



Baron Oil Plc

Annual Report and
Financial Statements

for the year ended 31 December 2015

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1 Corporate Information

Directors	William Colvin Chairman and Chief Executive Malcolm Butler Non-Executive Director Geoffrey Barnes Non-Executive Director
Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Company Secretary	Geoffrey Barnes
Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Solicitors	Kerman & Co LLP 200 Strand London WC2R 1DJ
Nominated Advisor and Broker	Cantor Fitzgerald Europe One Churchill Place Canary Wharf London E14 5RD
Registrars	Computershare Investor Services (Ireland) Limited Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland
Communications	Website www.baronoilplc.com
Company number	05098776 (England and Wales)

2 Corporate Statement

Baron Oil Plc (“Baron” or “the Company”) is an independent oil and gas exploration company headquartered in London. The Company currently owns exploration acreage in the UK, Peru and Colombia. Shares in the company are listed in the UK on the AIM market of the London Stock Exchange – (BOIL.L).

The Company’s objective is to deliver shareholder value through generating substantial increases in net asset value by discovering commercial quantities of hydrocarbons while mitigating both risks and costs whenever possible through cost carry and farm-out arrangements. The Company is committed to safeguarding the environment and minimising risk to our employees, contractors and the communities in which we work. Through developing sustainable long-term relationships with its partners and the community, Baron aims to conduct business and enhance value in a responsible manner.

3 Chairman's Statement and Operations Report

Finance and financial results

In the year ended 31 December 2015, the net result for the year was a loss before taxation of £1,775,000, which compares to a loss of £3,347,000 for the preceding financial year. Almost 90% of this loss is accounted for by exploration expenditure and impairment charges in Peru.

Turnover for the year was £1,048,000 compared to £2,830,000 in the preceding year. This drop in turnover arises from the cessation of production in July 2015 from the Nancy-Burdine-Maxine fields ("NBM"). This licence subsequently expired in October 2015. Management of Inversiones Petroleras de Colombia SAS ("Invepetrol") had detailed discussions with Ecopetrol SA ("Ecopetrol") concerning both an extension of NBM operatorship and also an improvement in the NBM commercial terms of our production contract. Our proposals to continue operating the field were declined by Ecopetrol and the field was officially handed over to them on 16 October 2015. We have now begun to close the Colombian office and minimise expenditure as much as possible.

In Peru, the Group incurred expenditure totaling £1,197,000 on a 2D seismic survey on our 100%-owned onshore Block XXI. In accordance with our accounting policy, the Group has been charging unsuccessful exploration costs direct to the Income Statement; however, the results of the recent seismic have been encouraging and may lead to the drilling of an exploration well. Accordingly, the Board are of the view that this phase of exploration is ongoing and that the expenditure should remain on the Balance Sheet as capitalised exploration and evaluation expenditure until the results of any such well are known. All other Block XXI costs, including environmental approval costs, have been written off to the Income Statement, with exploration and impairment charges for the block totaling £328,000.

Also in Peru, a further impairment charge of £984,000 in respect of offshore Block Z34 has been charged to the Income Statement in light of the continuing hiatus in all offshore exploration activities in Peru.

In the UK, the Group invested £1,300,000 in the Islandmagee (Northern Ireland) gas storage project, operated by InfraStrata Plc ("InfraStrata"). The investment took the form of an 8% Secured Convertible Loan Facility, with repayment due in August 2016 and with the option for us to convert the loan into a 15% equity interest in the project.

Administration expenditure for the year was £866,000, down from £1,356,000 in the preceding year. This cost saving arises from the reduction in activities in Colombia at £326,000, with the remainder due to cost reductions at the UK Head Office.

At the end of the financial year, free cash reserves of the Group had reduced to £3,010,000 from a level at the preceding year end of £7,181,000 (excluding funds held in escrow in respect of performance guarantees). This reduction in cash reserves arises primarily from the settlement of liabilities in respect of Colombia NBM of £1.4 million, net Peru exploration expenditure of £0.6 million (partly funded by the final instalment of Vale's payment for exiting Block XXI), the Islandmagee investment (£1.3 million), and administrative expenses and other costs (£0.9 million).

The Group continues to pursue a conservative view of its asset impairment policy, giving us a Balance Sheet that consists largely of net current assets and a realistic value for our remaining exploration assets. Given our limited cash resources, the Board will take a prudent approach in committing to new capital expenditures beyond those already committed to existing ventures.

3 Chairman's Statement and Operations Report

Exploration operations in Peru

Block Z-34 offshore (Baron Oil 20% carried interest)

The Company owns a 20% carried interest in this large block offshore north west Peru. Our partners are the Uruguayan based Union Oil and Gas Group ("UOGG") who own the remaining 80% interest but currently pay 100% of all the costs related to the block. This carry arrangement lasts through all remaining exploration phases of the block. The original transaction with UOGG was signed in April 2013 and the Supreme Decree to complete the transaction has still not been officially approved by the Peruvian President. Therefore the final payment from UOGG of US\$2million (subject to local income tax of 30%) has not yet been received by the Company.

Despite repeated written requests from our local legal advisor to the President's office the Board are currently unaware when he will finally sign the Supreme Decree document.

Block Z-34 is located in deep water adjacent to the prolific Talara Basin offshore North West Peru and covers an area totalling 3,713 square kilometres. The block is located close to existing producing fields in a basin that has already produced 1.7 billion barrels of oil. Most of the remaining potential in this area is believed to be located offshore.

A 2012 competent person's report by DeGolyer and MacNaughton, prepared using the results of the over 800 square kilometres of 3D seismic acquired by the Company in 2011, assessed the gross, un-risked potential of the block to be in excess of 2 billion barrels of oil. The seismic data shows several large structures within the block, each one well capable of containing Potential Resources in excess of 100 million barrels.

In 2014 all the remaining exploration phases were consolidated into a one well drilling obligation. However due to the lack of drilling vessels capable of drilling in 1,900 metres of water, both this block and the adjoining Z-38 block, operated by Karoon Gas, were placed into a Force Majeure ("FM") contractual position by Perupetro where they still remain. In effect this means that all the contractual time limits for drilling are suspended until the FM is lifted by Perupetro. The company is in a constant and constructive dialogue with both Perupetro and Karoon on this issue.

Geotechnical work has continued on this block in conjunction with the UOGG technical consultants. A Satellite Seep Study was commissioned by UOGG with the University of Paris Est Marne la Vallée carrying out the work. The results were encouraging and showed numerous oil seeps throughout our block and the surrounding acreage offshore Peru.

An Agreement has recently been signed with UOGG for them to assume day to day operatorship of all the technical work on the block on a contract basis. UOGG have substantially more human and technical resources than we do and also they are paying all the costs incurred on the block. Baron Oil will remain the official operator in the eyes of Perupetro until UOGG are eventually approved as an operating oil company in Peru.

UOGG has recently commenced a new amplitude versus offset ("AVO") analysis to attempt to show a clear distinction between water, oil and gas signatures in the potential reservoirs over the extensive 3D seismic area. Particular focus will be on the large Cuy prospect located in the north of the block and the Daphne prospect located further south. The Cuy prospect is located around 10 miles offshore in 1,850 metres of water. The prospect is interpreted on the 3D seismic as having multiple stacked reservoir sections, each with amplitude anomalies, lying 2,700 to 4,175 metres below sea level with some reservoir sections being potentially 700-800 feet thick.

In addition to the AVO analysis, UOGG plan to carry out a study of the ocean currents in the region. It is important that we have good information on current strengths and directions at different depths prior to locating a drillship or other floating system in the block.

3 Chairman's Statement and Operations Report

Efforts to bring a major or national oil company into this block continue. Notwithstanding their obligation to carry the Company, UOGG has made it clear they will only drill a well if a large, better funded and experienced oil company farms in to the block. The board are in regular dialogue with Perupetro, UOGG and Karoon Gas to try and unlock some value from this acreage. However so far no major oil company has made any commitment to farm in to the block, although meetings and presentations continue. It is hoped that the current situation of low drilling day rates and rising oil prices will be more conducive to finding a potential farm-in partner.

In any case, the Board do not envisage a well being drilled on this block during 2016 because of the long lead time necessary to gear up for drilling in these water depths.

Block XXI onshore (Baron Oil 100%)

The Company obtained final Environmental Impact Assessment ("EIA") approval during July 2015 to cover any seismic acquisition survey work across the entire block area of 3,030 square kilometres. The Board decided to focus on the prospective area around the previously drilled Minchales wellsite, which is located in the far south of the block area. The actual wellsite is close to the Pan-American Highway south of Piura on a flat plain in the Sechura Desert. This well was drilled in 1954 and the electric resistivity logs encountered several zones which indicated the possible presence of moveable hydrocarbons.

The seismic survey acquisition work was carried out in late 2015 by the Houston based seismic survey company GSS Marine LLC ("GSS") using staff from Peru, Mexico and the US. GSS were chosen on the grounds of competitive price, substantial international experience and the quality of the data they have acquired in other areas.

After a series of weather, social, equipment import and operational delays, GSS began their acquisition work during December 2015 and completed their fieldwork in January 2016. GSS were able to acquire 170 kilometres of good quality 2D seismic data in a tight grid around the original Minchales well location. This new seismic data has been correlated with the aeromagnetic and airborne gravity surveys previously acquired and also with the Minchales well logs. This analysis has produced some interesting results and has allowed the Company to identify several probable and possible hydrocarbon bearing zones on the seismic data and estimate the potential volume of hydrocarbons that may be contained in each one.

Possible gas sands were identified in the shallow section and several gas chimneys are clearly visible on the seismic data. These chimneys are caused by small quantities of gas escaping from deeper reservoirs and cause velocity disruptions within overlying beds, which create vertically-oriented "fuzzy" zones on the seismic lines.

Having evaluated all the available data, the Board believes that the drilling of an exploration well down to the Igneous basement level around 1,850 metres subsurface may be justified. The Company is currently in discussions with two local oil companies in Peru in an attempt to farm out an interest in the block to mitigate our risk and expenditure on a proposed exploration well on the block.

The proposed Minchales No. 2 exploration well would drill to 1,850 metres to test a basement high most likely consisting of fractured Palaeozoic rocks, which form the reservoir of the San Pedro oil field (250 million barrels in place) and several other oil and gas fields to the west of Block XXI. The gross cost of the well is estimated to be around US\$2-2.5 million and it would probably be drilled during the 4th quarter of 2016 following receipt of all the necessary approvals from the Peruvian authorities. We have a further 17 months to drill the exploration well from April 2016 when our application to extend the licence period was accepted by Perupetro.

3 Chairman's Statement and Operations Report

Operations in Northern Ireland

PL 1/10 licence onshore (Baron Oil 10%)

PL 1/10 was awarded to InfraStrata in 2011. They have acquired in excess of 400 kilometres of new 2D seismic data in two successful campaigns from Lough Neagh in the west to Islandmagee in the east. Interpretation of this new seismic data has identified a number of geological structures which may be trapped by salt layers beneath the thick surface basalt layer.

During 2015 we evaluated the opportunity and decided to farm in for a 10% share in the onshore licence. We are attracted to the acreage because of its similarity to the prolific East Irish Sea Basin (Morecambe Bay area) and the fact that no other well has been drilled in the main basin using seismic data.

After extensive technical and environmental studies InfraStrata started drilling a conventional exploration well in May 2016 located in the Woodburn Forest area northwest of Carrickfergus. The Woodburn Forest prospect alone is estimated to be have between 25-30 million barrels of Potential Resources. There are also a number of lookalike structures across the licence area which will be substantially upgraded if this first well shows the presence of good quality hydrocarbon-bearing rock. The extent of the potential will only be proven by further drilling in the months and years ahead.

The Woodburn Forest well will be drilled to a depth of 2,000 metres and will target three conventional sandstone intervals in the Sherwood, Lower Permian and Carboniferous. InfraStrata have estimated the well will reach total depth in late June/early July. We will update shareholders as soon as we have any material results from the well.

P2123 licence offshore (Baron Oil 10%)

This is the offshore extension of the Larne-Lough Neagh Basin from the PL 1/10 licence. Drilling the Woodburn Forest well entitles the Company to be assigned a 10% interest in the P2123 Licence and we are in the process of applying for the official title from the Oil & Gas Authority.

Islandmagee Gas Storage Project Limited ("ISML")

We have entered into a loan agreement with InfraStrata to bridge the funding gap between the drilling of a salt appraisal well for their gas storage project, and receiving EU grant funding for 50% of the final well cost. We loaned InfraStrata £1.3 million because the EU grant monies will not be paid until the well and associated studies have been completed. The loan bears interest at 8% with an option for the Company to convert the loan balance into a 15% equity participation in the ISML project company. The salt appraisal well was a success and the ISML project has now completed its feasibility stage and will move forward to a Front End Engineering and Design ("FEED") Phase.

We have been advised by Infrastrata that the EU have now approved their final grant application following the well completion and €1.75 million has been placed in an escrow bank account that we control.

InfraStrata have now commenced a monetisation process to try and sell the ISML project outright or alternatively bring in a funding partner to take the project through the FEED phase. Due to the strategic importance of this project to the island of Ireland, EU have designated ISML gas storage as a Project of Common Interest and as such the FEED phase will be eligible for a further EU matching grant of up to €4 million.

We will update shareholders on the outcome of the sales process and whether we will decide to have the loan repaid or converted to a 15% equity interest in the project.

3 Chairman's Statement and Operations Report

Operations in Colombia

As previously stated in the Interim Statement we are in the process of closing down all our operations in Colombia. We have made almost all our staff redundant and retain only a minimal administrative presence in Bogota.

We are in the process of finalising all the reports on the handover of the Nancy Burdine Maxine ("NBM") oil field to Ecopetrol. In addition we are transferring our interest in the Rosa Blanca exploration block to our local partner.

Unfortunately, CI Fuels International Limited, the local company brought in as a co-investor in Invepetrol during 2014, have been less than cooperative. Not only will they not engage with us in the final Invepetrol liability settlements but they have not paid for substantial volumes of crude oil that they have taken directly from the NBM field. We have appointed local legal counsel to deal with these matters. However as a result, Colombia has been more of a cash drain than we had anticipated last year.

Conclusions

2015 was a year of solid but slow progress for the Company. The bureaucratic delays in Peru have contributed to the slow progress and the continued low oil price and unprecedented oil industry cutbacks have made it more difficult than imagined to bring in a funding partner to our highly prospective offshore acreage in Peru.

I would like to personally thank our two new directors, Dr Malcolm Butler and Geoff Barnes, who are doing a huge amount of excellent work in this small company. I would also like to thank former director Camilo Merendoni for his efforts in the past.

I look forward to the results of the current exploration well in Northern Ireland and also the outcome of the ISML monetisation process. The second half of this year should also see an exploration well drilled on the onshore prospect in Peru and perhaps some news on Z-34 licence progress.

Again I would like to thank shareholders for their continued interest and support.

Bill Colvin

Chairman and CEO

2 June 2016

4 Strategic Report

The directors now present their strategic report with the financial statements of Baron Oil Plc (“the Company”) and its subsidiaries (collectively “the Group”) for the year ended 31 December 2015.

Principal activities

The principal activity of the Group is that of oil and gas exploration and production.

Business review

A review of the Group’s business during the financial period and its likely development is given in the Chairman’s Statement and Operations Report.

Key performance indicators

At this stage in the Company’s development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources, that is cash-flows and bank balances and also general administrative expenses, which are tightly controlled. Specific exploration-related key performance indicators that will be relevant in the future include: the probability of geological success (Pg), the probability of commerciality or completion (Pc) and the probability of economic success (Pe).

The following table summarises the key changes in the two KPIs during the period.

	Year ended 31 December 2015 £’000	Year ended 31 December 2014 £’000
Liquid cash reserves	3,010	7,181
Administrative expenses	866	1,356

Key risks and uncertainties

Exploration for hydrocarbons is speculative and involves significant degrees of risk. The key risks and their impact to the Group are summarised below along with the impact on the Group and the action that the board take to minimise those risks.

Oil prices

Baron’s results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group’s normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Impact

Oil prices can fluctuate widely and could have a material impact on the Group’s asset values, revenues, earnings and cash flows. In addition, oil price increases could cause supply or capacity constraints in areas such as specialist staff or equipment.

Action

The Group keeps under regular review its sensitivity to fluctuations in oil prices. The Group does not as a matter of course hedge oil prices, but may enter into a hedge programme for oil where the Board determines it is in the Group’s interest to provide greater certainty over future cash flows.

4 Strategic Report

Liquidity

The Group is exposed to liquidity risks, including the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate levels of cash balances.

Taxation

As the tax legislation in Colombia and Peru is developing, tax risks are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with tax legislation. The Group is also of the opinion that all its contracts in Peru and Colombia are tax compliant. The Group takes appropriate professional tax advice and works closely with the tax authorities to ensure compliance.

By order of the Board

Bill Colvin

Chairman

2 June 2016

5 Report of the Directors

The directors submit their report together with the audited financial statements of Baron Oil Plc (“the Company”) and its subsidiaries (collectively “the Group”), for the year ended 31 December 2015.

Directors

The following are biographical details of the directors of Baron Oil Plc.

William (“Bill”) Colvin Chairman and CEO

Bill Colvin, aged 58, has over 30 years experience in the international oil and gas and healthcare sectors both in senior management and board positions of large corporations. He was Finance Director of British-Borneo Oil & Gas Plc from 1992 to 1999. From 1990 to 1992, Bill was Finance Manager at Oryx UK Energy. From 1984 to 1989, he worked in a variety of financial roles for Atlantic Richfield (ARCO) Inc. He qualified as a Scottish Chartered Accountant in 1982 and holds a Bachelor of Commerce degree from the University of Edinburgh. Bill is currently a non-executive Director of Energy XXI, a NASDAQ listed oil & gas exploration and production company. He also advises the private equity firms Duke Street Capital and Sovereign Capital.

Dr Malcolm Butler Non-Executive Director (appointed 28 May 2015)

Malcolm Butler, aged 67, has extensive operational and financial experience having worked for over 25 years as an explorationist and senior executive in the international oil and gas industry before taking on a secondary role as an investment banker. He was responsible, as CEO, for the IPO of Industrial Scotland Energy and Brabant Resources and later became CEO of Houston-based Energy Development Corporation until its circa \$800 million sale to Noble Energy. In 1998, Malcolm joined HSBC Investment Bank as Advisory Director responsible for oil & gas mandates in the UK, Libya, Russia, Indonesia and China, and following that acted as senior adviser on energy-related matters to Seymour Pierce Limited from 2003 to 2013. Malcolm holds a BSc in Geology from Aberystwyth and a PhD in Geology from Bristol. He has been awarded the Aberconway Medal of The Geological Society of London, in recognition of his contributions to the oil and gas industry and in 1995 he was appointed an Honorary Professor at the University of Aberystwyth.

Geoff Barnes Non-Executive Director (appointed 1 January 2016)

Geoff Barnes, aged 63, is currently a Director of Langley Associates Limited, an accountancy practice he founded in 1994. Geoff qualified as a Chartered Accountant in 1976 having trained with one of the major international accounting practices before moving into industry where he held several senior finance positions including Director of Finance at PJB Publications Limited, the publisher of business information for the global pharmaceutical, medical device and agrochemical industries.

Mr Rudolph Berends was a director until his death on 2 January 2015.

Mr Camilo Merendoni was a director throughout the period, resigning on 31 December 2015.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the financial year ended 31 December 2015.

Political and charitable contributions

In the year ended 31 December 2015 the Group made no political or charitable contributions.

Policy and practice on payment of creditors

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy. The creditors’ days as at 31 December 2015 were 89 days (2014: 66 days).

5 Report of the Directors

Activities and results

A loss of £2,210,000 (2014: £4,095,000), of which £2,044,000 (2014: £3,806,000) was attributable to equity shareholders, was recorded for the year. Net assets of the Group at 31 December 2015 amounted to £6,651,000 (2014: £8,692,000), of which £6,048,000 (2014: £7,923,000) was attributable to equity shareholders. No dividends or transfers to reserves are proposed.

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement and Operations Report.

Issue of shares

No shares were issued during the year (2014: the Company placed 206,896,551 Ordinary Shares at a subscription price of £0.0145, raising £2,985,000 after expenses).

The environment

The Company is firmly committed to protecting the environment wherever we do business. We will do our utmost to minimise the impact of the business on the environment. Both the Company and its employees will try and be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment.

Community

We believe it is our responsibility as a good corporate citizen to improve the quality of life in the communities in which we do business. Where we can we will seek to contribute towards local cultural and educational organisations.

Future outlook

Details of the Group's affairs and the development of its various activities during the period, important events since the period end, and details of the Company's plans for the next year are given in the Chairman's Statement and the Operations Report.

Directors' interests

The interests of the directors who were in office at the year end, and their families, in the issued share capital of the Company are as follows:

	31 December 2015		31 December 2014	
	Number of Ordinary shares	% Holding	Number of Ordinary shares	% Holding
R Berends (deceased 2 January 2015)	–	–	40,333,335	2.9%
C Merendoni (resigned 31 December 2015)	–	–	–	–
W Colvin	1,000,000	0.1%	1,000,000	0.1%
M Butler (appointed 28 May 2015)	–	–	–	–
	1,000,000	0.1%	41,333,335	3.0%

5 Report of the Directors

Options held by the directors are as follows:

	31 December 2015 Number of options £0.0075*	31 December 2014 Number of options £0.0075*
R Berends	22,000,000	22,000,000
	Number of options £0.016**	Number of options £0.016**
W Colvin	11,250,000	11,250,000
	Number of options £0.0167***	Number of options £0.0167***
W Colvin	2,990,431	2,990,431
	Number of options £0.0145****	Number of options £0.0145****
W Colvin	35,172,414	–
	71,412,845	36,240,431

*Each £0.0075 option grants the holder the right to subscribe for one Ordinary Share at £0.0075 per share, and is exercisable at any time prior to 2 January 2016, this being one year after the date of death of Mr Berends. These options have now expired.

**Each £0.016 option grants the holder the right to subscribe for one Ordinary Share at £0.016 per share, and are granted under one option contract exercisable at any time prior to 27 June 2016.

***Each £0.0167 option grants the holder the right to subscribe for one Ordinary Share at £0.0167 per share, and are granted under one option contract exercisable at any time prior to 27 June 2016.

****Each £0.0145 option grants the holder the right to subscribe for one Ordinary Share at £0.0145 per share, and are granted under one option contract exercisable at any time prior to 23 March 2018.

There have been no contracts or arrangements of significance during the period in which the directors of the Company were interested.

Currently there are service contracts in place with all directors of the Company and the contracts are available for inspection at the registered office of the Company on request.

Remuneration policy

The Remuneration Committee takes into account both Company and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Company has maintained a policy of paying only minimum salaries compared with peer companies in the oil and gas independent sector until the Company establishes a good position with acreage, assets, income and cash at hand. All current salaries are without pension benefits.

5 Report of the Directors

Basic salaries

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of the salaries are shown below.

	2015 £	2014 £
Chairman		
R Berends	–	206,669
W Colvin	170,000	–
Non Executive Directors		
C Merendoni	39,268	36,749
W Colvin	–	50,000
M Butler	23,297	–
	232,565	293,418

The share options held by the directors are disclosed above and no pension contributions were made during the period for the directors.

Employees

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors.

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible.

Event after the reporting period

On 19 January 2016, the Company entered into a Farmout Agreement with Infrastrata to earn a 10% interest in the Northern Ireland Petroleum Licence PL1/10 ("PL1/10") and to acquire a corresponding 10% interest in the adjacent offshore Petroleum Licence P2123 ("P2123"), for an initial investment of £570,000.

Financial review

Liquidity & Share Trading

The Board believes that high liquidity is important in attracting both small and institutional investors to Baron. During the last financial period Baron has had a reasonably high stock liquidity on the E&P sector on AIM.

Shares in Issue and Shareholders Profile

The number of shares in issue at 20 May 2016 was 1,376,409,576 Ordinary Shares, each share having equal voting rights. Baron Oil Plc has 1,229 shareholders.

The shareholding distribution at 20 May 2016 is as follows:

Range	Number of shares	Number of shareholders
>10%	217,833,117	1
5-10%	221,464,217	2
1-5%	607,539,814	19
0.5-1%	78,684,850	8
<0.5%	250,887,578	1,191
	1,376,409,576	1,221

5 Report of the Directors

Significant shareholdings

The Company has been informed that, as 20 May 2016, the following shareholders own 3% or more of the issued share capital of the Company:

Name	Shares	% of company
Pershing Nominees Limited	217,833,117	15.83%
W B Nominees Limited	113,612,110	8.25%
Lynchwood Nominees Limited	107,852,107	7.84%
Rock Nominees Limited	67,726,733	4.92%
Redmayne Nominees Limited	66,063,218	4.80%
Fitel Nominees Limited	59,554,078	4.33%
Barclayshare Nominees Limited	52,414,194	3.81%
TD Direct Investing Nominees	47,298,158	3.44%
Total	732,353,715	53.22%

Listing

The Company's ordinary shares have been traded on the AIM market of the London Stock Exchange since 14 July 2004. Cantor Fitzgerald Europe is the Company's Nominated Adviser and Broker. The closing mid-market price on 20 May 2016 was 0.65p.

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 23 to the financial statements.

Going concern

With the existing cash reserves the Group's medium term investment plans in Peru and the UK show, in the directors' opinion, that there is a reasonable expectation that the resources available to the Company will allow it to continue operations. Thus, the going concern basis for the preparation and reporting of accounts has been adopted.

Publication on Company's website

Financial statements are published on the Company's website (www.baronoilplc.com). The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action brought against its directors and officers.

By order of the Board

Geoff Barnes

Secretary

2 June 2016

6 Corporate Governance Statement

The directors recognise the importance of sound corporate governance commensurate with the Group's size and the interests of shareholders. As the Group grows, policies and procedures that reflect the FRC's UK Corporate Governance Code will be developed. The Company has sought to comply with a number of the provisions in the Code in so far as it considers them to be appropriate for a company of this size and nature.

The Board

The Board comprises one executive director and two non-executive directors, details of whom are contained in the Report of the Directors included in this report.

The Board meets at least four times a year.

The Board is responsible for the strategy, review and approval of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

The Audit Committee

The Audit Committee is comprised of two directors with Bill Colvin as Chairman and Dr Malcolm Butler as the other member. The Audit Committee meets at least twice a year and the external auditors have the opportunity to meet with members of the Audit Committee without any executive management being present. The Audit Committee's terms of reference include the review of the Interim and Annual Accounts, review of internal controls, risk management and compliance procedures, consideration of the Company accounting policies and all issues with the annual audit.

The Remuneration Committee

The Remuneration Committee is comprised of three directors with Bill Colvin as Chairman, Dr Malcolm Butler and Geoff Barnes are the other members. The Remuneration Committee determines the contract terms, remuneration and other benefits of the directors and senior employees. The Remuneration Committee meets as required, but at least twice a year.

The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company's development and the Board reserves to itself the process by which a new director is appointed.

Communications

The Company provides information on Group activities by way of press releases, Interim and Annual Accounts and also the website (www.baronoilplc.com). The Company's website is updated regularly and contains all operational reports, press releases and Interim and Annual Accounts.

Internal control

The Board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the risks faced by the Company and the Group. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

7 Statement of Directors' Responsibilities

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

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union. 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 Company and of the profit and loss of the Group for that year. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM market.

In preparing those financial statements, the directors are required:

- to select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether financial statements have been prepared in accordance with IFRS as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group company will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group auditors are aware of that information.

Auditors

A resolution for the reappointment of Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Bill Colvin
Chairman

2 June 2016

8 Report of the Independent Auditors to the Members of Baron Oil Plc

We have audited the Group and Parent Company financial statements of Baron Oil Plc for the year ended 31 December 2015, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all financial and non-financial information in the Corporate Statement, Chairman's Statement and Strategic Report, Report of the Directors and Corporate Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 December 2015 and of the Group's loss and Group's and Parent Company's cash flow for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the Companies Act 2006.

8 Report of the Independent Auditors to the Members of Baron Oil Plc

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for 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.

David Warren

Senior Statutory Auditor

For and on behalf of Jeffrey's Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE
United Kingdom

2 June 2016

9 Consolidated Income Statement

for the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue		1,048	2,830
Cost of sales		(611)	(3,710)
Gross profit/(loss)		437	(880)
Intangible asset impairment	11	(1,312)	(140)
Property, plant and equipment impairment and depreciation	10	(9)	(1,392)
Goodwill impairment	12	–	(922)
Receivables and inventory impairment	3	(163)	(773)
Administration expenses		(866)	(1,356)
Other operating Income	4	65	2,152
Operating loss	3	(1,848)	(3,311)
Finance cost	6	(19)	(63)
Finance income	6	92	27
(Loss) on ordinary activities before taxation		(1,775)	(3,347)
Income tax expense	7	(435)	(748)
(Loss) on ordinary activities after taxation		(2,210)	(4,095)
Dividends		–	–
(Loss) for the year		(2,210)	(4,095)
(Loss) on ordinary activities after taxation is attributable to:			
Equity shareholders		(2,044)	(3,806)
Non-controlling interests		(166)	(289)
		(2,210)	(4,095)
Earnings per ordinary share – continuing	9		
Basic		(0.15p)	(0.31p)
Diluted		(0.15p)	(0.31p)

10 Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	2015 £'000	2014 £'000
Loss on ordinary activities after taxation attributable to the parent	(2,044)	(3,806)
Other comprehensive income:		
Exchange difference on translating foreign operations	88	401
Total comprehensive income for the year	(1,956)	(3,405)
Total comprehensive income attributable to Owners of the parent	(1,956)	(3,405)

11 Consolidated Statement of Financial Position

as at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	10	4	5
– others	10	–	–
Intangibles	11	2,548	2,188
Goodwill	12	–	–
		2,552	2,193
Current assets			
Inventories	14	–	204
Trade and other receivables	15	1,712	1,199
Cash and cash equivalents	16	5,452	9,508
		7,164	10,911
Total assets		9,716	13,104
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	18	344	344
Share premium account	19	30,237	30,237
Share option reserve	19	286	205
Foreign exchange translation reserve	19	1,978	1,890
Retained earnings	19	(26,797)	(24,753)
Capital and reserves attributable to non-controlling interests	20	603	769
Total equity		6,651	8,692
Current liabilities			
Trade and other payables	17	1,747	3,504
Taxes payable	17	1,318	908
		3,065	4,412
Total equity and liabilities		9,716	13,104

The financial statements were approved and authorised for issue by the Board of Directors on 2 June 2016 and were signed on its behalf by:

Bill Colvin
Director

Geoff Barnes
Director

Company number: 05098776

12 Company Statement of Financial Position

as at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	10	–	–
Intangibles	11	553	–
Investments	13	25	25
		578	25
Current assets			
Trade and other receivables	15	1,422	618
Cash and cash equivalents	16	4,386	5,378
		5,808	5,996
Total assets		6,386	6,021
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	18	344	344
Share premium account	19	30,237	30,237
Share option reserve	19	286	205
Foreign exchange translation reserve	19	(234)	(108)
Retained earnings	19	(26,802)	(26,169)
Total equity		3,831	4,509
Current liabilities			
Trade and other payables	17	2,542	1,510
Taxes payable	17	13	2
		2,555	1,512
Total equity and liabilities		6,386	6,021

The financial statements were approved and authorised for issue by the Board of Directors on 2 June 2016 and were signed on its behalf by:

Bill Colvin
Director

Geoff Barnes
Director

Company number: 05098776

13 Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2015

GROUP	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Share Option Reserve £'000	Foreign Exchange Translation £'000	Non- controlling Interests £'000	Total Equity £'000
As at 1 January 2014	292	27,304	(20,947)	205	1,489	–	8,343
Shares issued	52	2,933	–	–	–	–	2,985
Transactions with owners	52	2,933	–	–	–	–	2,985
(Loss) for the year attributable to equity shareholders	–	–	(3,806)	–	–	(289)	(4,095)
Disposal of interest	–	–	–	–	–	1,058	1,058
Foreign exchange translation adjustments	–	–	–	–	401	–	401
Total comprehensive income for the period	–	–	(3,806)	–	401	769	(2,636)
As at 1 January 2015	344	30,237	(24,753)	205	1,890	769	8,692
Shares issued	–	–	–	–	–	–	–
Transactions with owners	–	–	–	–	–	–	–
(Loss) for the year attributable to equity shareholders	–	–	(2,044)	–	–	(166)	(2,210)
Share based payments	–	–	–	81	–	–	81
Foreign exchange translation adjustments	–	–	–	–	88	–	88
Total comprehensive income for the period	–	–	(2,044)	81	88	(166)	(2,041)
As at 31 December 2015	344	30,237	(26,797)	286	1,978	603	6,651

13 Consolidated and Company Statement of Changes in Equity

for the year ended 31 December 2015

COMPANY	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Share Option Reserve £'000	Foreign Exchange Translation £'000	Total Equity £'000
As at 1 January 2014	292	27,304	(23,150)	205	(64)	4,587
Shares issued	52	2,933	–	–	–	2,985
Transactions with owners	52	2,933	–	–	–	2,985
(Loss) for the year	–	–	(3,019)	–	–	(3,019)
Share based payments	–	–	–	–	–	–
Foreign exchange translation adjustments	–	–	–	–	(44)	(44)
Total comprehensive income for the period	–	–	(3,019)	–	(44)	(3,063)
As at 1 January 2015	344	30,237	(26,169)	205	(108)	4,509
Shares issued	–	–	–	–	–	–
Transactions with owners	–	–	–	–	–	–
(Loss) for the year	–	–	(633)	–	–	(633)
Share based payments	–	–	–	81	–	81
Foreign exchange translation adjustments	–	–	–	–	(126)	(126)
Total comprehensive income for the period	–	–	(633)	81	(126)	(678)
As at 31 December 2015	344	30,237	(26,802)	286	(234)	3,831

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Retained earnings represents the cumulative loss of the Group attributable to equity shareholders.

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate.

14 Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2015

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Operating activities	(2,746)	(1,311)	2,386	1,144
Investing activities				
Return from investment and servicing of finance	92	72	27	3
Disposal of tangible assets	227	304	809	–
Loan to subsidiary (advanced)/repaid	–	381	–	(1,306)
Acquisition of intangible assets	(1,732)	(553)	(775)	–
Acquisition of tangible fixed assets	(12)	–	(329)	–
	(1,425)	204	(268)	(1,303)
Financing activities				
Proceeds from issue of share capital	–	–	2,985	2,985
Net cash inflow	(4,171)	(1,107)	5,103	2,826
Cash and cash equivalents at the beginning of the year	7,181	3,051	2,078	225
Cash and cash equivalents at the end of the year	3,010	1,944	7,181	3,051
Reconciliation to Consolidated Statement of Financial Position				
Cash not available for use	2,442	2,442	2,327	2,327
Cash and cash equivalents as shown in the Consolidated Statement of Financial Position	5,452	4,386	9,508	5,378

14 Consolidated and Company Statement of Cash Flows

for the year ended 31 December 2015

Notes to the Statement of Cash Flows

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Operating activities				
Loss for the year attributable to controlling interests	(2,044)	(633)	(3,806)	(3,019)
Depreciation, amortisation and impairment charges	1,325	(414)	3,792	110
Share based payments	81	81	–	–
Non-cash movement arising on consolidation of non-controlling interests	(166)	–	769	–
Impairment of investment	–	(278)	–	2,389
Finance income shown as an investing activity	(92)	(72)	(27)	(3)
Tax (benefit)/expense	435	–	748	–
Foreign exchange translation	(195)	(234)	260	(95)
Operating cash outflows before movements in working capital	(656)	(1,550)	1,736	(618)
(Increase)/decrease in inventories	204	–	31	–
(Increase)/decrease in receivables	(513)	(804)	1,011	988
Tax paid	(25)	11	(609)	(78)
Increase/(decrease) in payables	(1,756)	1,032	217	852
Net cash (outflows)/inflows from operating activities	(2,746)	(1,311)	2,386	1,144

15 Notes to the Financial Statements

for the year ended 31 December 2015

General information

Baron Oil Plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Strategic Report in section 4.

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern basis

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the Group to generate future sales and seek investment partners for its assets.

The uncertainty as to the timing and volume of the future growth in sales and source of funds from investment partners requires the directors to consider the group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the group has demonstrated progress in achieving its objective of positioning the assets for future investment.

After making enquiries, the directors firmly believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Were the Group to be unable to continue as a going concern, adjustments may have to be made to the statement of financial position of the Group to reduce statement of financial position values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

New and amended standards adopted by the Company

There are no IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2015 that would be expected to have a material impact on the Group.

Standards, interpretations and amendments to published standards that are not yet effective

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and associated undertakings.

Subsidiaries

Subsidiaries are all entities over which Baron Oil Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights, or where Baron Oil Plc exercises effective operational control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

Where the Group is engaged in oil and gas exploration and appraisal through unincorporated joint ventures, the Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. In addition, where the Group acts as operator of the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Consolidated Statement of financial position.

Business combinations

The Group has chosen to adopt IFRS 3 prospectively from the date of transition and not restate historic business combinations from before this date. Business combinations from the date of transition are accounted for under IFRS 3 using the purchase method.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Intangible assets

Oil and gas assets: exploration and evaluation

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, seismic acquisition; exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves, or to the expiry of the licence, whichever is earlier.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

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

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Property, plant and equipment

Oil and gas assets: development and production

Development and production ("D&P") assets are accumulated on a well by well basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The carrying values of producing assets are depreciated on a well by well basis using the unit of production method based on entitlement to provide by reference to the ratio of production in the period to the related commercial reserves of the well, taking into account any estimated future development expenditures necessary to bring additional non producing reserves into production.

An impairment test is performed for D&P assets whenever events and circumstances arise that indicate that the carrying value of development or production phase assets may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of each well, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

The cost of the workovers and extended production testing is capitalised within property, plant and equipment as a D&P asset.

The D&P assets for Nancy-Burdine-Maxine wells are amortised evenly over the remaining life of the licence, subject to any impairment review.

Decommissioning

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the field to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income statement.

Non oil and gas assets

Non oil and gas assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset is:

Equipment and machinery	4-10 years
-------------------------	------------

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

Investments

Investments are stated at cost less provision for any impairment in value.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Inventories

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical cost, less provision for deterioration and obsolescence or, if lower, net realisable value.

Revenue

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the oil and gas produced is despatched and received by the customers.

Taxation

Income tax

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

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Company intends to settle its current tax assets and liabilities on a net basis.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Share based payments (Note 21)

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Foreign currencies

(i) **Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£), US Dollars (USD), Colombian Pesos (COP) and Peruvian Nuevo Sol (PEN). The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) **Group companies**

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Management of capital

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of committed expenditure in respect of its ongoing exploration work. To achieve this aim, it seeks to raise new equity finance and debt sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

Dividends will be issued when there are sufficient reserves available.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Plant and equipment, intangible assets & impairment of goodwill

Intangible assets plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Additionally, goodwill arising on acquisitions is subject to impairment review. The Group's management undertakes an impairment review of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The discount rate used by the group during the period for impairment testing was 10%.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment and intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

The directors have carried out a detailed impairment review in respect of goodwill. The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 10%. The cash flow projections are based on the assumption that the group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill.

However, if the projected sales do not materialise there is a risk that the value of the intangible assets shown above would be impaired.

15 Notes to the Financial Statements

for the year ended 31 December 2015

1 Significant accounting policies continued

Commercial reserves estimates

Oil and gas reserve estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows. Reserve estimates are also integral to the amount of depletion and depreciation charged to income.

Decommissioning costs

Asset retirement obligations: the amounts recorded for asset retirement obligations are based on each field's operator's best estimate of future costs and the remaining time to abandonment of oil and gas properties, which may also depend on commodity prices.

Share based payments (Note 21)

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

15 Notes to the Financial Statements

for the year ended 31 December 2015

2 Segmental Information

In the opinion of the Directors the Group has one class of business, being the exploration for, and development and production of, oil and gas reserves, and other related activities.

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas asset. There are currently two geographic reporting segments: South America, which is involved in production, development and exploration activity, and the United Kingdom being the head office.

Exploration and production

year ended 31 December 2015

	United Kingdom £'000	South America £'000	Total £'000
Revenue – oil	–	1,048	1,048
Cost of sales	–	(611)	(611)
Gross profit	–	437	437
Intangible asset impairment	–	(1,312)	(1,312)
Property, plant and equipment impairment	–	(9)	(9)
Goodwill impairment	–	–	–
Receivables and inventory impairment	–	(163)	(163)
Administration expenses	(426)	(440)	(866)
Other operating income	–	65	65
Operating (loss)	(426)	(1,422)	(1,848)
Finance costs	–	(19)	(19)
Finance income	72	20	92
(Loss) before taxation	(354)	(1,421)	(1,775)
Income tax expense	–	(435)	(435)
(Loss) after taxation	(354)	(1,856)	(2,210)
Assets and liabilities			
Segment assets	1,367	2,897	4,264
Cash and cash equivalents	4,317	1,135	5,452
Total assets	5,684	4,032	9,716
Segment liabilities	408	1,339	1,747
Current tax liabilities	6	1,312	1,318
Total liabilities	414	2,651	3,065
Other segment items			
Capital expenditure	–	1,744	1,744
Depreciation, amortisation and impairment charges	–	1,488	1,488

15 Notes to the Financial Statements

for the year ended 31 December 2015

2 Segmental Information *continued*

Exploration and production

year ended 31 December 2014

	United Kingdom £'000	South America £'000	Total £'000
Revenue – oil	–	2,830	2,830
Cost of sales	–	(3,710)	(3,710)
Gross profit	–	(880)	(880)
Intangible asset impairment	–	(140)	(140)
Property plant & equipment impairment	–	(1,392)	(1,392)
Goodwill impairment	–	(922)	(922)
Receivables impairment	–	(773)	(773)
Administration expenses	(578)	(778)	(1,356)
Other operating income	–	2,152	2,152
Operating (loss)	(578)	(2,733)	(3,311)
Finance costs	–	(63)	(63)
Finance income	3	24	27
(Loss) before taxation	(575)	(2,772)	(3,347)
Income tax expense	–	(748)	(748)
(Loss) before taxation	(575)	(3,520)	(4,095)
Assets and liabilities			
Segment assets	14	3,582	3,596
Cash and cash equivalents	5,296	4,212	9,508
Total assets	5,310	7,794	13,104
Segment liabilities	244	3,260	3,504
Current tax liabilities	–	908	908
Total liabilities	244	4,168	4,412
Other segment items			
Capital expenditure	–	1,104	1,104
Depreciation, amortisation and impairment charges	–	2,385	2,385

15 Notes to the Financial Statements

for the year ended 31 December 2015

3 (Loss) from operations

The loss on ordinary activities before taxation is stated after charging:

	2015	2014
	£'000	£'000
Auditors' remuneration		
Group – audit	43	42
Company – audit	30	30
Group – other non-audit services	12	12
Company – other non-audit services	–	–
Depreciation of non oil and gas assets	–	–
Depreciation of oil and gas assets	4	1,339
Impairment of intangible assets	1,312	1,062
Impairment of property, plant and equipment	9	1,392
Impairment of foreign tax receivables	163	773
(Gain) on exchange	(271)	(255)

The analysis of development and administrative expenses in the consolidated income statement by nature of expense is:

	2015	2014
	£'000	£'000
Employee benefit expense	420	420
Depreciation, amortisation and impairment charges	1,488	2,385
Legal and professional fees	167	168
(Gain) on exchange	(271)	(255)
Other expenses	546	943
	2,350	3,661

4 Other operating income

	2015	2014
	£'000	£'000
Farminee compensation	–	2,128
Other	65	24
	65	2,152

The farminee compensation arises from the agreement with Vale Oil & Gas to release them from their obligations under the Peru Block XXI farm-in.

15 Notes to the Financial Statements

for the year ended 31 December 2015

5 Staff numbers and cost

The average number of persons employed by the Group (including directors) during the year, analysed by category, were as follows:

	2015 Number	2014 Number
Directors	3	3
Technical and production	12	20
Administration	7	8
Total	22	31

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	261	432
Directors' salaries	236	293
Share based payments	81	–
Social security costs	23	4
	601	729

6 Finance income

	2015 £'000	2014 £'000
Bank interest received	92	27
Finance cost	(19)	(63)
Total	73	(36)

7 Income tax expense

The tax charge on the loss on ordinary activities was:

	2015 £'000	2014 £'000
UK Corporation Tax – current	–	–
Foreign taxation	435	748
	435	748

The total charge for the year can be reconciled to the accounting profit as follows:

	2015 £'000	2014 £'000
(Loss) before tax		
Continuing operations	(1,775)	(3,347)
Tax at composite group rate of 21.8% (2014: 23%)	(387)	(770)
Effects of:		
Losses not subject to tax	(322)	(742)
Change of tax rate on brought forward tax loss	(238)	(332)
Increase in tax losses	947	1,844
Foreign taxation	435	748
Tax expense	435	748

At 31 December 2015, the Group has tax losses of £19,559,000 (31 December 2014: £19,119,000) to carry forward against future profits. The deferred tax asset on these tax losses at 21.8% of £4,264,000 (31 December 2014: at 23%, £4,397,000) has not been recognised due to the uncertainty of the recovery.

15 Notes to the Financial Statements

for the year ended 31 December 2015

8 Loss for the period

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The loss for the financial year is made up as follows:

	2015	2014
	£'000	£'000
Parent company's loss	633	3,019

9 Earnings per share

	2015	2014
Loss per ordinary share		
– Basic	(0.15p)	(0.31p)
– Diluted	(0.15p)	(0.31p)

Earnings per ordinary share is based on the Group's loss attributable to controlling interests for the year of £2,044,000 (2014: £3,806,000).

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year.

	2015	2014
	Number	Number
Weighted average ordinary shares in issue during the year	1,376,409,576	1,246,036,407
Potentially dilutive options issued	63,532,687	38,914,404
Weighted average ordinary shares for diluted earnings per share	1,439,942,263	1,284,950,811

Due to the Group's results for the year, the diluted earnings per share is deemed to be the same as the basic earnings per share.

15 Notes to the Financial Statements

for the year ended 31 December 2015

10 Property, plant and equipment

GROUP	Development and production costs £'000	Equipment and machinery £'000	Vehicles £'000	Total £'000
Cost				
At 1 January 2014	49	4,888	23	4,960
Foreign exchange translation adjustment	–	1	–	1
Expenditure	–	329	–	329
Disposals	–	–	–	–
At 1 January 2015	49	5,218	23	5,290
Foreign exchange translation adjustment	–	4	–	4
Expenditure	–	12	–	12
Disposals	(49)	(4,355)	–	(4,404)
At 31 December 2015	–	879	23	902
Depreciation				
At 1 January 2014	37	2,495	23	2,555
Foreign exchange translation adjustment	–	–	–	–
Charge for the period	8	1,330	–	1,338
Disposals	–	–	–	–
Impairment charge	4	1,388	–	1,392
At 1 January 2015	49	5,213	23	5,285
Foreign exchange translation adjustment	–	4	–	4
Acquisition of minority interest	–	–	–	–
Charge for the period	4	920	–	924
Disposals	(49)	(4,354)	–	(4,403)
Impairment charge	(4)	(908)	–	(912)
At 31 December 2015	–	875	23	898
Net book value				
At 31 December 2015	–	4	–	4
At 31 December 2014	–	5	–	5

15 Notes to the Financial Statements

for the year ended 31 December 2015

10 Property, plant and equipment *continued*

COMPANY	Development and production costs £'000	Equipment and machinery £'000	Total £'000
Cost			
At 1 January 2014	–	311	311
Transferred to subsidiary undertakings	–	–	–
Disposals	–	–	–
At 1 January 2015	–	311	311
Expenditure	–	–	–
Disposals	–	(304)	(304)
At 31 December 2015	–	7	7
Depreciation			
At 1 January 2014	–	201	201
Charge for the year	–	77	77
Impairment charge	–	33	33
At 1 January 2015	–	311	311
Charge for the period	–	–	–
Disposals	–	(304)	(304)
At 31 December 2015	–	7	7
Net book value			
At 31 December 2015	–	–	–
At 31 December 2014	–	–	–

Nancy Burdine Maxine Colombia: all property, plant and equipment is now fully impaired in recognition of the licence expiry.

15 Notes to the Financial Statements

for the year ended 31 December 2015

11 Intangible fixed assets

GROUP	Licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 January 2014	1,896	4,555	6,451
Foreign exchange translation adjustment	–	87	87
Expenditure	–	775	775
Disposals	–	(809)	(809)
At 1 January 2015	1,896	4,608	6,504
Foreign exchange translation adjustment	–	167	167
Expenditure	–	1,732	1,732
Disposals	–	(227)	(227)
At 31 December 2015	1,896	6,280	8,176
Impairment			
At 1 January 2014	1,896	2,280	4,176
Charge for the period	–	140	140
Disposals	–	–	–
At 1 January 2015	1,896	2,420	4,316
Charge for the period	–	1,312	1,312
Disposals	–	–	–
At 31 December 2015	1,896	3,732	5,628
Net book value			
At 31 December 2015	–	2,548	2,548
At 31 December 2014	–	2,188	2,188
COMPANY			
Cost			
At 1 January 2014 and 2015	–	2,719	2,719
Expenditure	–	553	553
Disposals	–	–	–
At 31 December 2015	–	3,272	3,272
Impairment			
At 1 January 2014 and 2015	–	2,719	2,719
Charge for the year	–	–	–
Disposals	–	–	–
At 31 December 2015	–	2,719	2,719
Net book value			
At 31 December 2015	–	553	553
At 31 December 2014	–	–	–

15 Notes to the Financial Statements

for the year ended 31 December 2015

11 Intangible fixed assets continued

The exploration and evaluation costs above represent the cost in acquiring, exploring and evaluating the Company's and Group's assets.

The acquisition of licence relates to the 20% interest in the Azar field in Colombia. Exploration activities in this field have now ceased and, as a result, the asset is fully impaired, along with its associated exploration and evaluation costs.

The impairment of all intangible assets has been reviewed, giving rise to the following impairment charges, or reduction in impairment charges.

Block Z34 offshore Peru: the carrying value of this asset has been reduced to equate to the US\$2,000,000 due to be received from Union Oil & Gas for the transfer of the remaining 30% interest in the asset under the 2013 Farmout Agreement.

Block XXI Peru: this field is fully impaired except for the cost of seismic acquisition and analysis incurred in 2015 where encouraging results are expected to lead to the drilling of an exploration well.

Peru Block XXI, Colombia Rosa Blanca and Colombia Azar: all these fields are impaired fully due to their uncertain prospects.

12 Goodwill

GROUP	Goodwill on consolidation of subsidiaries £'000
Cost	
At 1 January 2014, 1 January 2015 and 31 December 2015	2,326
Impairment	
At 1 January 2014	1,404
Charge for the year	922
At 1 January 2015	2,326
Charge for the period	–
At 31 December 2015	2,326
Net book value	
At 31 December 2015	–
At 31 December 2014	–

The carrying value of goodwill represents the acquisition of Inversiones Petroleras de Colombia SAS. This asset is now fully impaired in recognition of the expiry of the Nancy-Burdine-Maxine licence during the year.

15 Notes to the Financial Statements

for the year ended 31 December 2015

13 Investments

COMPANY	Loans to group undertaking £'000	Shares in group undertaking £'000	Total £'000
Cost			
At 1 January 2014	3,387	7,139	10,526
Expenditure	509	797	1,306
At 1 January 2015	3,896	7,936	11,832
Capitalisation of loan	(676)	676	–
Exchange rate adjustment	(8)	–	(8)
Net loan movements	(381)	–	(381)
At 31 December 2015	2,831	8,612	11,443
Impairment			
At 1 January 2014	3,387	6,031	9,418
Charge for the year	509	1,880	2,389
At 1 January 2015	3,896	7,911	11,807
Impairment applied to loan write off	(110)	–	(110)
Capitalisation of loan	(676)	676	–
Charge/(release) for the year	(279)	–	(279)
At 31 December 2015	2,831	8,587	11,418
Carrying value			
At 31 December 2015	–	25	25
At 31 December 2014	–	25	25

In April 2014, the Group disposed of a 50% interest in Inversiones Petroleras de Colombia SAS, incorporated in Colombia. As the Company continues to act as the operator of the field, the results of the Company's operations are consolidated with the 50% no longer held by the Group being shown as a non-controlling interest.

The company has made provision on the the investment in Gold Oil Peru S.A.C. of £5,620,000 (2014: £6,525,000), and on the investment in Inversiones Petroleras de Colombia SAS of £3,745,000 (2014: £3,118,000), to reflect the underlying impairment of exploration and evaluation assets in the subsidiaries.

The Company's subsidiary undertakings at the year end were as follows:

Subsidiary/ controlled entity	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Nature of business
Gold Oil Plc	Colombia	100	100	equity method	Exploration and production of oil and gas
Sucursal Colombia					production of oil and gas
Gold Oil Peru S.A.C	Peru	100	100	equity method	Exploration of oil and gas
Gold Oil Caribbean Limited	Commonwealth of Dominica	100	100	equity method	Exploration of oil and gas
Ayoopeco Ltd*	England	100	100	equity method	Exploration and production of oil and gas
Union Temporal II & B (i)	Colombia	100	100	equity method	Exploration and production of oil and gas
Nexus Energy Corporation	Panama	100	100	equity method	Holding company
Inversiones Petroleras de Colombia SAS (ii)	Colombia	50	50	equity method	Exploration and production of oil and gas
Invepetrol Limited	England	100	100	equity method	Dormant

All shareholdings are in ordinary, voting shares.

*Ayoopeco Limited is entitled to exemption from audit of its individual Financial Statements under Section 479A of the Companies Act 2006, and the Company has agreed that Ayoopeco Limited should exercise its right to exemption. The Company has irrevocably guaranteed all debts and liabilities of Ayoopeco Limited entered into in the year ended 31 December 2015 in accordance with Section 479C of the Companies Act 2006.

15 Notes to the Financial Statements

for the year ended 31 December 2015

13 Investments continued

The results of subsidiaries is as follows:

	2015 £'000	2014 £'000
Gold Oil Plc Sucursal Colombia		
Aggregate capital and reserves	1,376	1,369
Profit for the year	(15)	(22)
Gold Oil Peru S.A.C		
Aggregate capital and reserves	1,438	(613)
Profit/(Loss) for the year	(128)	185
Gold Oil Caribbean Limited		
Aggregate capital and reserves	1,431	1,364
Profit for the year	95	47
Ayoopco Ltd		
Aggregate capital and reserves	–	–
(Loss) for the year	(12)	(12)
Union Temporal II & B (i)		
Aggregate capital and reserves	(1,437)	(320)
Profit for the year	(213)	(687)
Nexus Energy Corporation		
Aggregate capital and reserves	–	–
Profit/(loss)for the year	–	–
Inversiones Petroleras de Colombia SAS (ii)		
Aggregate capital and reserves	–	–
Profit/(loss)for the year	(120)	(130)
Invepetrol Limited		
Aggregate capital and reserves	–	–
Profit for the year	–	–

(i) The Union Temporal II & B ("UT") is a joint venture operating in the Nancy-Burdine-Maxine fields in southern Colombia. It is now effectively 100% controlled by Inversiones Petroleras de Colombia SAS.

(ii) Held by Nexus Energy Corporation.

14 Inventories

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Exploration materials and consumables	–	–	140	–
Crude oil	–	–	64	–
	–	–	204	–

The amount of brought forward inventories to form part of cost of sales during the year was £64,000 (2014: £157,000).

15 Notes to the Financial Statements

for the year ended 31 December 2015

15 Trade and other receivables

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	6	–	126	–
Other receivables	397	116	1,055	63
Short term loan	1,300	1,300	–	–
Amounts owed by subsidiary and associate undertakings	–	–	–	546
Prepayments and accrued income	9	6	18	9
	1,712	1,422	1,199	618

16 Cash and cash equivalents

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	1,744	1,759	478	491
Bank deposit accounts	3,708	2,627	9,030	4,887
	5,452	4,386	9,508	5,378

Bank deposit accounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and earn interest at respective short-term deposit rates. The carrying amount of these assets approximates to their fair value.

As at 31 December 2015, bank deposits included £2,442,000 (2014: £2,327,000) that is being held as a guarantee in respect of a letter of credit and is not available for use until the Group fulfills certain licence commitments in Peru. This is not considered to be liquid cash and has therefore been excluded from the cash flow statement.

17 Trade and other payables

	2015		2014	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans and overdrafts	–	–	–	–
Trade payables	340	51	924	99
Other payables	1,280	346	2,550	279
Amounts owed to subsidiary and associate undertakings	–	2,018	–	1,102
Accruals and deferred income	127	127	30	30
Provisions	–	–	–	–
Taxation	1,318	13	908	2
	3,065	2,555	4,412	1,512

18 Share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
Equity: 1,376,409,576 (2014: 1,376,409,576) ordinary shares of £0.00025 each	344	344

No shares were issued during the year (2014: the Company issued 206,896,551 ordinary shares at a price of 1.45p each).

15 Notes to the Financial Statements

for the year ended 31 December 2015

19 Share premium and reserves

GROUP	Share premium account £'000	Share option reserve £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	30,237	205	1,890	(24,753)
Loss for the year attributable to controlling interests	–	–	–	(2,044)
Share based payments	–	81	–	–
Foreign exchange translation adjustments	–	–	88	–
	30,237	286	1,978	(26,797)

COMPANY	Share premium account £'000	Share option reserve £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At beginning of the year	30,237	205	(108)	(26,169)
Loss for the year	–	–	–	(633)
Share based payments	–	81	–	–
Foreign exchange translation adjustments	–	–	(126)	–
	30,237	286	(234)	(26,802)

Details of options issued, exercised and lapsed during the year together with options outstanding at 31 December 2015 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2015 Number	New issue Number	Exercised Number	Lapsed Number	31 December 2015 Number
27 January 2013	27 January 2016	£0.0075	22,000,000	–	–	–	22,000,000
27 June 2013	27 June 2016	£0.0160	11,250,000	–	–	–	11,250,000
27 June 2013	27 June 2016	£0.0167	2,990,431	–	–	–	2,990,431
23 March 2015	23 March 2018	£0.0145	–	35,172,414	–	–	35,172,414
			36,240,431	35,172,414	–	–	71,412,845

Details of options issued, exercised and lapsed during the year together with options outstanding at 31 December 2014 are as follows:

Issue date	Final exercise date	Exercise price	1 January 2014 Number	New issue Number	Exercised Number	Lapsed Number	31 December 2014 Number
26 October 2011	26 October 2014	£0.055	4,000,000	–	–	4,000,000	–
27 January 2013	27 January 2016	£0.0075	22,000,000	–	–	–	22,000,000
27 June 2013	27 June 2016	£0.0160	11,250,000	–	–	–	11,250,000
27 June 2013	27 June 2016	£0.0167	2,990,431	–	–	–	2,990,431
			40,240,431	–	–	4,000,000	36,240,431

15 Notes to the Financial Statements

for the year ended 31 December 2015

20 Non-controlling interests

	2015 £'000	2014 £'000
At beginning of the year	769	–
Non-controlling interest arising on the part-disposal of Inversiones Petroleras de Colombia SA (note 13)	–	1,058
Share of loss for the year	(166)	(289)
	603	769

At the end of the year, 50% of the issued share capital of Inversiones Petroleras de Colombia SAS was held by CII International Fuels Limited. As the Group has operational control over the underlying assets, 100% of the operations of this company are consolidated.

21 Share based payments

The fair values of the options granted have been calculated using Black-Scholes model assuming the inputs shown below:

Grant date	23 March 2015	27 June 2013	27 June 2013	27 January 2013
Number of warrants granted	35,172,414	2,990,431	11,250,000	22,000,000
Share price at grant date	0.775p	1.45p	1.45p	1.80p
Exercise price at grant date	1.45p	1.67p	1.6p	0.75p
Option life	3 years	3 years	3 years	3 years
Risk free rate	1.5%	0.85%	0.85%	0.59%
Expected volatility	80%	80%	80%	80%
Expected dividend yield	0%	0%	0%	0%
Fair value of option	0.23p	0.36p	0.36p	0.75p

The warrants and options will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied. Subsisting warrants and options will lapse no later than 3 years after the date of grant. Warrants and options, which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non-vested options shall lapse.

22 Directors' emoluments

	2015 £'000	2014 £'000
Directors' remuneration	170	207
Directors' fees	63	87
Share based payments	81	–
	314	294

Highest paid director emoluments and other benefits are as listed below.

	2015 £'000	2014 £'000
Remuneration	170	207
Share based payments	81	–
	251	207

15 Notes to the Financial Statements

for the year ended 31 December 2015

23 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign currency risk, liquidity risk, price risk and capital risk. The Group's activities also expose it to non-financial risks: market risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Financial instruments – Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Cash flow interest rate risk
- Foreign exchange risk
- Liquidity risk
- Price risk
- Capital risk
- Market risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Short term investments
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receive regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

15 Notes to the Financial Statements

for the year ended 31 December 2015

23 Financial instruments continued

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

As at 31 December 2015 the ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000
31 December 2015	157	6
31 December 2014	126	126

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

Interest rates on financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at period end of these assets was as follows:

31 December 2015	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	1,426	474	1,900
US dollar (USD)	2,447	1,336	3,783
Colombian pesos (COP)	642	322	964
Peruvian Nuevo Sol (PEN)	108	409	517
	4,623	2,541	7,164

15 Notes to the Financial Statements

for the year ended 31 December 2015

23 Financial instruments continued

Interest rates on financial assets and liabilities continued

31 December 2014

	Financial assets on which interest earned £'000	Financial assets on which interest not earned £'000	Total £'000
UK sterling	881	38	919
US dollar (USD)	3,937	2,250	6,187
Colombian pesos (COP)	1,799	214	2,013
Peruvian Nuevo Sol (PEN)	1,563	25	1,588
	8,180	2,527	10,707

The Group earned interest on its interest bearing financial assets at rates between 0.1% and 5% (2014: 0.1% and 5%) during the period.

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 31 December 2014 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of			
	31 December 2015		31 December 2014	
	Increase of 1.0%	Decrease of 1.0%	Increase of 1.0%	Decrease of 1.0%
Instruments bearing variable interest (£'000)	46	(46)	82	(82)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous period end and that therefore this risk has had no material impact on earnings or shareholders' equity.

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which other Group companies are operating. Although its geographical spread reduces the Group's operation risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into Sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the major exchange rates of those currencies utilised by the Group:

Foreign currency units to £1 UK Sterling (rounded)	USD	EUR	COP	PEN
Average for year ended 31 December 2015	1.53	1.38	4,162	4.84
At 31 December 2015	1.48	1.36	4,643	4.96
Average for year ended 31 December 2014	1.64	1.24	3,262	4.60
At 31 December 2014	1.55	1.28	3,651	4.55

15 Notes to the Financial Statements

for the year ended 31 December 2015

23 Financial instruments continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

Price risk

Oil and gas sales revenue is subject to energy market price risk. The Group's oil and gas sales revenue in 2014 have been affected by the decrease in crude oil price during this period.

Given current production levels, it is not considered appropriate for the Group to enter into any hedging activities or trade in any financial instruments, such as derivatives. This strategy will continue to be subject to regular review through 2014 as the production levels increase.

It is considered that price risk of the Group at the reporting date has not increased compared to the previous period end given the Group's increase in hydrocarbon production levels in percentage terms and the volatility in oil and gas prices seen during 2014 which has continued in to 2015.

Volatility of crude oil prices

A material part of the Group's revenue will be derived from the sale of oil that it expects to produce. A substantial or extended decline in prices for crude oil and refined products could adversely affect the Group's revenues, cash flows, profitability and ability to finance its planned capital expenditure. The movement of crude oil prices is shown below:

	31 December 2015	Average price 2015	31 December 2014
Per barrel – US\$	37	50	53
Per barrel – £	25	32	34

Baron Oil's results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Market risk

The market may not grow as rapidly as anticipated. The Group may lose customers to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the group. There is no certainty that the group will be able to achieve its projected levels of sales or profitability.

15 Notes to the Financial Statements

for the year ended 31 December 2015

24 Capital commitments

As of 31 December 2015, there were no capital commitments.

25 Contingent liabilities

The Group and the Company have given guarantees of US\$3,760,000 (31 December 2014: US\$3,760,000) to Perupetro SA to fulfil licence commitments for Block XXI and Z34. The Company has made provision in respect of decommissioning costs of producing fields and there is the possibility of decommissioning costs in respect of abandoned field which have yet to be quantified (if any) by the operator. Other than that, the Company does not consider that there are any further contingent liabilities in this regard.

26 Event after the reporting period

On 19 January 2016, the Company entered into a Farmout Agreement with Infrastrata Plc and Brigantes Energy Limited to earn a 10% interest in the Northern Ireland Petroleum Licence PL1/10 and to acquire a corresponding 10% interest in the adjacent offshore Petroleum Licence P2123, for an initial investment of £570,000.

27 Ultimate controlling party

Baron Oil Plc is listed on the AIM market operated by the London Stock Exchange. At the date of the Annual Report in the Directors' opinion there is no controlling party.

28 Related party transactions

Company

During the year, the Company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year end were:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Balance £'000	Loan advance/ (repayment) £'000	Balance £'000	Loan advance £'000
Gold Oil Peru S.A.C*	2,205	(905)	3,786	509
Inversiones Petroleras de Colombia SAS**	627	(627)	–	–

*The company has provided for an impairment of £2,205,000 (2014: £3,786,000) on the outstanding loans. During the year, part of the loan to a value of £676,000 was capitalised as new equity of Gold Oil peru S.A.C.

**The company has provided for an impairment of £627,000 (2014: nil) on the outstanding loans.

Group

There were no related party transactions during the year.

