MINERAL & FINANCIAL INVESTMENTS LIMITED

Annual Report and Financial Statements

for the year ended 31 December 2015

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FINANCIAL STATEMENTS

COMPANY INFORMATION

DIRECTORS:	Jacques Vaillancourt (Chairman) Alastair Ford (Chief Investment Officer) Laurence Read
REGISTERED OFFICE:	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands
COMPANY NUMBER:	Incorporated in the Cayman Islands with registered number 141920
SECRETARY:	Walkers SPV Limited
NOMINATED ADVISER:	W H Ireland 24 Martin Lane London EC4R 0DR
BROKER:	W H Ireland 24 Martin Lane London EC4R 0DR
REGISTRARS:	Capita Registrars (Jersey) Limited 12 Castle Street St Helier Jersey JE2 3RT
SOLICITORS:	Charles Russell Speechlys 5 Fleet Place London EC4M 7RD
AUDITORS:	Welbeck Associates Registered Auditor Chartered Accountants 30 Percy Street London W1T 2DB

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 December 2015

Dear Shareholders,

I am pleased to present the results of your Company for the year ended 31 December 2015.

It was a disappointing year for Mineral and Financial's net asset value, which ended the calendar year at 6.5p per share. This masks some very significant advances made laying the foundation for your company's next steps forward. The strategy that your board has put in place calls for Mineral and Financial to be an investor and financier of natural resource companies, with a particular emphasis on mining companies.

The decline in the NAV is due in part to weakness in the metals and mining sector, which I will touch on briefly later, but most significantly to our largest current investment, CAP Energy. This investment is an energy exploration company with assets offshore West Africa. Cap Energy chose to re-list itself on a less liquid and more opaque stock market as its strategy no longer required access to capital markets. This caused investors to sell down the stock from 155p to 80p. This decline represents 2.3p of the 3.5p (i.e. 65%) of the decline in our NAV. We are keeping very close to the situation and, in our opinion, this investment's fundamentals have significantly improved due to enormous hydrocarbon discoveries on the neighboring blocks and the Company completing 3D seismic surveys and advancing various joint venture partnership discussions. Although weaker oil prices and the re-listing on a tertiary exchange have overshadowed these improvements, we nevertheless expect that there should be short to mid-term developments that would catalyse the value of this investment.

The metals and mining sector underperformed in 2015 due to continued concerns that demand from important economies, such as China, will be insufficient to drive metal prices higher. We contend that the driver to most metal prices in the upcoming years will be constrained supply, due to insufficient capital and thus exploration for the past several years.

We have made our first strategic investment in TH Crestgate GmbH, a Swiss holding Company that has acquired three attractive prospects from a financially challenged Company. Two of these projects have already been optioned out to Ferrum Crescent. TH Crestgate is currently evaluating various options for the third polymetalic project located in Portugal.

During this past year we have strengthened the Company's balance sheet by retiring £159,000 of convertible notes, leaving the company essentially debt free, and thus financially stronger. We continue to work with the management of certain legacy investments with the intention of ensuring that we can exit these investments with gains.

We believe that 2016 will be a year that will begin the clear definition of Mineral and Financial Investments' new direction. This path will lead to the kind of returns we expect from the Company's assets for its shareholders.

Jacques Vaillancourt, CFA
Executive Chairman

21 June 2016

www.mineralandfinancial.com

CHIEF INVESTMENT OFFICER'S REVIEW

FOR THE YEAR ENDED 31 December 2015

Although we are now beginning to see an improvement in sentiment in the mining and commodities sectors, during the period in question - the year to the end of December - activity on the markets remained decidedly muted.

For that reason the company continued to keep a significant portion of its portfolio in cash over the course of 2015, varying the proportions throughout the year but never reducing the cash position to less than 25% of net assets.

With that backstop in place the company adopted a cautious approach to the management of the tactical portfolio, although there was a significant advance in our strategic portfolio as we conducted our first transaction and took a significant stake in TH Crestgate, an unlisted vehicle with base metals assets in the Iberian peninsula.

Post the period end there has been a revival of activity in mining and commodities, and it was gratifying to see gold push back through US$1,300 an ounce on 16 June 2016.

Accordingly the company has made some adjustments to its equity portfolio, and where applicable these are noted in the commentary below.

TH Crestgate GmbH

The cornerstone of the strategic investment portfolio is currently TH Crestgate, which holds the Toral zinc-lead asset in Spain and the Lagoa Salgado zinc-lead asset in Portugal. Work on these projects has been continuing on a small scale on the ground as Crestgate has looked to add value with a minimum of outlay while markets remained hostile to junior mining projects. In addition, Crestgate has signed an option agreement with Ferrum Crescent over the Toral property, and Ferrum Crescent is currently conducting detailed due diligence. The company awaits the outcome with interest.

ETF Portfolio

Gold

The company's gold ETF maintained its value throughout the latter part of 2015 as gold steadied at around US$1,200 after a shaky start to the year. During that time the gold ETF continued to represent between 4% and 5% of the company's investment portfolio, depending on market fluctuations, but at the last net asset value update, for the quarter to March 2016, that had risen to around 5.5% on renewed strength in the gold price. We expect this price strength to continue, at least in the short-to-medium term, as uncertainties surrounding the Fed's plans to raise rates continues, although some of the market uncertainty that has given rise to the recent rally is now past, with the conclusion of the Brexit debate.

Zinc

It was interesting to see that at a recent conference in Miami hosted by Bank of America Merill Lynch analysts came out strongly in support of zinc. The thinking is straightforward enough: out of all the major commodities, zinc has had the lowest production growth in recent years. This means that supply is more limited and that demand is likely to rise. We are already seeing some evidence of this in the market. While 2015 was largely flat for our zinc ETF, there was a sharp uptick post the period end, in the first quarter to March 2016. At present the zinc ETF comprises around 5% of our portfolio and we remain long-term zinc bulls, albeit that we already have significant exposure through our TH Crestgate investment.

Platinum

According to analysis by SFA Oxford, the platinum market is likely to be in deficit to the tune of 455,000 ounces this year. This forecast deficit is higher than had been previously anticipated as supply continues to fall short of expectations, while demand is increasing. During the first quarter of this year, platinum supply fell by 11% when compared to output a year ago. Meanwhile, global demand rose by 10% quarter-on-quarter, according to SFA Oxford. Nonetheless, it has taken time for the platinum price to respond as producer inventories have built and demand from specific sectors like automobiles and jewellery has remained flat. Our exposure to platinum is slightly lower than to zinc and gold, representing about 3.5% of the portfolio.

Rhodium

The Company traded out of its position in rhodium during the first quarter of 2016 and no longer holds a significant interest in this commodity

Cap Energy

We continue to be encouraged by the levels of oil industry activity off-shore West Africa in the vicinity of Cap Energy's Guinea-Bissau assets, albeit that the oil price has weakened over the past couple of years. Cap Energy has some extremely promising acreage and we look forward to receiving further updates as to progress in due course.

CHIEF INVESTMENT OFFICER'S REVIEW

FOR THE YEAR ENDED 31 December 2015

Glencore

Glencore's share price suffered in 2015 on a negative turn in sentiment towards the copper price. In 2016, however, that process has gone into reverse as the impact of asset sales and refinancing have rebuilt investor confidence. Accordingly the value of our Glencore holding has almost doubled since the start of the year, albeit that it had fallen pretty sharply the year before. Glencore continues to be one of the dominant players in the mining sector and poised for further recovery as the outlook for the sector continues to improve. The holding accounts for around 2% of the Company's portfolio.

Anglo Pacific

In many ways Anglo Pacific is a counter-intuitive mining investment, wedded as it is to the idea of mining coal for sale to the power generation industry. But while that idea might be out of fashion in the West, it still has a lot of traction in the Middle East, the Far East, and Africa. Anglo Pacific's coal royalties continue to generate cash for the company. The shares enjoyed mixed fortunes during 2015, but since the start of the year have risen by more than 25%.

Toro Gold

Toro Gold is currently raising funds for the development and construction of its Mako Gold project in Senegal, after several years of development work as a private company. A listing on a recognised market is contemplated in due course, although the precise timing of that has yet to be nailed down. Mineral & Financial is encouraged to see Toro continuing to make progress through what have been some very tricky market conditions.

Sutherland Health

The Company's stake in Sutherland Health remains non-core, and discussions are ongoing in regard to its ability to secure an orderly exit.

UMC Energy

The Company disposed of its position in UMC during the first quarter of 2016.

Milamber

The Company continues to view its investment in Milamber Ventures as non-core and will seek an exit at an appropriate juncture.

Alastair Ford
Chief Investment Officer

21 June 2016

STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2015

The Directors present their Strategic Report on the Company for the year ended 31 December 2015.

RESULTS

The Group made a loss after taxation of £496,000 (2014: Profit of £302,000). The Directors do not propose a dividend (2014: £nil).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business in the period and of future developments is set out in the Chief Investment Officer's review, which should be read as part of the strategic review.

KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

COMPANY STATISTICS	31 December 2015	31 December 2014	Change %
Net asset value	£909,000	£1,380,000	-34%
Net asset value – fully diluted per share	6.5p	10.0p	-35%
Closing share price	5.7p	7.7p	-26%
Share price discount to net asset value – fully diluted	(11%)	(23%)	
Market capitalisation	£807,000	£1,063,000	-24%

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk facing shareholders is that the value of the investments falls and that future returns to shareholders are therefore lower than they could have been.

Details of the financial risk management objectives and policies are provided in Note 14 to the financial statements.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 30 June 2017 which assumes no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity and the forecasts demonstrate that the Company is able to meet its obligations as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

21 June 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2015

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

During the year the Company continued to act as an investment company.

The Company's Investing Policy is to invest in the natural resources sector through investments in companies or other assets, which it considers to represent good value and offer scope for significant returns to shareholders over the long term. In particular, the Company focuses on providing new capital for mining companies that require finance for their projects.

Investments may be be made in the securities of quoted and un-quoted companies and their assets, units in open-ended investment companies, exchange traded funds, physical commodities, derivatives, and other hybrid securities. As the Company's assets grow the intention is to diversify company, geographic, and commodity risks.

The Company has a blend of passive and active investments and, if and when appropriate, it may seek to gain control of an investee company. Returns to shareholders are expected to be by way of growth in the value of the Company's ordinary shares.

POST BALANCE SHEET EVENTS

There have been no material post balance sheet events.

DIRECTORS

The Directors of the Company during the year and subsequently are set out below.

Jacques Vaillancourt
Alastair Ford
Laurence Read

SUBSTANTIAL SHAREHOLDINGS

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 17 June 2016 were as follows:

	Ordinary shares of 1p each number	Percentage of capital %
Vidacos Nominees Limited	3,750,000	26.5%
*Mount Everest Finance SA	3,107,000	22.6%
Barclayshare Nominees Limited	625,995	4.5%
Hargreaves Lansdown (Nominees)	599,845	4.3%
TD Direct Investing Nominees (Europe) Limited	467,894	3.3%
Share Nominees Ltd	454,257	3.2%

*Jacques Vaillancourt is the sole shareholder of Mount Everest Finance SA

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2015

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Company was incorporated as a corporation in the Cayman Islands, which does not prescribe the adoption of any particular accounting framework. Accordingly, the Board has resolved that the Company will follow applicable law and International Financial Reporting Standards as adopted by the European Union (IFRSs) when preparing its annual financial statements.

The Directors are responsible for the preparation of the Company's financial statements which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

AUDITORS

The auditors Welbeck Associates have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

21 June 2016

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 December 2015

The requirements of the combined code of corporate governance are not mandatory for companies traded on AIM. However, the Directors recognize the importance of sound corporate governance and have adopted corporate governance principles that the Directors consider are appropriate for a company of its size.

BOARD OF DIRECTORS

The Board of Directors is responsible for the Company's system of corporate governance. It comprises an executive chairman, the Chief Investment Officer and one other executive director. The Chairman of the Board is Jacques Vaillancourt.

The Board met regularly throughout the year. It has a schedule of matters referred to it for decision, which includes strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. Matters which would normally be referred to appointed committees, such as the audit and remuneration committees, are dealt with by the full Board.

INTERNAL CONTROL

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

REPORT ON REMUNERATION

FOR THE YEAR ENDED 31 December 2015

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practice. The Company operates within a competitive environment and its performance depends on the effective contributions of the Directors and employees who are compensated accordingly.

DIRECTORS' REMUNERATION

The remuneration of the Directors was as follows:

	Year ending 31 December 2015			Year ending 31 December 2014		
	Salary and fees	Pension	Total	Salary and fees	Pension	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Jacques Vaillancourt	25	-	25	25	-	25
Alastair Ford	24	-	24	26	-	26
Laurence Read	18	-	18	18	-	18
	67	-	67	69	-	69

PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2015, or for the year ended 31 December 2014.

BENEFITS IN KIND

The Directors did not receive any benefits in kind, either in the year ended 31 December 2015, or in the year ended 31 December 2014.

BONUSES

There were no bonuses payable either for the year ended 31 December 2015, or for the year ended 31 December 2014.

SHARE OPTION INCENTIVES

Directors held options as follows. Further details of options are disclosed in note 13.

	At beginning of year	Granted in period	Lapsed in period	At end of period	Exercise price
Jacques Vaillancourt	105,000	-	-	105,000	7.89p
Laurence Read	185,000	-	-	185,000	7.89p
Alastair Ford	210,000	-	-	210,000	7.89p
Alastair Ford	18,292	-	(18,292)	-	-

For and on behalf of the Board

Jacques Vaillancourt, CFA
Director

21 June 2016

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF MINERAL & FINANCIAL INVESTMENTS LIMITED
FOR THE YEAR ENDED 31 December 2015

We have audited the financial statements of Mineral & Financial Investments Limited for the year ended 31 December 2015 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the 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.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 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 the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. 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 Company's affairs as at 31 December 2015 and of the Company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union.

Jonathan Bradley-Hoare
Senior Statutory Auditor
for and on behalf of Welbeck Associates
Statutory Auditor, Chartered Accountants

30 Percy Street
London
W1T 2DB

21 June 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 December 2015

	Notes	2015 £'000	2014 £'000
Investment income		2	2
Net losses on disposal of investments		(131)	(513)
Net change in fair value of investments		(186)	991
		(315)	480
Operating expenses		(181)	(170)
Operating profit/(loss)	3	(496)	310
Finance cost	10	-	(8)
Profit/(loss) before taxation		(496)	302
Taxation expense	5	-	-
Profit/(loss) for the year from continuing operations and total comprehensive income, attributable to owners of the Company		(496)	302
Profit/(Loss) per share attributable to owners of the Company during the year from continuing and total operations:	6	Pence	Pence
Basic (pence per share)		(3.6)	2.2
Diluted (pence per share)		(3.6)	2.1

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2015

	Notes	2015 £'000	2014 £'000
CURRENT ASSETS			
Investments held at fair value through profit or loss	7	691	990
Trade and other receivables	8	6	3
Cash and cash equivalents		263	596
		960	1,589
CURRENT LIABILITIES			
Trade and other payables	9	41	40
		41	40
NET CURRENT ASSETS		919	1,549
NON-CURRENT LIABILITIES			
Convertible unsecured loan notes	10	10	169
		10	169
NET ASSETS		909	1,380
EQUITY			
Share capital	11	2,885	2,882
Share premium		4,559	4,537
Loan note equity reserve	12	6	85
Share option reserve		12	12
Capital reserve		15,736	15,736
Retained earnings		(22,289)	(21,872)
Equity attributable to owners of the Company and total equity		909	1,380

The financial statements were approved by the Board and authorised for issue on 21 June 2016

Jacques Vaillancourt
Director

Alastair Ford
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 December 2015

	Share capital £'000	Share premium £'000	Share option reserve £'000	Loan note reserve £'000	Capital reserve £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2014	2,882	4,537	–	85	15,736	(22,174)	1,066
Profit for the year	–	–	–	–	–	302	302
Total comprehensive income for the year	–	–	–	–	–	302	302
Share options granted	–	–	12	–	–	–	12
At 31 December 2014	2,882	4,537	12	85	15,736	(21,872)	1,380
Loss for the year	–	–	–	–	–	(496)	(496)
Total comprehensive expense for the year	–	–	–	–	–	(496)	(496)
Repayment of loan notes	–	–	–	(79)	–	79	–
Share issues	3	22	–	–	–	–	25
At 31 December 2015	2,885	4,559	12	6	15,736	(22,289)	909

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2015

	2015 £'000	2014 £'000
OPERATING ACTIVITIES		
Profit/(loss) before taxation	(496)	302
Adjustments for:		
Share based payment expense	–	12
Loss on disposal of trading investments	131	513
Fair value loss/(gain) on trading investments	186	(991)
Investment income	(2)	(2)
Finance costs	–	8
Operating cash flow before working capital changes	(181)	(158)
(Increase)/decrease in trade and other receivables	(3)	13
Increase/(decrease) in trade and other payables	1	(15)
Net cash outflow from operating activities	(183)	(160)
INVESTING ACTIVITIES		
Continuing operations:		
Purchases of investments	(151)	(398)
Disposals of investments	133	355
Investment income	2	2
Net cash outflow from investing activities	(16)	(41)
FINANCING ACTIVITIES		
Continuing operations:		
Redemption of convertible loan notes	(134)	–
Net cash outflow from financing activities	(134)	–
Net decrease in cash and cash equivalents	(333)	(201)
Cash and cash equivalents as at 1 January	596	797
Cash and cash equivalents as at 31 December	263	596

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

1 GENERAL INFORMATION

The Company was incorporated as a Corporation in the Cayman Islands which does not prescribe the adoption of any particular accounting framework. The Board has therefore adopted International Financial Reporting Standards as adopted by the European Union (IFRSs). The Company's shares are listed on the AIM market of the London Stock Exchange.

The Company is an investment company, mainly investing in natural resources, minerals, metals, and oil and gas projects. The registered office of the Company is as detailed in the Company Information on page 2.

2 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, and in accordance with International Financial Reporting Standards ("IFRS"), and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. All accounting standards and interpretations issued by the International Accounting Standards Board and IFRIC effective for the periods covered by these financial statements have been applied**.**

The principal accounting policies of the Company are set out below.

GOING CONCERN

The Directors have prepared cash flow forecasts through to 30 June 2017 which assumes no significant investment activity is undertaken unless sufficient funding is in place to undertake the investment activity. The expenses of the Company's continuing operations are minimal and the cash flow forecasts demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

KEY ESTIMATES AND ASSUMPTIONS

Estimates and assumptions used in preparing the financial statements are reviewed on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results of these estimates and assumptions form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources:

SHARE BASED PAYMENTS

The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group holds investments that have been designated as held at fair value through profit or loss on initial recognition. Where practicable the Group determines the fair value of these financial instruments that are not quoted (Level 3) using the most recent bid price at which a transaction has been carried out. These techniques are significantly affected by certain key assumptions, such as market liquidity. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognize that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realized immediately.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF COMPLIANCE

The financial statements comply with IFRS as adopted by the European Union. The following new and revised Standards and Interpretations have been adopted in the current period by the Group for the first time and do not have a material impact on the group.

IFRS 12 Disclosures of interests in other entities

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and not early adopted. None of these are expected to have a significant effect on the Company's financial statements.

INVESTMENT INCOME

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income on an ex-dividend basis. Interest on fixed interest debt securities is recognised using the effective interest rate method.

TAXATION

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

FINANCIAL ASSETS

The Group's financial assets comprise investments held for trading, cash and cash equivalents and loans and receivables, and are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

All short term investments are designated upon initial recognition as held at fair value through profit or loss (FVTPL). Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the Statement of Comprehensive Income as “Net change in fair value of investments”

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

LOANS AND RECEIVABLES

Loans and receivable from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

EQUITY

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

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Shares to be issued represent the equity which the Company has committed to issue and which has been issued subsequent to the year end.

The loan note reserve represents the value of the equity component of the nominal value of the loan notes issued.

The capital reserve represents amounts arising in connection with reverse acquisitions.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income together with the cumulative amount of share based expenses transferred to equity.

FINANCIAL LIABILITIES

Financial liabilities are recognised in the Company’s balance sheet when the Company becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance cost in the income statement using the effective interest rate method.

The Company's financial liabilities comprise convertible loan notes, and trade and other payables.

The fair value of the liability portion of the convertible loan notes is determined using a market interest rate for an equivalent non-convertible loan note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan notes. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders’ equity, net of tax effects.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost less settlement payments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

SHARE BASED PAYMENTS

The Company operates equity settled share based remuneration plans for the remuneration of its employees.

All services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share based payments are ultimately recognised as an expense in the income statement with a corresponding credit to retained earnings in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognized in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within profit or loss.

FOREIGN CURRENCIES

The Directors consider Sterling to be the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Sterling, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into Sterling using the exchange rates prevailing at the date of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the income statement. Non-monetary items that are measured at historical costs in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

SEGMENTAL REPORTING

A segment is a distinguishable component of the Company's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

As the chief operating decision maker reviews financial information for and makes decisions about the Company's investment activities as a whole, the directors have identified a single operating segment, that of holding and trading in investments in natural resources, minerals, metals, and oil and gas projects. The directors consider that it would not be appropriate to disclose any geographical analysis of the Company's investments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

3 OPERATING PROFIT/(LOSS)

	2015 £'000	2014 £'000
Profit/(loss) from operations is arrived at after charging:		
Investment management fee	–	6
Auditors' remuneration:		
- fees payable to the Company's auditors and its associates for the audit of the Company's financial statements	10	10

4 EMPLOYEE REMUNERATION

The expense recognised for employee benefits is analysed below:

	2015 £'000	2014 £'000
Wages and salaries	67	69
	67	69

Details of Directors' employee benefits expense are included in the Report on Remuneration on page 10. Remuneration for key management of the Company, including amounts paid to Directors of the Company, is as follows:

	2015 £'000	2014 £'000
Short-term employee benefits	67	69
	67	69

5 TAXATION

No provision has been made in respect of current taxation or deferred taxation as the Company is domiciled in the Cayman Islands and no corporation tax is applicable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

6 EARNINGS PER SHARE

The basic and diluted earnings per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2015 £'000	2014 £'000
(Loss)/profit attributable to owners of the Company		
- Continuing and total operations	(496)	302

	2015	2014
Weighted average number of shares for calculating basic earnings per share	13,874,459	13,722,062
Weighted average number of shares for calculating fully diluted earnings per share*	13,874,459	14,240,354

	2015 pence	2014 pence
(Loss)/profit per share from continuing and total operations		
- Basic (pence per share)	(3.6)	2.2
- Fully diluted (pence per share)*	(3.6)	2.1

* The weighted average number of shares used for calculating the diluted loss per share for 2015 is the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options would be anti-dilutive.

7 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 £'000	2014 £'000
1 January - Investments at fair value	990	469
Cost of investment purchases	151	398
Proceeds of investment disposals	(133)	(355)
Loss on disposal of investments	(131)	(513)
Fair value adjustment	(186)	991
31 December - Investments at fair value	691	990
Categorised as:		
Level 1 - Quoted investments	176	976
Level 3 - Unquoted investments	515	14
	691	990

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

7 INVESTMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The Company has adopted fair value measurements using the IFRS 7 fair value hierarchy

Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows:

Level 1 – valued using quoted prices in active markets for identical assets
Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included in Level 1.
Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market criteria.

LEVEL 3 investments

Reconciliation of Level 3 fair value measurement of investments

	2015 £'000	2014 £'000
Brought forward	14	88
Purchases	151	–
Reclassified to Level 1	–	(60)
Reclassified to Level 3	563	
Fair value adjustment	(213)	(14)
Carried forward	515	14

Level 3 valuation techniques used by the Group are explained on page 18 (Fair value of financial instruments)

8 TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Prepayments	6	3
Total	6	3

The fair value of trade and other receivables is considered by the Directors not to be materially different to carrying amounts.

At the balance sheet date in 2015 and 2014 there were no trade receivables past due.

9 TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade payables	16	12
Other payables	3	5
Accrued charges	22	23
Total	41	40

The fair value of trade and other payables is considered by the Directors not to be materially different to carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

10 CONVERTIBLE UNSECURED LOAN NOTES

The outstanding convertible loan notes are zero coupon, unsecured and unless previously purchased or converted they are redeemable at their principal amount at any time on or after 31 December 2014.

The net proceeds from the issue of the loan notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company as follows:

	2015 £'000	2014 £'000
Liability component at 1 January	169	161
Repayment of loan notes	(134)	–
Conversion of loan notes	(25)	–
	10	161
Interest charged	–	8
Liability component at 31 December	10	169

The interest charged during the period is calculated by applying an effective average interest rate of 10% to the liability component for the period since the loan notes were issued.

The Directors estimate the fair value of the liability component of the loan notes at 31 December 2015 to be approximately £10,000 (2014: £169,000). This fair value has been calculated by discounting the future cash flows at the market rate of 10%.

11 SHARE CAPITAL

	Number of shares	Nominal Value £'000
AUTHORISED		
At 31 December 2014 and 31 December 2015		
Ordinary shares of 1p each	160,000,000	1,600
Deferred shares of 24p each	35,000,000	8,400
		10,000
ISSUED AND FULLY PAID		
At 31 December 2013 and 31 December 2014		
Ordinary shares of 1p each	13,722,062	137
Deferred shares of 24p each	11,435,062	2,745
		2,882
Ordinary shares issued in year	312,500	3
At 31 December 2014 and 31 December 2015:		
Ordinary shares of 1p each	14,034,562	140
Deferred shares of 24p each	11,435,062	2,745
		2,885

The restricted rights of the deferred shares are such that they have no economic value.

On 6 July 2015, 312,500 new ordinary shares were issued at 8p per share on the conversion of loan notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

12 LOAN NOTE EQUITY RESERVE

	2015 £'000	2014 £'000
Equity component of convertible loan notes at 1 January	85	85
Transfer to retained earnings on repayment of loan notes	(79)	–
Equity component of convertible loan notes at 31 December	6	85

13 SHARE OPTIONS

On 26 June 2014 the Company granted 500,000 options to directors and employees, exercisable at 7.89p per share. At the year end all these options had vested and are exercisable at any time prior to the fifth anniversary of the date of grant.

The fair value of the options granted during the year was determined using the Black-Scholes pricing model. The significant inputs to the model in respect of the options were as follows:

Date of grant	26 June 2014
Share price at date of grant	6.00p
Exercise price per share	7.89p
No. of options	500,000
Risk free rate	3.0%
Expected volatility	50%
Life of option	5 years
Calculated fair value per share	2.3264p

The share based payment charge for the year was £Nil (2014: 12,000).

The movements on share options and their weighted average exercise price are as follows:

	2015		2014	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January	554,878	15.22	54,878	82.00
Granted	–	–	500,000	7.89
Lapsed	(54,878)	82.00	–	–
Outstanding at 31 December	500,000	7.89	554,878	15.22

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

14 RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated by the board of directors, and focuses on actively securing the Company's short to medium term cash flows by minimising the exposure to financial markets.

MARKET PRICE RISK
The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £69,000 (2014: £99,000).

FOREIGN CURRENCY RISK
The Company's exposure to foreign currencies is limited to its investments which are quoted on overseas stock markets in currencies other than Pounds Sterling and is not material.

CREDIT RISK
The Company's financial instruments, which are exposed to credit risk, are considered to be mainly cash and cash equivalents and the Company's receivables are not material. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks.

The Company's exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	2015 £'000	2014 £'000
Cash and cash equivalents	263	596
Other receivables	–	–
	263	596

LIQUIDITY RISK
Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Company's payment obligations arising from administrative expenses.

CAPITAL RISK MANAGEMENT
The Company's objectives when managing capital are:

- to safeguard the Company 's ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders;
- to support the Company 's growth; and
- to provide capital for the purpose of strengthening the Company 's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Management regards total equity as capital and reserves, for capital management purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2015

15 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS BY CATEGORY

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	2015 £'000	2014 £'000
Financial assets:		
Cash and cash equivalents	263	596
Investments held at fair value through profit and loss	691	990
	954	1,586

FINANCIAL LIABILITIES BY CATEGORY

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

	2015 £'000	2014 £'000
Financial liabilities at amortised cost:		
Convertible unsecured loan notes	10	169
Trade and other payables	19	17
	29	186

16 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

There were no contingent liabilities or capital commitments at 31 December 2015 or 31 December 2014.

17 POST YEAR END EVENTS

There have been no material events since the year end.

18 RELATED PARTY TRANSACTIONS

Details of the directors' remuneration and the options granted to directors are disclosed in the remuneration report on page 10.

19 ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be a single ultimate controlling party.