 15 months remaining on the licence term, there would be insufficient time to complete the required work programme and, as a result, in Q4 2014, the Group announced that it was withdrawing from the Parkyn licences.

The Group will retain its Weiden Licence since the Directors consider that the project has prospective conventional O&G targets which the current regulatory environment supports and the licence term is sufficient for Rose to perform the required work programme.

Mining Division

Gold and Silver Mining Operations, Mexico

The Group's mining projects in Mexico continue to be operated by its wholly owned subsidiary, Minerales VANE S.A. de C.V. ("MV"), which is headquartered in Acaponeta, Nayarit. Mill production is carried out at its nearby mill in San Dieguito de Arriba ("SDA") where it also operates an analytical facility.

During 2014, production was focused primarily on ore from the Group's 100% owned Diablito Mine and from the La Colorada and Maria Fernanda Mines, which were operated under a profit share arrangement with Met-Sin. However, by Q4 2014 the Diablito Mine had been closed and reclaimed, having been mined out, and production from both Met-Sin mines had ceased with the La Colorada Mine having been mined out to the property boundary, and the decision taken to cease production at Maria Fernanda as economic grades could not be maintained. As a result, production during 2014 was lower than in previous years with a corresponding reduction in revenue, and the Group looked for alternative sources of production for its mining operations.

In Q3 2014, the Group entered into a profit share agreement with Minera Pafex S.A. de C.V. ("Pafex") in respect of gold and silver mining activities in Mexico at the Charay and San Luis concessions owned by Pafex. The Charay, Charay 2 and San Luis concessions, located near the town of Los Mochis in western Sinaloa, host the high-grade Mina Charay gold and silver mine where MV drilled 27 holes during 2004 and 2005 under an earlier option agreement with Pafex. Under the terms of the new agreement MV will operate all mining activities and provide the capital necessary to acquire, explore and develop the mining project. Thereafter, the gross margin earned after all operating expenses are deducted would be allocated on the basis of 60% to MV and 40% to Pafex. Development work at Mina Charay commenced in Q4 2014, test ore was being shipped to SDA by the year end and the mine is expected to reach full production in Q2 2015.

Base and Precious Metal Mining Operations, Mexico

In Q3 2014, the Group added a potential producing property to its portfolio, the Tango project, consisting of the Tango, Tango 2, Tango 3 and Tango 5 concessions located in southern Sinaloa. The project was acquired by means of a profit share and option agreement with Minera Camargo S.A. de C.V. ("Camargo"). The Tango property covers a classic base and precious metals porphyry system. The property hosts two porphyries, one containing copper and the other, molybdenum mineralization as well as several historic high-grade, narrow-vein gold and silver mines on the margin of and associated with the porphyries which could provide near-term production to SDA. The four Tango concessions cover 3,954 hectares (39.54km²).

Under the terms of the agreement, MV will operate all mining activities and gross margin from the precious metals veins would be allocated on the basis of a 50:50 profit split. In addition, MV holds an option to earn a 75% ownership of the base metals (the porphyries) by investing US\$5 million in work expenditures over a period of five years.

By Q1 2015, drill permitting was underway on the base metal porphyries as well as the San Agustin precious metals vein. Drilling permits are anticipated to be in place in Q2 2015 and it is anticipated that drilling will commence in Q4 2015.

Copper Exploration, Southwest U.S.A.

The Group's U.S. porphyry copper programme is operated by its wholly owned subsidiary AVEN Associates LLC with offices located in Tucson, Arizona.

The exploration programme continues on a care and maintenance basis with the property positions being kept current while third-party financing is sought to continue the programme. AVEN met with a number of interested parties during the year and interest continued through the end of the year and into the current year.

Uranium Exploration, U.S.A.

The Group's uranium assets continue to be held and managed in its wholly owned subsidiary VANE Minerals (US) LLC ("VANE"), and the programme is led by the joint operation with Uranium One Americas Inc. ("U1")

The most significant asset is the Wate Project located on State of Arizona lands and operated under Wate Mining Company LLC. ("Wate"). During the year, the Board resolved to dispose of the Group's 50% interest in Wate and the assets met the requirement to be classified as non-current assets held for sale at the year end. The Group

completed the sale of its interest in Wate to EFR Arizona Strip LLC. (“EFR”) in Q1 2015 (the “Closing”). A total consideration of US\$1.75 million was agreed, consisting of an immediate cash payment of US\$0.25 million, a US\$0.5 million non-interest bearing promissory note, payable in two equal instalments of US\$0.25 million on each of the first and second anniversaries of Closing, a further US\$0.5 million conditional cash, and a 2% production royalty on EFR’s stake in the project.

All of the Group’s remaining uranium assets are currently held on a care and maintenance basis and the Group continues to seek opportunities to sell its remaining uranium assets.

Legal update

The U.S. District Court upheld the withdrawal of federal lands in northern Arizona in their decision handed down in Q3. The American Mining and Exploration Association and National Mining Association announced in Q4 that they plan to appeal the decision on the U.S. District Court ruling. Their appeal has been entered and since then the Attorney’s General of the States of Arizona, Utah, Nevada and Montana have joined in support of the appeal. The Group has standing assuming a reversal of the ruling on appeal in the form of reinstatement of mining claims held in the joint venture with Uranium One Americas Inc.

FINANCIAL REVIEW

Revenue

Revenue for the year was generated primarily from the Group’s gold mining and milling operations in Mexico. The Income Statement reports total revenue for the year ended 31 December 2014 of £1.9 million (2013: £5.7 million). The reduction in revenues was primarily a result of the closure of historic mines during the year, the inability of the Group to sustain consistent economic grades from these mines during the year and lower metal prices.

Income Statement

The Group reports a net loss after tax of £3.6 million or 0.33p per share for the year ended 31 December 2014 (2013: net loss after tax of £3.3 million or 0.57p per share).

An impairment of part of the Group’s German exploration and evaluation assets resulted in a charge of £0.6 million (2013: £2.9 million) during the year.

Balance Sheet

Total investment in intangible assets at 31 December 2014 was £6.4 million (2013: £2.4m) reflecting investment into the Utah O&G assets.

Property, plant and equipment at 31 December 2014 was £0.5 million (2013: £0.6m) reflecting the continued depreciation of the ore processing mill.

Trade and other receivables of £0.6 million (2013: £1.4 million) represent amounts due in relation to trade receivables and VAT recoverable. VAT and tax recoverable in Mexico make up £0.5 million of the current outstanding.

Cash and cash equivalents at 31 December 2014 were £5.4 million (2013: £1.2 million). During the year the Company raised gross proceeds of £10 million through the placing of the Company’s Ordinary Shares.

Significant Equity Events

On 20 June 2014, the Company completed a placing of 433 million Ordinary Shares of 0.1p each at a price of 1.5p per share, raising gross proceeds of £6.5 million.

On 1 December 2014, the Company completed a placing of 200 million Ordinary Shares of 0.1p each at a price of 1.75p per share, raising gross proceeds of £3.5 million.

In May 2015, the Company announced that it proposed to raise gross proceeds of £3.1 million by way of a conditional placing and a subscription of 1,040,000,007 Ordinary Shares of 0.1p each at a price of 0.3p per share. The Placing is subject, amongst other things, to approval by shareholders at a General Meeting to be held on 16 June 2015.

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 ("KPIs") which are reviewed regularly by the Board. These are set out below:

- tight cost control and monitoring of actual expenditure versus budget;
- operational efficiencies at the Group's milling operation including monitoring gold recoveries from ore;
- CAPEX controls including the monitoring of overall costs of drilling wells in the Mancos and Paradox Basins; and
- monitoring of G&A expenditure versus budget and peer group

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.A. Department of Interior has issued a 20-year withdrawal from mineral entry on approximately 1 million 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 commodities, which are volatile and cannot be controlled.
- Changes in U.S. legislation 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 through 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 operational partners.

FUTURE DEVELOPMENTS

Your Board, management and dedicated teams continue to investigate and evaluate new opportunities designed to improve share price and, ultimately, shareholder value. The Company will continue to operate its existing O&G and Mining assets and will continue to look to enhance the value from these.

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

By order of the board

MC Idiens
Chief Executive Officer
3 June 2015

Rose Petroleum plc

DIRECTORS' REPORT

The Directors present the Annual Report and financial statements of the Group for the year ended 31 December 2014.

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 2014 (2013: £nil).

DIRECTORS

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

Rt Hon Earl of Kilmorey PC
MC Idiens
KK Hefton
PE Jeffcock
KB Scott
JM Blair - appointed 8 August 2014, resigned 22 April 2015
SD Van Nort - resigned 29 January 2014
LC Arnold - resigned 29 January 2014
CJ Eadie - appointed 12 February 2015

DIRECTORS' INTERESTS IN SHARES AND SHARE OPTIONS

The Directors who held office at 31 December 2014 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2014	1 January 2014
Rt Hon Earl of Kilmorey PC	2,096,666	2,330,000
SD Van Nort	-	6,500,000 ¹
LC Arnold	-	10,500,000 ²
MC Idiens	20,139,213	16,805,880
KK Hefton	416,000	116,000
PE Jeffcock	20,833,333 ³	18,006,741 ³
KB Scott	-	-
JM Blair	2,000,000	-

¹Beneficial interest held through the Van Nort Family Trust.

²Beneficial interest held through L Clark and Ardith P Arnold Family Trust.

³Beneficial interest held through the Glenville Discretionary Trust.

There have been no changes in these shareholdings since the 31 December 2014, other than in respect of CJ Eadie who was appointed to the Board subsequent to 31 December 2014, and who held 94,402 Ordinary Shares as at 1 June 2015.

Rose Petroleum plc

DIRECTORS' REPORT

Directors' interests in share options of the Company, including family interests, as at 31 December 2014 were as follows:

	<i>Date of replacement/ grant</i>	<i>No. of shares</i>	<i>Exercise price</i>	<i>Option exercise period</i>
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
JM Blair	15 Jan 2014	23,700,000	0.4p	15/01/15 to 14/01/24
MC Idiens	10 Oct 2014	20,000,000	3.425p	10/10/15 to 09/10/24
KK Hefton	10 Oct 2014	10,000,000	3.425p	10/10/15 to 09/10/24

The market price of the shares at 31 December 2013 and 31 December 2014 was 0.4p and 2.1p respectively and the average during the year was 2p.

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

The Company currently has in place, and had for the year ended 31 December 2014, 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 1 June 2015:

	<i>Number of shares</i>	<i>Percentage of issued share capital</i>
RG Williams	187,710,286	12.43%
Caithness Limited	63,133,333	4.2%

POST BALANCE SHEET EVENTS

Events after the balance sheet date have been disclosed in note 36 to the financial statements.

FINANCIAL INSTRUMENTS

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 34 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.

Rose Petroleum plc
DIRECTORS' REPORT

AUDITOR

During the year, KPMG LLP was appointed as the Company's external auditor.

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

By order of the board

IH McNeill
Company Secretary
3 June 2015

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. At present meetings are being held on a monthly basis. 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 currently comprised of three executive Directors and three 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 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 a non-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;

CORPORATE GOVERNANCE STATEMENT

- 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, 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:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- 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 financial statements of Rose Petroleum plc for the year ended 31 December 2014 set out on pages 20 to 62. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU 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 explained more fully in the Directors' Responsibilities Statement set out on page 17, 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 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 of the parent company's affairs as at 31 December 2014 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS 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.

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

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.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

3 June 2015

Rose Petroleum plc
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Continuing operations			
Revenue	5	1,880	5,710
Cost of sales		(1,853)	(3,093)
Profit share payments	7	(297)	(1,046)
		<u>(270)</u>	<u>1,571</u>
Gross (loss)/profit			
Operating and development expenses	8	(459)	(241)
Administrative expenses		(2,193)	(1,260)
Impairment of intangible exploration & evaluation assets	9	(588)	(2,940)
		<u>(3,510)</u>	<u>(2,870)</u>
Operating loss			
Finance income	10	5	3
Finance costs	11	(55)	(114)
		<u>(3,560)</u>	<u>(2,981)</u>
Loss before taxation			
Taxation	15	(8)	(328)
		<u>(3,568)</u>	<u>(3,309)</u>
Loss for the year attributable to owners of the parent company			
Loss per Ordinary Share			
Basic and diluted, pence per share	16	<u>(0.33p)</u>	<u>(0.57p)</u>

The notes on pages 28 to 62 form part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 £'000	2013 £'000
Loss for the year attributable to owners of the parent company	(3,568)	(3,309)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss, net of tax		
Foreign currency translation differences on foreign operations	(639)	213
Net gain/(loss) on hedge of net investment in foreign operations	946	(139)
	<u>307</u>	<u>74</u>
Total comprehensive income for the year attributable to owners of the parent company	<u>(3,261)</u>	<u>(3,235)</u>

Rose Petroleum plc
CONSOLIDATED BALANCE SHEET

As at 31 December 2014

Company No 04573663

	Notes	2014 £'000	2013 £'000
Non-current assets			
Intangible assets	17	6,404	2,390
Property, plant and equipment	18	530	614
Deferred tax asset	28	260	-
		<u>7,194</u>	<u>3,004</u>
Current assets			
Inventories	22	37	548
Trade and other receivables	23	648	1,435
Cash and cash equivalents	24	5,413	1,179
Assets held for sale	25	506	-
		<u>6,604</u>	<u>3,162</u>
Total assets		<u>13,798</u>	<u>6,166</u>
Current liabilities			
Trade and other payables	26	(1,530)	(785)
Taxation payable		(36)	(3)
Provisions	29	-	(17)
		<u>(1,566)</u>	<u>(805)</u>
Non-current liabilities			
Convertible loan notes	27	-	(852)
Deferred tax liabilities	28	-	(32)
Provisions	29	(34)	(31)
		<u>(34)</u>	<u>(915)</u>
Total liabilities		<u>(1,600)</u>	<u>(1,720)</u>
Net assets		<u>12,198</u>	<u>4,446</u>
Equity			
Share capital	30	20,331	19,613
Share premium account		16,803	6,839
Share option reserve		946	487
Other reserves	31	-	270
Cumulative translation reserves		457	150
Retained deficit		(26,339)	(22,913)
Equity attributable to owners of the parent company		<u>12,198</u>	<u>4,446</u>

The financial statements on pages 20 to 62 were approved by the Directors and authorised for issue on 3 June 2015 and are signed on its behalf by:

Rt Hon Earl of Kilmorey PC, Chairman

MC Idiens, Chief Executive Officer

Rose Petroleum plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Other Reserves (note 31) £'000	Cumulative translation reserves £'000	Retained deficit £'000	Total £'000
As at 1 January 2013	19,263	5,838	457	270	76	(19,629)	6,275
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	350	1,049	-	-	-	-	1,399
Expenses of issue of equity shares	-	(48)	-	-	-	-	(48)
Share-based payments	-	-	55	-	-	-	55
Transfer to retained earnings in respect of forfeit options	-	-	(25)	-	-	25	-
Total transactions with owners in their capacity as owner	350	1,001	30	-	-	25	1,406
Loss for the year	-	-	-	-	-	(3,309)	(3,309)
<i>Other comprehensive income:</i>							
Currency translation differences	-	-	-	-	213	-	213
Net loss on hedge of net investment in foreign operations	-	-	-	-	(139)	-	(139)
Total other comprehensive income for the year	-	-	-	-	74	-	74
Total comprehensive income for the year	-	-	-	-	74	(3,309)	(3,235)
As at 1 January 2014	19,613	6,839	487	270	150	(22,913)	4,446
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	638	9,487	-	-	-	-	10,125
Conversion of convertible loan notes	80	920	-	(270)	-	138	868
Expenses of issue of equity shares	-	(443)	-	-	-	-	(443)
Share-based payments	-	-	463	-	-	-	463
Transfer to retained earnings in respect of forfeit options	-	-	(4)	-	-	4	-
Total transactions with owners in their capacity as owner	718	9,964	459	(270)	-	142	11,013
Loss for the year	-	-	-	-	-	(3,568)	(3,568)
<i>Other comprehensive income:</i>							
Currency translation differences	-	-	-	-	(639)	-	(639)
Net gain on hedge of net investment in foreign operations	-	-	-	-	946	-	946
Total other comprehensive income for the year	-	-	-	-	307	-	307
Total comprehensive income for the year	-	-	-	-	307	(3,568)	(3,261)
As at 31 December 2014	20,331	16,803	946	-	457	(26,339)	12,198

Rose Petroleum plc
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2014

	2014 £'000	2013 £'000
Operating activities		
Loss before taxation	(3,560)	(2,981)
Finance income	(5)	(3)
Finance costs	55	114
Adjustments for:		
Depreciation of property, plant and equipment	133	139
Profit on disposal of property, plant and equipment	-	(75)
Release of decommissioning provision	(10)	-
Impairment of Intangible exploration and evaluation assets	588	2,940
Share-based payments	463	55
Unrealised foreign exchange	(58)	(58)
Operating (outflow)/inflow before movements in working capital	(2,394)	131
Decrease in inventories	511	156
Decrease/(increase) in trade and other receivables	565	(688)
(Decrease)/increase in trade and other payables	(371)	97
Cash used in operations	(1,689)	(304)
Income tax paid	(8)	(8)
Interest paid	(59)	(81)
Net cash used in operating activities	(1,756)	(393)
Investing activities		
Interest received	5	3
Purchase of property, plant and equipment	(80)	(110)
Purchase of intangible exploration and evaluation assets	(3,435)	(31)
Proceeds on disposal of property, plant and equipment	-	117
Decommissioning provision utilised	(1)	(7)
Acquisition of subsidiaries	(83)	(258)
Net cash used in investing activities	(3,594)	(286)
Financing activities		
Proceeds from issue of shares	10,000	1,399
Expenses of issue of shares	(423)	(48)
Net cash from financing activities	9,577	1,351
Net increase in cash and cash equivalents	4,227	672
Cash and cash equivalents at beginning of year	1,179	529
Effect of foreign exchange rate changes	7	(22)
Cash and cash equivalents at end of year	5,413	1,179

Rose Petroleum plc
COMPANY BALANCE SHEET
As at 31 December 2014

Company No 04573663

	Notes	2014 £'000	2013 £'000
Non-current assets			
Investments	19	10,629	4,470
Current assets			
Trade and other receivables	23	284	253
Cash and cash equivalents	24	4,011	579
		4,295	832
Total assets		14,924	5,302
Current liabilities			
Trade and other payables	26	(147)	(124)
Non-current liabilities			
Convertible loan notes	27	-	(852)
Total liabilities		(147)	(976)
Net assets		14,777	4,326
Equity			
Share capital	30	20,331	19,613
Share premium account		16,803	6,839
Share option reserve		946	487
Other reserves	31	-	270
Retained deficit		(23,303)	(22,883)
Total equity		14,777	4,326

The financial statements on pages 20 to 62 were approved by the Directors and authorised for issue on 3 June 2015 and are signed on its behalf by:

Rt Hon Earl of Kilmorey PC, Chairman

MC Idiens, Chief Executive Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Share capital £'000	Share premium account £'000	Share option reserve £'000	Other reserves (note 31) £'000	Retained deficit £'000	Total £'000
As at 1 January 2013	19,263	5,838	457	270	(19,111)	6,717
<i>Transactions with owners in their capacity as owners:</i>						
Issue of equity shares	350	1,049	-	-	-	1,399
Expenses of issue of equity shares	-	(48)	-	-	-	(48)
Share -based payments	-	-	55	-	-	55
Transfer to retained earnings in respect of forfeit options	-	-	(25)	-	25	-
Total transactions with owners in their capacity as owners	350	1,001	30	-	25	1,406
Loss for the year	-	-	-	-	(3,797)	(3,797)
Total comprehensive income for the year	-	-	-	-	(3,797)	(3,797)
As at 1 January 2014	19,613	6,839	487	270	(22,883)	4,326
<i>Transactions with owners in their capacity as owners:</i>						
Issue of equity shares	638	9,487	-	-	-	10,125
Conversion of convertible loan notes	80	920	-	(270)	138	868
Expenses of issue of equity shares	-	(443)	-	-	-	(443)
Share -based payments	-	-	463	-	-	463
Transfer to retained earnings in respect of forfeit options	-	-	(4)	-	4	-
Total transactions with owners in their capacity as owners	718	9,964	459	(270)	142	11,013
Loss for the year	-	-	-	-	(562)	(562)
Total comprehensive income for the year	-	-	-	-	(562)	(562)
As at 31 December 2014	20,331	16,803	946	-	(23,303)	14,777

Rose Petroleum plc
COMPANY CASH FLOW STATEMENT
For the year ended 31 December 2014

	2014 £'000	2013 £'000
Operating activities		
Loss before taxation	(562)	(3,797)
Finance income	(262)	(225)
Finance costs	55	112
Adjustments for:		
Impairment of investments in subsidiary undertakings	437	3,664
Share-based payments	126	55
Operating cash outflow before movements in working capital	(206)	(191)
Increase in trade and other receivables	(31)	(200)
Increase in trade and other payables	23	45
Cash used in operations	(214)	(346)
Interest paid	(59)	(80)
Net cash used in operating activities	(273)	(426)
Investing activities		
Interest received	4	1
Loans to subsidiary undertakings	(5,876)	(365)
Net cash used in investing activities	(5,872)	(364)
Financing activities		
Proceeds from the issue of shares	10,000	1,399
Expenses of issue of shares	(423)	(48)
Net cash from financing activities	9,577	1,351
Net increase in cash and cash equivalents	3,432	561
Cash and cash equivalents at beginning of year	579	18
Cash and cash equivalents at end of year	4,011	579

Rose Petroleum plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. GENERAL INFORMATION

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 exploration and development of O&G resources together with the evaluation and acquisition of other mineral exploration targets, principally gold, silver, uranium and copper, and the development and operation of mines in Mexico.

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 10	<i>Consolidated financial statements</i>
IFRS 11	<i>Joint arrangements</i>
IFRS 12	<i>Disclosures of interests in other entities</i>
IFRS 13	<i>Fair value measurement – short term receivables and payables</i>
IAS 27 (amended 2011)	<i>Separate financial statements</i>
IAS 28 (amended 2011)	<i>Investments in associates and joint ventures</i>
IAS 32 (amended 2013)	<i>Offsetting financial assets and financial liabilities</i>
IAS 36	<i>Recoverable amount disclosures for non-financial assets</i>

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 9	<i>Financial instruments</i>
IFRS 14	<i>Regulatory deferral accounts</i>
IFRS 15	<i>Revenue from contracts with customers</i>
Amendments to IAS 19	<i>Defined benefit plan: employee contributions</i>
Amendments to IFRS 11	<i>Accounting for acquisitions of interests in joint operations</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of acceptable methods of depreciation and amortisation</i>
Amendments to IAS 27	<i>Equity method in separate financial statements</i>
Amendments to IFRS 10 and IAS 28	<i>Sale of contribution of assets between an investor and its associates or joint venture</i>

Annual improvements to IFRSs 2010-2012 cycle
Annual improvements to IFRSs 2011-2013 cycle
Annual improvements to IFRSs 2012-2014 cycle

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.

Rose Petroleum plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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

These financial statements have been prepared on the going concern basis. The Group currently generates small amounts of cash through its mining and milling operations in Mexico which the Group intends to continue for the foreseeable future. The Group has also commenced O&G exploration and development programmes in the U.S.

The Group has no bank facilities and meets its working capital requirements from cash resources. In December 2014, the Group raised £3.5 million in order to finance the O&G exploration. At the year end, the Group had cash and cash equivalents amounting to £5.4 million.

The Directors have prepared cash flow forecasts for the Group for the period to June 2016 based on their assessment of the prospects of the Group’s operations. The cash flow forecast includes £3.0 million from a share placing that the Company undertook in May 2015 which is conditional upon shareholder approval at a forthcoming General Meeting. The placing, for 1,040,000,007 Ordinary Shares, has identified potential shareholders and will, if approved, raise net proceeds of £3.0 million. These cash flow forecasts, which include the normal mining and milling operating costs for the Group over the period, together with the necessary and specific expenditure to meet the minimum O&G operational and exploration licence expenditure, indicate that if the exploration is successful and if the Group chooses to continue into the development stage it will require the Group to raise additional funds.

Despite challenging capital markets, the Company and Group have been successful historically in raising equity finance and consider that they have reasonable grounds for believing these past successes will, if required, and based on operational progress, continue and so enable the Group to take advantage of any new exploration opportunities that arise. For these reasons, they continue to adopt the going concern basis in preparing the consolidated financial statements.

In preparing these financial statements the Directors have given consideration to the above matters and on that basis they believe that it remains appropriate to prepare the financial statements on a going concern basis.

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 when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date on which control is transferred to the Group or, up to the date that control ceases, 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.

The Group applies the acquisition method to account for business combinations. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent

Rose Petroleum plc
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Acquisition-related costs are recognised in profit or loss as incurred.

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.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are re-measured at fair value at the acquisition date and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

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

JOINT ARRANGEMENTS

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2014. The Group identifies joint arrangements as those arrangements in which two or more parties have joint control, where joint control is evidenced by the contractually agreed sharing of control of an arrangement, which exists where the decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are identified as those agreements whereby the parties have rights to the assets and obligations for liabilities relating to the arrangement. Joint operations are accounted for by recognising the operator's relevant share of assets, liabilities, revenues and expenses.

Joint ventures are identified as those agreements whereby the parties have rights to the net assets of the arrangement and are accounted for using equity accounting in accordance with IAS 28. Interest in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The Group has assessed the nature of its joint arrangements and determined them to be joint operations. 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.

There has been no impact of the adoption of IFRS 11 on the financial position, comprehensive income and the cash flows of the Group in any of the periods reported.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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

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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 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.

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.

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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 and the goods have been delivered. This is when title is determined to pass. 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.

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.

DEVELOPMENT EXPENSES

Costs incurred in respect of mining activities, prior to the commencement of production, are expensed directly to the income statement and included as development expenses.

LEASING

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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.

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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 (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Where there is no change in the proportionate percentage interest in an entity then there has been no disposal or partial disposal and accumulated exchange differences attributable to the Group are not reclassified to profit and 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

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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

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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 and a share-based compensation plan in respect of certain Directors, employees and consultants. The fair value of the service received in exchange for the grant of options and equity 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 of option grants 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.

The grant by the Company of options and share-based compensation plans over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an

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increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

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 2014 the Directors determined that there were indicators of impairment in respect of the Group's intangible O&G exploration and evaluation assets held in Germany, 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 £6.4 million (2013: £2.4 million) and an impairment of £0.6 million (2013: £2.9 million) was identified and recognised in the year to 31 December 2014.

RECOVERABILITY OF LOANS TO SUBSIDIARY UNDERTAKINGS

The Company has outstanding loans from its directly held subsidiaries which have then made a number of loans to their own subsidiaries as the primary method of financing the activity of those subsidiaries. The principal loans are shown in the Company balance sheet on the basis that the loans incur interest at a commercial rate according to the Group's inter-company loan policy, which is being rolled up until such time as the subsidiaries are 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 loans based on this risk and, whilst the Mexican subsidiary, Minerales VANE S.A. de C.V., has generated revenues and commenced repayment of its loan, the Directors consider that, in consideration of the losses currently being generated in the US and the impairment of the Group's intangible exploration and evaluation assets which was recognised at 31 December 2014, a provision of £0.4 million (2013: £3.7 million) should be recognised by the Company in the year to 31 December 2014.

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JOINT ARRANGEMENTS

Upon adoption of IFRS 11 *Joint Arrangements*, the Directors applied judgement when assessing whether its joint arrangements represent a joint operation or a joint venture. The Directors determined the type of joint arrangement in which it is involved by considering its rights and obligations arising from the arrangement, including the assessments of the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstance.

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 two customers.

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 O&G resources. These divisions are the basis on which the Group reports its segment information.

Segment information about these divisions is presented below.

	2014 £'000	2013 £'000
Income statement		
Revenue		
Gold and silver	1,880	5,710
Segmental results		
Uranium and copper	(199)	(3,275)
Gold and silver	(867)	1,222
O&G	(879)	(104)
Total segment results	(1,945)	(2,157)
Unallocated results	(1,615)	(824)
Current and deferred tax	(8)	(328)
Loss after taxation	(3,568)	(3,309)
Depreciation		
Uranium and copper	1	1
Gold and silver	132	138
	133	139
Impairment		
Uranium and copper	-	2,940
O&G	588	-
	588	2,940

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Employees

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

	2014 Number	2013 Number
Uranium and copper	2	2
Gold and silver	42	46
O&G	8	1
	<hr/>	<hr/>
Total segment employees	52	49
Unallocated employees	3	3
	<hr/>	<hr/>
Total employees	55	52
	<hr/> <hr/>	<hr/> <hr/>

	2014 £'000	2013 £'000
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Balance Sheet

Segment assets

Uranium and copper	2,294	2,560
Gold and silver	1,160	2,696
O&G	5,492	31
	<hr/>	<hr/>
Total segment assets	8,946	5,287
Assets relating to held for sale assets	506	-
Unallocated assets including cash and cash equivalents	4,086	879
Deferred tax asset	260	-
	<hr/>	<hr/>
Total assets	13,798	6,166
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

Uranium and copper	7	211
Gold and silver	220	452
O&G	1,194	37
	<hr/>	<hr/>
Total segment liabilities	1,421	700
Unallocated liabilities	143	985
Current and deferred tax	36	35
	<hr/>	<hr/>
Total liabilities	1,600	1,720
	<hr/> <hr/>	<hr/> <hr/>

	2014 £'000	2013 £'000
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Capital additions

Uranium and copper	112	31
Gold and silver	13	110
O&G	5,063	-
	<hr/>	<hr/>
	5,188	141
	<hr/> <hr/>	<hr/> <hr/>

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	2014 £'000	2013 £'000
Net assets		
Uranium and copper	2,618	2,349
Gold and silver	833	2,209
O&G	4,298	(6)
	<u>7,749</u>	<u>4,552</u>
Total segment net assets	7,749	4,552
Assets relating to held for sale assets	506	-
Unallocated net assets/(liabilities) including cash and cash equivalents	3,943	(106)
	<u>12,198</u>	<u>4,446</u>
Total net assets	<u><u>12,198</u></u>	<u><u>4,446</u></u>

7. PROFIT SHARE PAYMENTS

	2014 £'000	2013 £'000
Met-Sin	297	1,046
	<u>297</u>	<u>1,046</u>

The Group enters into profit sharing arrangements whereby it undertakes mining activities on behalf of a third party licence holder. The Group recognises in full, all mining costs and associated revenues along with the agreed profit share payment to the third party as determined under the agreement. Profit share agreements are not deemed joint arrangements under IFRS 11.

MET-SIN

The Group is party to a profit share agreement, through its wholly owned subsidiary Minerales Vane S.A. de C.A. ("MV"), in respect of gold and silver mining activities in Mexico. The original agreement commenced in 2010 and under the terms of the agreement MV have the right to operate mining activities at concessions owned by their partners, Met-Sin. MV provides the capital necessary to explore and develop the mining projects and, once a property becomes operational the gross margin earned is allocated in accordance with the agreement. The profit share allocation was on an equal basis until February 2014, when it was amended to be 65 per cent to MV and 35 per cent to Met-Sin.

The amounts paid in respect of profit share payments during the years reported relate to the Met-Sin profit share agreement.

MINERA PAFEX

On 29 August 2014, MV entered into a profit share agreement with Minera Pafex S.A. de C.V. ("Pafex") in respect of gold and silver mining activities in Mexico. Under the terms of the agreement MV have the right to operate mining activities at the Charay and San Luis concessions owned by Pafex. MV provided the capital necessary to explore and develop the projects and, once a property becomes operational the gross margin earned is allocated on the basis of 60 per cent to MV and 40 per cent to Pafex.

There have been no profit share payments in respect of the Minera Pafex agreement in either of the years reported.

TANGO PROJECT

On 25 August 2014, MV entered into a profit share and option agreement with Minera Camargo S.A de C.V. ("Camargo"), in respect of both gold and silver, and base metal exploration. Under the terms of the profit share agreement MV has the right to operate gold and silver mining activities at concessions owned by Camargo with gross margin earned to be allocated on the basis of 50 per cent to MV and 50 per cent to Camargo. In addition, MV holds an option to earn a 75 per cent ownership of the base metals (porphyries) by investing US\$5 million in work expenditures over a period of 5 years.

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There have been no profit share payments in respect of the Tango agreement in either of the years reported.

During the year ended 31 December 2014, the Group has capitalised the sum of £0.2 million as intangible exploration and evaluation assets in respect of the Tango project, option earn-in agreement. Of this amount £0.1 million is recoverable against future revenues.

8. OPERATING AND DEVELOPMENT EXPENSES

	2014 £'000	2013 £'000
Operating expenses	264	241
Development expenses	195	-
	<u>459</u>	<u>241</u>

Development expenses represent expenditure incurred by the Group in respect of mining activities prior to the commencement of production. The expenditure recognised in the current year relates to the Met-Sin and Tango profit share agreements.

9. IMPAIRMENT OF INTANGIBLE EXPLORATION AND EVALUATION ASSETS

	2014 £'000	2013 £'000
Uranium assets	-	2,940
O&G assets	588	-
	<u>588</u>	<u>2,940</u>

During 2014, the political situation for exploring unconventional hydrocarbons in Germany became increasingly unclear and the Directors considered that this was likely to remain the case for the foreseeable future. In addition, it was considered that with only 15 months remaining on the Group's licences in south-western Germany, acquired on the acquisition of Parkyn Energy Holdings plc, there would be insufficient time to complete the required work programme. The Directors therefore considered it was appropriate to make a provision for impairment in respect of these assets at the year end.

The remaining intangible exploration and evaluation assets have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. These assets are not amortised until technical feasibility and commercial viability is established.

10. FINANCE INCOME

	2014 £'000	2013 £'000
Interest on bank deposits	<u>5</u>	<u>3</u>

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11. FINANCE COSTS

	2014 £'000	2013 £'000
Interest on convertible loan notes	53	113
Interest on shareholder loans	2	-
Other interest charges	-	1
	<u>55</u>	<u>114</u>

12. LOSS BEFORE TAXATION

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

	2014 £'000	2013 £'000
Depreciation of property, plant and equipment	133	139
Profit on disposal of property, plant and equipment	-	(75)
Staff costs excluding share-based payments	1,153	934
Share-based payments	463	55
Operating leases - land and buildings	55	62
Release of decommissioning provision	(10)	-
Non-recoverable VAT	-	28
Net foreign exchange (gains)/losses	(363)	77
	<u>(363)</u>	<u>77</u>

13. AUDITOR'S REMUNERATION

Amounts payable to the external auditors and their associates in respect of both audit and non-audit services:

	2014 £'000	2013 £'000
Audit of these financial statements	15	26
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	35	5
Taxation compliance services	-	6
All other services	-	-
	<u>50</u>	<u>37</u>

14. STAFF COSTS

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

	2014 Number	2013 Number
Office and management	7	8
Operations	48	44
	<u>55</u>	<u>52</u>

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Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	1,323	793
Social security costs	164	103
Other pension costs	66	25
Share-based payments	432	39
Compromise agreement	-	21
	<u>1,985</u>	<u>981</u>

Included within wages and salaries is the sum of £389,470 (2013: £8,316) capitalised to intangible exploration and evaluation assets.

15. TAXATION

	2014 £'000	2013 £'000
Current tax:		
Current year	40	241
	<u>40</u>	<u>241</u>
Total current tax	40	241
	<u>40</u>	<u>241</u>
Deferred tax:		
Origination and reversal of temporary differences	(32)	87
	<u>(32)</u>	<u>87</u>
Total deferred tax	(32)	87
	<u>(32)</u>	<u>87</u>
Tax charge on loss for the year	<u>8</u>	<u>328</u>

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

Loss before tax	3,560	2,981
	<u>3,560</u>	<u>2,981</u>
Loss multiplied by rate of corporation tax for UK companies of 21.5% (2013: 23%)	(765)	(686)
Effects of:		
Expenses not deductible for tax purposes	140	40
Foreign tax withheld	32	-
Temporary differences	175	(92)
Share-based payments	100	13
Unrelieved tax losses carried forward	331	956
Difference in foreign tax rates	(5)	97
	<u>140</u>	<u>13</u>
Tax charge on loss for the year	<u>8</u>	<u>328</u>

Unrelieved tax losses carried forward, as detailed in note 28, 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.

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

	2014 £'000	2013 £'000
Foreign tax on hedge of net investment in foreign operations	260	95

16. 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:

	2014 £'000	2013 £'000
Losses		
Losses for the purpose of basic loss per Ordinary Share being net loss attributable to owners of the parent company	(3,568)	(3,309)
	Number '000	Number '000
Number of shares		
Weighted average number of shares for the purpose of basic loss per Ordinary Share	1,074,448	575,158
Loss per Ordinary Share		
Basic and diluted, pence per share	(0.33p)	(0.57p)

Due to the losses incurred in the years reported, there is no dilutive effect from the existing share options, share based compensation plan or convertible loan notes.

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17. INTANGIBLE ASSETS

	Exploration and evaluation assets £'000
Cost	
At 1 January 2013	5,255
Additions	31
Exchange differences	(107)
	<hr/>
At 1 January 2014	5,179
Additions	4,624
Acquired on acquisition of a subsidiary	349
Reclassified as held for sale	(506)
Exchange differences	290
	<hr/>
At 31 December 2014	<u>9,936</u>
Impairment	
At 1 January 2013	-
Impairment charge	2,940
Exchange differences	(151)
	<hr/>
At 1 January 2014	2,789
Impairment charge	588
Exchange differences	155
	<hr/>
At 31 December 2014	<u>3,532</u>
Carrying amount	
At 31 December 2014	<u>6,404</u>
	<hr/>
At 31 December 2013	<u>2,390</u>

ROCKIES STANDARD FARM-IN AGREEMENT

In March 2014, the Group signed a farm-in agreement under which its newly incorporated subsidiary, Rose Petroleum (Utah) LLC ("Rose Utah") acquired the right to acquire 75 per cent 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 ("Rockies Standard"), which retains the remaining 25 per cent working interest. Rose Utah is the designated operator and its 75 per cent working interest in the leases equates to approximately 146,250 acres net, together with a 75 per cent interest in one shut-in well.

The consideration for the farm-in agreement comprises:

- cash payments totalling US\$2 million to be made between February 2014 and November 2015; and
- commitment from Rose to drill three Mancos wells and one Cane Creek well with a total project carry obligation of US\$9.5 million and US\$7.5 million respectively.

The initial farm-in costs incurred by the Group are capitalised as intangible exploration and evaluation assets in accordance with IFRS 6.

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 per cent to Rose Utah and 25 per cent to Rockies Standard. Rose Utah will account for its share of the assets,

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liabilities, income and expense as required by relevant accounting standards.

On 3 September 2014, a further agreement was signed which gave Rockies Standard the right to request settlement of each of the outstanding periodic payments at that date, to be satisfied in part, by the issue of a variable number of Ordinary Shares in the Company, to a maximum of US\$0.7 million. In respect of the periodic payment due on 16 September 2014, 4,178,152 Ordinary Shares were issued in settlement of US\$0.2 million, the remainder having been settled in cash. At 31 December 2014 there was an outstanding liability of US\$1 million (£0.6 million) and any further issues of Ordinary Shares were to be at an agreed price of 3.175p per Ordinary Share. See notes 26 and 30.

The Group's total expenditure in respect of its U.S. O&G assets, included within intangible exploration and evaluation assets, as at 31 December 2014 is £4.2 million (US\$6.5 million).

18. PROPERTY, PLANT AND EQUIPMENT

	Diablito mine £'000	Ore processing mill £'000	Plant and machinery £'000	Total £'000
Cost				
At 1 January 2013	4,406	560	521	5,487
Additions	-	-	110	110
Disposals	-	-	(69)	(69)
Exchange differences	(21)	(14)	(13)	(48)
	<u>4,385</u>	<u>546</u>	<u>549</u>	<u>5,480</u>
At 1 January 2014	4,385	546	549	5,480
Additions	-	-	80	80
Exchange differences	(38)	(33)	(30)	(101)
	<u>4,347</u>	<u>513</u>	<u>599</u>	<u>5,459</u>
At 31 December 2014	<u>4,347</u>	<u>513</u>	<u>599</u>	<u>5,459</u>
Accumulated depreciation				
At 1 January 2013	4,406	263	129	4,798
Charge for the year	-	63	76	139
Disposals	-	-	(30)	(30)
Exchange differences	(21)	(11)	(9)	(41)
	<u>4,385</u>	<u>315</u>	<u>166</u>	<u>4,866</u>
At 1 January 2014	4,385	315	166	4,866
Charge for the year	-	57	76	133
Exchange differences	(38)	(22)	(10)	(70)
	<u>4,347</u>	<u>350</u>	<u>232</u>	<u>4,929</u>
At 31 December 2014	<u>4,347</u>	<u>350</u>	<u>232</u>	<u>4,929</u>
Carrying amount				
At 31 December 2014	-	163	367	530
	<u>-</u>	<u>163</u>	<u>367</u>	<u>530</u>
At 31 December 2013	-	231	383	614
	<u>-</u>	<u>231</u>	<u>383</u>	<u>614</u>

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

	2014 £'000	2013 £'000
Cost of sales	97	124
Operating and development expenses	33	11
Administrative expenses	3	4
	<u>133</u>	<u>139</u>

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19. INVESTMENTS

	Shares in subsidiary undertakings £'000	Company Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2013	3,889	14,879	18,768
Additions	-	588	588
At 1 January 2014	3,889	15,467	19,356
Additions	-	6,259	6,259
Capital contribution	-	337	337
At 31 December 2014	<u>3,889</u>	<u>22,063</u>	<u>25,952</u>
Impairment			
At 1 January 2013	-	11,222	11,222
Impairment charge	-	3,664	3,664
At 1 January 2014	-	14,886	14,886
Impairment charge	-	437	437
At 31 December 2014	<u>-</u>	<u>15,323</u>	<u>15,323</u>
Carrying amount			
At 31 December 2014	<u>3,889</u>	<u>6,740</u>	<u>10,629</u>
At 31 December 2013	<u>3,889</u>	<u>581</u>	<u>4,470</u>

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 £0.4 million (2013: £3.7 million) should be recognised in the period.

On 20 January 2014, the Company, through its wholly owned subsidiary Rose Petroleum (UK) Limited, completed the purchase of the entire issued share capital of Parkyn Energy (Holdings) plc, which was the parent company of Parkyn Energy (Germany) Limited. See note 21.

Rose Petroleum (US) LLC and Rose Petroleum (UTAH) LLC were companies formed during the year, and are held through the Company's wholly owned subsidiary Rose Petroleum (UK) Limited.

The Company had investments in the following subsidiary undertakings as at 31 December 2014 which principally affected the losses and net assets of the Group:

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	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 S.A. de C.V.	Mexico	100%	100%	Mining
Minerales VANE Operaciones S.A. de C.V.	Mexico	100%	100%	Mining
Parkyn Energy Germany GmbH	Germany	100%	100%	Service company
Naab Energie GmbH	Germany	100%	100%	Exploration
Parkyn Energy (Holdings) plc	Isle of Man	100%	100%	Holding company
Parkyn Energy (Germany) Ltd	Republic of Ireland	100%	100%	Exploration
Rose Petroleum (US) LLC	U.S.A.	100%	100%	Holding company
Rose Petroleum (Utah) LLC	U.S.A.	100%	100%	Exploration

20. JOINT OPERATIONS

ARIZONA PROJECT

On 1 September 2008 the Group entered into a Mining Venture Agreement with Uranium One Americas Inc. ("U1"). The terms of this agreement created a Joint Venture Agreement ("JVA") between VANE Minerals (US) LLC ("VANE") and U1, with each partner holding a 50 per cent interest. The Mining Venture Agreement was amended on 15 July 2013 to extend the terms of the agreement to 31 December 2017.

The JVA established an agreed sharing of control with decisions about the relevant activities requiring the unanimous consent of VANE and U1. The parties have rights to the assets and obligations for liabilities relating to the arrangement and the JVA has, therefore, been accounted for as a joint operation recognising the Group's relevant share of assets, liabilities, revenues and expenses as appropriate.

The U1 JVA combined interests in over 60 breccia pipe targets, including 10 known mineralised pipes, in northern Arizona. The JVA also secured access to U1's Ticaboo Mill in Utah for ore developed on JV properties.

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

	2014 £'000	2013 £'000
Non-current assets	1,201	1,411
Current assets	37	30
Expenses	(2)	(17)

WATE MINING COMPANY LLC

On 23 February 2011 the Group entered into a further 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 agreement holds equal economic interest in the Company. The principle operating address of Wate Mining Company LLC is 7400 North Oracle Road, Tucson, Arizona, U.S.A.

At 1 January 2014, the Board had resolved to dispose of the Group's interest in Wate Mining Company LLC and these operations, which are expected to be sold within 12 months, have been classified as non-current assets held for sale and presented separately in the balance sheet. See note 25.

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21. ACQUISITION OF SUBSIDIARY

On 20 January 2014, the Group acquired 100 per cent of the issued share capital of Parkyn Energy (Holdings) plc, obtaining control of Parkyn Energy (Holdings) plc and its 100 per cent owned subsidiary Parkyn Energy (Germany) Limited. Parkyn Energy (Germany) Limited is an exploration company which was acquired because it was the sole owner of two hydrocarbon licences in south-western Germany, covering over 635,000 acres.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£'000
Intangible exploration and evaluation assets	349
Financial liabilities	(8)
	<hr/>
Total identifiable assets and consideration	341
	<hr/> <hr/>
Satisfied by:	
Cash	341
	<hr/> <hr/>

Of the total consideration, £0.3 million was paid during the year ended 31 December 2013 (see note 23) and the remainder was paid in January 2014.

Parkyn Energy (Holdings) plc and Parkyn Energy (Germany) Limited contributed £0.6 million to the Group's loss for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on the first day of the financial year, the Group loss would have been £3.6 million.

22. INVENTORIES

	Group	
	2014 £'000	2013 £'000
Work in progress	37	548
	<hr/>	<hr/>

23. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade receivables	2	409	-	-
Amounts owed by Group companies	-	-	219	221
Amounts owed by joint arrangement partners	23	19	-	-
VAT recoverable	227	278	17	11
Tax recoverable	235	175	-	-
Other receivables	73	251	10	2
Prepayments	88	303	38	19
	<hr/>	<hr/>	<hr/>	<hr/>
	648	1,435	284	253
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Trade receivables principally comprise amounts receivable from the sales of minerals. The average credit period for trade receivables is 15 days (2013: 22 days). No interest is charged on trade receivables.

Other receivables includes an amount of £nil (2013: £0.2 million) due under the Met-Sin profit share agreement.

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Prepayments include an amount of £nil (2013: £0.3 million) due in respect of the business combination which completed in January 2014. See note 21.

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 held by the Group and the Company as at 31 December 2014 were £5.4 million and £4.0 million respectively (2013: £1.2 million, £0.6 million). The Directors consider that the carrying amount of these assets approximate to their fair value

Included in cash and cash equivalents at 31 December 2014 is the sum of £1.0 million (2013: £nil) which is held in a money market account in a subsidiary entity. This has been deposited against a line of credit for an equivalent value. There were no letters of credit in issue at 31 December 2014 which would restrict the use of funds and the line of credit can be reduced by the Group at any time without an undue period of notice and there is no risk of change in value. The Board, therefore, believes that it is appropriate to include the sum in cash and cash equivalents.

25. ASSETS HELD FOR SALE

At 1 January 2014, the Board had resolved to dispose of the Group's interest in Wate Mining Company LLC and negotiations with interested parties have taken place during the year. These operations, which are expected to be sold within 12 months, have been classified as non-current assets held for sale and presented separately in the balance sheet. The proceeds of disposal are expected to substantially exceed the book value of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2014 £'000
Intangible exploration and evaluation assets	506

Wate Mining Company LLC did not contribute to the Group's net operating cash flows during the year ended 31 December 2014.

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Trade payables	397	272	52	38
Taxes and social security	50	25	24	5
Other payables	652	165	-	-
Accruals	431	323	71	81
	<u>1,530</u>	<u>785</u>	<u>147</u>	<u>124</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 37 days (2012: 38 days). The Group has financial risk management policies to ensure that all payables are paid within the credit timeframe.

Other payables include the sum of £0.6 million (2013: £nil) in respect of outstanding periodic payments due under the O&G farm-in agreement. There is an option for up to £0.3 million of the liability to be settled by the issue of a variable number of Ordinary Shares in the Company, at the request of the creditor. See note 17.

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.

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27. CONVERTIBLE LOAN NOTES

The Company had in issue, convertible loan notes totalling £1 million which were convertible into Ordinary Shares of the Company at any time up to the maturity date of 31 May 2017. The exercise price was 1.25p per share and the holders of the loan notes were entitled to convert the notes at any time up to the 31 May 2017.

In addition, if 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 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, using the Black-Scholes model. The equity component was credited to equity reserve.

The significant inputs into the model for the valuation were as follows:

	Loan notes
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 equity component of £0.3 million was credited to equity reserve.

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 represents the effective interest rate less interest paid to that date.

In June 2014, the holders of the convertible loan notes gave notice of their intention to convert the outstanding loan notes, and on 14 June 2014, the Company issued 80 million Ordinary Shares of 0.1p each at a price of 1.25p. The amount previously recognised in equity has been transferred directly between reserves. See note 31.

	Group and Company	
	2014	2013
	£'000	£'000
Liability component at 1 January	852	819
Repayment	-	-
Equity component	-	-
Interest charged	53	113
Interest paid	(37)	(80)
Conversion	(868)	-
Liability component at 31 December	<u>-</u>	<u>852</u>

The interest expensed for the year is calculated by applying an effective interest rate to the liability component and the effective interest rate on the loans in issue was 13.73%.

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28. DEFERRED TAX

The movement in the deferred tax balance was as follows:

	Deferred tax asset		Deferred tax liabilities	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
At 1 January	-	-	32	40
Release to income for the year	-	-	(32)	87
Charge to statement of changes in equity	260	-	-	(95)
	<u>260</u>	<u>-</u>	<u>-</u>	<u>(95)</u>
At 31 December	<u>260</u>	<u>-</u>	<u>-</u>	<u>32</u>

The analysis of the deferred tax balance is as follows:

Mexico business combination	-	-	-	32
Foreign exchange temporary differences	260	-	-	-
	<u>260</u>	<u>-</u>	<u>-</u>	<u>32</u>

There are unrecognised deferred tax assets in relation to:

	2014 £'000	2013 £'000
UK tax losses	3,456	2,775
U.S. tax losses	8,941	8,437
German tax losses	28	10
Mexican tax losses	756	-
Republic of Ireland tax losses	17	-
	<u>13,198</u>	<u>11,222</u>

The unrecognised deferred tax asset in relation to tax losses in the Company at 31 December 2014 was £0.3 million (2013: £0.3 million).

29. PROVISIONS

	Group Decommissioning	
	2014 £'000	2013 £'000
At 1 January	48	56
Utilised in the year	(1)	(7)
Release of decommissioning provision	(10)	-
Exchange differences	(3)	(1)
	<u>34</u>	<u>48</u>
At 31 December	<u>34</u>	<u>48</u>

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	Group Decommissioning	
	2014 £'000	2013 £'000
Current provision	-	17
Non-current provision	34	31
At 31 December	<u>34</u>	<u>48</u>

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.

Restoration of the operating mines had been completed at 31 December 2014 and the Directors' assumptions are that restoration of the Mill will not take place for at least a further twelve months.

30. SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number '000	£'000	Number '000	£'000
Authorised				
Ordinary Shares of 0.1p each	7,779,297	7,779	7,779,297	7,779
Deferred Shares of 9.9p each	190,108	18,821	190,108	18,821
	<u>7,969,405</u>	<u>26,600</u>	<u>7,969,405</u>	<u>26,600</u>
Allotted, issued and fully paid				
Ordinary Shares of 0.1p each	1,510,185	1,510	792,674	792
Deferred Shares of 9.9p each	190,108	18,821	190,108	18,821
	<u>1,700,293</u>	<u>20,331</u>	<u>982,782</u>	<u>19,613</u>

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 14 June 2014, the Company issued 80,000,000 Ordinary Shares of 0.1p each in respect of the conversion of its outstanding convertible loan notes. See note 27.

On 27 June 2014, the Company issued 433,333,323 Ordinary Shares of 0.1p each at a price of 1.5p per share, raising gross proceeds of £6.5m.

On 21 October 2014, the Company issued 4,178,152 Ordinary Shares of 0.1p each at a price of 2.975p per share in satisfaction of US\$200,000 (£124,300), due in respect of the Utah farm-in agreement. See note 17.

On 5 December 2014, the company issued 199,999,987 Ordinary Shares of 0.1p each at a price of 1.75p per share, raising gross proceeds of £3.5m.

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	Ordinary Shares Number '000
At 1 January 2013	442,924
Allotment of shares	349,750
	<hr/>
At 1 January 2014	792,674
Allotment of shares	717,511
	<hr/>
At 31 December 2014	<u>1,510,185</u>

31. OTHER RESERVES

	Group and Company	
	2014	2013
	£'000	£'000
At 1 January	270	270
Reclassification of equity component of convertible loan notes	(270)	-
	<hr/>	<hr/>
At 31 December	<u>-</u>	<u>270</u>

This reserve represents the equity component of the issued convertible loan notes (see note 27).

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

32. 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 11.6 million share options:

- 2.1 million share options which vested on 1 September 2012; and
- 9.5 million share options of which 3.2 million 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 70.4 million share options which vest in three equal tranches on 3 September 2014, 2015 and 2016. Of these, 23.3 million were granted with an exercise price of 1.125p and 47.1 million with an exercise price of 0.475p.

On 15 January 2014, the Company issued 23.7 million share options with an exercise price of 0.4p, which vest in three equal tranches on 15 January 2015, 2016 and 2017.

On 25 August 2014, the Company issued 6.5 million share options with an exercise price of 3.28p, which vest in three equal tranches on 25 August 2015, 2016 and 2017.

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On 1 September 2014, the Company issued 10 million share options with an exercise price of 3.375p, which vest in three equal tranches on 1 September 2015, 2016 and 2017.

On 10 September 2014, the Company issued 1.5 million share options with an exercise price of 3.425p, which vest in three equal tranches on 10 September 2015, 2016 and 2017.

On 15 September 2014, the Company issued 7.5 million share options with an exercise price of 3.125p, which vest in three equal tranches on 15 September 2015, 2016 and 2017.

On 10 October 2014, the Company issued 43.5 million share options with an exercise price of 3.425p, which vest in three equal tranches on 10 October 2015, 2016 and 2017.

On 1 November 2014, the Company issued 1.5 million share options with an exercise price of 2.925p, which vest in three equal tranches on 1 November 2015, 2016 and 2017.

At 31 December 2014, 183.2 million 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 31 October 2024 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:

	2014		2013	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Outstanding at 1 January	89,600	0.783	26,100	1.125p
Granted	94,200	2.617	70,400	0.69p
Forfeited/lapsed	(600)	1.125p	(6,900)	1.125p
Outstanding at 31 December	183,200	1.725	89,600	0.783
Exercisable at 31 December	42,067	0.882	18,333	1.125p

The options outstanding at 31 December 2014 had an estimated weighted average remaining contractual life of 1.4 years (2013: 1.7 years), with an exercise price ranging between 0.4p and 3.425p.

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 94.2 million share options
Exercise price	0.4p-3.425p
Expected volatility (%)	79 – 95
Expected life (years)	5.5 - 6.5
Risk free rates (%)	1.68 – 2.36
Expected dividends	-
Performance condition	None
Weighted average share price	2.617p

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 £1.9 million (2013: £0.2 million).

SHARE- BASED COMPENSATION

Under the terms of a contract of employment the Company agreed to issue Ordinary Shares in the Company to a Director in return for services provided. The fair value of the services provided can be measured directly, and

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accordingly, an expense of £0.03 million (2013: £nil) has been recognised in the year ended 31 December 2014.

In the year ended 31 December 2014 the Company recognised a total expense of £0.5 million (2013: £0.06 million) related to equity-settled share-based payment transactions, £0.47 million (2013: £0.06 million) in respect of the Share Option Plan and £0.03 million (2013: £nil) in respect of share-based compensation.

33. COMMITMENTS UNDER OPERATING LEASES

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

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Land and buildings				
Amounts due within one year	128	40	40	-
Amounts due in 2-5 years	298	13	150	-
Amounts due over 5 years	5	-	-	-
	<u>431</u>	<u>53</u>	<u>190</u>	<u>-</u>

34. 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 2013.

The capital structure of the Group consists of net debt (borrowings, as detailed in note 27, 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

	2014	2013
	£'000	£'000
Financial assets measured at amortised cost		
Cash and cash equivalents	5,413	1,179
Trade receivables	2	409
Amounts owed by joint arrangement partners	23	19
Other receivables	73	251
	<u>5,511</u>	<u>1,858</u>

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	2014 £'000	2013 £'000
Financial liabilities measured at amortised cost		
Trade payables	397	272
Other payables	652	165
Convertible loan notes	-	852
	<u>1,049</u>	<u>1,289</u>

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 exposure 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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
US dollars	18	62	2,403	1,031
Euro	-	-	4	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Foreign currency sensitivity analysis

The functional currencies of the Group companies are Pound Sterling (GBP), US dollars (USD), Euro (EUR) 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, EUR 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.

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The table below details the Group's sensitivity to a ten per cent decrease 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.

	2014 £'000	2013 £'000
Income statement	269	109

The Group's sensitivity to movements in exchange rates has increased at 31 December 2014 because the Group is holding more of its cash and cash equivalents in USD.

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. At 31 December 2014 the Group has no 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 74% gold and 26% silver, and price variances are calculated from the historical values experienced during the appropriate year.

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The variances have been calculated as follows:

Commodity	Year USD	High USD	Low USD	Average USD	High variance USD	Low variance USD
Gold	2014	1,385	1,142	1,267	9%	10%
	2013	1,694	1,195	1,411	20%	15%
Silver	2014	22.05	15.28	19.08	16%	20%
	2013	32.23	19.05	23.79	35%	20%

Commodity	2014		2013	
	Variance %	Impact on revenue and pre-tax loss/equity £'000	Variance %	Impact on revenue and pre-tax loss/equity £'000
Gold	+9	130	+20	949
	-10	(137)	-15	(725)
Silver	+16	76	+35	344
	-20	(97)	-20	(196)

35. RELATED PARTY TRANSACTIONS

AMOUNTS DUE FROM SUBSIDIARIES

Balances and transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

	2014		2013	
	Transactions in the year £'000	Amounts owing £'000	Transactions in the year £'000	Amounts owing £'000
Loans	5,145	19,150	78	13,271
Management charges	856	219	286	221
Capital contribution	337	-	-	-
Interest (1.5%)	258	2,233	224	1,975

A provision of £0.4 million (2013: £3.7 million) has been made in respect of the amounts owed by the subsidiary company. The total provision at 31 December 2014 is £15.3 million (2013: £14.9 million).

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OTHER RELATED PARTIES

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

	2014		2013	
	£'000	Amounts owing/(receivable) £'000	£'000	Amounts owing/(receivable) £'000
Seamwell International Limited	-	-	8	-
Seamwell International Limited	-	-	(24)	-
	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>

The parties are related because a Director of the related party is also a Director of the Company.

DIRECTORS AND SHAREHOLDER TRANSACTIONS

During the year ended 31 December 2014, the Company received loans from shareholders of the Company totalling £0.2 million. The loan was unsecured and carried interest of 5 per cent per annum. The loans were repaid in full during the year and interest of £1,808 was paid during the year. See note 11.

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*.

	2014		2013	
	Purchase of services £'000	Amounts owing £'000	Purchase of services £'000	Amounts owing £'000
Short-term employee benefits	585	-	310	28
Consultancy payments	145	6	130	100
Post-employment benefits	53	2	23	-
Share-based payments	248	-	36	-
	<u>1,031</u>	<u>8</u>	<u>499</u>	<u>128</u>

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

All transactions with related parties have been conducted on an arm's length basis.

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DIRECTORS' EMOLUMENTS

Remuneration paid to Directors during the year was as follows:

	2014					Total £'000
	Emoluments entitlement £'000	Emoluments ¹ taken £'000	Bonus £'000	Consultancy £'000	Pension £'000	
Executive Directors						
SD Van Nort	-	-	-	3	-	3
LC Arnold	-	-	-	3	-	3
MC Idiens	200	167	120	-	45	332
KK Hefton	105	110	-	-	6	116
KB Scott	30	7	-	69	-	76
JM Blair	152	57	-	70	2	129
Non-executive Directors						
Rt Hon Earl of Kilmorey PC	45	38	-	-	-	38
PE Jeffcock	35	27	-	-	-	27
	<u>415</u>	<u>406</u>	<u>120</u>	<u>145</u>	<u>53</u>	<u>724</u>

¹Emoluments include benefits-in-kind which are not included in emoluments entitlement

	2013					Total £'000
	Emoluments entitlement £'000	Emoluments ¹ taken £'000	Compromise Agreement £'000	Consultancy £'000	Pension £'000	
Executive Directors						
SD Van Nort	24	-	-	41	-	41
LC Arnold	24	-	-	42	-	42
MC Idiens ²	125	65	-	-	6	71
KK Hefton	100	121	-	-	-	121
DJ Newton	110	37	21	-	17	75
KB Scott	8	2	-	23	-	25
Non-executive Directors						
Rt Hon Earl of Kilmorey PC	25	23	-	-	-	23
MC Idiens ²	20	12	-	24	-	36
PE Jeffcock	20	7	-	-	-	7
	<u>456</u>	<u>267</u>	<u>21</u>	<u>130</u>	<u>23</u>	<u>441</u>

¹Emoluments include benefits-in-kind which are not included in emoluments entitlement

²MC Idiens became an executive Director with effect from 1 July 2013

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.

Certain Directors operate in the capacity of consultant as described above.

Directors share options are detailed in the Directors Report.

Rose Petroleum plc
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Directors' pensions

	2014 No	2013 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	1	1

36. POST BALANCE SHEET EVENTS

WATE MINING COMPANY LLC

On 17 February 2015 (the "closing"), the Company completed the sale of its 50 per cent interest in Wate Mining Company LLC to EFR Arizona Strip LLC ("EFR"). As consideration for the 50 per cent interest EFR agreed to pay a total of US\$1.75 million consisting of an immediate cash payment of £0.25 million, a US\$0.5 million non-interest bearing promissory note, payable in two equal instalments of US\$0.25 million on each of the first and second anniversaries of the closing, a further US\$0.5 million conditional cash, and a 2 per cent production royalty on EFR's stake in the project. The royalty can be purchased by EFR upon payment to the Company of an additional sum of US\$0.75 million, less any royalties previously paid.

PROPOSED EQUITY FUNDRAISE

On 20 May 2015, the Company announced that it proposes to raise £3.1 million (before expenses) by way of a conditional placing and a subscription of, in aggregate, 1,040,000,007 new Ordinary Shares of 0.1 pence each at a price of 0.3 pence per share (the "Placing"). The net proceeds of the Placing will be used to provide funds to develop the Group's assets in eastern Utah and to meet general Group overheads. The Placing is subject, amongst other things, to approval by shareholders at a General Meeting to be held on 16 June 2015.

Rose Petroleum plc

NOTICE OF AGM

Notice is hereby given that the Annual General Meeting of Rose Petroleum plc (“the Company”) will be held at the offices of Allenby Capital Limited, 3 St Helen’s Place, London EC3A 6AB on 30 June 2015 at 10.00 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 2014.
2. To appoint Christopher Eadie, who was appointed by the Board since the last Annual General Meeting, as a Director of the Company.
3. To re-elect Matthew Idiens, who retires by rotation, as a Director of the Company.
4. To re-elect Kelly Scott, who retires by rotation, as a Director of the Company.
5. To re-appoint KPMG 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.
6. 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 7 will be proposed as an ordinary resolution and resolution number 8 will be proposed as a special resolution:

7. THAT the Directors of the Company (“the Directors”) be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the 2006 Act, to issue and allot Ordinary Shares of 0.1 pence each in the share capital of the Company (“Ordinary Shares”) or grant rights to subscribe for or to convert any security into shares in the Company (together “Rights”) up to a maximum nominal amount of £841,561.09 to such persons at such times and on such terms as they think proper, provided that this authority shall 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 prior to or on that date), save that the Company may make an offer or agreement before the expiry of this authority which would or might require Ordinary Shares to be allotted or Rights to be granted after such expiry and the Directors may allot Ordinary Shares or grant Rights pursuant to any such offer or agreement as if the authority conferred by this resolution 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.
8. THAT, subject to and conditional upon the passing of resolution 7 above, in accordance with Section 570 of the Act, the Directors be and are hereby generally empowered to allot for cash or otherwise equity securities (as defined in Section 560 of the Act) of the Company pursuant to the authority conferred by resolution 7 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 to:
 - a. the allotment of equity securities in connection with any other offer (whether by way of a rights issue, open offer or otherwise) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of such shares, subject only to any exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange in any territory;
 - b. the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries; and
 - c. the allotment otherwise than pursuant to subparagraphs (a) to (b) (inclusive) above of equity securities not exceeding in aggregate the nominal amount of £510,037.03,

and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, the date falling 15 months from the date of passing this resolution

Rose Petroleum plc

NOTICE OF AGM

(unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not 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 2015

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

Notes:

Entitlement to attend and vote

- 1 Only those members registered on the Company's register of members at:
 - 6.00 pm on 28 June 2015; or
 - if this annual general 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 annual general meeting.

Appointment of proxies

- 2 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 annual general meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- 3 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting.
- 4 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 annual general meeting.
- 5 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, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU 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.

- 6 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the annual general 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.
- 7 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 Registrars, 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.
- 8 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.
- 9 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.
- 10 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

- 11 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 8.30 am to 5.30 pm.

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

- 12 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 annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

- 13 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

- 14 As at 6:00 pm on 3 June 2015, the Company's issued share capital comprised 1,510,185,120 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 6:00 pm on 3 June 2015 is 1,510,185,120.

Communication

Except as provided above, members who have general queries about the annual general meeting should contact the Company Secretary at Rose Petroleum plc, 145-157 St John Street, London EC1V 4PW 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.



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