Rose Petroleum plc

Annual Report and Financial Statements

For the year ended 31 December 2018

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Rose Petroleum plc

Directors, Advisers and Officers

Directors

JC Harrington	*Executive Chairman*
TH Reynolds	*Non-Executive Director*
RL Grant	*Non-Executive Director*
MC Idiens	*Chief Executive Officer*
CJ Eadie	*Chief Financial Officer*

Secretary
IH McNeill

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Joint Broker
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Chairman's Statement

Introduction

This is my first Chairman's statement since being appointed as Executive Chairman in May 2019.

While this Annual Report technically covers the twelve months to 31 December 2018, there have been important developments in the period since. As such, I would like to take this opportunity to detail management and Board changes, as well as set out the restructured Board's vision for the future of the Group. I will also outline my opinion of how the Group is currently positioned, as I believe Rose has strong prospects for growth, both from its existing portfolio and from the potential of carefully targeted acquisitions.

Board and Management Changes

It is my key initial challenge to put together a team best positioned to deliver long awaited value to our patient Shareholders. As part of this effort, I am delighted to announce the appointment of Rick Grant as a non-executive Board member. In addition to being a co-founder of Origin Creek Energy ("OCE"), Rick has a 40-year track record of success in the oil and gas industry. Prior to OCE, Rick was CEO of Suez North America LNG and then served as CEO of Suez Global LNG ("Suez LNG"). During his tenure, Suez LNG grew from an initial US$680 million acquisition of Cabot LNG (where Rick previously served as President), into the world's third largest liquefied natural gas ("LNG") business, one active across the entire global natural gas chain from upstream production through to distribution to end-users. Before his time at Cabot, Rick was President of Mountaineer Gas, the largest natural gas distribution company in West Virginia (which also held a sizable upstream portfolio). During his career, Rick has had significant success managing multi-billion dollar organisations and developments, and has been involved in a number of highly profitable corporate exits. I know he will bring a wealth of sector experience, knowledge and relationships to the Rose Board.

The Board continues to evaluate roles and needs at the executive and Board levels. Related to this effort, Matthew Idiens has informed the Company of his intention to step down as a Board member and CEO after assisting through a transition period to an updated management team. We expect to make additional announcements about changes to the executive team during the next quarter.

Existing Operations

The headway achieved by the Group during 2018 was made against the backdrop of challenging market conditions that saw volatility in oil prices, particularly towards the end of the year. In spite of this, Rose made progress with continued preparations for the start of drilling at its primary asset in the Paradox Basin, Utah, U.S.A. ("Paradox acreage" or "Paradox"). The Group is earning into a 75% working interest in approximately 80,000 acres in the Paradox acreage through its joint venture partnership with Rockies Standard Oil Company ("RSOC").

Utilising the results of the 3D seismic shoot completed in 2017, a Competent Person's Report ("CPR") completed in June 2018 by Gaffney Cline & Associates ("GCA") confirmed the scale and prospectivity of the Paradox project. The Group is now operationally in a position to deliver value with the successful drilling of an initial well, and such drilling would complete the earn-in obligation at the Paradox.

Discussions with potential farm-in, financial and strategic partners in regard to funding drilling of the first Paradox well continue, and based on the scale and prospectivity of the Paradox asset, I am hopeful that this key funding objective can be met prior to the end of this calendar year.

Chairman's Statement

continued

Future Operations

By way of background, it may be helpful to remind readers that I also serve as Chief Executive of OCE, an investment firm focused on upstream oil and gas opportunities in the U.S.A. OCE subscribed US$ 0.4 million (£0.3 million) in the Company's shares in May 2019 and has a 14.84% shareholding in the Company. Our newest Board member, Rick Grant, also serves as Chairman of OCE.

OCE's principals have significant experience generating value from the highly fragmented small-cap end of the U.S.A. exploration and production sector, and we believe it is a segment of the market where outsize investment returns can be achieved. To access these returns, however, we believe it is critical to align with strong operational management teams – groups with a high degree of focus and experience within specific geographic basins.

We also believe in the value of constructing a balanced portfolio, one with a mix of:

- Current production acquired at compelling valuations;
- Access to near-term, lower risk, yet highly economic development opportunities located in core acreage positions in established basins. We particularly like infill, horizontal development drilling opportunities in basins long established through vertical production; and
- Longer term high upside exploration projects designed to add significant scale, such as the current opportunity in the Paradox.

The Group has already laid a strong foundation for developing scale from the Paradox. Apart from our plans to develop that asset, we expect to see the Group focus on near-term opportunities to acquire accretive production and development projects, particularly in established basins nearby. Longer term, we will seek to execute transactions and developments that build a balanced portfolio of production, development and exploration, focused solely on basins where our growing operations team has the deepest experience, with a particular emphasis on the Rocky Mountains region.

Vision and Alignment

The decision to invest in Rose was made after significant evaluation. OCE takes a long-term view on its investments and has had success with its portfolio to date. Aligning OCE with an AIM quoted partner such as Rose was a logical step for the business. OCE and our operating partners have considerable experience with upstream operations, exploration, drilling, production and corporate turnarounds. We have longstanding relationships with a large network of industry partners and investors in the U.S.A. exploration and production sector, relationships which we will utilise for the benefit of all Shareholders. A point worth reinforcing is that as a 14.8% Shareholder, OCE is highly aligned with the Group's other Shareholders as we seek to build value from our collective investments in Rose.

As I mentioned earlier, a key part of my role is to continue to review the resourcing of the Group to ensure we have the right blend of team to help deliver the strategy outlined above. Cash conservation will remain a priority.

Conclusion

In conclusion, I am excited to have joined the Group at this pivotal stage in its development and look forward to providing further updates as we deliver on key milestones in the transformation of the Group. Most importantly, I want to thank our Shareholders, employees and advisers for their continued support – we welcome and take seriously the opportunity to grow the value of your investment alongside ours.

JC Harrington
27 June 2019

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 December 2018.

Principal Objectives And Strategies

Rose Petroleum plc is an Oil & Gas ("O&G") exploration company with some residual mining 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, financing and financial control of public companies;
- Employing strong and experienced management teams to maximise returns from the Group's underlying assets;
- The potential addition of further interests through acquisition, farm-in agreements or joint arrangements to deliver near-term value to stakeholders;
- Consideration of the capital and financing required to achieve the Group's objectives and market perception; and
- Tight financial control and cash conservation.

Review Of Operations

Oil & Gas Division

The period under review was one of sustained activity as the Group worked towards delivering on its key strategic objective of spudding its first well on its Paradox acreage.

Following on from the successful 3D seismic acquisition in late 2017, the key operational milestones achieved during the period, and since, have been:

- the assembling of a high quality operations team with extensive Paradox Basin experience to deliver the Paradox project;
- the completion of the interpretation of the 3D data;
- completion of an updated CPR on the resources within Clastic 21 in the area covered by the 3D acquisition;
- U.S. Bureau of Land Management ("BLM") approval of Application for Permit to Drill ("APD") for the GV22-1 which will be the Group's first Paradox well;
- well design engineering and detailed costings of GV22-1 completed;
- the acquisition of further highly prospective new acreage that falls within the 3D shoot area;
- the engagement with financial and industry partners with a view to obtaining funding for the drilling of the first Paradox well and overall development of the project; and
- Schlumberger were engaged to provide a third party verification on the fracture characterisation on the Paradox acreage.

The work carried out during the period and since, and particularly the interpretation and resource update work, has continued to highlight the substantial scale, value and geological potential of the Paradox project.

Following the completion of the 3D seismic acquisition and interpretation, and to quantify and highlight the potential of the Paradox, GCA were engaged to prepare a CPR on the acreage of the 3D seismic acquisition held by the Group (the "3D area"), being approximately 17,250 acres of the total acreage held by the Group in Utah. This CPR focused solely on a single reservoir, the Cane Creek reservoir (the "CCR" or "Clastic 21"), of the multiple prospective reservoirs within the Paradox Formation. The CPR upgraded the resource classification from Prospective Resources to Contingent Resources within the 3D seismic acquisition area, and reported, net to the Group, a 2C Contingent Resource of 9.25 million barrels of oil ("MBO") and 18.50 billion standard cubic feet ("Bscf") of gas and an unrisked pre-tax NPV10 of US$122 million. For a full summary of the CPR, please refer to the Group's announcement on 22 June 2018.

The CPR clearly demonstrates the significant potential upside of the Paradox acreage. The Paradox formation is made up of approximately 24 clastic zones, of which the Cane Creek Cycle (Clastic 21) is the primary producing zone of the basin to date. Up to five additional clastics, above the Cane Creek Cycle, are also thought to be prospective. The CPR covered only a portion of the Group's total acreage position which is covered by the 3D acquisition, providing the opportunity to significantly increase resource numbers on the Paradox project in the future, with additional acquisition of further seismic coverage.

The Board believes that the CPR ratifies the proposed appraisal plans for the Paradox acreage, which will be the first combination of horizontal drilling steered by high quality 3D seismic data in the Paradox acreage. A similar approach has proved very successful in the development of the Cane Creek Field analogue directly south of the Group's acreage. Further, we continue to evaluate the remaining Clastic 21 potential outside the 3D area and shallower prospective zones both within the 3D area and outside it, which represent further upside opportunities within the Group's acreage footprint.

In a further show of its confidence in the Paradox, the Group announced in April 2018 that it had increased its land position in the Paradox Basin with the acquisition of some highly prospective new acreage. The Joint Venture acquired an additional 3,320 gross acres (2,490 net acres) (the "New Acreage") for US$36 per gross acre, resulting in a total consideration of approximately US$120,000.

The acquisition of the New Acreage, which is continuous with the joint venture's existing acreage and is in close proximity to the producing 28-11 well, was achieved following detailed technical analysis of its geological potential. The New Acreage is covered by the Group's 3D seismic survey, which was acquired in late 2017, which shows multiple highly attractive geological structures and potential well site locations.

In addition to the 28-11 well, three other vertical wells have been drilled within the 3D seismic areal extent and all show the presence of moveable oil within the reservoir matrix. These factors give the Board a high degree of confidence in respect to the Group's acreage and, as a result, it was decided to proceed to apply for an APD permit for an additional well location in the New Acreage, the GV22-1 well. The APD for the GV22-1 was approved by the BLM in the fourth quarter of 2018 and was announced on 1 November 2018.

The GV22-1 will be a horizontal well which the Group's management consider has a potential Estimated Ultimate Recovery ("EUR") of 894,000 barrels of oil equivalent ("BOE"), consistent with the GCA's CPR. As already mentioned, the potential of the GV22-1 well is supported by its close analogy to highly productive structures (>1mmboe EUR) within the nearby Cane Creek Field (12 miles south) and locally by its close proximity to the producing 28-11. This well produces from the porous and permeable fracture network within Clastic 21 and can be tied to the GV22-1 location within the 3D seismic data set. The 28-11 is a vertical well that was drilled by Delta Petroleum in 2006 without the benefit of 3D seismic. It has produced 141,000 BOE, and represents a key piece of

evidence for the presence of hydrocarbons and of a greater fracture network across the area covered by the 3D seismic. These factors give the Board a high degree of confidence in the potential of the GV22-1 well, and it was for these reasons that the Group decided to prioritise the GV22-1 location as its first well.

The selection of the GV22-1 well as the first well was also validated by the fracture characterisation study undertaken by Schlumberger on behalf of the Group, the results of which were announced in January 2019. In Schlumberger's detailed analysis of the GV22-1, the models of the combined fracture sets developed in the study show that the well is situated optimally to capture the fold and fault related fractures. The study also states that it is expected that both fault and fold related fracture sets are viable from the geomechanical modeling. Targeting both fracture sets maximises potential productivity from a successful well.

The Group is now working with the BLM to include the New Acreage, and therefore the GV22-1 proposed well site, within the Gunnison Valley Unit ("GVU"), where the Group's operational activity has been focused. The addition of the New Acreage within the GVU will give the Group more options in terms of the future drilling programme. These discussions with the BLM are being carried out in tandem with ongoing work to manage the existing acreage position and the GVU itself which requires careful oversight, particularly when taking into account the more proactive approach of the BLM towards land usage under the new political administration.

If the BLM approves the proposed plan to include the New Acreage within the GVU, then the Group will be able to propose the GV22-1 as the next obligation well. The GVU, which covers approximately 60,000 acres, presently requires four obligation wells; the first obligation well has already been completed (GVU22-9) by Anadarko.

The ongoing discussions with the BLM in respect of the GVU reshape are expected to coincide with the Group's timeline to spud the GV22-1 well before the end of the year. The next obligation well for the GVU is required to be drilled within six months of completion of operations at GV22-1.

To support the proposed drilling activities, the Group has assembled a highly experienced subsurface and surface operational team with extensive experience and a successful track record in the Paradox Basin. The team designed, managed and implemented a nine-well drilling programme in the Paradox Basin for Fidelity Exploration and Production Inc., directly to the south of the Group's acreage. Eight of these wells were commercial and production grew from circa 100 barrels of oil per day ("BOPD") to over 3,500 BOPD from 2012 to 2014. As the Group progressed through the well selection and permitting processes for the first Paradox well, the Group is already realising the benefits of having such a first class team.

In conclusion, the technical work required ahead of the spudding the GV22-1 has all now been completed, the well has been permitted and the final step in the process is securing the financing to complete the well. Discussions with industry partners continue albeit that the recent oil price volatility and investors focus on the established oil producing basins in the U.S.A, has meant that these discussions, and the subsequent negotiations, have taken longer than might have otherwise been hoped. The Board remains confident that it will be in a position to spud the GV22-1 before the end of this calendar year. Potential farm-in partners who have reviewed the data related to the projects have consistently commented on the high quality of the technical assessment of the project.

As the Group's activity in the Paradox basin has intensified, it has been approached by a number of third parties about potential partnering and investment opportunities in the region. While the Group remains wholly focused on the Paradox, the Directors believe that they should appraise any additional opportunities further, particularly those comprising producing or near-term producing assets, to see if there may be commercial synergies with the existing Paradox operations and whether they might add value to the Group's portfolio. The Paradox activity will remain the absolute priority, and there are no guarantees that any opportunities reviewed will develop further.

Mining Division

Copper exploration, southwest U.S.A.

In April 2016, the Group announced that it had entered into an agreement with privately owned Burdett Gold LLC ("Burdett"), to conduct exploration drilling on the Ardmore copper project which consists of 18 unpatented mining claims located north of Tucson, Arizona. Burdett assumed control of the claims and is the operator of the project and has commenced exploration work. Burdett is currently undertaking a drill programme on the project and the Group is awaiting the assay results.

Uranium exploration, U.S.A.

The majority of the Group's uranium assets were held in a joint venture with Anfield Resources Inc. (TSXV: ARY) covering property holdings in the breccia pipe district of northern Arizona. The joint venture has now expired and the properties held have now reverted to their original owners. A number of the properties fall within the area covered by the U.S.A. Government moratorium on uranium exploration. There is speculation that the moratorium may soon be lifted meaning that the licence areas may be reinstated. This may result in the Group being able to derive value from these licences whether through disposal or potentially through compensation claims.

In November 2018, the Group announced that it had entered into an agreement with enCore Energy Corporation ("ENCORE") (TSX.V:EU) with respect to the Group's uranium exploration project database (the "Agreement"). The database is comprised of geological, geophysical, aerial photography, drilling, and evaluation data on the uranium breccia pipe district of northern Arizona, specifically the region south of the Colorado River where a number of discoveries have been made. In return for the Group providing exclusive access to its uranium project database, ENCORE issued the Group 3,000,000 ordinary shares in ENCORE. The initial term of the agreement is five-years, and ENCORE will seek, at its own cost, to use the database to generate exploration prospects and to subsequently develop these prospects into commercial operations.

If any of the prospects reach the development stage, the Group will have a one-off opportunity to participate in these projects. The Group will be able to participate up to a maximum 25% interest in any developed projects, at its sole discretion. The purchase price for the Group's interest, at the development stage, will be 250% of the pro-rata exploration costs incurred on the project to advance it to the development stage. From the point at which the Group acquires an equity interest in any project it will be responsible for the development expenditure for its specific portion of its interest. If the Group does not elect to participate in the projects in accordance with the Agreement it will have no further rights in respect of that particular project.

Should the Group seek to develop any of its eight existing breccia pipe uranium projects on which it currently controls the mineral rights, which are currently held on care and maintenance, ENCORE will have the opportunity to participate in these projects on the same terms that the Group can participate in the ENCORE projects. Under the terms of the Agreement, ENCORE will have a first right of refusal to acquire any mineral rights on these eight projects that the Group chooses to dispose of during the term of the Agreement.

As part of the Agreement with ENCORE, the Group excluded its 100% owned North Wash stratabound vanadium/uranium project in Garfield County, Utah from the transaction.

With respect to the North Wash project, as previously announced the Group contracted an independent mining pre-scoping study in May 2012, upon the Group's completion of a two-year drilling programme. This study was prepared to determine the mining method and development costs in an effort to assess the general feasibility of the project. Due to the recent strength of the present vanadium market, interest in the North Wash project significantly improved. The report covered preliminary design engineering sufficient to gain an indicative estimate of capital and operating costs, manpower requirements and a preliminary development and production schedule, and highlights that it has the potential to be developed into a commercial project. The Group will continue to review all of its options in respect of the project and will keep Shareholders updated on any progress.

Financial Review

Income Statement

The Group reports a net loss after tax from continuing operations of US$0.8 million or a loss 0.58 cents per share for the year ended 31 December 2018 (2017: net loss after tax from continuing operations of US$3.5 million or 6.22 cents per share). Due to the ongoing cash conservation programme, administrative costs for the year of US$1.6 million were materially lower than those in the prior year (2017: US$2.1 million).

Foreign exchange gains on the restatement of the Company's loans to its subsidiaries were US$1.1 million (2017: losses of US$1.4 million).

Balance Sheet

Total investment in the Group's intangible exploration and evaluation assets at 31 December 2018 was US$13.1 million (2017: US$12.1 million) reflecting continuing investment in the Utah O&G assets.

Cash and cash equivalents at 31 December 2018 were US$0.6 million (2017: US$2.2 million). During the period, the Company raised gross proceeds of US$1.3 million (2017: US$4.0 million) through the placing of the Company's Ordinary Shares.

Going Concern

The Directors have set out in note 3 to the financial statements their consideration of the future financing requirements of the Group. The Directors continue to adopt the going concern basis in preparing the consolidated 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 Board monitors the performance of the Group in delivering its key corporate and operational milestones for a given period. In particular, the Board monitors the completion of milestones against allocated time, resources and budget in respect of its O&G development activities.

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

- 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 geographic locations of the Group's operations can present environmental and logistical difficulties to the activities of the business.
- The Group is dependent on the continued services and performances of its core management team and the Remuneration Committee reviews the employment terms for executives and key operational management with the aim of attracting, motivating and retaining key personnel for the Group.

- 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.

- The farm-in agreement into the Paradox acreage includes both a financial carry obligation of US$5.5 million and also, the drilling of the second GVU obligation well. The well is required to retain the GVU in good standing and should the well not be drilled and the GVU expires, then the farm-in could terminate.

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.

- Funds are maintained by the Group in GBP, and US$. There is a risk that purchasing power in the U.S.A. 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.

- The Group has financial and operational obligations in order to keep licences, leases and permits related to its projects in good standing. If the Group does not have sufficient funds to develop its portfolio of projects and to keep the projects in good standing there is a risk that underlying leases, licences and permits may expire potentially leading to a loss of the underlying assets and a subsequent impairment of the assets in the Group's financial statements.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further details are known regarding the terms on which the UK will exit, the Directors are not able to assess the impact on the Company and the Group, or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company and the Group. The Board has concerns that discontinued membership of the EU could result in a depreciation in the value of sterling, which could impact the Group's global purchasing power.

Corporate Social Responsibility

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 operate the Group's existing O&G assets and will continue to look to enhance the value from these, particularly through the drilling of the first Paradox wells. In addition, the Group continues to investigate and evaluate new opportunities to increase Shareholder value.

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

On behalf of the Board

MC Idiens
Chief Executive Officer
27 June 2019

Directors' Report

The Directors present the Annual Report and financial statements of the Group for the year ended 31 December 2018.

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 the payment of a dividend for the year ended 31 December 2018 (2017: US$ nil).

Directors

The Directors who held office during the year, and since the year end are as follows:

MC Idiens
PE Jeffcock *(resigned 11 April 2019)*
KB Scott *(resigned 23 April 2019)*
CJ Eadie
TH Reynolds *(appointed 23 April 2019)*
JC Harrington *(appointed 24 May 2019)*
RJ Bensh *(appointed 11 April 2019. resigned 20 May 2019)*
RL Grant *(appointed 27 June 2019)*

Directors' interests in shares and share options

The Directors who held office at 31 December 2018 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2018	**1 January 2018**
MC Idiens	1,620,257	820,257
PE Jeffcock	208,333[1]	208,333[1]
KB Scott	–	–
CJ Eadie	771,904	347,189

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

Since 31 December 2018, MC Idiens and CJ Eadie have increased their shareholdings, and at the date of signing of these financial statements their shareholdings were as follow:

MC Idiens	3,620,257
CJ Eadie	1,717,504

Directors' interests in share options of the Company, including family interests, as at 31 December 2018 were as follows:

	Date of grant/ replacement	No. of shares	Exercise price	Option exercise period
MC Idiens	28 Sep 2011	52,000	112.5p	28/09/11 to 30/09/21
MC Idiens	30 Sep 2011	8,000	112.5p	01/09/12 to 29/09/21
MC Idiens	3 Sep 2013	158,000	112.5p	03/09/14 to 01/09/23
KB Scott	3 Sep 2013	109,333	47.5p	03/09/14 to 01/09/23
MC Idiens	10 Oct 2014	200,000	342.5p	10/10/15 to 09/10/24
CJ Eadie	13 Feb 2015	100,000	182.5p	13/03/16 to 12/03/25
MC Idiens	24 Mar 2017	700,000	14.0p	24/04/17 to 23/04/27
CJ Eadie	24 Mar 2017	500,000	14.0p	24/04/17 to 23/04/27
KB Scott	24 Mar 2017	150,000	14.0p	24/04/17 to 23/04/27
MC Idiens	6 April 2018	2,000,000	3.5p	06/04/19 to 05/04/28
CJ Eadie	6 April 2018	1,300,000	3.5p	06/04/19 to 05/04/28
PE Jeffcock	6 April 2018	500,000	3.5p	06/04/19 to 05/04/28
KB Scott	6 April 2018	500,000	3.5p	06/04/19 to 05/04/28

Share options held by K Scott remain in place subsequent to his resignation. Share options held by P Jeffcock, which had vested at the date of his resignation, can be exercised for a period of 2 years from the date of his resignation.

Third party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2018, Directors and officers liability insurance for the benefit of all Directors of the Company.

Corporate Governance

Corporate governance matters are set out on page 15.

Substantial shareholdings

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 27 June 2019:

	Number of shares	Percentage of issued share capital
Origin Creek Energy LLC	25,000,000	14.84%
Flute Investments	5,942,419	3.5%

Post balance sheet events

Events after the balance sheet date have been disclosed in note 33 to the financial statements.

Financial instruments

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 31 to the financial statements.

Directors' Report

continued

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

The Strategic Report, Corporate Governance Statement and the Directors' Report were approved by the Board on 27 June 2019.

On behalf of the Board

CJ Eadie
Chief Financial Officer
27 June 2019

Corporate Governance Statement

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Rose Petroleum plc stakeholders, including Shareholders, staff, clients and suppliers.

Changes to AIM rules on 30 March 2018 required AIM companies to disclose details of the recognised corporate governance code the Company has decided to apply by 28 September 2018.

The corporate governance framework which the Company operates, including Board leadership and effectiveness, Board remuneration, and internal control is based upon practices which the Board believes are proportional to the size, risks, complexity and operations of the business and is reflective of the Company's values. Of the two widely recognised formal codes, we have therefore decided to adhere to The QCA Corporate Governance Code as published by the Quoted Companies Alliance ("The QCA Code").

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA Code states what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and we provide an explanation of the approach taken in relation to each principle on our website.

Full details of our corporate governance approach and how we comply with The QCA Code can be found on our website www.rosepetroleum.com in the investors area.

Going Concern

The Directors have prepared cash flow forecasts for the Group for the period to June 2020 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. These cash flow forecasts include its normal operating costs for operations together with all committed development expenditure.

The Board have been working to secure the financing for the spudding of the first well in the Paradox Basin throughout the year and since the year end. Discussions with industry partners continue albeit that the recent oil price volatility and investors focus on the established oil producing basins in the U.S.A. has meant that these discussions, and the subsequent negotiations, have taken longer than might otherwise have been hoped. Whilst the Board remains confident that the Group will be able to secure the required funding through equity issue, farm in arrangements or other mechanisms, the timing and availability of funding sources is outside of the control of the Board. There can also be no certainty over the timing and extent of cash flows arising from the Group's exploration activities and hence any forecasts prepared by the Board will have inherent uncertainties.

Based on these forecasts, the current cash position and from their ongoing discussions with its major Shareholders and brokers, the Directors are confident that the Group has, or has access to, sufficient resources to continue in operation for at least the next twelve months.

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.

JC Harrington
Chairman
27 June 2019

Statement of Directors' Responsibilities

in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

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

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

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

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

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

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

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

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Rose Petroleum plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor’s Report to the members of Rose Petroleum plc

Opinion

We have audited the financial statements of Rose Petroleum Plc (the “parent company”) and its subsidiaries (the “Group”) for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2018 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Group is dependent on raising further funding in the short term to allow it to meet its operational overheads as they fall due. As stated in Note 3, these events or conditions, along with the other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the members of Rose Petroleum plc

continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Group key audit matters

- ***Intangible exploration and evaluation assets (Note 17)***

  The Group has significant exploration and evaluation activities in a number of geographical locations. The performance of these activities is dependent on the grant (and ongoing maintenance) of appropriate licences and permits which may be subject to limitations and restrictions. The Group applies IFRS6 "Exploration for and evaluation of mineral resources" and has determined policies for capitalisation of relevant costs and subsequent monitoring for impairment.

  Management provided us with an analysis of the exploration and evaluation assets held by the Group by pool of asset (being the smallest subset of asset held) together with their considerations as to the impairment of these assets. We performed audit work for each pool of asset as follows:

  - Agreed that licences and/or other similar agreements such as the Rockies Standard Earn-In Agreement were held by the Group during the financial year and at the year end and whether the nature of the agreements in place were such that there were specific ongoing requirements of the Group as licence holder to be complied with;

  - With regard to the additional acreage acquired during the period we have reviewed the acquisition documents and acquired licences to assess the rights and obligations under these and the ongoing requirements of Rose/the Licence Holder;

  - Reviewed the consideration made by management and discussed with them their assessment of whether there were any indicators of impairment of the licence areas arising under IFRS6 and whether facts and circumstances were such that a formal impairment assessment was required under the requirements of this standard. Our work included, but was not restricted to, reviewing the licence agreements to assess the remaining period of operation, reviewing the third party commissioned reports and challenging management's assessment of the results, and reviewing management's forecasts, plans and external communications as to whether these provided an indicator of impairment; and

  - Considered management's ongoing assessment of the Group's ability to meet the licence requirements and reviewed the cash flow forecasts prepared by management to support their ability to do this.

Parent company key audit matters

- ***Carrying value of investments (Note 19)***

  Included in the Parent Company Balance Sheet set out on page 27 of these financial statements are investments in subsidiary undertakings which are included at an impaired amortised cost of US$13.4 million. The investments in subsidiary undertakings comprise both investments in the equity and long-term loan funding advanced to the subsidiaries to fund their respective Exploration & Evaluation activities and represent significantly all of the net assets included in the Parent Company Balance Sheet.

Substantially all of the impaired amortised cost of US$13.4 million is represented by loans advanced by the Parent to fund the underlying investment in Exploration & Evaluation Assets held by the subsidiary undertakings. In assessing whether the existing level of impairment provision (which had been calculated by reference to the underlying net asset value of the capitalised Exploration & Evaluation Assets) remains appropriate, management have considered the potential future cashflows arising from these underlying assets. These potential future cash flows have been calculated by reference to the data provided by the Competent Person's Report ("CPR") on the underlying assets and the expected credit loss model in assessing whether any change in the level of impairment provision was required. We challenged management on the assumptions underlying their model and reviewed the documents supporting the calculations.

Our Application of Materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the Group financial statements as a whole was calculated as US$148,000, which was not significantly changed during the course of our audit. Materiality for the Parent company financial statements as a whole was calculated as US$75,000 which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of US$5,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our audit was a risk-based approach founded on a thorough understanding of the Group's business, its' environment and risk profile and in particular included:

- Documenting the processes and controls covering all of the Key Audit Matters;
- The Group has components across North America, Central America and Europe. We have assessed the risk of material misstatement for each of these components to conclude which are in scope for full scope audit procedures using component materiality (including local statutory audit requirements) and which will be subject to reduced scope review procedures;
- Our full scope audit procedures covered 100% of group revenues, 99% of group loss before tax and 91% of group gross assets; and
- Our reduced scope review procedures included analytical review procedures and targeted substantive testing.

The audit was scoped to support our audit opinion on the company and group financial statements of Rose Petroleum plc and was based on group materiality and an assessment of risk at group level.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the members of Rose Petroleum plc

continued

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

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.

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square, 5th Floor
29 Wellington Street
Leeds
LS1 4DL

27 June 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Notes	2018 US$'000	Restated 2017 US$'000
Continuing operations			
Administrative expenses		(1,646)	(2,063)
Development expenses	6	(178)	(154)
Impairment of intangible exploration and evaluation assets	7	(4)	82
Foreign exchange gains/(losses)		1,084	(1,378)
Operating loss		(744)	(3,513)
Fair value loss on investments	8	(284)	–
Other income	9	264	–
Finance income	10	3	1
Loss on ordinary activities before taxation	11	(761)	(3,512)
Taxation charge	14	–	(1)
Loss for the year from continuing operations		(761)	(3,513)
Discontinued operations			
Profit from discontinued operations, net of tax	15	860	382
Profit/(loss) for the year attributable to owners of the parent company		99	(3,131)
Profit/(loss) per Ordinary Share			
From continuing operations			
Basic and diluted, cents per share	16	(0.58)	(6.22)
From continuing and discontinued operations			
Basic and diluted, cents per share	16	0.08	(5.54)

The notes on pages 30 to 67 form part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 US$'000	Restated 2017 US$'000
Profit/(loss) for the year attributable to owners of the parent company	99	(3,131)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss, net of tax		
Foreign currency translation differences on foreign operations	2,394	(3,671)
Total comprehensive income for the year attributable to owners of the parent company	2,493	(6,802)

The notes on pages 30 to 67 form part of the financial statements.

Rose Petroleum plc

Consolidated Balance Sheet

As at 31 December 2018 Company No 04573663

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Investments	19	–	500
Intangible assets	17	13,148	12,098
Property, plant and equipment	18	22	27
		13,170	12,625
Current assets			
Investments	19	464	–
Trade and other receivables	21	426	583
Cash and cash equivalents	22	616	2,185
		1,506	2,768
Total assets		14,676	15,393
Current liabilities			
Trade and other payables	23	(387)	(584)
Total liabilities		(387)	(584)
Net assets		14,289	14,809
Equity			
Share capital	26	40,504	40,463
Share premium account	28	36,472	35,657
Warrant reserve	27	341	–
Share-based payment reserve	28	3,645	3,687
Cumulative translation reserve	28	(8,909)	(6,864)
Retained deficit	28	(57,764)	(58,134)
Equity attributable to owners of the parent company		14,289	14,809

The financial statements on pages 22 to 67 were approved by the Directors and authorised for issue on 27 June 2019 and are signed on its behalf by:

CJ Eadie

Chief Financial Officer

The notes on pages 30 to 67 form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$'000	Share premium account US$'000	Warrant reserve US$'000	Share-based payment reserve US$'000	Cumulative translation reserve US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2017	40,362	32,183	–	3,028	(8,376)	(54,869)	12,328
Transactions with owners in their capacity as owners:							
Issue of equity shares	101	3,918	–	–	–	–	4,019
Expenses of issue of equity shares	–	(250)	–	–	–	–	(250)
Share-based payments	–	(194)	–	508	–	–	314
Transfer to retained deficit in respect of forfeited options	–	–	–	134	–	(134)	–
Effect of foreign exchange rates	–	–	–	17	–	–	17
Total transactions with owners in their capacity as owner	101	3,474	–	659	–	(134)	4,100
Loss for the year	–	–	–	–	–	(3,131)	(3,131)
Other comprehensive income:							
Currency translation differences	–	–	–	–	(3,671)	–	(3,671)
Total other comprehensive income for the year	–	–	–	–	(3,671)	–	(3,671)
Total comprehensive income for the year	–	–	–	–	(3,671)	(3,131)	(6,802)
Currency translation differences on equity at historical rates	–	–	–	–	5,183	–	5,183
As at 31 December 2017	40,463	35,657	–	3,687	(6,864)	(58,134)	14,809
Transactions with owners in their capacity as owners:							
Issue of equity shares	41	1,304	–	–	–	–	1,345
Expenses of issue of equity shares	–	(148)	–	67	–	–	(81)
Transfer to warrant reserve	–	(341)	341	–	–	–	–
Share-based payments	–	–	–	172	–	–	172
Transfer to retained deficit in respect of forfeited options	–	–	–	(271)	–	271	–
Effect of foreign exchange rates	–	–	–	(10)	–	–	(10)
Total transactions with owners in their capacity as owner	41	815	341	(42)	–	271	1,426
Profit for the year	–	–	–	–	–	99	99
Other comprehensive income:							
Currency translation differences	–	–	–	–	2,394	–	2,394
Total other comprehensive income for the year	–	–	–	–	2,394	–	2,394
Total comprehensive income for the year	–	–	–	–	2,394	99	2,493
Currency translation differences on equity at historical rates	–	–	–	–	(3,614)	–	(3,614)
Recycled foreign currency translation differences on discontinued operations	–	–	–	–	(825)	–	(825)
As at 31 December 2018	40,504	36,472	341	3,645	(8,909)	(57,764)	14,289

The notes on pages 30 to 67 form part of the financial statements.

Rose Petroleum plc

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Notes	2018 US$'000	Restated 2017 US$'000
Operating activities			
Loss before taxation from continuing operations		(761)	(3,512)
Profit before taxation from discontinued operations	15	860	402
		99	(3,110)
Fair value loss on investments		284	–
Other income		(264)	–
Finance income		(3)	(42)
Adjustments for:			
Depreciation of property, plant and equipment		5	54
Profit on disposal of property, plant and equipment		(6)	–
Gain on disposal of discontinued operations		–	(1,339)
Impairment of Intangible exploration and evaluation assets		4	(82)
Provision for non-recoverable taxes		–	197
Share-based payments		172	314
Unrealised foreign exchange (gain)/loss		(2,023)	1,388
Operating outflow before movements in working capital		(1,732)	(2,620)
Decrease in trade and other receivables		260	419
(Decrease)/Increase in trade and other payables		(204)	93
Cash used in operations		(1,676)	(2,108)
Income tax recovered		–	143
Net cash used in operating activities		(1,676)	(1,965)
Investing activities			
Interest received		3	42
Purchase of intangible exploration and evaluation assets		(1,002)	(1,990)
Proceeds on disposal of property, plant and equipment		6	–
Net cash inflow on disposal of discontinued operations		53	950
Loans advanced		(195)	–
Net cash used in investing activities		(1,135)	(998)
Financing activities			
Proceeds from issue of shares		1,345	4,019
Expenses of issue of shares		(81)	(250)
Net cash from financing activities		1,264	3,769
Net (decrease)/increase in cash and cash equivalents		(1,547)	806
Cash and cash equivalents at beginning of year		2,185	1,273
Effect of foreign exchange rate changes		(22)	106
Cash and cash equivalents at end of year		616	2,185

The notes on pages 30 to 67 form part of the financial statements.

Company Balance Sheet

As at 31 December 2018 — Company No 04573663

	Notes	2018 US$'000	2017 US$'000
Non-current assets			
Investments	19	13,394	13,552
Property, plant and equipment	18	22	–
		13,416	13,552
Current assets			
Investments	19	200	–
Trade and other receivables	21	264	81
Cash and cash equivalents	22	598	2,156
		1,062	2,237
Total assets		14,478	15,789
Current liabilities			
Trade and other payables	23	(148)	(175)
Total liabilities		(148)	(175)
Net assets		14,330	15,614
Equity			
Share capital	26	40,504	40,463
Share premium account	28	36,472	35,657
Warrant reserve	27	341	–
Share-based payment reserve	28	3,645	3,687
Cumulative translation reserve	28	(8,957)	(8,093)
Retained deficit	28	(57,675)	(56,100)
Total equity		14,330	15,614

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 2018 is US$1.6 million (2017: US$6.0 million).

The financial statements on pages 22 to 67 were approved by the Directors and authorised for issue on 27 June 2019 and are signed on its behalf by:

CJ Eadie
Chief Financial Officer

The notes on pages 30 to 67 form part of the financial statements.

Rose Petroleum plc

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital US$'000	Share premium account US$'000	Warrant reserve US$'000	Share-based payment reserve US$'000	Cumulative translation reserve US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2017	40,362	32,183	–	3,028	(9,368)	(50,052)	16,153
Transactions with owners in their capacity as owners:							
Issue of equity shares	101	3,918	–	–	–	–	4,019
Expenses of issue of equity shares	–	(250)	–	–	–	–	(250)
Share-based payments	–	(194)	–	508	–	–	314
Transfer to capital contribution in respect of forfeited options	–	–	–	134	–	–	134
Effect of foreign exchange rates	–	–	–	17	–	–	17
Total transactions with owners in their capacity as owner	101	3,474	–	659	–	–	4,234
Loss for the year	–	–	–	–	–	(6,048)	(6,048)
Other comprehensive income:							
Currency translation differences	–	–	–	–	(3,908)	–	(3,908)
Total other comprehensive income for the year	–	–	–	–	(3,908)	–	(3,908)
Total comprehensive income for the year	–	–	–	–	(3,908)	(6,048)	(9,956)
Currency translation differences on equity at historical rates	–	–	–	–	5,183	–	5,183
As at 31 December 2017	40,463	35,657	–	3,687	(8,093)	(56,100)	15,614
Transactions with owners in their capacity as owners:							
Issue of equity shares	41	1,304	–	–	–	–	1,345
Expenses of issue of equity shares	–	(148)	–	67	–	–	(81)
Transfer to warrant reserve	–	(341)	341	–	–	–	–
Share-based payments	–	–	–	172	–	–	172
Transfer to retained deficit in respect of forfeited options	–	–	–	(41)	–	41	–
Transfer to capital contribution in respect of forfeited options	–	–	–	(230)	–	–	(230)
Effect of foreign exchange rates	–	–	–	(10)	–	–	(10)
Total transactions with owners in their capacity as owner	41	815	341	(42)	–	41	1,196
Loss for the year	–	–	–	–	–	(1,616)	(1,616)
Other comprehensive income:							
Currency translation differences	–	–	–	–	2,750	–	2,750
Total other comprehensive income for the year	–	–	–	–	2,750	–	2,750
Total comprehensive income for the year	–	–	–	–	2,750	(1,616)	1,134
Currency translation differences on equity at historical rates	–	–	–	–	(3,614)	–	(3,614)
As at 31 December 2018	40,504	36,472	341	3,645	(8,957)	(57,675)	14,330

The notes on pages 30 to 67 form part of the financial statements.

Company Cash Flow Statement

For the year ended 31 December 2018

	2018 US$'000	2017 US$'000
Operating activities		
Loss before taxation	(1,616)	(6,048)
Fair value loss on investments	284	–
Finance income	(688)	(502)
Adjustments for:		
Impairment of investments in subsidiary undertakings	1,323	5,753
Share-based payments	138	200
Unrealised foreign exchange	(132)	1
Operating cash outflow before movements in working capital	(691)	(596)
Decrease/(increase) in trade and other receivables	12	(12)
(Decrease)/increase in trade and other payables	(26)	10
Net cash used in operating activities	(705)	(598)
Investing activities		
Interest received	3	1
Loans to subsidiary undertakings	(1,901)	(2,308)
Loans advanced	(195)	–
Net cash used in investing activities	(2,093)	(2,307)
Financing activities		
Proceeds from the issue of shares	1,345	4,019
Expenses of issue of shares	(81)	(250)
Net cash from financing activities	1,264	3,769
Net (decrease)/increase in cash and cash equivalents	(1,534)	864
Cash and cash equivalents at beginning of year	2,156	1,185
Effect of foreign exchange rate changes	(24)	107
Cash and cash equivalents at end of year	598	2,156

The notes on pages 30 to 67 form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018

1. Corporate 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 and is limited by shares. The address of the registered office is 20-22 Wenlock Road, London, N1 7GU.

The nature of the Group's operations and its principal activity is the exploration and development of O&G resources.

2. Adoption of New and Revised Standards

Standards affecting presentation and disclosure

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board ("IASB") that are mandatory and relevant to the Group's activities for the current reporting period. The Group has applied IFRS 9 *Financial instruments* from 1 January 2018. A number of other new standards are also effective from 1 January 2018, including IFRS 15 *Revenue from contracts with customers*, but they do not have a material effect on the Group's financial statements.

IFRS 9 Financial instruments

IFRS 9 introduced new classification and measurement models for financial assets, financial liabilities and some contracts to buy or sell non-financial items. As a result of the adoption of IFRS 9 the Group has adopted consequential amendments to IAS 1 *Presentation of financial statements*, which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously the Group's approach was to include the impairment of trade receivables in other expenses. Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial instruments: disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

There has been no impact of transition to IFRS 9 on the opening balance of reserves and retained earnings at 1 January 2018.

Under IFRS 9, financial assets shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Group makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Group's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Group. New impairment requirements use an 'expected credit loss' ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition, in which case, the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

There has been no impact of transition to IFRS 9 on the Group's classification and measurement of financial assets and financial liabilities, nor its accounting policies related to financial liabilities at 1 January 2018.

2. Adoption of New and Revised Standards continued

The Group has determined that transition to IFRS 9 did not result in an additional provision for impairment and there was no impact on the opening balance of reserves or retained earnings at 1 January 2018, in respect of either the Group or the Company.

Standards issued but not yet effective

Any new or amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted by the Group for the year ended 31 December 2018. The assessment of the impact of these new or amended Accounting Standards and interpretations, most relevant to the Group are set out below.

- IFRS 16 – *Leases*

The Group is required to adopt IFRS 16 *Leases* from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard and the Group does not undertake any transactions as a lessor.

Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of office facilities. The nature of the expense related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was timing difference between actual lease payments and the expense recognised.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group do not anticipate that there will be a material impact on adoption of IFRS 16.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

- IAS 19 – *Employee benefits*
- IFRIC 23 – *Uncertainty over income tax treatments*
- Amendments to IAS 28 – *Long-term interests in associates and joint ventures*
- Amendments resulting from annual improvements to IFRS Standards 2015-2017
- Amendments to references to conceptual framework in IFRS Standards

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 Preparation

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements have been prepared on the historical cost basis, other than certain financial assets and liabilities which are stated at their fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The financial statements are presented in United States dollars ("US$") as the Group's business is influenced by pricing in international commodity markets which are primarily US$ based. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the comparative income statement has been re-presented so that the disclosures in relation to discontinued operations relate to all operations that have been discontinued by the balance sheet date.

Judgements made by the Directors in the application of these accounting policies that have significant impact on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in note 4.

Going Concern

As an exploration group, the Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the exploration programme and raise additional working capital on an ad hoc basis to support the Group's activities. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end, the Group had cash and cash equivalents amounting to US$0.6 million (2017: US$2.2 million).

The Directors have prepared cash flow forecasts for the Group for the period to June 2020 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. These cash flow forecasts include its normal operating costs for operations together with all committed development expenditure.

The Board have been working to secure the financing for the spudding of the first well in the Paradox Basin throughout the year and since the year end. Discussions with industry partners continue albeit that the recent oil price volatility and investors focus on the established oil producing basins in the U.S.A. has meant that these discussions, and the subsequent negotiations, have taken longer than might otherwise have been hoped. Whilst the Board remains confident that the Group will be able to secure the required funding through equity issue, farm in arrangements or other mechanisms, the timing and availability of funding sources is outside of the control of the Board. There can also be no certainty over the timing and extent of cash flows arising from the Group's exploration activities and hence any forecasts prepared by the Board will have inherent uncertainties.

Based on these forecasts, the current cash position and from their ongoing discussions with its major Shareholders and brokers, the Directors are confident that the Group has, or has access to, sufficient resources to continue in operation for at least the next twelve months.

3. Significant Accounting Policies continued

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.

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.

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

Investments in Subsidiary Undertakings

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

Intangible Exploration and Evaluation Assets

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

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

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

Exploration and evaluation costs

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

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

3. Significant Accounting Policies continued

Treatment of E&E assets at conclusion of appraisal activities

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

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

Impairment of Intangible Exploration and Evaluation Assets

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

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

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

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

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

The Group considers each area of exploration, 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.

3. Significant Accounting Policies continued

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

Plant and machinery	over 5 years
Office equipment	over 5 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 or loss.

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.

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 accumulated directly in equity.

3. Significant Accounting Policies continued

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 or loss.

Fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

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.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable 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.

3. Significant Accounting Policies continued

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.

Discontinued Operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business area or operation, or is a subsidiary acquired exclusively with a view to resale.

Classification of a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

The results of discontinued operations are presented separately on the face of the income statement and other comprehensive income. The comparative statement of profit or loss and other comprehensive income Is re-presented as if the operations had been discontinued from the start of the comparative year.

Investments And Other 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, and are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss.

Investments and other financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial liabilities are subsequently measured at either amortised cost or fair value.

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.

On derecognition of a financial asset and financial liability a gain or loss is recognised in profit or loss.

3. Significant Accounting Policies continued

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be held for trading, where they are acquired for the purpose of selling in the short term with an intention of making a profit. Gains and losses arising from changes in fair value are recognised directly in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The Group has applied the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables are grouped on the basis of days overdue.

Cash and cash equivalents

Cash and cash equivalents comprise cash-in-hand and on-demand deposits.

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.

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.

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.

3. Significant Accounting Policies continued

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, considering 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.

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. Periodic charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

Fair Value Measurement

Measurement of fair value is based on the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and assumes that the transactions will take place either, in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measure using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measure at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are measured at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

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

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

3. Significant Accounting Policies continued

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.

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

Development Expenses
Costs incurred by the Group in respect of the assessment and pursuit of potential new projects are expensed directly to the income statement and included as development expenses. Material expenses relating to a specific project are disclosed on a separate line in the income statement.

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 Loans to Subsidiary Undertakings
The Company has outstanding loans from its directly held subsidiaries which have then made a number of loans to indirectly held subsidiaries as the primary method of financing the activity of those subsidiaries. The principal loans are shown in the Company balance sheet on the basis that the loans incur interest at a commercial rate according to the Group's inter-company loan policy, which is being rolled up until such time as the subsidiaries are in a position to settle. However, there is a risk that the indirectly held subsidiaries will not commence revenue-generating activities and that the carrying amount of the Company's investment will, therefore, exceed the recoverable amount.

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

At 31 December 2018, the Company has total investments and loans in its directly held subsidiaries of US$48.2 million and the Board has assessed the recoverability of these based on the expected future cash flows arising to the Company from its subsidiary entities. Based on this assessment the Directors consider that, in consideration of the losses currently being generated and the impairment of the Group's intangible exploration and evaluation assets a provision of US$1.3 million (2017: US$5.8 million) should be recognised by the Company in the year to 31 December 2018. At 31 December 2018, there is a total impairment provision in respect of the investments and loans to subsidiaries of US$34.8 million. See note 19.

Further sensitivity analysis prepared by management on the recoverability of the Company's investments and loans is based on the performance of the underlying operations. Any downside in these estimates would result in an additional impairment of the underlying investments.

5. Segmental Information

Prior to the sale of the Group's milling assets ("discontinued operations") in the year ended 31 December 2017, for management purposes the Group was 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. Subsequent to the discontinuance of operations in Mexico the Group has two main operating segments, research and evaluation of potential uranium and copper properties and the exploration and development of O&G resources, which are primarily based in U.S.A. These divisions are the basis on which the Group reports its segmental information.

Segmental information about these divisions is presented below.

	2018 US$'000	Restated 2017 US$'000
Income statement		
Revenue		
Discontinued operations	–	304
Segmental results		
Uranium and copper	222	(137)
O&G	682	(1,677)
Total segmental results	904	(1,814)
Unallocated results	(1,665)	(1,698)
Current and deferred tax	–	(1)
Loss after taxation from continuing operations	(761)	(3,513)
Discontinued operations, net of tax	860	382
Profit/(loss) after taxation	99	(3,131)

The unallocated results of US$1.7 million (2017: US$1.7 million) include costs associated with the development of new projects (refer to note 6), Directors remuneration and other general and administrative costs incurred by the Company only.

5. Segmental Information continued

	2018 US$'000	2017 US$'000
Depreciation		
O&G	5	27
Discontinued operations	–	27
	5	54

	2018 US$'000	2017 US$'000
Impairment		
Uranium and copper	4	43
O&G	–	(125)
	4	(82)

	2018 US$'000	2017 US$'000
Net foreign exchange (gains)/losses		
O&G	(1,067)	1,333
Unallocated	(17)	45
Discontinued operations	892	–
	(192)	1,378

Employees

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

	2018 Number	2017 Number
Uranium and copper	1	1
O&G	1	1
Discontinued operations	–	27
Total segmental employees	2	29
Unallocated employees	2	3
Total employees	4	32

Notes to the Financial Statements

continued

5. **Segmental Information** continued

	2018 US$'000	2017 US$'000
Balance Sheet		
Segment assets		
Uranium and copper	275	23
O&G	13,244	12,205
Total segmental assets	13,519	12,228
Unallocated assets including cash and cash equivalents	1,089	2,738
Continuing operations	14,608	14,966
Discontinued operations	68	427
Total assets	14,676	15,393
Segmental liabilities		
Uranium and copper	1	50
O&G	219	85
Total segmental liabilities	220	135
Unallocated liabilities	154	297
Continuing operations	374	432
Discontinued operations	13	152
Total liabilities	387	584
Segmental net assets		
Uranium and copper	274	(27)
O&G	13,025	12,120
Total segmental net assets	13,299	12,093
Unallocated net assets including cash and cash equivalents	935	2,441
Discontinued operations	55	275
Total net assets	14,289	14,809

	2018 US$'000	2017 US$'000
Additions to investments		
Unallocated	–	500
O&G	264	–
	264	500

	2018 US$'000	2017 US$'000
Additions to intangible assets		
Uranium and copper	4	43
O&G	1,050	1,980
	1,054	2,023

6. Development Expenses

	Continuing 2018 US$'000	Continuing 2017 US$'000
Cuba	–	154
U.S.A.	178	–
	178	154

Development expenses represent material expenditure incurred by the Group in respect of the assessment and pursuit of specific projects.

7. Impairment of Intangible Exporation and Evaluation Assets

	Continuing 2018 US$'000	Continuing 2017 US$'000
Uranium and copper assets	4	43
O&G assets	–	(125)
	4	(82)

At 31 December 2018, there were indicators of impairment of both the Group's intangible uranium assets held in the U.S.A. and its intangible copper assets held in Mexico. The Directors consider that there is reasonable uncertainty that the Group will recover the carrying value of these assets and accordingly the intangible copper assets held in Mexico remain fully impaired. An impairment charge of US$4,292 (2017: US$42,896) has been recognised in the year in respect of the Group's intangible uranium assets, with the result that these assets have been impaired in full at 31 December 2018.

At 31 December 2015, the Group had relinquished, and ceased to recognise its interest in two hydrocarbon licences in south-western Germany. The original recognition of these assets included an accrual for outstanding licence duties due to the German licencing authorities. During the year ended 31 December 2017, a reduction in the potential liability was agreed with the authorities and as a result, the previous impairment relating to the relinquished assets in respect of this cost was reversed and resulted in a credit in impairment of US$0.1 million. The Group has continued to recognise the remaining potential liability although it continues to negotiate further reductions with the German licencing authorities. See note 23.

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.

8. Fair Value Loss on Investments

	Continuing 2018 US$'000	Continuing 2017 US$'000
Change in fair value of investments	284	–

8. Fair Value Loss on Investments continued

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan Gold Corporation ('Magellan"), which resulted in the disposal of the majority of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. See note 15. The consideration for the transaction, which completed on 1 December 2017, included US$0.5 million in restricted common stock in Magellan. By reference to the quoted price of Magellan stock, the Directors consider that the fair value of the stock at 31 December 2018 was US$0.2 million, which approximates to its market value at that date of US$0.31 million. This has resulted in a charge of US$0.3 million in respect of the change in fair value during the year ended 31 December 2018.

9. Other Income

	Continuing 2018 US$'000	Continuing 2017 US$'000
enCore Energy Corporation	264	–

On 27 November 2018, the Group announced that it had entered into an agreement with enCore Energy Corporation ('ENCORE') in respect of its U.S.A. uranium exploration project database. The agreement gave ENCORE exclusive access to the Group's database for an initial term of five years to enable them to identify exploration projects which could be developed into commercial operations. Under the terms of the agreement ENCORE issued 3 million Ordinary Shares to the Group's wholly owned subsidiary, VANE Minerals (US) LLC, which represented approximately 2.1% of the existing share capital of ENCORE. See note 19.

The Group has recognised the ENCORE shares as investments at fair value through the profit or loss, with a corresponding credit to other income during the year ended 31 December 2018.

10. Finance Income

	Continuing 2018 US$'000	Continuing 2017 US$'000
Interest on bank deposits	3	1

11. Loss before Taxation

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

	Continuing 2018 US$'000	Continuing 2017 US$'000
Other income	(264)	–
Depreciation of property, plant and equipment	5	27
Staff costs excluding share-based payments	553	792
Share-based payments	172	314
Operating leases – land and buildings	24	90
Net foreign exchange (gains)/losses	(1,084)	1,378

Notes to the Financial Statements

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12. Auditor's Remuneration

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

	Continuing 2018 US$'000	Continuing 2017 US$'000
Audit of these financial statements	54	45
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	10	10
Taxation services – compliance	6	11
	70	66

13. Staff Costs

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

	Group	
	Continuing 2018 Number	Continuing 2017 Number
Office and management	2	3
Operations	2	2
	4	5

Their aggregate remuneration comprised:

	Group	
	Continuing 2018 US$'000	Continuing 2017 US$'000
Wages and salaries	536	658
Social security costs	63	61
Other pension costs	36	75
Share-based payments	118	265
	753	1,059

Included within wages and salaries is US$0.08 million (2017: nil) capitalised to intangible exploration and evaluation assets.

	Company	
	Continuing 2018 Number	Continuing 2017 Number
Office and management	2	3
Operations	1	–
	3	3

13. Staff Costs continued

Their aggregate remuneration comprised:

	Company	
	Continuing 2018 US$'000	Continuing 2017 US$'000
Wages and salaries	483	379
Social security costs	58	44
Other pension costs	36	60
Share-based payments	83	164
	660	647

Included within wages and salaries is US$0.1 million (2017: nil) which was recharged to other Group entities during the year ended 31 December 2018.

Refer to note 32 for details regarding the remuneration of the highest paid Director.

14. Taxation

	Continuing 2018 US$'000	Continuing 2017 US$'000
Current tax:		
Current year	–	1
	–	1
Deferred tax:		
Origination and reversal of temporary differences	–	–
	–	–
Tax charge on loss for the year	–	1

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

	Continuing 2018 US$'000	Restated Continuing 2017 US$'000
Loss before tax	(761)	(3,512)
Loss multiplied by the rate of corporation tax for UK companies of 19% (2017: 19.25%)	(145)	(676)
Effects of:		
Expenses/income not deductible/chargeable for tax purposes	(68)	(236)
Share-based payments	33	60
Unrelieved tax losses carried forward	180	853
Tax charge on loss for the year	–	1

There has been no impact due to changes in UK taxation rates during the years reported.

Unrelieved tax losses carried forward, as detailed in note 24, 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.

Notes to the Financial Statements

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15. Discontinued Operations

Mexico Mining Operations

On 3 March 2017, the Group entered into a Memorandum of Understanding ("MOU") with Magellan Gold Corporation ("Magellan") for the potential disposal of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. Under the terms of the agreement Magellan was granted a 90-day option period, for a non-refundable deposit of US$50,000 which was presented as other income, within discontinued operations.

On 9 September 2017, the Group signed a Stock Purchase Agreement ("SPA") with Magellan and the transaction completed on 1 December 2017. The consideration for the transaction was US$1.5 million, US$1.0 million in cash and US$0.5 million in restricted common stock in Magellan. See note 19.

The cash consideration was subject to the retention of US$50,000 by Magellan, which fell due for payment by 10 March 2018 and which was actually settled on 13 April 2018.

Although the SPA referred to the sale of stock, the substance of the transaction was the disposal of property, plant and equipment in Minerales VANE S.A. de C.V. and as a result the transaction was accounted for as a disposal of property, plant and equipment. At the same time, the Group also agreed the sale of its wholly-owned subsidiary, Minerales VANE Operaciones S.A de C.V. ("MVO") for US$2,500, which was paid on 13 April 2018.

The Mexico operations were treated as discontinued operations in the year ended 31 December 2017, and together with additional costs incurred during the year ended 31 December 2018, have been shown within a single amount on the face of the consolidated income statement.

U.S.A. Copper Exploration

Whilst all remaining licences relating to the Group's U.S.A. copper projects had previously been relinquished, AVEN Associates LLC, the Group's U.S.A. copper exploration company finally ceased all activity and was closed during the year ended 31 December 2018. In accordance with IAS 21, all cumulative translation reserves relating to the entity have been recycled to the profit or loss and has been shown within a single amount on the face of the consolidated income statement for the year ended 31 December 2018. The income statement for the prior period has been restated to conform to this presentation.

15. Discontinued Operations continued

Loss from discontinued operations, net of tax

The results of the discontinued operations, which have been included in the consolidated income statement were as follows:

	2018 US$'000	2017 US$'000
Mexico Mining Operations		
Revenue	–	304
Cost of sales	–	(259)
Margin	–	45
Other income	–	50
Operating and development costs	–	(373)
Expenses	(36)	(698)
Recycled currency translation differences, net of tax	11	–
	(25)	(976)
Gain on disposal of property, plant and equipment	6	–
Finance income	–	41
Loss before taxation	(19)	(935)
Taxation charge	–	(20)
Loss attributable to discontinued operations	(19)	(955)
Gain on disposal of discontinued operations	–	1,339
(Loss)/profit from discontinued operations, net of tax	(19)	384

Gain on disposal of discontinued operations

	2018 US$'000	2017 US$'000
Property, plant and equipment	–	(283)
Decommissioning provision	–	120
	–	(163)
Consideration on disposal of discontinued operations	–	1,502
Gain on disposal of discontinued operations	–	1,339

Consideration on disposal of discontinued operations

Consideration on disposal of property, plant and equipment	1,500
Consideration on disposal of MVO	2
Total consideration on disposal of discontinued operations	1,502
Consideration settled in restricted common stock	(500)
Deferred consideration	(52)
Net cash inflow	950

15. Discontinued Operations continued

	2018 US$'000	Restated 2017 US$'000
U.S.A. Copper Exploration		
Expenses	(2)	(2)
Loss attributable to discontinued operations	(2)	(2)
Foreign currency exchange	67	–
Recycled currency translation differences, net of tax	814	–
Gain/(loss) from discontinued operations, net of tax	879	(2)
Total discontinued operations		
(Loss)/profit before taxation: Mexico mining operations	(19)	404
Profit/(loss) before taxation: U.S.A. copper exploration	879	(2)
Profit before taxation from discontinued operations	860	402
Taxation charge: Mexico mining operations	–	(20)
Profit from discontinued operations, net of tax	860	382
Profit per Ordinary Share		
Basic and diluted, cents per share	0.66	0.68

16. Profit/(Loss) Per Ordinary Share

Basic profit/(loss) per Ordinary Share is calculated by dividing the net profit/(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 profit/(loss) per Ordinary Share is based on the following data:

	Continuing operations 2018 US$'000	Continuing and discontinued operations 2018 US$'000	Restated Continuing operations 2017 US$'000	Continuing and discontinued operations 2017 US$'000
Profits/(losses)				
Profits/(losses) for the purpose of basic profit/(loss) per Ordinary Share being net profit/(loss) attributable to owners of the parent company	(761)	99	(3,513)	(3,131)
	Number '000	Number '000	Number '000	Number '000
Number of shares				
Weighted average number of shares for the purpose of basic profit/(loss) per Ordinary Share	131,814	131,814	56,467	56,467
Profit/(loss) per Ordinary Share				
Basic and diluted, cents per share	(0.58)	0.08	(6.22)	(5.54)

Due to the losses incurred from continuing operations in the years reported, there is no dilutive effect from the existing share options, share based compensation plan or warrants.

17. Intangible Assets

	Exploration and evaluation assets US$'000
Cost	
At 1 January 2017	15,823
Additions	2,023
Exchange differences	17
At 1 January 2018	17,863
Additions	1,054
Exchange differences	1
At 31 December 2018	18,918
Impairment	
At 1 January 2017	5,706
Impairment charge	43
Exchange differences	16
At 1 January 2018	5,765
Impairment charge	4
Exchange differences	1
At 31 December 2018	5,770
Carrying amount	
At 31 December 2018	13,148
At 31 December 2017	12,098
At 1 January 2017	10,117

Rockies Standard Earn-in Agreement

In March 2014, the Group signed an agreement under which its subsidiary, Rose Petroleum (Utah) LLC ("Rose Utah"), acquired the right to commence earning into a 75 per cent working interest 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.

Farm-in costs incurred by the Group are accounted for as required by the relevant accounting standards including the capitalisation of intangible exploration and evaluation assets in accordance with IFRS 6.

In April 2016, RSOC agreed to reduce the Group's carry obligation to earn the 75 per cent working interest in the Paradox acreage by US$2.0 million to US$5.5 million. Under the terms of the agreement, the obligation is not contractually committed and therefore no liability or contingent liability has been recognised in these financial statements.

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 2018 is US$13.1 million (2017: US$12.1 million).

17. Intangible Assets continued

Tango Project

On 25 August 2014, Minerales VANE S.A. de C.V., a wholly owned subsidiary of the Group, entered into an 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 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 has the option to earn a 75 per cent ownership of the base metals (porphyries) by investing US$5.0 million in work expenditures over a period of 5 years. Under the terms of the agreement, the option to earn-in is not contractually committed and therefore no liability or contingent liability has been recognised in these financial statements. No expenditure has been incurred in either of the years presented.

The Directors consider that there is reasonable uncertainty that the Group will recover the carrying value of these assets and as a result they were impaired in full at 31 December 2018.

U.S.A. Copper Projects

On 2 March 2016, the Group entered into an agreement with Burdett Gold LLC ("Burdett") to conduct exploration drilling on the Ardmore copper project. The terms included a cash payment of US$5,350 and the Group retained a 15 per cent net profit interest in the Ardmore project and any other claims that Burdett might acquire within a three-mile area. No payments have been received in respect of the project in either of the years presented.

18. Property, Plant And Equipment

	Group			Company
	Ore processing mill US$'000	Plant and machinery US$'000	Total US$'000	Office Equipment US$'000
Cost				
At 1 January 2017	624	705	1,329	–
Discontinued operations	(684)	(573)	(1,257)	–
Exchange differences	60	51	111	–
At 1 January 2018	–	183	183	–
Group transfer	–	–	–	22
Discontinued operations	–	(21)	(21)	–
Derecognition	–	(3)	(3)	–
At 31 December 2018	–	159	159	22
Accumulated depreciation				
At 1 January 2017	531	461	992	–
Charge for the year	17	37	54	–
Discontinued operations	(599)	(375)	(974)	–
Exchange differences	51	33	84	–
At 1 January 2018	–	156	156	–
Charge for the year	–	5	5	–
Discontinued operations	–	(21)	(21)	–
Derecognition	–	(3)	(3)	–
At 31 December 2018	–	137	137	–
Carrying amount				
At 31 December 2018	–	22	22	22
At 31 December 2017	–	27	27	–
At 1 January 2017	93	244	337	–

The Group depreciation charge has been allocated to the income statement as follows:

	Continuing 2018 US$'000	Continuing 2017 US$'000
Administrative expenses	5	27

19. Investments

	Group	Company			
	Investment carried at fair value US$'000	Investment carried at fair value US$'000	Shares in subsidiary undertakings US$'000	Loans to subsidiary undertakings US$'000	Total US$'000
Cost					
At 1 January 2017	–	–	4,799	37,166	41,965
Additions	500	500	–	2,308	2,808
Capital contribution	–	–	–	254	254
Exchange differences	–	–	457	3,568	4,025
At 1 January 2018	500	500	5,256	43,296	49,052
Additions	264	–	–	2,565	2,565
Change in fair value	(284)	(284)	–	–	(284)
Capital contribution	–	–	–	(197)	(197)
Exchange differences	(16)	(16)	(294)	(2,453)	(2,763)
At 31 December 2018	464	200	4,962	43,211	48,373
Impairment					
At 1 January 2017	–	–	3,252	23,650	26,902
Impairment charge	–	–	1,373	4,380	5,753
Exchange differences	–	–	377	2,468	2,845
At 1 January 2018	–	–	5,002	30,498	35,500
Impairment charge	–	–	(136)	1,459	1,323
Exchange differences	–	–	(274)	(1,770)	(2,044)
At 31 December 2018	–	–	4,592	30,187	34,779
Carrying amount					
Non-current assets	–	–	370	13,024	13,394
Current assets	464	200	–	–	200
At 31 December 2018	464	200	370	13,024	13,594
Carrying amount					
Non-current assets	500	500	254	12,798	13,552
Current assets	–	–	–	–	–
At 31 December 2017	500	500	254	12,798	13,552

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan Gold Corporation ('Magellan"), which resulted in the disposal of the majority of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. See note 15. The consideration for the transaction, which completed on 1 December 2017, included US$0.5 million in restricted common stock in Magellan. By reference to the quoted price of Magellan stock, the Directors consider that the fair value of the stock at 31 December 2018 was US$0.2 million, which approximates to its market value at that date of US$0.31 million.

19. Investments continued

On 27 November 2018, the Group announced that it had entered into an agreement with enCore Energy Corporation ('ENCORE') in respect of its U.S.A. uranium exploration project database. The database is comprised of geological, geophysical and evaluation data on the uranium breccia pipe district of northern Arizona. The agreement gave ENCORE exclusive access to the Group's database for an initial term of five years to enable them to identify exploration projects which could be developed into commercial operations. Under the terms of the agreement ENCORE issued 3 million Ordinary Shares to the Group's wholly owned subsidiary, VANE Minerals (US) LLC, which represented approximately 2.1% of the existing share capital of ENCORE. In addition, should any prospects identified by ENCORE reach development stage, the Group will have an opportunity to participate in the project up to a maximum 25% interest. The purchase price for this participation will be 250% of the pro-rata exploration costs incurred on the project to advance it to the development stage and the Group would then be responsible for the development expenditure relating to its specific percentage interest. If the Group does not elect to participate in the projects in accordance with the agreement it will have no further rights in respect of that particular project. Should the Group develop any of its existing breccia pipe uranium projects, excluding the North Wash project in Utah, which are currently held on care and maintenance, ENCORE would have the right to participate in these projects on the same terms that the Group can participate in the ENCORE projects. In addition, ENCORE will have the right of first refusal to acquire any of the projects the Group chooses to dispose of during the term of the agreement. By reference to the quoted price of Encore stock, the Directors consider that the fair value of the stock at 31 December 2018 was US$0.26 million, which has been recognised as other income during the year ended 31 December 2018. See note 9.

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. For years beginning after 1 January 2018, changes to measurement techniques on intercompany loans came into effect under IFRS 9. These changes require that intercompany loans be recognised based on the recoverability of the discounted value of future cash flows with effective interest taken to the income statement and that any impairment should be recognised. The Board has assessed the recoverability of the loans and investments based on the expected future cash flows arising to the Company from its subsidiary entities and consider that a provision of US$1.3 million (2017: US$5.8 million) should be recognised in the period.

The Company had investments in the following subsidiary undertakings as at 31 December 2018:

	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
Rose Cuba Limited	UK	100%	100%	Holding company
Rose Resources Limited	UK	100%	100%	Holding company
Indirectly owned:				
VANE Minerals (US) LLC	U.S.A.	100%	100%	Exploration
Minerales VANE S.A. de C.V.	Mexico	100%	100%	Mining
Naab Energie GmbH	Germany	100%	100%	Exploration
Rose Petroleum (US) LLC	U.S.A.	100%	100%	Holding company
Rose Petroleum (Utah) LLC	U.S.A.	100%	100%	Exploration
Rose Gypsum Limited	UK	100%	100%	Holding company

19. Investments continued

During the year ended 31 December 2018, the Group closed AVEN Associates LLC, which previously held the Group's U.S.A. copper assets. Expenditure incurred has been classified as discontinued operations, and primarily comprise costs of cessation and recycling of foreign currency reserves through profit or loss. See note 15.

The registered office address of all companies incorporated in the United Kingdom is 20-22 Wenlock Road, London, N1 7GU.

The registered office address for VANE Minerals (US) LLC is 8987 E. Tanque Verde Road, Tucson, Arizona 85749.

The registered office address for Minerales VANE S.A. de C.V. is Humboldt No. 121, Colonia del Valle, C.P. 78200, San Luis Potosi, S.L.P.

The registered office address for Naab Energie GmbH is Merzhauser Strasse 4, D-79100 Freiburg, Germany.

The registered office address for Rose Petroleum (US) LLC and Rose Petroleum (Utah) LLC is 383 Inverness Parkway, Ste 330, Englewood, CO 80112.

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, who later sold their interest to Anfield Resources Inc. ("Anfield"), with each partner holding a 50 per cent interest.

The parties have rights to the assets and obligations for liabilities relating to the arrangement and the JVA had, 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 Mining Venture Agreement was amended on 15 July 2013 to extend the terms of the agreement to 31 December 2017. Since 31 December 2017, the JVA has not been extended and each party has been reassigned the assets originally contributed to the joint venture. The Group's interest in these assets is now held within its wholly owned subsidiary, VANE Minerals (US) LLC.

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

	2018 US$'000	2017 US$'000
Net assets	–	15
Expenses	(3)	(4)

21. Trade and Other Receivables

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Trade receivables	–	246	–	–
VAT recoverable	28	55	17	23
Tax recoverable	48	92	–	–
Other receivables	267	107	195	–
Prepayments & accrued income	83	83	52	58
	426	583	264	81

At 31 December 2018, other receivables include the sum of US$0.2 million in respect of a loan made to Magellan, which is non-interest bearing and is due for repayment when Magellan recovers indirect tax incurred in Mexico upon acquisition of the Group's ore processing mill in the year ended 31 December 2017. The Directors anticipate that the loan will be repaid within 12 months, and was made to facilitate completion of the sale of its Mexico assets.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value, and represents the Group's maximum exposure to credit risk.

Receivables disclosed above do not include any amounts which are past due or impaired, and the Group has not recognised a loss in profit or loss in respect of expected credit losses for the year ended 31 December 2018.

22. Cash and Cash Equivalents

Cash and cash equivalents held by the Group and the Company as at 31 December 2018 were US$0.6 million and US$0.6 million respectively (2017: US$2.2 million, US$2.2 million). The Directors consider that the carrying amount of these assets approximate to their fair value.

23. Trade and Other Payables

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Trade payables	160	141	39	43
Taxes and social security	22	30	22	31
Other payables	116	82	–	–
Accruals	89	331	87	101
	387	584	148	175

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs.

At 31 December 2018, other payables (2017: included within accruals, US$0.1 million) represents the potential liability due to the German licencing authorities in respect of the relinquished hydrocarbon licences in south-western Germany. The Group has continued to recognise the remaining potential liability although it continues to negotiate further reductions with the German licencing authorities.

No interest is generally charged on balances outstanding.

The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

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

24. Deferred Tax

There are unrecognised deferred tax assets in relation to:

	2018 US$'000	2017 US$'000
UK tax losses	5,178	5,398
U.S.A. tax losses	16,367	18,189
Mexican tax losses	511	332
	22,056	23,919

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

25. Provisions

	Group decommissioning	
	2018 US$'000	2017 US$'000
At 1 January	–	110
Discontinued operations	–	(120)
Foreign exchange	–	10
At 31 December	–	–
Current provision	–	–

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.

As a result of the disposal of the Group's ore processing mill the Group no longer has any obligation in respect of decommissioning costs. See note 15.

Under the terms of the revised agreement with RSOC, the Group no longer has any restoration obligations in respect of its O&G assets. See note 17.

26. Share Capital

	Group and Company			
	2018		2017	
	Number '000	US$'000	Number '000	US$'000
Authorised				
Ordinary Shares of 0.1p each	7,779,297	9,926	7,779,297	10,514
Deferred Shares of 9.9p each	227,753	28,768	227,753	30,473
	8,007,050	38,694	8,007,050	40,987
Allotted, issued and fully paid				
Ordinary Shares of 0.1p each	143,414	199	112,645	158
Deferred Shares of 9.9p each	227,753	40,305	227,753	40,305
	371,167	40,504	340,398	40,463

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.

On 18 September 2017, the Company consolidated every 100 Ordinary Shares at 0.1p each into one 'consolidated share'. Immediately following the consolidation each 'consolidated' share was sub-divided into one New Ordinary Share and one New Deferred Share. The sub-division was structured in such a way that each of the New Ordinary Shares retained the nominal value of 0.1p each. The New Ordinary and New Deferred Shares have the same rights as the existing Ordinary and Deferred shares.

Issued Ordinary Share Capital

On 28 September 2017, the Company issued 60,000,000 Ordinary Shares of 0.1p each at a price of 4p per share, raising gross proceeds of US$3.2 million (£2.4 million).

On 10 October 2017, the Company issued 15,000,000 Ordinary Shares of 0.1p each at a price of 4p per share, raising gross proceeds of US$0.8 million (£0.6 million).

On 10 May 2018, the Company issued 11,264,000 Ordinary Shares of 0.1p each at a price of 3.25p per share, raising gross proceeds of US$0.5 million (£0.4 million).

On 22 May 2018, the Company issued 19,505,231 Ordinary Shares of 0.1p each at a price of 3.25p per share, raising gross proceeds of US$0.8 million (£0.6 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2017	3,764,471	190,108
Share consolidation	37,645	37,645
Allotment of shares	75,000	–
At 1 January 2018	112,645	227,753
Allotment of shares	30,769	–
At 31 December 2018	143,414	227,753

27. Warrant Reserve

In May 2018, the Company issued 30,769,231 Ordinary Shares of 0.1 each. See note 26. In addition to the placing shares, subscribers were issued warrants to subscribe for 30,769,231 new Ordinary Shares, representing one warrant for each placing share. The warrants are exercisable at a price of 6.5p per Ordinary Share for a period of two years from the date of issue.

The fair value of the subscriber warrants 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:

	Issued in year 30,769,231 warrants
Exercise price (pence)	6.5p
Expected volatility (%)	82
Expected life (years)	2
Risk free rates (%)	0.74-0.76
Expected dividends	–
Performance condition	None

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

The fair value of the warrants granted to subscribers during the year was US$0.3 million (2017: nil), and this has been recognised out of gross proceeds as a warrant reserve within equity.

28. Reserves

The share premium account represents the sum paid, in excess of the nominal value, of shares allotted, net of the costs of issue.

The warrant reserve represents accumulated charges made in respect of the issue of warrants to Shareholders. See note 27.

The share-based payment reserve represents accumulated charges made under IFRS 2 in respect of share-based payments.

The cumulative translation reserve represents foreign exchange differences arising on the translation of foreign operations and any net gain/(loss) on the hedge of net investment in foreign subsidiaries. The cumulative translation reserve also represents the net effect of the fact that the functional currency of the parent undertaking is GBP, whilst its reporting currency is US$, resulting in exchange differences on translation of the parent undertakings equity.

The retained deficit includes all current and prior period retained losses.

29. Share-Based Payments

Equity Settled Share Option Plan

The Company has a Share Option Plan, 2013 Share Option Plan Part A (employees) and 2013 Share Option Plan Part B (non-employees), under which options to subscribe for the Company's shares have been granted to certain Directors and to selected employees and consultants.

On 24 March 2017, the Company issued 2.45 million share options with an exercise price of 14p per Ordinary Share, which vest in three equal tranches on 24 March 2018, 2019 and 2020.

On 6 April 2018, the Company issued 7.9 million share options with an exercise price of 3.5p per Ordinary Share, which vest in three equal tranches on 6 April 2019, 2020 and 2021. The options can be exercised up until the tenth anniversary of the grant date.

At 31 December 2018, 11.3 million share 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 24 March 2028 and, unless otherwise agreed, the options are forfeited if the employee or consultant leaves the Group before the options vest, or if those options which have vested are not exercised within three months of leaving.

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

	2018		2017	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Outstanding at 1 January	3,799	189.0p	1,308	184.3p
Granted	7,900	3.5p	2,450	14.0p
Forfeited/cancelled	(432)	60.65p	41	319.0p
Outstanding at 31 December	11,267	25.75p	3,799	76.0p
Exercisable at 31 December	1,967	120.82p	1,299	189.0p

The options outstanding and not yet vested at 31 December 2018 had an estimated weighted average remaining contractual life of 1.17 years (2017: 1.23 years), with an exercise price ranging between 3.25p and 14p.

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 7,900,000 Share options
Exercise price (pence)	3.5p
Expected volatility (%)	98-103
Expected life (years)	5.5-6.5
Risk free rates (%)	1.12-1.2
Expected dividends	–
Performance condition	None

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

The fair value of the options granted during the year was US$0.2 million (2017: US$0.2 million).

29. Share-Based Payments continued

In the year ended 31 December 2018, the Company recognised a total expense of US$0.2 million (2017: US$0.3 million) in respect of the Share Option Plan.

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 was recognised in full in the year ended 31 December 2015.

Warrants

On 18 September 2017, the Company issued 3,625,000 warrants to TPI, in respect of broker services provided by them in relation to the placing of the Company's shares. The warrants permit the holder to subscribe for one new Ordinary Share at a price of 7.125 pence per share and are exercisable at any time until 18 September 2020. The fair value of the services provided to the Company can be measured directly and, therefore, the fair value of the warrants issued during the year to TPI has been made with reference to the terms of the agreement which stated that the number of warrants issued should be based on 5 per cent of the equity proceeds raised by TPI.

On 22 May 2018, the Company issued 1,538,461 warrants to TPI, in respect of broker services provided by them in relation to the placing of the Company's shares. The warrants permit the holder to subscribe for one new Ordinary Share at a price of 6.5 pence per share and are exercisable at any time until 22 May 2020. The fair value of the services provided to the Company can be measured directly and, therefore, the fair value of the warrants issued during the year to TPI has been made with reference to the terms of the agreement which stated that the number of warrants issued should be based on 5 per cent of the equity proceeds raised by TPI.

The fair value of the warrants issued during the year was US$0.06 million (2017: US$ 0.2 million). In accordance with the Group's accounting policy, the costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided. As a result, there is no impact on the Group's income statement during the year ended 31 December 2018.

Details of the warrants included in share-based payments and outstanding at the end of the year were as follow:

	Number of warrants
At 1 January 2017	42,857,142
At 1 January 2017 share consolidation (see note 26)	428,571
Granted	3,625,000
At 1 January 2018	4,053,571
Granted	1,538,461
At 31 December 2018	5,592,032

30. Commitments Under Operating Leases

The Group has entered into commercial leases on certain properties. The future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Land and buildings				
Amounts due within one year	23	24	23	24
Amounts due in 2-5 years	46	73	46	73
	69	97	69	97

None of the operating leases above have any contingency rent, renewal or purchases options, escalation clauses nor have any restrictions relating to additional debt or further leasing.

31. Financial Instruments

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.

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 2017.

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.

31. Financial Instruments continued

Categories of Financial Instruments

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Financial assets measured at amortised cost				
Cash and cash equivalents	616	2,185	598	2,156
Trade receivables	–	246	–	–
Other receivables	267	107	195	–
Loans to subsidiary undertakings	–	–	13,024	18,250
	883	2,538	13,817	20,406

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Financial assets measured at fair value				
Investments				
Hierarchy, Level 1	464	500	200	500

	Group		Company	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
Financial liabilities measured at amortised cost				
Trade payables	160	141	39	43
Other payables	116	82	–	–
	276	223	39	55

Fair Value of Financial Instruments

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

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 Group purchases using the best spot rate available. As a result, there is limited currency risk within the Group other than cash and cash equivalents whose functional currency is different to presentation currency.

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

	Liabilities		Assets	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
GBP	116	–	354	1,266

31. Financial Instruments continued

Foreign currency sensitivity analysis

The functional currencies of the Group are Pound Sterling (GBP), US dollars (US$), Euro (EUR) and Mexican Peso (MXN). The financial statements of the Group's foreign subsidiaries are denominated in foreign currencies.

The Group is exposed primarily to movements in US$ in respect of foreign currency risk arising from recognised assets.

Sensitivity analysis has been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between GBP and US$. The analysis is based on the weakening and strengthening of US$ by five per cent. A movement of five 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 five per cent change in foreign currency rates.

The table below details the Group's sensitivity to a five per cent decrease in US$ against GBP. A positive number below indicates an increase in profit where US$ strengthens five per cent against GBP. For a five per cent weakening of US$ there would be an equal and opposite impact on the profit, and the balance below would be negative.

	2018 US$'000	2017 US$'000
Income statement	(988)	879

Interest Rate Risk Management

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

The Group has no substantial exposure to fluctuating interest rates on its liabilities. The Group has no liabilities which attract interest charges at 31 December 2018.

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 and other receivables.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period greater than one year.

31. Financial Instruments continued

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets. The Group does not hold any collateral.

Generally, financial assets are written off when there is no reasonable expectation of recovery.

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.

32. Related Party Transactions

Amounts due from subsidiaries

Group

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.

Company

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:

	2018		2017	
	Transactions in the year US$'000	Amounts owing US$'000	Transactions in the year US$'000	Amounts owing US$'000
Loans	1,164	32,956	1,050	33,675
Management charges	749	4,309	723	3,806
Interest (1.5% to 1.75%)	685	4,989	500	4,591
Capital contribution	(197)	957	254	1,223

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*.

	2018		2017	
	Purchase of services US$'000	Amounts owing US$'000	Purchase of services US$'000	Amounts owing US$'000
Short-term employee benefits	444	–	447	–
Consultancy payments	54	6	16	1
Post-employment benefits	34	2	57	11
Share-based payments	107	–	274	–
	639	8	794	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.

32. Related Party Transactions continued

Directors' Emoluments

Remuneration paid to Directors during the year was as follows:

	2018				
	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Consultancy US$'000	Pension US$'000	Total US$'000
Executive Directors					
MC Idiens	200	208	–	20	228
KB Scott	13	13	54	–	67
CJ Eadie	136	143	–	14	157
Non-executive Directors					
PE Jeffcock	34	34	–	–	34
	383	398	54	34	486

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

	2017			
	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Pension US$'000	Total US$'000
Executive Directors				
MC Idiens	193	200	46	246
KK Hefton	54[2]	54	2	56
KB Scott	16	16	–	16
CJ Eadie	118	124	9	133
Non-executive Directors				
PE Jeffcock	24	24	–	24
	405	418	57	475

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

[2] Emolument to the date of resignation on 1 July 2017

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

Directors' share options are detailed in the Directors Report.

Directors' pensions

	2018 No.	2017 No.
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	3	2

33. Post Balance Sheet Events

Equity Fundraise

On 24 May 2019, the Company raised gross proceeds of US$0.4 million (£0.3 million) by way of a placing of 25 million Ordinary Shares of 0.1p each at a price of 1.2 pence per share.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Rose Petroleum plc ("**Company**") will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London EC3A 6AB on 30 July 2019 at 12 noon to consider and, if thought fit, pass the following resolutions ("**Resolutions**" and each a "**Resolution**"), of which Resolutions 1 to 7 (inclusive) will be proposed as ordinary resolutions and Resolution 8 will be proposed as a special resolution.

Ordinary Resolutions

1. To receive and adopt the annual report and accounts for the year ended 31 December 2018, together with the reports of the Directors and the auditor thereon.

2. To re-elect Mr Matthew Charles Idiens, who retires by rotation, as a Director.

3. To re-elect Mr John Colin Harrington as a Director.

4. To re-elect Mr Thomas Hamilton Reynolds as a Director.

5. To re-elect Mr Richard Lee Grant as a Director.

6. To re-appoint RSM UK Audit LLP as auditor to act as such until the conclusion of the next annual general meeting of the Company at which the requirements of section 437 of the Companies Act 2006 ("**CA 2006**") are complied with and to authorise the Directors of the Company to fix its remuneration.

7. That the Directors be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to issue and allot ordinary shares of 0.1 pence each in the share capital of the Company ("**Ordinary Shares**") or grant rights to subscribe for or to convert any security into shares in the Company (together "**Rights**") up to a maximum nominal amount of £84,206.97 (representing approximately 50 per cent. of the issued share capital of the Company), to such persons at such times and on such terms as they think proper, provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire on the date falling 15 months from the date of the passing of this Resolution, or if earlier, at the conclusion of the annual general meeting of the Company in 2020, save that the Company may at any time before such expiry make an offer or agreement which might require Ordinary Shares to be allotted or Rights to be granted after such expiry and the Directors may allot Ordinary Shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the CA 2006.

Special Resolution

8. That, subject to and conditional upon the passing of Resolution 7 above, the Directors be generally empowered pursuant to section 570 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash as if section 561(1) of the CA 2006 did not apply to any such allotment pursuant to the general authority conferred on them by Resolution 7 above (as varied from time to time by the Company in general meeting) PROVIDED THAT such power shall be limited to:-

   (a) the allotment of equity securities in connection with a rights issue or any other offer to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings and to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory;

(b) the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries; and

(c) the allotment otherwise than pursuant to sub paragraph (a) to (b) (inclusive) above of equity securities up to an aggregate nominal amount of £33,682.78 representing approximately 20 per cent of the issued share capital of the Company,

and the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the Directors pursuant to section 570 of the CA 2006 and shall expire on whichever is the earlier of the conclusion of the annual general meeting of the Company in 2020 or the date falling 15 months from the date of the passing of this Resolution (unless renewed varied or revoked by the Company prior to or on that date) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

Registered Office

20- 22 Wenlock Road
London
N1 7GU

On behalf of the Board

CJ Eadie
Chief Financial Officer

Notice of Annual General Meeting

continued

Notes:

Entitlement to attend and vote

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

- close of business on 26 July 2019; or,
- if this annual general meeting is adjourned, as at close of business on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the annual general meeting.

Appointment of proxies

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

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

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

5 A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the Company's Registrars: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting.

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

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

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

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

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

Notice of Annual General Meeting

continued

Appendix 1

Explanatory Notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed Resolutions.

Resolutions 1 to 7 are proposed as ordinary resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast in person or by proxy must be in favour of the Resolution. Resolution 8 is proposed as a special resolution. This means that for this Resolution to be passed, at least three-quarters of the votes cast must be in favour of the Resolution.

Resolution 1

This Resolution is to receive and adopt the Directors' reports and accounts for the year ended 31 December 2018, which accompany this document.

Resolutions 2 to 5

Mr Matthew Charles Idiens is retiring as a Director by rotation at the annual general meeting in accordance with the provisions of the Company's articles of association and is standing for re-appointment.

Mr John Colin Harrington, Mr Thomas Hamilton Reynolds and Mr Richard Lee Grant are also retiring as Directors at the annual general meeting and are each standing for re-appointment.

If each of these Resolutions are separately passed, the respective individual will be re-appointed as a Director of the Company.

Resolution 6

This is a Resolution to appoint RSM UK Audit LLP as auditor of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration.

Resolution 7

This Resolution, if passed, would authorise the Directors to allot Ordinary Shares or grant Rights to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £84,206.97, representing approximately 50 per cent of the current issued share capital.

The authority being sought in Resolution 7 replaces the authority granted on 21 May 2018.

The authority will expire on the earlier of 15 months from the date the Resolution is passed or the conclusion of the Company's annual general meeting in 2020.

Resolution 8

This Resolution, which is conditional upon Resolution 7 being passed, would give the Directors the authority to allot Ordinary Shares (or sell any Ordinary Shares which the Company elects to hold in treasury) for cash without first offering them to existing Shareholders in proportion to their existing shareholding.

This authority would be limited to an aggregate nominal amount of £33,682.78 (representing approximately 20 per cent. of the issued ordinary share capital of the Company as at 27 June 2019, being the latest practical date prior to the publication of the notice of the annual general meeting).

As with Resolution 7, the authority being sought pursuant to Resolution 8, replaces the authority granted on 21 May 2018.

The authority and power pursuant to Resolution 8 will expire on the earlier of 15 months from the date of Resolution 8 being passed or the conclusion of the Company's annual general meeting in 2020.

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