Rose Petroleum plc

Annual Report and Financial Statements

For the year ended 31 December 2015

Contents

Directors, Advisers and Officers	**02**
Chairman's Statement	**03**
Strategic Report	**04**
Directors' Report	**11**
Corporate Governance Statement	**14**
Statement of Directors' Responsibilities	**16**
Independent Auditor's Report	**17**
Consolidated Income Statement	**19**
Consolidated Statement of Comprehensive Income	**20**
Consolidated Balance Sheet	**21**
Consolidated Statement of Changes in Equity	**22**
Consolidated Cash Flow Statement	**23**
Company Balance Sheet	**24**
Company Statement of Changes in Equity	**25**
Company Cash Flow Statement	**26**
Notes to the Financial Statements	**27**

Directors, Advisers and Officers

Directors

PE Jeffcock	*Non-Executive Chairman*
KB Scott	*Non-Executive Director*
MC Idiens	*Chief Executive Officer*
KK Hefton	*Chief Operating Officer Mining*
CJ Eadie	*Chief Financial Officer*

Secretary
IH McNeill

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Chairman's Statement

The period under review has been a time of restructuring, consolidation and transformation for the Company as the Board looks to adapt the strategy and direction of the Company to reflect current market conditions and ensure its future growth and development. The Board believes that the Company is now better positioned, not only to survive the current market shakeup, but also to be in a position to take advantage of opportunities that may arise both before and after a recovery in the sector.

As outlined in the Company's Interim financial results, which were released in September 2015, the prevailing market conditions have provided the Board with an extremely challenging backdrop against which to operate. As a consequence, the Board has taken decisive action during the period that have de-risked and safeguarded the existing asset portfolio, reduced liabilities and which have materially reduced operational costs to conserve existing cash resources. In addition the Board has been flexible and proactive in identifying potential opportunities.

Despite the post period end withdrawal from its Mancos and Cisco Dome acreage, the Board believes that its oil and gas portfolio is still of a scale and quality to deliver long term shareholder value. The Paradox assets were acquired due to their prospectivity, size, location, and relatively low breakeven price, and despite the downturn in the oil sector, all these factors still apply. However, by reducing the size of the Company's acreage, the Board has achieved the twin objective of both retaining the core part of its Oil and Gas portfolio and also significantly reducing costs and liabilities.

While the cost cutting across the Group to date has been radical and far-reaching, the Board has ensured that it has retained an operational capability sufficient to meet its commitments for the foreseeable future. As well as protecting the existing asset base and positioning the Group for the eventual upturn, the Board is also confident that the Company can take advantage of potential acquisition opportunities that will inevitably arise.

We have reviewed numerous potential opportunities since the downturn in the oil price, looking to create shareholder value ahead of the recovery of the oil sector, and I was delighted that we have recently secured an investment in the Company which will enable us to pursue some very exciting prospects in Cuba. We believe that a transaction in this space would complement our existing asset portfolio, and that the investment demonstrates confidence in the Company's management team to deliver on the project.

The overall economic and political changes taking place in Cuba present a striking opportunity, with direct foreign investment now being a priority, to realise the country's anticipated growth. In the tourism industry alone, the planned expansion of hotel developments from both domestic and international brands is considerable. While there is no certainty that any transaction will complete, we have had, and continue to be in direct discussions with, both a Cuban Government owned company and the relevant ministries in Havana about a potential transaction.

In summary, the strategy of the Company is clear and the next phase of activity is clearly defined; the mining and Oil and Gas asset portfolio is de-risked, secure and is well positioned for recovery, costs and liabilities have been reduced to ensure the longevity of the Company and we will continue to whole-heartedly pursue the Cuban opportunity and any other projects that will deliver value near-term to our shareholders.

I would like to take this opportunity to thank the Rt Hon Earl of Kilmorey PC for his commitment and support during his time as Chairman, and to our investors, advisers and employees for their continuing support during this challenging period. The Board is looking forward to updating you on progress throughout the rest of 2016, which promises to be an exciting period in the Company's ongoing evolution.

PE Jeffcock
6 June 2016

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 December 2015.

Principal Objectives and Strategies

Rose Petroleum plc is a diversified Oil & Gas ("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 interests through acquisition, farm-in agreements and joint arrangements to deliver near-term value to stakeholders;
- consideration of the capital and financing required to achieve our objectives and market perception; and
- tight financial control and cash conservation.

Review of Operations

Oil & Gas Division

U.S.A.

During the strong oil price environment of 2014 and early 2015, the Group entered into agreements under which it was able to earn into a 75% working interest in approximately 263,000 gross acres in Utah. The area of focus of the acreage is on two unconventional oil and gas basins: the Uinta Basin, which targets the Mancos Shale at a maximum depth of approximately 3,200ft, and the Paradox Basin that targets the Paradox Clastics at a maximum depth of approximately 10,500ft.

Under the terms of the original agreement, the Group was to carry the seller of the acreage, Rockies Standard Oil Company LLC ("RSOC"), which was to retain a 25% working interest in the leasehold, for the first US$17 million expenditure on the projects: US$9.5 million in the Uinta Basin and US$7.5 million in the Paradox Basin.

Part of the Group's land position was secured through the acquisition, in October 2014, of the Cisco Dome Field, adjacent to the Mancos acreage, which included 76 miles of a mid-stream gathering system, a gas processing plant, a compressor station and main pipeline tap and meter into Williams' 26" natural gas pipeline. The Cisco Dome field also contained over fifty historical conventional wells.

During 2014, and subsequent to the acquisition of the Cisco Dome field, Ryder Scott Company LP ("Ryder Scott") completed a reserve report on the Utah leasehold. Based on that reserve report, the Group's Mean Un-Risked Recoverable Prospective Resources across its total acreage were estimated to be 1.8 billion barrels of oil ("BO") and 6.45 trillion cubic feet of gas ("TCFG"), see Table 1 below. Of these total resources, it was estimated by Ryder Scott that the Paradox acreage contained over 1.1 billion BO (61% of the total BO resources estimated) and circa 2.2 TCFG (34% of the total gas resources estimated), whilst the Mancos acreage contained circa 710 million BO (39% of the total BO resources estimated) and circa 4,260 TCFG (66% of the total gas resources estimated).

Table 1: 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

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

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

In the report, Ryder Scott also gave an opinion on the chance of success in the Paradox and Mancos acreage and concluded that the chance of success within the Paradox leases was up to 56%, compared with 30% in the Mancos leases.

During the latter part of 2014 and during 2015, the Group concentrated its efforts on the Mancos due to the relative ease of drilling with its shallow depth, low drilling costs, and good infrastructure. The Board was hopeful that a demonstration of the prospectivity of the Mancos could be achieved in quick time and that a successful drilling campaign would provide the catalyst of cashflow that would enable the commencement of the Paradox activity.

Although the initial analytical results from the core taken at the State 1-34 well within the Mancos acreage were encouraging, the Group's follow up work, which was designed to further de-risk the opportunity, was not as convincing as was hoped and it led the Board to conclude, as part of its strategic review, that the Mancos, due to its depth in the location of the Group's acreage, may have had insufficient pressure/energy to be commercial and therefore represents too high a risk profile to merit further work at that stage.

The Board concluded that the Paradox basin presents a lower risk opportunity, with greater potential and a higher chance of success.

The Paradox Basin has been actively exploited by Fidelity Exploration and Production ("Fidelity"), mainly in the Cane Creek Formation, 18 to 27 miles south-south east of the main group Paradox lease blocks. Fidelity has been the most active operator in the Paradox basin over the past two years with average Q1 2015 production of 2,100 barrels of oil per day ("boepd"). In addition to Fidelity's success, multiple wells in the area of the Group's leases have produced oil and gas to surface from various formations, and it is a combination of all these factors that led the Board to the conclusion that it should focus on its Paradox Basin acreage.

Revised agreement with RSOC

Having considered all of the above, the Board announced in April 2016 that it had entered into an agreement with RSOC to terminate its earn-in rights to the Mancos acreage and dispose of the Cisco Dome field, wells, pipelines, gas tap, gas plant, and all the associated equipment and liabilities.

As part of the revised agreement with RSOC, the Group agreed to cover the cost of the existing plug and abandonment ("P&A") liability of the four wells already scheduled for P&A with the authorities, which was calculated to be US$0.3 million. The Group also agreed to leave the existing operator bonds in place with the State of Utah and Bureau of Land Management ("BLM").

RSOC, in turn, agreed to reduce the Group's carry obligation to earn the 75% working interest in the Paradox acreage by US$2 million to US$5.5 million. The Group also gained the exclusive option to acquire 100% of RSOC's interest (as opposed to the earn-in to 75% of RSOC's interest) in the Paradox acreage for a one-time payment of US$1.0 million at any time prior to 30 June 2016.

The reassignment of the Mancos assets will significantly reduce the future expenses the Group would have had to pay on this acreage including lease rental/minimum royalty payments associated to the Mancos leasehold. Further, and potentially more importantly, the Group will no longer be liable for the P&A liability of the fifty plus wells in the Cisco Dome field. This reduction of acreage has also led to a reduction of headcount in the O&G Denver office and there is now only one full-time employee managing the Paradox acreage.

Next steps

The Group is currently in the process of obtaining permits for a 61 square mile 3D seismic shoot in the Paradox which we anticipate will be granted in Q4 2016. It is hoped that positive results from this seismic will provide a sufficient base on which to secure a funding partner to enable the Group to drill its first Paradox well.

The Board feels that its strategy to unlock value from the Paradox should be the same as that used by Fidelity, namely a 3D seismic shoot for target identification followed by drilling.

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.

Mine production from the Mina Charay Mine located in northern Sinaloa commenced in late December 2014 and continued until November 2015. Production ramped up as the mine was developed and by the end of June, ore production had reached the forecasted rate of 100 tonnes/day.

A total of approximately 23,500 tonnes of ore were mined from Mina Charay during 2015, and these tonnes were processed by the SDA mill. This tonnage yielded 3,391 ounces ("oz ") of gold and 26,736 oz of silver. The average mill head grade for period averaged 6.03 grammes per tonne ("g/T") gold and 61.4 g/T silver. Recoveries for the period averaged 71.7% for gold and 54.4% for silver. These recoveries were slightly lower than had been forecasted due to oxide ore being encountered while developing the mine in the upper part of the vein where there was no drill coverage.

Unfortunately, the positive operational efforts were overshadowed by the continued decline in metals prices. This, combined with the lower than expected recoveries put a strain on the operation and the Board took the decision to suspend operations, a decision which was announced to the market on 9 December 2015.

The Company is now focusing on toll milling third party ore at the SDA mill while it searches for new joint production opportunities. The processing of third party ore has already commenced and further ore has been identified which will enable the Company to keep the mill operating and is expected to more than cover the direct operating costs of the mill.

Base and Precious Metal Exploration, Mexico

During 2014, the Group added the Tango project to its portfolio, consisting of the Tango, Tango 2, Tango 3 and Tango 5 concessions located in southern Sinaloa. The Tango property covers what appears to be 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. Minera Camargo had completed significant exploration on the property and brought the program to the drilling stage. MV verified the work and the project was entered into by means of a profit share and option agreement with Minera Camargo S.A. de C.V. ("Camargo"). The four Tango concessions cover 3,954 hectares (39.54km^2).

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.

During 2015, the Group was active in preparing permit applications and all permits required to commence drilling at the project have now been received. The Board is now reviewing options for the commencement of a drilling programme. These permits will also cover drilling the high-grade vein structure at the San Agustin gold and silver mine. It is hoped that, when drilled, this mine will, due to its close proximity, provide ore for the Company's SDA mill, which is located considerably closer to the mill than the Mina Charay Mine.

Due to current market conditions, there have not yet been sufficient funds available to commence drilling at the Tango project. The Board is now considering a number of different options for advancing the project and will keep the market updated on progress.

Copper Exploration, Southwest U.S.A.

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

The copper 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 2016.

In April 2016, the Group announced that it had entered into an agreement with privately held Burdett Gold LLC to conduct exploration drilling on the Ardmore copper project which consists of 18 unpatented mining claims located north of Tucson. The terms included a US$5,350 cash payment to the Group and a retained 15% carried interest on the claims as well as any property that Burdett acquires which is located within a 3-mile area of interest. Burdett will be responsible for operations and the Group is released from all costs and liabilities. Burdett has received the drilling permit and commenced drilling during April.

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 Anfield Resources Inc. ("Anfield"). During 2015, Anfield acquired the 50% interest in the joint operation previously held by Uranium One Americas Inc.

The most significant asset was the Wate Project located on State of Arizona lands and operated under Wate Mining Company LLC. ("Wate"), and in February 2015, the Board disposed of the Group's 50% interest in Wate project to EFR Arizona Strip LLC. ("EFR"), a subsidiary of Energy Fuels Resources. 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.

A further US$0.25 million tranche of consideration was due to be paid to the Group in Q1 2016. The Group was informed by EFR that it is having delays with the State of Arizona over obtaining the Mineral Lease on the project due to the State's unusual condition that EFR obtain access rights to the project over private land that surrounds the State parcel. Consequently, EFR proposed an addendum to the agreement terms whereby they would pay US$0.05 million of the US$0.25 million due in Q1 2016 and defer the rest of the payment until the commencement of commercial production. The only real alternative was for EFR to default on the agreement and return the Group's 50% interest in the project. Given EFR's scale and presence in this market, the Group felt that it was in the best interests of shareholders to accept the US$0.05 million and agree to the addendum to the original

contract. Therefore, by the end of February 2016, EFR had paid US$0.3 million of its contractual consideration payments. EFR is actively engaged in securing access to, as well as the environmental permitting, on the project.

Cuba Gypsum Opportunity

In May 2016, the Group announced that it has raised gross proceeds of US$1.2 million (£800,000), primarily to further develop opportunities that have arisen in Cuba and specifically around the processing and manufacturing of gypsum and associated building materials.

As mentioned in the Chairman's Statement, the Board believes that there are significant near term opportunities in the Cuban construction industry, which would complement the existing asset base and enable the Group to seek to create value in this rapidly expanding market.

The overall economic and political changes taking place in Cuba present a significant opportunity, with direct foreign investment now being a priority to realise the country's anticipated growth. In the tourism industry alone the planned expansion of hotel developments from both domestic and international brands is considerable. The Group could be well positioned to benefit from this should we successfully complete our negotiations.

It is worth noting that, at present, there is no domestic supply or production of gypsum panels or wallboard for the construction of internal walls within Cuba, and providing domestic sources is naturally very important for Cuba and its development. Cuban authorities have stated that there are significant gypsum resources within Cuba that can support manufacturing and have allowed Group representatives to visit one of the deposits.

The Board will keep the market fully updated on progress.

Financial Review

Income Statement

Revenue for the year was generated primarily from the Group's precious metals mining and milling operations in Mexico. The Income Statement reports total revenue for the year ended 31 December 2015 of US$4.3 million (2014: US$3.1 million). The increase in revenues was primarily the result of having a near full year of production from the Mina Charay gold/silver project which was not the case in 2014. Operations at Mina Charay ceased in December 2015 and the Group is currently focusing on toll milling third party ore at the SDA mill while it explores new opportunities.

The Group reports a net loss after tax of US$9.1 million or 0.45 cents per share for the year ended 31 December 2015 (2014: net loss after tax of US$5.9 million or 0.55 cents per share). The net loss for 2015 includes a non-cash charge of US$1.5 million (2014: US$0.8 million) relating to share-based payments.

An impairment of part of the Group's intangible exploration and evaluation assets resulted in a charge of US$3.7 million (2014: US$1.0 million) during the year.

Balance Sheet

Total investment in intangible assets at 31 December 2015 was US$10.2 million (2014: US$9.9 million) primarily reflecting investment into the Utah O&G assets.

Property, plant and equipment at 31 December 2015 was US$0.6 million (2014: US$0.8 million) reflecting the continued depreciation of the ore processing mill.

Trade and other receivables of US$1.5 million (2014: US$1.0 million) represent amounts due in relation to trade and other receivables and VAT recoverable. VAT and tax recoverable in Mexico make up US$1.0 million of the current outstanding.

Cash and cash equivalents at 31 December 2015 were US$2.4 million (2014: US$8.4 million). During the year the Company raised gross proceeds of US$3.1 million through the placing of the Company's Ordinary Shares.

Significant Equity Events

In May 2015, the Company raised gross proceeds of US$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.

In May 2016, post period end, the Company raised gross proceeds of US$ 1.2 million (£0.8 million) by way of an unconditional placing of 500,000,000 Ordinary Shares of 0.1p each at a price of 0.16p per share.

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 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 might be 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 Group 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 to increase 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
6 June 2016

Directors' Report

The Directors present the Annual Report and financial statements of the Group for the year ended 31 December 2015.

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 2015 (2014: US$nil).

Directors

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

MC Idiens
KK Hefton
PE Jeffcock
KB Scott
CJ Eadie – appointed 12 February 2015
JM Blair – resigned 22 April 2015
Rt Hon Earl of Kilmorey PC – resigned 31 December 2015

Directors' Interests in Shares and Share Options

The Directors who held office at 31 December 2015 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2015	1 January 2015
Rt Hon Earl of Kilmorey PC	2,096,666	2,096,666
MC Idiens	20,139,213	20,139,213
KK Hefton	416,000	416,000
PE Jeffcock	20,833,333[1]	20,833,333[1]
KB Scott	–	–
CJ Eadie	94,402	94,402

[1] Beneficial interest held through the Glenville Discretionary Trust.

There have been no changes in these shareholdings since 31 December 2015.

Directors' interests in share options of the Company, including family interests, as at 31 December 2015 were as follows:

	Date of replacement/ grant	No. of shares	Exercise price	Option exercise period
MC Idiens	28 Sep 2011	5,200,000	1.125p	28/09/11 to 30/09/21
KK Hefton	28 Sep 2011	4,400,000	1.125p	28/09/11 to 30/09/21
Rt Hon Earl of Kilmorey PC	28 Sep 2011	500,000	1.125p	28/09/11 to 30/09/21
KK Hefton	30 Sep 2011	1,600,000	1.125p	01/09/12 to 29/09/21
Rt Hon Earl of Kilmorey PC	30 Sep 2011	250,000	1.125p	01/09/12 to 29/09/21
MC Idiens	30 Sep 2011	800,000	1.125p	01/09/12 to 29/09/21
Rt Hon Earl of Kilmorey PC	3 Sep 2013	5,000,000	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	10,933,333	0.475p	03/09/14 to 01/09/23
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
CJ Eadie	13 Feb 2015	10,000,000	1.825p	13/03/16 to 12/03/25

The market price of the shares at 31 December 2015 and 31 December 2014 was 0.11p and 2.1p respectively and the average during the year was 0.71p.

Third Party Indemnity Provision For Directors

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

	Number of shares	Percentage of issued share capital
RG Williams	221,162,668	8.6%

Post Balance Sheet Events

Events after the balance sheet date have been disclosed in the Strategic Report and 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.

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

6 June 2016

Corporate Governance Statement

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

The Board and its Committees

Board meetings are scheduled every month with contact between meetings as required. The meetings are held to set and monitor strategy, review exploration and trading performance, examine acquisition possibilities and cash forecasts 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 two non-executive Directors, one of whom acts as Chairman. There are separate roles for the Chairman and the Chief Executive Officer.

The Board has established an Audit Committee, which comprises of a non-executive Director, PE Jeffcock. The structure of the Audit Committee is currently being reviewed. 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. The structure of the Remuneration Committee is currently being reviewed. 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.

Communication with Shareholders

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

Internal Controls

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

- each of the Group's subsidiaries is managed by an executive Director and there is a management reporting process in place to enable the Board to monitor the performance of the Group on a regular basis;
- an annual forecast is prepared and formally adopted by the Board. This is reviewed on a regular basis and actual performance against forecast is closely monitored;
- the Board reviews the major business risks faced by the Group and determines the appropriate course of actions required to manage those risks;
- the Board approves proposals for the acquisition of new businesses and sets guidelines for the development of new properties. Capital expenditure is regulated and written proposals must be submitted to the Board for any expenditure above specified levels; and
- consolidated management information is prepared on a regular basis.

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

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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 parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as 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 Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK 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 2015 set out on pages 19 to 63. 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 16, 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 2015 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

continued

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.

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

6 June 2016

Consolidated Income Statement

For the year ended 31 December 2015

	Notes	2015 US$'000	2014 Restated US$'000
Continuing operations			
Revenue	5	4,320	3,097
Cost of sales		(3,806)	(3,052)
Profit share payments	7	–	(490)
Gross profit/(loss)		514	(445)
Operating and development expenses	8	(1,522)	(756)
Administrative expenses		(4,685)	(3,612)
Impairment of intangible exploration & evaluation assets	9	(3,694)	(969)
Loss on disposal of assets held for sale	25	(485)	–
Operating loss		(9,872)	(5,782)
Finance income	10	13	8
Finance costs	11	(5)	(91)
Loss before taxation	12	(9,864)	(5,865)
Taxation	15	797	(13)
Loss for the year attributable to owners of the parent company		(9,067)	(5,878)
Loss per Ordinary Share			
Basic and diluted, cents per share	16	(0.45c)	(0.55c)

The notes on pages 27 to 63 form part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

	2015 US$'000	2014 Restated US$'000
Loss for the year attributable to owners of the parent company	(9,067)	(5,878)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss, net of tax		
Foreign currency translation differences on foreign operations	1,228	1,455
Net (loss)/gain on hedge of net investment in foreign operations	(324)	1,535
	904	2,990
Total comprehensive income for the year attributable to owners of the parent company	(8,163)	(2,888)

The notes on pages 27 to 63 form part of the financial statements.

Consolidated Balance Sheet

At 31 December 2015 Company No 04573663

	Notes	2015 US$'000	2014 Restated US$'000	As at 1 January 2014 Restated US$'000
Non-current assets				
Intangible assets	17	10,221	9,947	3,939
Property, plant and equipment	18	620	823	1,013
Deferred tax asset	28	–	405	–
		10,841	11,175	4,952
Current assets				
Inventories	22	19	57	904
Trade and other receivables	23	1,484	1,006	2,366
Cash and cash equivalents	24	2,399	8,408	1,944
Assets held for sale	25	–	785	–
		3,902	10,256	5,214
Total assets		14,743	21,431	10,166
Current liabilities				
Trade and other payables	26	(684)	(2,377)	(1,294)
Taxation payable		(3)	(56)	(5)
		(687)	(2,433)	(1,299)
Non-current liabilities				
Convertible loan notes	27	–	–	(1,405)
Deferred tax liabilities		–	–	(53)
Provisions	29	(192)	(52)	(78)
		(192)	(52)	(1,536)
Total liabilities		(879)	(2,485)	(2,835)
Net assets		13,864	18,946	7,331
Equity				
Share capital	30	38,765	37,130	35,937
Share premium account		31,471	28,471	11,954
Share option reserve		2,899	1,540	827
Other reserves	31	–	–	462
Cumulative translation reserves		(4,384)	(2,258)	(1,548)
Retained deficit		(54,887)	(45,937)	(40,301)
Equity attributable to owners of the parent company		13,864	18,946	7,331

The financial statements on pages 19 to 63 were approved by the Directors and authorised for issue on 6 June 2016 and are signed on its behalf by:

CJ Eadie, Chief Financial Officer

The notes on pages 27 to 63 form part of the financial statements.

Rose Petroleum plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital US$'000	Share premium account US$'000	Share option reserve US$'000	Other Reserves (note 31) US$'000	Cumulative translation reserves US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2014 (restated)	35,937	11,954	827	462	(1,548)	(40,301)	7,331
Transactions with owners in their capacity as owners:							
Issue of equity shares	1,057	15,685	–	–	–	–	16,742
Expenses of issue of equity shares	–	(731)	–	–	–	–	(731)
Conversion of convertible loan notes	136	1,563	–	(462)	–	236	1,473
Share-based payments	–	–	763	–	–	–	763
Transfer to retained earnings in respect of forfeit options	–	–	(6)	–	–	6	–
Effect of foreign exchange rates	–	–	(44)	–	–	–	(44)
Total transactions with owners in their capacity as owner	1,193	16,517	713	(462)	–	242	18,203
Loss for the year	–	–	–	–	–	(5,878)	(5,878)
Other comprehensive income:							
Currency translation differences	–	–	–	–	1,455	–	1,455
Net gain on hedge of net investment in foreign operations	–	–	–	–	1,535	–	1,535
Total other comprehensive income for the year	–	–	–	–	2,990	–	2,990
Total comprehensive income for the year	–	–	–	–	2,990	(5,878)	(2,888)
Currency translation differences on equity at historical rates	–	–	–	–	(3,700)	–	(3,700)
As at 1 January 2015 (restated)	37,130	28,471	1,540	–	(2,258)	(45,937)	18,946
Transactions with owners in their capacity as owners:							
Issue of equity shares	1,635	3,271	–	–	–	–	4,906
Expenses of issue of equity shares	–	(271)	–	–	–	–	(271)
Share-based payments	–	–	1,523	–	–	–	1,523
Transfer to retained earnings in respect of forfeit options	–	–	(117)	–	–	117	–
Effect of foreign exchange rates	–	–	(47)	–	–	–	(47)
Total transactions with owners in their capacity as owner	1,635	3,000	1,359	–	–	117	6,111
Loss for the year	–	–	–	–	–	(9,067)	(9,067)
Other comprehensive income:							
Currency translation differences	–	–	–	–	1,228	–	1,228
Net loss on hedge of net investment in foreign operations	–	–	–	–	(324)	–	(324)
Total other comprehensive income for the year	–	–	–	–	904	–	904
Total comprehensive income for the year	–	–	–	–	904	(9,067)	(8,163)
Currency translation differences on equity at historical rates	–	–	–	–	(3,030)	–	(3,030)
As at 31 December 2015	38,765	31,471	2,899	–	(4,384)	(54,887)	13,864

The notes on pages 27 to 63 form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2015

	2015 US$'000	2014 Restated US$'000
Operating activities		
Loss before taxation	(9,864)	(5,865)
Finance income	(13)	(8)
Finance costs	5	91
Adjustments for:		
Depreciation of property, plant and equipment	234	220
Release of decommissioning provision	–	(18)
Impairment of Intangible exploration and evaluation assets	3,694	969
Loss on disposal of assets held for sale	485	–
Share-based payments	1,523	763
Unrealised foreign exchange	(725)	(977)
Operating outflow before movements in working capital	(4,661)	(4,825)
Decrease in inventories	38	847
(Increase)/decrease in trade and other receivables	(514)	973
Decrease in trade and other payables	(171)	(650)
Cash used in operations	(5,308)	(3,655)
Income tax paid	(10)	(13)
Interest paid	–	(98)
Net cash used in operating activities	(5,318)	(3,766)
Investing activities		
Interest received	13	8
Purchase of property, plant and equipment	(67)	(124)
Purchase of intangible exploration and evaluation assets	(5,433)	(5,327)
Decommissioning provision utilised	–	(1)
Acquisition of subsidiaries	–	(105)
Proceeds from disposal of assets held for sale	250	–
Net cash used in investing activities	(5,237)	(5,549)
Financing activities		
Proceeds from issue of shares	4,906	16,542
Expenses of issue of shares	(302)	(700)
Net cash from financing activities	4,604	15,842
Net (decrease)/increase in cash and cash equivalents	(5,951)	6,527
Cash and cash equivalents at beginning of year	8,408	1,944
Effect of foreign exchange rate changes	(58)	(63)
Cash and cash equivalents at end of year	2,399	8,408

The notes on pages 27 to 63 form part of the financial statements.

Rose Petroleum plc

Company Balance Sheet

As at 31 December 2015 Company No 04573663

		2015 Restated US$'000	2014 Restated US$'000	As at 1 January 2014 Restated US$'000
Non-current assets				
Investments	19	17,393	16,508	7,370
Current assets				
Trade and other receivables	23	322	442	417
Cash and cash equivalents	24	1,582	6,229	955
		1,904	6,671	1,372
Total assets		19,297	23,179	8,742
Current liabilities				
Trade and other payables	26	(204)	(228)	(204)
Non-current liabilities				
Convertible loan notes	27	–	–	(1,405)
Total liabilities		(204)	(228)	(1,609)
Net assets		19,093	22,951	7,133
Equity				
Share capital	30	38,765	37,130	35,937
Share premium account		31,471	28,471	11,954
Share option reserve		2,899	1,540	827
Other reserves	31	–	–	462
Cumulative translation reserves		(6,232)	(5,161)	(3,703)
Retained deficit		(47,810)	(39,029)	(38,344)
Total equity		19,093	22,951	7,133

The financial statements on pages 19 to 63 were approved by the Directors and authorised for issue on 6 June 2016 and are signed on its behalf by:

CJ Eadie, Chief Financial Officer

The notes on pages 27 to 63 form part of the financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital US$'000	Share premium account US$'000	Share option reserve US$'000	Other Reserves (note 31) US$'000	Cumulative translation reserves US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2014 (restated)	35,937	11,954	827	462	(3,703)	(38,344)	7,133
Transactions with owners in their capacity as owners:							
Issue of equity shares	1,057	15,685	–	–	–	–	16,742
Expenses of issue of equity shares	–	(731)	–	–	–	–	(731)
Conversion of convertible loan notes	136	1,563	–	(462)	–	236	1,473
Share-based payments	–	–	763	–	–	–	763
Transfer to retained earnings in respect of forfeit options	–	–	(6)	–	–	6	–
Effect of foreign exchange rates	–	–	(44)	–	–	–	(44)
Total transactions with owners in their capacity as owner	1,193	16,517	713	(462)	–	242	18,203
Loss for the year	–	–	–	–	–	(927)	(927)
Other comprehensive income:							
Currency translation differences	–	–	–	–	2,242	–	2,242
Total other comprehensive income for the year	–	–	–	–	2,242	–	2,242
Total comprehensive income for the year	–	–	–	–	2,242	(927)	1,315
Currency translation differences on equity at historical rates	–	–	–	–	(3,700)	–	(3,700)
As at 1 January 2015 (restated)	37,130	28,471	1,540	–	(5,161)	(39,029)	22,951
Transactions with owners in their capacity as owners:							
Issue of equity shares	1,635	3,271	–	–	–	–	4,906
Expenses of issue of equity shares	–	(271)	–	–	–	–	(271)
Share-based payments	–	–	1,523	–	–	–	1,523
Transfer to retained earnings in respect of forfeit options	–	–	(117)	–	–	117	–
Effect of foreign exchange rates	–	–	(47)	–	–	–	(47)
Total transactions with owners in their capacity as owner	1,635	3,000	1,359	–	–	117	6,111
Loss for the year	–	–	–	–	–	(8,898)	(8,898)
Other comprehensive income:							
Currency translation differences	–	–	–	–	1,959	–	1,959
Total other comprehensive income for the year	–	–	–	–	1,959	–	1,959
Total comprehensive income for the year	–	–	–	–	1,959	(8,898)	(6,939)
Currency translation differences on equity at historical rates	–	–	–	–	(3,030)	–	(3,030)
As at 31 December 2015	38,765	31,471	2,899	–	(6,232)	(47,810)	19,093

The notes on pages 27 to 63 form part of the financial statements.

Rose Petroleum plc

Company Cash Flow Statement

For the year ended 31 December 2015

	2015 US$'000	2014 Restated US$'000
Operating activities		
Loss before taxation	(8,898)	(927)
Finance income	(589)	(432)
Finance costs	–	91
Adjustments for:		
Impairment of investments in subsidiary undertakings	8,186	720
Share-based payments	701	209
Unrealised foreign exchange	(504)	(959)
Operating cash outflow before movements in working capital	(1,104)	(1,298)
Decrease/(increase) in trade and other receivables	120	(25)
Increase in trade and other payables	7	26
Cash used in operations	(977)	(1,297)
Interest paid	–	(98)
Net cash used in operating activities	(977)	(1,395)
Investing activities		
Interest received	10	7
Loans to subsidiary undertakings	(8,232)	(9,128)
Net cash used in investing activities	(8,222)	(9,121)
Financing activities		
Proceeds from the issue of shares	4,906	16,542
Expenses of issue of shares	(302)	(700)
Net cash from financing activities	4,604	15,842
Net (decrease)/increase in cash and cash equivalents	(4,595)	5,326
Cash and cash equivalents at beginning of year	6,229	955
Effect of foreign exchange rate changes	(52)	(52)
Cash and cash equivalents at end of year	1,582	6,229

The notes on pages 27 to 63 form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2015

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.

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.

The loss for the Company for the year ended 31 December 2015 is US$8.9 million (2014: US$0.9 million).

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:

Amendments to IAS 19	*Defined benefit plan: employee contributions*
IFRIC 21	*Levies*
Annual improvements to IFRSs 2010-2012 cycle	
Annual improvements to IFRSs 2011-2013 cycle	

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	*Financial instruments*
IFRS 14	*Regulatory deferral accounts*
IFRS 15	*Revenue from contracts with customers*
IFRS 16	*Leases*
Amendments to IFRS 10 and IAS 28	*Sale of contribution of assets between an investor and its associates or joint venture*
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment entities: applying the consolidation exception*
Amendments to IFRS 11	*Accounting for acquisitions of interests in joint operations*
Amendments of IAS 1	*Presentation of financial statements – disclosure initiative*
Amendments of IAS 7	*Statement of cash flows – disclosure initiative*
Amendments of IAS 12	*Recognition of deferred tax assets for unrealised losses*
Amendments to IAS 16 and IAS 38	*Clarification of acceptable methods of depreciation and amortisation*
Amendments to IAS 27	*Equity method in separate financial statements*
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.

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.

For these reasons, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

The principal accounting policies adopted are set out below.

Restatement

With effect from 1 January 2015, the Company and the Group's presentation currency changed from pounds sterling ("£") to United States dollar ("US$") as the Directors considered the US$ to be more representative of the sector in which the Group primarily operates.

In accordance with International Accounting Standards, this change has been applied retrospectively and comparatives for the year ended 31 December 2014 were translated, for all balance sheet items except equity, using US$: £ exchange spot rate at that date, being US$ 1.5532, for the income statement using the average US$: £ exchange rate during the year being US$1.6476, and for the opening balances as at 1 January 2014, except equity, using the US$: £ spot rate on that date being US$1.6488.

Share capital, share premium and other reserves were translated at the historic rates prevailing at the dates of transactions, and assets and liabilities of Group entities, where the functional currency is other than US$, were translated into US$ at the relevant closing rates of exchange. Trading results were translated into US$ at the relevant average rates of exchange. Historical differences arising from the retranslation to US$ up to 1 January 2014 have been taken directly to the foreign currency translation reserve.

Foreign operations are included in accordance with the policies set out in note 3.

Going Concern

These financial statements have been prepared on the going concern basis. The Group currently generates small amounts of cash through its third party toll milling operations in Mexico which the Group intends to continue for the foreseeable future.

The Group has no bank facilities and meets its working capital requirements from cash resources. At the year end, the Group had cash and cash equivalents amounting to US$2.4 million.

The Directors have prepared cash flow forecasts for the Group for the period to June 2017 based on their assessment of the prospects of the Group's operations. The cash flow forecast includes US$1.2 million from an unconditional share placing of 500,000,000 Ordinary Shares of 0.1p each, which the Company completed in May 2016. These cash flow forecasts, which include the Group's expected operating costs for all operations, including the necessary and specific expenditure to meet the minimum O&G operational and exploration licence expenditure, indicate that the Group has sufficient funding to meet its minimum obligations as they fall due.

For these reasons, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

3. Significant Accounting Policies continued

The Directors acknowledge that 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 expand development and/or take advantage of any new exploration opportunities that arise.

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 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.

3. Significant Accounting Policies continued

Joint Arrangements

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.

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.

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.

3. Significant Accounting Policies continued

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

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

Exploration and evaluation costs

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

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

Treatment of E&E assets at conclusion of appraisal activities

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

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

Impairment of Intangible Exploration and Evaluation Assets

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

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

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

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

3. Significant Accounting Policies continued

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:

Ore processing mill	over the life of the mill
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.

3. Significant Accounting Policies continued

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 and oil and gas products 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.

Royalty payments are recognised as a cost of sale when the related production revenue is recognised.

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.

Operating expenses in respect of oil and gas activities include lease operating expenses, production taxes, general and administrative expenses and oil and gas depreciation, depletion and amortisation.

Lease operating expenses

Costs incurred in respect of maintaining and operating property and equipment on a producing oil and gas lease are included as lease 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

For the purpose of the consolidated financial statements, the results and financial position are expressed in United States dollar, which is the presentation currency for both company and 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.

3. Significant Accounting Policies continued

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

For the purpose of presenting company and consolidated financial statements, the assets and liabilities of the Company, and the Group's operations which have a functional currency other than United States dollar, 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. Equity items are translated at the exchange rates at the date of transactions and foreign exchange differences arising, if any, are accumulate directly 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.

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.

3. Significant Accounting Policies continued

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted at the reporting date.

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

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

Financial Instruments

Recognition of financial assets and financial liabilities

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

Derecognition of financial assets and financial liabilities

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

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

Financial Assets

Trade and other receivables

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

Cash and cash equivalents

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

Notes to the Financial Statements

continued

3. Significant Accounting Policies continued

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.

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.

3. Significant Accounting Policies continued

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 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 2015, 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 and of the Group's uranium and copper exploration and evaluation assets held in U.S.A, 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 US$10.2 million (2014: US$9.9 million) and an impairment of US$3.7 million (2014: US$1.0 million) was identified and recognised in the year to 31 December 2015.

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty continued

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 the Directors consider that, in consideration of the losses currently being generated and the impairment of the Group's intangible exploration and evaluation assets which was recognised at 31 December 2015, a provision of US$8.2 million (2014: US$0.7 million) should be recognised by the Company in the year to 31 December 2015.

Provision for Decommissioning

As a result of exploration activities, the Group is required to make a provision for decommissioning. Significant uncertainty exists as to the amount of decommissioning obligations which may be incurred due to the impact of possible changes in environmental legislation. The Board assessed the likely obligation for decommissioning in respect of the Mill and its O&G assets in U.S.A. Accordingly, a provision of US$0.1 million has been made in respect of the Mill, and an obligation of US$0.1 million, calculated using an estimated discount rate of 4.5 per cent, has been made in respect of O&G assets at 31 December 2015.

5. Revenue

The external revenue of the Group arises from the sale of precious minerals arising from activities in Mexico and sales of oil and gas from its activities in U.S.A.

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.

	2015 US$'000	2014 Restated US$'000
Income statement		
Revenue		
Gold and silver	4,129	3,097
O&G	191	–
	4,320	3,097
Segmental results		
Uranium and copper	(3,470)	(326)
Gold and silver	(698)	(1,429)
O&G	(1,975)	(1,448)
Total segment results	(6,143)	(3,203)
Loss on disposal of assets held for sale	(485)	–
Unallocated results	(3,236)	(2,662)
Current and deferred tax	797	(13)
Loss after taxation	(9,067)	(5,878)

6. Segmental Information continued

	2015 US$'000	2014 Restated US$'000
Depreciation		
Uranium and copper	2	2
Gold and silver	182	218
O&G	50	–
	234	220

	2015 US$'000	2014 Restated US$'000
Impairment		
Uranium and copper	3,141	–
O&G	553	969
	3,694	969

Employees

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

	2015 Number	2014 Number
Uranium and copper	2	2
Gold and silver	41	42
O&G	9	8
Total segment employees	52	52
Unallocated employees	2	3
Total employees	54	55

6. Segmental Information continued

	2015 US$'000	2014 Restated US$'000
Balance Sheet		
Segment assets		
Uranium and copper	467	3,562
Gold and silver	2,318	1,802
O&G	10,289	8,532
Total segment assets	13,074	13,896
Assets relating to held for sale assets	–	785
Unallocated assets including cash and cash equivalents	1,669	6,345
Deferred tax asset	–	405
Total assets	14,743	21,431
Segment liabilities		
Uranium and copper	3	11
Gold and silver	306	341
O&G	163	1,855
Total segment liabilities	472	2,207
Unallocated liabilities	404	222
Current and deferred tax	3	56
Total liabilities	879	2,485

	2015 US$'000	2014 Restated US$'000
Capital additions		
Uranium and copper	152	174
Gold and silver	61	20
O&G	3,919	7,654
	4,132	7,848

	2015 US$'000	2014 Restated US$'000
Net assets		
Uranium and copper	464	4,066
Gold and silver	2,009	1,295
O&G	10,126	6,677
Total segment net assets	12,599	12,038
Assets relating to held for sale assets	–	785
Unallocated net assets including cash and cash equivalents	1,265	6,123
Total net assets	13,864	18,946

7. Profit Share Payments

	2015 US$'000	2014 Restated US$'000
Met-Sin	–	490
	–	490

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.

Mining activities under the the Met-Sin agreement ceased during the year and no liability for profit share payments has been reported for the current year.

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.

As a result of the development costs incurred by the Group 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.

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 2015, the Group has capitalised the sum of US$0.1 million (2014: US$0.2 million) as intangible exploration and evaluation assets in respect of the Tango project, option earn-in agreement. The total amount capitalised at 31 December 2015 is US$0.3 million (2014: US$0.2 million) and of this amount US$0.1 million is recoverable against future revenues prior to any profit share payments being made to Camargo.

8. Operating and Development Expenses

	2015 US$'000	2014 Restated US$'000
Operating expenses – mining	364	428
Operating expenses – O&G	818	7
Development expenses	340	321
	1,522	756

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 primarily to the Pafex profit share agreement.

9. Impairment of Intangible Exporation and Evaluation Assets

	2015 US$'000	2014 Restated US$'000
Uranium and copper assets	3,141	–
O&G assets	553	969
	3,694	969

During 2014, the political situation for exploring unconventional hydrocarbons in Germany became increasingly unclear and 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 31 December 2014. During 2015, the situation has remained unchanged and the Directors consider that this is likely to remain the case for the foreseeable future. As a result, the Directors now consider it appropriate to make a further provision for impairment in respect of its concession in the Weiden Basin, located in the State of Bavaria, south-eastern Germany. Accordingly, a further provision of US$0.1 million has been made in respect of these licences at 31 December 2015.

At 31 December 2015, there were indicators of impairment of the Group's intangible uranium and copper assets and the Directors consider that there is reasonable uncertainty that the Group will recover the carrying value of these assets. As a result, a provision of US$3.2 million has been made in respect of these assets at 31 December 2015.

In April 2016, the Board announced that it had entered into an agreement with Rockies Standard to terminate its earn-in rights to the Mancos acreage and dispose of the Cisco Dome field and related assets. The Group has a number of operator bonds in place with the State of Utah and Bureau of Land Management ("BLM"), and under the terms of this agreement the Group agreed to leave these bonds in place for the benefit of Rockies Standard. As a result, the Board determined that it was appropriate to make a provision for impairment In respect of these bonds for the sum of US$0.4 million, at 31 December 2015.

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

	2015 US$'000	2014 Restated US$'000
Interest on bank deposits	13	8

11. Finance Costs

	2015 US$'000	2014 Restated US$'000
Interest on convertible loan notes	–	88
Interest on shareholder loans	–	3
Unwinding of discount on provisions	5	–
	5	91

12. Loss before Taxation

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

	2015 US$'000	2014 Restated US$'000
Depreciation of property, plant and equipment	234	220
Staff costs excluding share-based payments	2,788	1,900
Share-based payments	1,523	763
Operating leases – land and buildings	284	91
Release of decommissioning provision	–	(18)
Net foreign exchange gains	(438)	(599)

13. Auditor's Remuneration

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

	2015 US$'000	2014 Restated US$'000
Audit of these financial statements	23	25
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	46	57
	69	82

14. Staff Costs

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

	2015 Number	2014 Number
Office and management	6	7
Operations	48	48
	54	55

14. Staff Costs continued

Their aggregate remuneration comprised:

	2015 US$'000	2014 Restated US$'000
Wages and salaries	3,079	2,180
Social security costs	294	271
Other pension costs	129	109
Share-based payments	1,398	711
	4,900	3,271

Included within wages and salaries is the sum of US$0.7 million (2014: US$0.6 million) capitalised to intangible exploration and evaluation assets.

The remuneration of the highest paid Director was US$0.3 million (2014: US$0.5 million).

15. Taxation

	2015 US$'000	2014 Restated US$'000
Current tax:		
Current year	10	66
Total current tax	10	66
Deferred tax:		
Origination and reversal of temporary differences	(807)	(53)
Total deferred tax	(807)	(53)
Tax (credit)/charge on loss for the year	(797)	13

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

	2015	2014
Loss before tax	9,864	5,865
Loss multiplied by rate of corporation tax for UK companies of 20.25% (2014: 21.5%)	(1,998)	(1,261)
Effects of:		
Expenses not deductible for tax purposes	960	230
Foreign tax withheld	–	53
Temporary differences	(407)	330
Share-based payments	309	164
Unrelieved tax losses carried forward	734	506
Difference in foreign tax rates	(395)	(9)
Tax (credit)/charge on loss for the year	(797)	13

15. Taxation continued

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.

Income tax charge/(credit) included in other comprehensive income during the year is:

	2015 US$'000	2014 Restated US$'000
Foreign tax on hedge of net investment in foreign operations	1,212	(405)

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:

	2015 US$'000	2014 Restated US$'000
Losses		
Losses for the purpose of basic loss per Ordinary Share being net loss attributable to owners of the parent company	(9,067)	(5,878)
	Number '000	**Number '000**
Number of shares		
Weighted average number of shares for the purpose of basic loss per Ordinary Share	2,037,308	1,074,448
Loss per Ordinary Share		**Restated**
Basic and diluted, cents per share	(0.45c)	(0.55c)

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.

17. Intangible Assets

	Exploration and evaluation assets US$'000
Cost	
At 1 January 2014 (restated)	8,538
Additions	7,182
Acquired on acquisition of a subsidiary	542
Reclassified as held for sale	(785)
Exchange differences	(44)
At 1 January 2015 (restated)	15,433
Additions	4,010
Relinquishment of licences	(887)
Exchange differences	(45)
At 31 December 2015	18,511
Impairment	
At 1 January 2014 (restated)	4,599
Impairment charge	969
Exchange differences	(82)
At 1 January 2015 (restated)	5,486
Impairment charge	3,694
Relinquishment of licences	(887)
Exchange differences	(3)
At 31 December 2015	8,290
Carrying amount	
At 31 December 2015	10,221
At 31 December 2014 (restated)	9,947

Rockies Standard Farm-In Agreement

In March 2014, the Group signed a farm-in agreement under which its subsidiary, Rose Petroleum (Utah) LLC ("Rose Utah") acquired the right to acquire 75 per cent of certain oil, gas and hydrocarbon leases in Grand and Emery Counties, Utah, from Rockies Standard Oil Company LLC ("RSOC"), which retains the remaining 25 per cent working interest.

Rose Utah is the designated operator and will account for its share of the assets, liabilities and income and expenditure as required by relevant accounting standards.

On 3 September 2014, a further agreement was signed which gave RSOC 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$1.0 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. During the year ended 31 December 2015 the outstanding liability of US$1 million was settled in cash on the agreed dates and no further issues of Ordinary Shares was made in respect of the agreement.

17. Intangible Assets continued

In April 2016, the Group entered into a revised agreement with RSOC. See note 36

The Group's total expenditure in respect of its U.S.A. O&G assets, included within intangible exploration and evaluation assets, as at 31 December 2015 is US$9.9 million (2014: US$6.5 million).

German Licences

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 licenses in south-western Germany, covering approximately 635,000 acres.

During 2014, the political situation for exploring unconventional hydrocarbons in Germany became increasingly unclear and the Directors considered that this was likely remain the case for the foreseeable future. The Directors therefore considered it was appropriate to make a provision for impairment in respect of these assets at 31 December 2014. The Group has now fully relinquished its interest in these licences and ceased to recognise them at 31 December 2015.

18. Property, Plant and Equipment

	Diablito mine US$'000	Ore processing mill US$'000	Plant and machinery US$'000	Total US$'000
Cost				
At 1 January 2014 (restated)	7,229	900	906	9,035
Additions	–	–	124	124
Exchange differences	(477)	(103)	(100)	(680)
At 1 January 2015 (restated)	6,752	797	930	8,479
Additions	–	56	66	122
De-recognition	(6,343)	–	–	(6,343)
Exchange differences	(409)	(119)	(117)	(645)
At 31 December 2015	–	734	879	1,613
Accumulated depreciation				
At 1 January 2014 (restated)	7,229	518	275	8,022
Charge for the year	–	94	126	220
Exchange differences	(477)	(69)	(40)	(586)
At 1 January 2015 (restated)	6,752	543	361	7,656
Charge for the year	–	79	155	234
De-recognition	(6,343)	–	–	(6,343)
Exchange differences	(409)	(88)	(57)	(554)
At 31 December 2015	–	534	459	993
Carrying amount				
At 31 December 2015	–	200	420	620
At 31 December 2014 (restated)	–	254	569	823

Notes to the Financial Statements

continued

18. Property, Plant and Equipment continued

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

	2015 US$'000	2014 Restated US$'000
Cost of sales	110	160
Operating and development expenses	69	55
Administrative expenses	55	5
	234	220

19. Investments

	Shares in subsidiary undertakings US$'000	Company Loans to subsidiary undertakings US$'000	Total US$'000
Cost			
At 1 January 2014 (restated)	6,412	25,502	31,914
Additions	–	9,754	9,754
Capital contribution	–	523	523
Exchange differences	(372)	(1,511)	(1,883)
At 1 January 2015 (restated)	6,040	34,268	40,308
Additions	–	8,810	8,810
Capital contribution	–	797	797
Exchange differences	(283)	(1,629)	(1,912)
At 31 December 2015	5,757	42,246	48,003
Impairment			
At 1 January 2014 (restated)	–	24,544	24,544
Impairment charge	–	720	720
Exchange differences	–	(1,464)	(1,464)
At 1 January 2015 (restated)	–	23,800	23,800
Impairment charge	–	8,186	8,186
Exchange differences	–	(1,376)	(1,376)
At 31 December 2015	–	30,610	30,610
Carrying amount			
At 31 December 2015	5,757	11,636	17,393
At 31 December 2014 (restated)	6,040	10,468	16,508

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 US$8.2 million (2014: US$0.7 million) should be recognised in the period.

19. Investments continued

The Company had investments in the following subsidiary undertakings as at 31 December 2015 which principally affected the losses and net assets of the Group:

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

Parkyn Energy Germany GmbH, a wholly owned subsidiary of Rose Petroleum (UK) Ltd, was dissolved on 11 August 2015 and is currently in liquidation under the terms of German tax regulations. This period of liquidation will be completed on 31 December 2016.

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. During the year ended 31 December 2015, U1 sold its 50 per cent interest to Anfield Resources Inc. ("Anfield").

The JVA established an agreed sharing of control with decisions about the relevant activities requiring the unanimous consent of VANE and Anfield. 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 JVA combined interests in over 60 breccia pipe targets, including 10 known mineralised pipes, in northern Arizona and 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:

	2015 US$'000	2014 Restated US$'000
Non-current assets	–	1,865
Current assets	53	57
Expenses	(3)	(3)

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.

	Restated US$'000
Intangible exploration and evaluation assets	542
Financial liabilities	(13)
Total identifiable assets and consideration	529
Satisfied by:	
Cash	529

Of the total consideration, US$0.4 million was paid during the year ended 31 December 2013 and the remainder was paid in January 2014.

22. Inventories

	Group	
	2015 US$'000	2014 Restated US$'000
Work in progress	19	57

23. Trade and Other Receivables

	Group		Company	
	2015 US$'000	2014 Restated US$'000	2015 US$'000	2014 Restated US$'000
Trade receivables	12	3	–	–
Amounts owed by Group companies	–	–	242	340
Amounts owed by joint arrangement partners	35	35	–	–
VAT recoverable	683	353	16	27
Tax recoverable	311	365	–	–
Other receivables	161	114	15	16
Prepayments & accrued income	282	136	49	59
	1,484	1,006	322	442

Trade receivables principally comprise amounts receivable in respect of O&G sales. The average credit period for trade receivables is 23 days (2014: 15 days). No interest is charged on trade receivables.

Other receivables include the sum of US$0.05 million in respect of the disposal of assets held for sale.

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 2015 were US$2.4 million and US$1.6 million respectively (2014: US$8.4 million, US$6.2 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 was the sum of US$1.0 million which was held in a money market account in a subsidiary entity. This was deposited against a line of credit for an equivalent value. The line of credit could be reduced by the Group at any time without an undue period of notice and there was no risk of change in value. The Board, therefore, believed that it was appropriate to include the sum in cash and cash equivalents. There are no such deposits at 31 December 2015.

25. Assets Held For Sale

At 31 December 2014, the Board had resolved to dispose of the Group's interest in Wate Mining Company LLC and these operations were classified as non-current assets held for sale and presented separately in the balance sheet.

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

	2015 US$'000	2014 Restated US$'000
Intangible exploration and evaluation assets	–	785

On 17 February 2015 (the "closing"), the Company completed the sale of its 50 per cent interest in Wate Mining Company LLC ("Wate") 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 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 the closing, a further US$0.5 million conditional cash, and 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.

The Company received the immediate cash payment of US$0.25 million on closing, however, prior to payment of the first instalment of the non-interest bearing promissory note due, an addendum to the terms of the original agreement was agreed with EFR. Under the terms of this addendum it was agreed that EFR would make a payment of US$0.05 million in respect of the US$0.25 million due on 17 February 2016 and defer the remainder of all payments due under the non-interest bearing promissory note until the commencement of commercial production.

Due to the uncertainty surrounding the commencement of commercial production and receipt of further funds the Company has only recognised those funds of which there was certainty, when calculating the loss on disposal of Wate.

The net assets of Wate at the date of disposal were:

	17 February 2015 US$'000
Intangible exploration and evaluation assets	785
Loss on disposal	(485)
Proceeds on disposal	300

Wate Mining Company LLC did not contribute to the Group's net operating cash flows during the year ended 31 December 2015.

26. Trade and Other Payables

	Group		Company	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
Trade payables	134	617	58	75
Amounts owed to Group companies	–	–	31	5
VAT payable	14	13	–	–
Taxes and social security	38	78	16	38
Other payables	–	1,000	–	–
Accruals	498	669	99	110
	684	2,377	204	228

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 30 days (2014: 37 days). The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

At 31 December 2014, other payables included the sum of US$1.0 million in respect of outstanding periodic payments due under the O&G farm-in agreement. This sum was settled in cash on the agreed dates. 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.

27. Convertible Loan Notes

The Company had in issue, convertible loan notes totalling US$1.0 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.

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	
	2015	2014 Restated
	US$'000	US$'000
Liability component at 1 January	–	1,405
Interest charged	–	88
Interest paid	–	(61)
Conversion	–	(1,473)
Exchange differences	–	41
Liability component at 31 December	–	–

The interest expensed for the year ended 31 December 2014 was calculated by applying an effective interest rate to the liability component and the effective interest rate on the loans in issue was 13.73%.

28. Deferred Tax

The movement in the deferred tax balance was as follows:

	Deferred tax asset		Deferred tax liabilities	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
At 1 January	405	–	–	53
Release to income for the year	–	–	–	(53)
Charge to statement of changes in equity	(405)	405	–	–
At 31 December	–	405	–	–

The analysis of the deferred tax balance is as follows:

Foreign exchange temporary differences	–	405	–	–

There are unrecognised deferred tax assets in relation to:

	2015 US$'000	2014 Restated US$'000
UK tax losses	5,428	5,693
U.S.A. tax losses	17,355	14,732
German tax losses	57	46
Mexican tax losses	1,953	1,246
Republic of Ireland tax losses	41	28
	24,834	21,745

The unrecognised deferred tax asset in relation to tax losses in the Company at 31 December 2015 was US$0.5 million (2014: US$0.5 million).

29. Provisions

	Group Decommissioning	
	2015	2014 Restated
	US$'000	US$'000
At 1 January	52	78
Utilised in the year	–	(1)
Additions	143	(18)
Unwinding of discount	5	–
Exchange differences	(8)	(7)
At 31 December	192	52

29. Provisions continued

	Group Decommissioning 2015 US$'000	2014 Restated US$'000
Non-current provision	192	52
At 31 December	192	52

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 and the Groups O&G assets.

Restoration of the operating mines was 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. Restoration in respect of the O&G assets has been calculated on the basis that this will not take place until 2034, using a risk free rate of 4 per cent.

30. Share Capital

	Group and Company			
	2015		2014	
	Number '000	US$'000	Number '000	Restated US$'000
Authorised				
Ordinary Shares of 0.1p each	7,779,297	11,515	7,779,297	12,083
Deferred Shares of 9.9p each	190,108	27,858	190,108	29,232
	7,969,405	39,373	7,969,405	41,315
Allotted, issued and fully paid				
Ordinary Shares of 0.1p each	2,550,185	4,125	1,510,185	2,490
Deferred Shares of 9.9p each	190,108	34,640	190,108	34,640
	2,740,293	38,765	1,700,293	37,130

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.

30. Share Capital continued

Issued Ordinary Share Capital

On 30 June 2015, the Company issued 1,040,000,007 Ordinary Shares of 0.1p each at a price of 3.0p per share, raising gross proceeds of US$4.9 million (£3.1 million).

	Ordinary Shares Number '000
At 1 January 2014	792,674
Allotment of shares	717,511
At 1 January 2015	1,510,185
Allotment of shares	1,040,000
At 31 December 2015	2,550,185

31. Other Reserves

	Group and Company	
	2015 US$'000	2014 Restated US$'000
At 1 January	–	462
Reclassification of equity component of convertible loan notes	–	(462)
At 31 December	–	–

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).

32. Share-Based Payments continued

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.

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.

On 4 February 2015, the Company issued 5.0 million share options with an exercise price of 1.925p, which vest in three equal tranches on 4 February 2016, 2017 and 2018.

On 13 February 2015, the Company issued 10.0 million share options with an exercise price of 1.825p, which vest in three equal tranches on 13 February 2016, 2017 and 2018.

On 16 March 2015, the Company issued 5.0 million share options with an exercise price of 1.625p, which vest in three equal tranches on 16 March 2016, 2017 and 2018.

At 31 December 2015, 155.5 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 15 March 2015 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.

32. Share-Based Payments continued

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

	2015		2014	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Outstanding at 1 January	183,200	1.725p	89,600	0.783p
Granted	20,000	1.800p	94,200	2.617p
Forfeited/cancelled	(47,667)	1.062p	(600)	1.125p
Outstanding at 31 December	155,533	1.938p	183,200	1.725p
Exercisable at 31 December	71,967	1.596p	42,067	0.882p

The options outstanding at 31 December 2015 had an estimated weighted average remaining contractual life of 1 year (2014: 1.4 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 IFRS 2 valuation were as follows:

	Grants in year 20 million share options
Exercise price (pence)	1.625-1.925
Expected volatility (%)	92-94
Expected life (years)	5.5-6.5
Risk free rates (%)	1.15-1.4
Expected dividends	–
Performance condition	None
Weighted average share price (pence)	1.8

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 US$0.3 million (2014: US$1.9 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 accordingly, an expense of US$0.05 million (2014: US$0.05 million) has been recognised in the year ended 31 December 2015.

In the year ended 31 December 2015 the Company recognised a total expense of US$1.5 million (2014: US$0.8 million) related to equity-settled share-based payment transactions, US$1.45 million (2014: US$0.75 million) in respect of the Share Option Plan and US$0.05 million (2014: US$0.05 million) 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	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
Land and buildings				
Amounts due within one year	126	199	59	62
Amounts due in 2-5 years	232	463	163	233
Amounts due over 5 years	–	8	–	–
	358	670	222	295

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 2014.

The capital structure of the Group consists of 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

	Group		Company	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
Financial assets measured at amortised cost				
Cash and cash equivalents	2,399	8,408	1,582	6,229
Trade receivables	12	3	242	340
Amounts owed by joint arrangement partners	35	35	–	–
Other receivables	161	114	15	16
Loans to subsidiary undertakings	–	–	11,636	10,468
	2,607	8,560	13,475	17,053

34. Financial Instruments continued

	Group		Company	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
Financial liabilities measured at amortised cost				
Trade payables	134	617	89	80
Other payables	–	1,000	–	–
	134	1,617	89	80

Fair Value of Financial Instruments

The Directors consider that the carrying amount of its financial instruments approximates their fair value.

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	
	2015	2014 Restated	2015	2014 Restated
	US$'000	US$'000	US$'000	US$'000
US dollars	–	27	1,231	3,732
Euro	7	–	–	6

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.

34. Financial Instruments continued

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.

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.

	2015 US$'000	2014 Restated US$'000
Income statement	129	418

The Group's sensitivity to movements in exchange rates has decreased at 31 December 2015 because the Group is holding less 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 2015 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.

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:

	2015		2014	
	Transactions in the year US$'000	Amounts owing US$'000	Transactions in the year US$'000	Amounts owing US$'000
Loans	7,162	34,422	7,999	28,604
Management charges	1,070	2,664	1,330	1,673
Interest (1.5%)	578	3,865	425	3,468
Capital contribution	797	1,295	523	523

A provision of US$8.2 million (2014: US$0.7 million) has been made in respect of the amounts owed by the subsidiary company. The total provision at 31 December 2015 is US$30.6 million (2014: US$23.8 million).

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*.

	2015		2014	
	Purchase of services US$'000	Amounts Owing US$'000	Purchase of services US$'000	Amounts Owing US$'000
Short-term employee benefits	867	–	964	–
Consultancy payments	34	–	240	9
Post-employment benefits	52	2	87	3
Share-based payments	850	–	408	–
	1,803	2	1,699	12

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.

Included in the amounts for the year ended 31 December 2015 is the sum of US$159,989 paid to JM Blair under the terms of his termination agreement.

35. Related Party Transactions continued

Directors' Emoluments

Remuneration paid to Directors during the year was as follows:

	2015					
	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Bonus US$'000	Consultancy US$'000	Pension US$'000	Total US$'000
Executive Directors						
MC Idiens	306	274	–	–	26	300
KK Hefton	157	164	–	–	7	171
KB Scott	46	–	–	34	–	34
JM Blair	63[2]	67	–	–	–	67
CJ Eadie	206	189	–	–	18	207
Non-executive Directors						
Rt Hon Earl of Kilmorey PC	69	52	–	–	–	52
PE Jeffcock	53	40	–	–	–	40
	900	786	–	34	51	871

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

[2] Emolument to the date of resignation on 22 April 2015

	2014 Restated					
	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Bonus US$'000	Consultancy US$'000	Pension US$'000	Total US$'000
Executive Directors						
SD Van Nort	–	–	–	6	–	6
LC Arnold	–	–	–	4	–	4
MC Idiens	330	275	198	–	74	547
KK Hefton	173	181	–	–	9	190
KB Scott	49	12	–	115	–	127
JM Blair	250	93	–	115	4	212
Non-executive Directors						
Rt Hon Earl of Kilmorey PC	74	62	–	–	–	62
PE Jeffcock	58	45	–	–	–	45
	934	668	198	240	87	1,193

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

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 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.

35. Related Party Transactions continued

Directors' pensions

	2015 No	2014 No
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	2	1

36. Post Balance Sheet Events

Rockies Standard

In April 2016, the Board announced that it had entered into an agreement with RSOC to terminate its earn-in rights to the Mancos acreage and dispose of the Cisco Dome field, wells, pipelines, gas tap, gas plant and all the associated equipment and liabilities.

As part of the revised agreement the Group agreed to cover the cost of the existing plug and abandonment liability of the four wells already scheduled with the authorities for the sum of US$0.3 million. The Group has also agreed to leave the existing operator bonds in place with the State of Utah and Bureau of Land Management.

RSOC has, in turn, agreed to reduce the Group's carry obligation to earn the 75 per cent working interest in the Paradox acreage by US$2 million to US$5.5 million. The Group has also gained an exclusive option to acquire RCOS 25 per cent interest in the Paradox acreage for a one-time payment of US$1.0 million at any time prior to 30 June 2016.

PROPOSED EQUITY FUNDRAISE

In May 2016, the Company raised gross proceeds of US$1.2 million (£0.8 million) by way of an unconditional placing of 500,000,000 Ordinary Shares of 0.1p each at a price of 0.16 per share.

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