MX OIL PLC

Financial Statements

For the year ended 31 December 2015

Company number: 05311866

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FINANCIAL STATEMENTS

COMPANY INFORMATION

DIRECTORS:	Nicholas Lee (Non-Executive Chairman) Stefan Olivier (Chief Executive Officer) Nigel McKim (Chief Operating Officer) Sergio Lopez (Non-Executive Director)
REGISTERED OFFICE:	17th Floor 110 Bishopsgate London EC2N 4AY
COMPANY NUMBER:	05311866
SECRETARY:	Lorraine Young Company Secretaries Limited
NOMINATED ADVISER:	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
BROKER:	Cornhill Capital Limited 4th Floor 18 St Swithin's Lane London EC4N 8AD
REGISTRARS:	Computershare Investor Services Plc The Pavilions Bridgewater Road Bristol BS99 7NH
SOLICITORS:	Adams & Remers LLP Quadrant House 55-58 Pall Mall London SW1Y 5JH
INDEPENDENT AUDITOR:	haysmacintyre Statutory Auditor Chartered Accountants 26 Red Lion Square London WC1R 4AG

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 December 2015

During the year, the MX Oil plc has continued to pursue its strategy as an oil and gas investment company, focusing principally on Mexico and Nigeria.

Mexico

The Company started the year focused on the Mexican energy sector and proceeded to build a technical team alongside its joint venture partner, Geo Estratos ("Geo") in order to analyse the various opportunities available. A significant amount of preparation work was then carried out in order to take part in Bid Round 1, an auction of a number of onshore licences by the Mexican government. In December 2015, the Company and Geo were successful in the auction process and were awarded four licences. Subsequently, the Company decided that it was not appropriate to develop all of the licences that had been won and so it agreed to assign three of these to its partner whilst carrying out further technical investment appraisal work on the fourth licence. As part of the assignment process, and given the financial risk associated with signing the contracts for the four licences and providing bonding, the Company was only going to proceed with this on the basis that its partner deposited the assignment funds in escrow prior to the signature date and provided the bonding for each licence. Unfortunately, due to funding difficulties in Mexico, this did not take place and therefore the contracts for the licences could not be signed and their subsequent assignment could not take place.

Furthermore, having carried out more detailed work on the fourth licence with a competent person, it was concluded that this licence was ultimately unlikely to generate the required return to justify the necessary financial commitment. The Company therefore decided that it would not be in the Company's or shareholders' best interests to proceed with any of these licences particularly given the inherent risks associated with their funding in general. As a result the Company has provided fully for the costs incurred in respect of this project. However, as part of this process, the Company has learnt a significant amount about the Mexican market and still believes that Mexico remains an attractive area for the production of hydrocarbons where the appropriate return can be generated. It is therefore now well placed to look at future opportunities.

Nigeria

In July 2015, the Company indirectly invested into a non-operated 5% revenue interest in OML 113, offshore Nigeria which includes the Aje field. This is a near term production asset with an initial phase involving the drilling of two wells. The overall investment price was $4.8 million (£3.1 million), comprising cash, shares and contingent consideration.

The two wells have now been drilled and, in May 2016, oil production commenced. In February 2016, the Company agreed, prior to the commencement of production, to sell an option to acquire its investment for US$18 million (£12.4 million) to GEC Petroleum Development Company Limited. However, payments have yet to be received under this agreement and so, given that production has now commenced, the oil price has recovered and the Company has recently raised £3.4 million, it has the flexibility to retain this investment if this is in the best interests of the Company and its shareholders.

Management

Since the year end the board has been further strengthened by the appointment of Nigel McKim as Chief Operating Officer and I have become non-executive chairman.

Financing

Since the beginning of 2015, the Company has raised over £11 million, against the background of a steeply falling oil price and weakness in the market for natural resource companies. This funding has comprised a combination of equity and convertible debt. These funds have principally been used to complete the financing of the Company's share of capital expenditure to bring the Aje field into production but also to fund the work in Mexico and for general working capital purposes. This figure excludes the recent fund raise of £3.4 million, part of which has been used to repay the balance of convertible bond still outstanding.

Outlook

After a busy year, the Company has made good progress. It has an investment in an oil and gas licence which has now commenced production and the Company is, at the same time, well-funded. Given this position, the Company is regarded as an attractive partner and is therefore seeing a number of interesting investment opportunities that could create additional value for shareholders going forward.

Nicholas Lee
Non-executive Chairman

29 June 2016

STRATEGIC REPORT
FOR THE YEAR ENDED 31 December 2015

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

RESULTS AND DIVIDENDS

For the year ended 31 December 2015 the Group made a loss after taxation from continuing operations of £2,899,000 (2014: Loss £1,149,000). The Directors do not propose a dividend (2014:£nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS DURING THE YEAR

During the period, the Group raised additional equity funds of £6 million and in addition issued 43.4 million shares (£1,952,000) as part consideration for a Nigerian asset, details of which are set out in note 10 to the financial statements. £1,300,000 additional finance was raised through the issue of 12% convertible loan notes.

KEY PERFORMANCE INDICATORS ("KPIs")

The Company's activity is that of an investing company and the Directors focus principally on the development of the Company's net asset value.

The key performance indicators are therefore set out below:

COMPANY STATISTICS	**2015**	**2014**
Net asset value	£7,021,000	£1,962,000
Net asset value – fully diluted per share	1.91p	0.77p
Closing share price	2.05p	1.87p
Market capitalisation	£7,776,000	£3,765,000

KEY RISKS AND UNCERTAINTIES

Early stage investments in the natural resources sector carry a high level of risk and uncertainty, although the rewards can be outstanding. At this stage, there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Group's investments which can be either unquoted or quoted, such that the Group may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Details of other financial risks and their management are given in Note 19 to the financial statements.

GOING CONCERN

As disclosed in Note 2, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

ON BEHALF OF THE BOARD

Stefan Olivier
Director

29 June 2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 December 2015

The Directors present their annual report on the affairs of the Group, together with the financial statements for the year ended 31 December 2015.

Certain information required by the Companies Act 2006 relating to the information to be provided in the Directors' Report is set out in the Strategic Report and includes principal activity, future developments and principal risks and uncertainties.

DIRECTORS

The Board comprised the following directors who served throughout the year and up to the date of this report unless otherwise stated.

Andrew Frangos	
Stefan Olivier	
Nicholas Lee	
Pat Mendoza	Resigned 13 October 2015
Sergio Lopez	
Nigel Bruce McKim	Appointed 13 October 2015

On 18 January 2016, Mr Andrew Frangos resigned as a director.

DIRECTORS' INTERESTS

Set out below are the Directors' beneficial holdings of ordinary shares in the Company as at 31 December 2015. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration.

Name of director	Ordinary shares of 1p each Number	Percentage of capital %
Andrew Frangos	2,250,000	0.6%

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 24 June 2016 were as follows:

Name of shareholder	Ordinary shares of 1p each Number	Percentage of capital %
Zheng Yongxiong	112,972,992	9.9%
Zhang Hao	112,972,992	9.9%
Dr J S H Hon	60,000,000	5.3%
Cheng Zhitang	45,645,653	4.0%
Jacka Resources Limited	43,380,325	3.8%

POST YEAR END EVENTS

Finance

Since the year end the Company has raised £6.6 million before expenses through the issue of 733 million new shares. £1.7 million of the new funds raised has been used to redeem the outstanding convertible loan notes.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2015

POST YEAR END EVENTS

Capital reorganisation

At the General Meeting held on 18 February 2016, the shareholders approved a share reorganisation with the effect that each ordinary share of 1p was subdivided into 1 ordinary share of 0.01p and 99 deferred shares of 0.01p. The new ordinary shares have the same rights and are subject to the same restrictions (save as to nominal value) as the existing ordinary shares and the new deferred shares have the same rights and are subject to the same restrictions as the existing deferred shares of 0.1 pence each.

Mexico

On 17 March 2016, the Company announced that it had agreed to assign three of the four licences it had been awarded by the Mexican government to its local partner, Geo Estratos ("Geo") for US$1.8 million, whilst carrying out further work on the fourth licence, Tecolutla.

On 11 May 2016, the Company announced that its partner had not been able to deposit the US$1.8 million in escrow, as required by the agreement announced on 17 March 2016, and that therefore the contracts for the concessions could not be signed and the subsequent assignment of these concessions could not take place. In addition, having carried out more detailed work on Tecolutla with the competent person, the directors considered that it would be unlikely to generate the required return to justify the financial commitment necessary to develop this licence. The Company therefore decided that it would not be in the Company's or shareholders' best interests to proceed with any of the licences.

Nigeria

On 26 February 2016, the Company announced that it had agreed terms for the sale of its investment in the Aje Field offshore Nigeria to GEC Petroleum Development Company Limited ("GPDC") for US$18 million upon meeting certain conditions.

On 4 May 2016, the Company announced that production of crude oil had commenced from the Aje Field.

On 11 May 2016, the Company announced that GPDC had still not made the first payment to secure the option to acquire the Company's investment in the Aje Field. The Company had been advised by GPDC that it remained committed to making this acquisition and was working hard to put the necessary funding in place. The Company further announced on 31 May 2016, that as the oil price continued to increase the option of retaining this investment continued to become more attractive and that the purpose of the placing (see announcement of 31 May 2016 under "Finance" above) was to ensure that the Company had the appropriate level of funding in place to enable it to do this whilst, at the same time, being able to fund its other activities and reduce its debt.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 December 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

In the case of each person who was a director at the time this report was approved:

- so far as that director is aware there is no relevant audit information of which the Group's auditor is unaware: and
- that director has taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

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

AUDITORS

A resolution to re-appoint haysmacintyre, as auditors will be put to the AGM.

On behalf of the Board

Nicholas Lee
Director

29 June 2016

CORPORATE GOVERNANCE
FOR THE YEAR ENDED 31 December 2015

CORPORATE GOVERNANCE

The Directors recognize the importance of sound corporate governance while taking into account the Group's size and stage of development.

Under the AIM rules the Group is not required to comply with all of the provisions of the UK Corporate Governance Code (the Code), however this is the Code the Directors refer to when considering the Group's governance arrangements.

BOARD OF DIRECTORS

The Group supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. It meets regularly and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Group's expense. Training is available for new Directors and other Directors as necessary.

The Board consists of four directors, the non-executive chairman Nicholas Lee, the Chief Executive Officer Stefan Olivier, the Chief Operating Office Nigel McKim and one other non-executive director Sergio Lopez.

Given the size of the Board, there is no separate nomination committee. All Director appointments are approved by the Board as a whole.

COMMUNICATIONS WITH SHAREHOLDERS

Communications with shareholders are given a high priority. In addition to the publication of an annual report and an interim report, there is regular dialogue with shareholders and analysts. The Annual General Meeting is viewed as a forum for communicating with shareholders, particularly private investors. Shareholders may question the Executive Chairman and other members of the Board at the Annual General Meeting.

INTERNAL CONTROL

The Directors acknowledge they are responsible for the Group's system of internal control and for reviewing the effectiveness of these systems. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of the Group failing to achieve its strategic objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has well established procedures which are considered adequate given the size of the business.

ON BEHALF OF THE BOARD

Stefan Olivier
Director

29 June 2016

REPORT ON DIRECTORS' REMUNERATION
FOR THE PERIOD ENDED 31 December 2015

REMUNERATION

The remuneration of the directors has been fixed by the Board as a whole. The Board seeks to provide appropriate reward for the skill and time commitment required so as to retain the right calibre of director at a cost to the Group, which reflects current market rates.

The Board is responsible for the overall remuneration package for the Executive and Non-Executive Directors.

DIRECTORS' EMOLUMENTS

Full details of all elements in the remuneration package of each Director for the year are set out below:

Director	**2015 £'000**	2014 £'000
Andrew Frangos	**96**	40
Stefan Olivier	**120**	64
Nicholas Lee	**50**	20
Pat Mendoza	**16**	30
Sergio Lopez	**63**	30
Nigel Bruce McKim	**20**	–
Euan McAlpine	**–**	3
Lynda-Chase Gardener	**–**	9
	365	196

Included in the remuneration for Nicholas Lee are £10,000 paid to ACL Capital Limited, a company controlled by him, and £4,000 paid to Paternoster Resources plc, a company of which he is a director.

WARRANTS

Warrants were issued to Andrew Frangos and Stefan Olivier on 31 March 2014, exercisable at 1p per share, and to Sergio Lopez on 11 June 2015, exercisable at 2p per share. Further details of the warrants are disclosed in note 18.

	At 31 Dec 2015 Number of warrants	At 31 Dec 2014 Number of warrants
Andrew Frangos	22,750,000	22,750,000
Stefan Olivier	22,750,000	22,750,000
Sergio Lopez	8,368,421	–
	53,868,421	45,500,000

In addition to the warrants detailed above Andrew Frangos and Stefan Olivier are each entitled to 12,552,632 warrants exercisable at 3p per share, subject to certain vesting and exercise conditions as set out in note 18.

PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2015 (2014 £nil).

BENEFITS IN KIND

The directors did not receive any benefits in kind for the year ended 31 December 2015 (2014 £nil).

ON BEHALF OF THE BOARD

Nicholas Lee
Director

29 June 2016

REPORT OF THE INDEPENDENT AUDITOR

FOR THE YEAR ENDED 31 December 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MX OIL PLC

We have audited the financial statements of MX Oil plc for the year ended 31 December 2015 which comprise the Group statement of comprehensive income, the Group and Company statements of financial position, the Group and Company statements of changes in equity, the Group and Company statements of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements 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, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities set out on page 7, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and as regards the group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the strategic report and the report of the directors for the financial year 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 our audit have not been received from branches not visited by us; or
- the 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.

Ian Cliffe
Senior Statutory Auditor
for and on behalf of haysmacintyre
Statutory Auditor, Chartered Accountants

26 Red Lion Square
London
WC1R 4AG

29 June 2016

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 December 2015

	Note	2015 £'000	2014 £'000
Continuing operations			
Administrative expenses		**(1,233)**	(613)
Share based payment expense		**(400)**	(237)
Operating loss	**3**	**(1,633)**	(850)
Joint venture losses	**11**	**(806)**	(279)
Investment income	**4**	**1**	22
Other gains and losses	**5**	**(450)**	(42)
Loan note interest		**(11)**	–
loss on ordinary activities before taxation		**(2,899)**	(1,149)
Taxation	**7**	–	–
Loss for the year from continuing activities		**(2,899)**	(1,149)
Loss for the year from discontinued activities	**8**	–	(28)
Loss for the year		**(2,899)**	(1,177)
Basic and diluted loss per share			
Basic and fully diluted:			
From continuing operations	**9**	**(1.02)p**	(0.84)p
From continuing and discontinued operations		**(1.02)p**	(0.86)p

GROUP AND COMPANY STATEMENTS OF FINANCIAL POSITION

AS AT 31 December 2015

		GROUP		COMPANY	
		2015	2014	**2015**	2014
	Notes	**£'000**	£'000	**£'000**	£'000
NON-CURRENT ASSETS					
Available for sale investments	**10**	**8,532**	–	**8,532**	–
Investments	**11**	**–**	274	**–**	274
		8,532	274	**8,532**	274
CURRENT ASSETS					
Investments held for trading	**12**	**39**	214	**39**	214
Trade and other receivables	**13**	**371**	24	**371**	24
Cash and cash equivalents	**14**	**224**	1,520	**224**	1,520
		634	1,758	**634**	1,758
CURRENT LIABILITIES					
Trade and other payables	**15**	**310**	70	**310**	70
Borrowings	**16**	**1,158**	–	**1,158**	–
		1,468	70	**1,468**	70
NET CURRENT (LIABILITIES)/ASSETS		**(834)**	1,688	**(834)**	1,688
NON-CURRENT LIABILITIES					
Deferred consideration		**677**	–	**677**	–
		677		**677**	
NET ASSETS		**7,021**	1,962	**7,021**	1,962
EQUITY					
Share capital	**17**	**7,659**	5,879	**7,659**	5,879
Share premium	**17**	**19,714**	13,967	**19,714**	13,967
Loan note equity reserve		**31**	–	**31**	–
Reserve for options granted		**172**	172	**172**	172
Reserve for warrants issued		**637**	237	**637**	237
Retained deficit		**(21,192)**	(18,293)	**(21,192)**	(18,293)
Equity attributable to owners of the Company and total equity		**7,021**	1,962	**7,021**	1,962

The financial statements were approved by the Board and ready for issue on 29 June 2016.

Stefan Olivier
Director

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2015

	Share capital £'000	Share premium £'000	Loan note equity reserve	Reserve for options granted £'000	Reserve for warrants issued £'000	Retained deficit £'000	Total equity £'000
At 1 January 2014	**4,163**	**12,852**	–	**172**	–	**(17,116)**	**71**
Loss for the year and total comprehensive expense	–	–	–	–	–	(1,177)	**(1,177)**
Issue of new shares	1,716	1,334	–	–	–	–	**3,050**
Share issue costs	–	(219)	–	–	–	–	**(219)**
Issue of warrants	–	–	–	–	237	–	**237**
At 31 December 2014	**5,879**	**13,967**	–	**172**	**237**	**(18,293)**	**1,962**
Loss for the period and total comprehensive income	–	–	–	–	–	(2,899)	**(2,899)**
Issue of new shares	1,780	6,185	–	–	–	–	**7,965**
Share issue costs	–	(438)	–	–	–	–	**(438)**
Issue of warrants	–	–	–	–	400	–	**400**
Issue of convertible loan notes	–	–	31	–	–	–	**31**
At 31 December 2015	**7,659**	**19,714**	**31**	**172**	**637**	**(21,192)**	**7,021**

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2015

	Share capital £'000	Share premium £'000	Loan note equity reserve	Reserve for options granted £'000	Reserve for warrants issued £'000	Retained deficit £'000	Total equity £'000
At 1 January 2014	**4,163**	**12,852**	–	**172**	–	**(17,116)**	**71**
Loss for the year and total comprehensive expense	–	–	–	–	–	(1,177)	**(1,177)**
Issue of new shares	1,716	1,334	–	–	–	–	**3,050**
Share issue costs	–	(219)	–	–	–	–	**(219)**
Issue of warrants	–	–	–	–	237	–	**237**
At 31 December 2014	**5,879**	**13,967**	–	**172**	**237**	**(18,293)**	**1,962**
Loss for the period and total comprehensive income	–	–	–	–	–	(2,899)	**(2,899)**
Issue of new shares	1,780	6,185	–	–	–	–	**7,965**
Share issue costs	–	(438)	–	–	–	–	**(438)**
Issue of warrants	–	–	–	–	400	–	**400**
Issue of convertible loan notes	–	–	31	–	–	–	**31**
At 31 December 2015	**7,659**	**19,714**	**31**	**172**	**637**	**(21,192)**	**7,021**

GROUP AND COMPANY STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 December 2015

	Note	GROUP		COMPANY	
		2015	2014	**2015**	2014
		£'000	£'000	**£'000**	£'000
OPERATING ACTIVITIES					
Loss for the period		**(2,899)**	(1,177)	**(2,899)**	(1,177)
Adjustments for:					
Share based payment expense		**400**	237	**400**	237
Loss/(gain) on disposal of investments		**16**	(6)	**16**	(6)
Movement in fair value of quoted investments		**79**	29	**79**	29
Joint venture expenses		**–**	279	**902**	279
Provision for amount due from joint venture partner		**–**	–	**374**	–
Investment income		**(1)**	(22)	**(103)**	(22)
Loan note interest		**11**	–	**11**	–
Foreign exchange movement in respect of deferred liability		**37**	–	**37**	–
Impairment of joint venture investment		**–**	–	**6**	–
Operating cashflow before working capital changes		**(2,357)**	(660)	**(1,177)**	(660)
Decrease/(increase) in receivables		**(79)**	(21)	**(347)**	(21)
Increase/(decrease) in trade and other payables		**246**	34	**246**	34
Net cash outflow from operating activities		**(2,190)**	(647)	**(1,278)**	(647)
INVESTMENT ACTIVITIES					
Proceeds from disposal of investments		**227**	402	**227**	402
Purchase of investments held for trading		**(147)**	(639)	**(147)**	(639)
Investment in Nigerian asset		**(5,940)**	–	**(5,940)**	–
Advances to joint venture operation		**–**	(546)	**(912)**	(546)
Investment income		**1**	15	**1**	15
Net cash outflow from investment activities		**(5,859)**	(768)	**(6,771)**	(768)
FINANCING ACTIVITIES					
Continuing operations:					
Issue of ordinary share capital		**6,013**	3,050	**6,013**	3,050
Share issue costs		**(438)**	(219)	**(438)**	(219)
Net proceeds of issue of convertible loan notes		**1,178**	–	**1,178**	–
Net cash inflow from financing activities		**6,753**	2,831	**6,753**	2,831
Net (decrease)/increase in cash and cash equivalents from continuing operations		**(1,296)**	1,444	**(1,296)**	1,444
Net decrease in cash and cash equivalents from discontinued operations		**–**	(28)	**–**	(28)
Net(decrease)/increase in cash and cash equivalents from continuing and discontinued operations		**(1,296)**	1,416	**(1,296)**	1,416
Cash and cash equivalents at beginning of period		**1,520**	104	**1,520**	104
Cash and cash equivalents at end of period	14	**224**	1,520	**224**	1,520

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

1 GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom and its 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

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout all periods presented in the financial statements.

As in prior periods, the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The current period covered by these financial statements is the year to 31 December 2015. The comparative figures relate to the year ended 31 December 2014.

The financial statements are presented in pounds sterling (£) which is the functional currency of the Group.

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective, and which have not been adopted early by the Group are presented below under 'Statement of Compliance'.

GOING CONCERN

The Group has cash balances at the period end of £224,000 and since the year end, the Company has raised a significant amount of new funding. Furthermore, the Directors have prepared cash flow forecasts through to 30 September 2017 which demonstrate that the Group is able to meet its liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

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 financial statements of the Group.

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 judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

AVAILABLE FOR SALE INVESTMENTS

Note 10 summarises the Group’s indirect investment in the Aje Field. The Directors have reviewed the value of the Group’s loan to P R Oil & Gas Nigeria Limited and its entitlement to shares in Jacka Nigeria Holdings Limited, and consider that the fair value of this investment should be stated at the principal amount of the loan, being AUD 11 million.

SHARE BASED PAYMENTS

The Group has made awards of options and warrants over its unissued share capital to certain Directors, employees and professional advisers as part of their remuneration.

The fair value of options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 ‘Share Based Payments’, the Group has recognised the fair value of options, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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 recognised 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 Group 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

Financial assets are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group's financial assets are classified into the following specific categories: 'investments held for trading', and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. 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 consolidated statement of comprehensive income as "Net gains on investments". 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

AVAILABLE FOR SALE INVESTMENTS

Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. In respect of quoted investments, this is either the bid price at the period end date or the last traded price, depending on the convention of the exchange on which the investment is quoted, 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 or net asset value.

Investments are recognised as available-for-sale financial assets. Gains and losses on measurement are recognised in other comprehensive income except for impairment losses and foreign exchange gains and losses on monetary items denominated in a foreign currency, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Investments are assessed for indicators of impairment at each balance sheet date. Investments are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the investment, the estimated future cash flows of the investment have been affected.

For quoted and unquoted investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

JOINT VENTURE

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control such that significant operating and financial decisions require the unanimous consent of the parties sharing control. In some situations, joint control exists even though the Group has an ownership interest of more than 50 per cent because joint venture partners have equal control over management decisions. The Group's joint venture interests are held through a Jointly Controlled Entity (JCE). A JCE is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has a long term interest. The JCE is accounted for using the equity accounting method.

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.

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.

Equity comprises the following:

- Share capital represents the nominal value of equity shares issued.
- 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.
- Option reserve represents the cumulative cost of share based payments in respect of options granted.
- Warrant reserve represents the cumulative cost of share based payments in respect of warrants issued.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

2 PRINCIPAL ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Financial liabilities are recognised in the Group's balance sheet when the Group 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 Group's financial liabilities comprise trade and other payables.

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

SHARE BASED PAYMENTS

Where share options are awarded, or warrants issued to employees, the fair value of the options/warrants at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options/warrants that eventually vest. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where warrants or options are issued for services provided to the Group, the fair value of the service is charged to the statement of comprehensive income or against share premium where the warrants or options were issued in exchange for services in connection with share issues. Where the fair value of the services cannot be reliably measured, the service is valued using Black Scholes valuation methodology taking into consideration the market and non-market conditions described above.
Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the statement of comprehensive income.

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 Group'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 Group's activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group'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 Group'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 Group's investments.

No segmental analysis has been provided in the financial statements as the Directors consider that the Group's operations comprise one segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

3 OPERATING LOSS

	2015	2014
	£'000	£'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration	**365**	196
Share based payment expense	**400**	237
Employee salaries and other benefits	**47**	26
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Group's financial statements	**15**	14
fees payables to the Group's auditor and its associates for other services:		
Other assurance services	**8**	–
Tax compliance services	–	2

4 INVESTMENT INCOME

	2015	2014
	£'000	£'000
Investment income	**1**	**15**
Interest on loan finance to joint venture	–	**7**
	1	**22**

5 OTHER GAINS AND LOSSES

	2015	2014
	£'000	£'000
Gain on disposal of investments	**12**	**6**
Net gain/(loss) on derivative contracts	**19**	**(19)**
Movement in fair value of trading investments held at year end	**(108)**	**(29)**
Provision for amount owed by Mexican partner	**(374)**	–
	(450)	**(42)**

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

6 EMPLOYEE REMUNERATION

The expense recognised for employee benefits for continuing operations is analysed below:

	2015	2014
	£'000	£'000
Wages and salaries (including directors)	**408**	213
Share based payment expense	**168**	230
Social security costs	**36**	13
	612	456
Directors remuneration:		
Wages and salaries	**365**	196
Share based payment expense	**168**	206
Social security costs	**32**	12
	565	414

Further details of Directors' remuneration are included in the Report on Directors' Remuneration.

Only the directors are deemed to be key management. The average number of employees in the Group was 4 (2014:3).

7 INCOME TAX EXPENSE

	2015	2014
	£'000	£'000
Current tax – continuing operations	–	–

	2015	2014
	£'000	£'000
Loss before tax from continuing operations	**(2,899)**	(1,149)
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2014: 20%)	**(580)**	(230)
Expenses not deductible for tax purposes	**85**	60
Unrelieved tax losses carried forward	**495**	170
Total tax charge for the year	–	–

There are unrelieved tax losses of £15,600,000 (2014: £13,200,000) which may be available to offset against future taxable profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

8 LOSS FROM DISCONTINUED OPERATIONS

	2015	2014
	£'000	£'000
Administrative costs	–	28

During the comparative year discontinued operations contributed a net cash outflow of £28,000 to the net cash outflow from operating activities.

9 EARNINGS PER SHARE

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

	2015	2014
	£'000	£'000
Loss attributable to owners of the Group		
- Continuing operations	**(2,899)**	(1,149)
- Discontinued operations	**–**	(28)
Continuing and discontinued operations	**(2,899)**	(1,177)

	2015	2014
Weighted average number of shares for calculating basic and fully diluted earnings per share	**283,826,937**	136,537,670

	2015	2014
	pence	pence
Earnings per share:		
- Continuing operations (pence per share)	**(1.02)**	(0.84)
- Discontinued operations (pence per share)	**–**	(0.02)
Loss per share from continuing and discontinued operations	**(1.02)**	(0.86)

The weighted average number of shares used for calculating the diluted loss per share for 2014 and 2015 was the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options was anti-dilutive.

10 AVAILABLE FOR SALE INVESTMENTS

In July 2015 the Company completed the agreement for the assignment of a loan of AUD 11 million (£5.2 million), which was due by P R Oil & Gas Nigeria Limited ("PROG"), a Nigerian registered company, to its ultimate parent company Jacka Resources Limited ("JRL"), an Australian registered company. PROG is wholly owned by Jacka Nigeria Holdings Limited ("JNH"), a BVI registered company, in which JRL holds the single issued share. PROG has a 5% revenue interest in the OML 113 licence, offshore Nigeria, which includes the Aje Field ("Aje"), a substantial development stage project with proven, flow tested discoveries, and where it was announced in May 2016 that oil production had commenced. Under the agreement the Company acquired the right to invest into PROG by way of a convertible loan to fund PROG's investment in OML 113 in order to bring Aje into production. Each USD 100,000 invested would entitle the Company to one new share in JNH. The consideration for this agreement was the issue by the Company of 43,380,325 ordinary shares at 4.5p each (£1,952,000), and a cash payment of USD 800,000 (£533,000) to Cornhill Asset Management Limited ("Cornhill") to settle an amount invested in JRL by Cornhill. On the production of oil, and certain other conditions, additional consideration of USD 1,000,000 (£640,000) is due to Cornhill, which is included in the accounts as a deferred liability.

	GROUP AND COMPANY **2015** **£'000**
Issue of 43,380,325 ordinary shares at 4.5p per share	**1,952**
Cash investment	**5,940**
Deferred consideration	**640**
	8,532

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

11 INVESTMENT IN SUBSIDIARY

In September 2014 the Group ("MXO") entered into a joint venture arrangement in Mexico with Geo Estratos ("GEO") through a jointly held company, Geo Estratos MXOil, SAPI de CV ("GEMXO), in which MXO initially held a 51% shareholding and GE held 49%, with each party being assigned equal voting rights. This agreement was amended in July 2015 GEO's interest in the joint venture was transferred to a consortium arrangement in which it had a 45% interest and GEMXO/MXO's interest in the joint venture was increased to 55%. GEO transferred its shareholding in GEMXO to MXO for £1 and agreed that its share of the joint venture expenses up to 10 June 2015 was £374,000 (US$552,000) and agreed to reimburse MXO for this amount. In December 2015 the joint venture was successful in bidding for four onshore concessions. On 17 March 2016, the Company announced that it had agreed to assign three of the four licences it had been awarded by the Mexican government to its local partner, Geo Estratos ("Geo") for US$1.8 whilst carrying out further work on the fourth licence, Tecolutla.

On 11 May 2016, the Company announced that its partner had not been able to deposit the US$1.8 million in escrow, as required by the agreement announced on 17 March 2016, and that therefore the contracts for the concessions could not be signed and the subsequent assignment of these concessions could not take place. In addition, having carried out more detailed work on Tecolutla with the competent person, the directors considered that it would be unlikely to generate the required return to justify the financial commitment necessary to develop this licence. The Company therefore decided that it would not be in the Company's or shareholders' best interests to proceed with any of the licences.

The directors have therefore made a full provision for all expenditure incurred in respect of the joint venture and consortium arrangements.

The table below summarises MXO's transactions with GEMXO in the year to 31 December 2015:

	2015	2014
	£'000	£'000
Balance at beginning of period	**274**	–
Advances under the loan agreement	**898**	540
Amounts due to suppliers at period end	**8**	–
Interest on financing loan	**102**	7
	1,282	553
MXO's share of GEMXO loss	**(806)**	(279)
Agreed amount due from GEO	**(374)**	–
Amounts written off	**(96)**	–
Impairment of investment	**(6)**	–
Balance at end of period	–	274

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

11 INVESTMENT IN SUBSIDIARY (continued)

The statutory information relating to the Group's investment in GEMXOis as follows:

Name	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group 2015	2014
Geo Estratos MXOil, SAPI de CV	Oil exploration	Mexico	100% ownership interest 100% voting rights	51% ownership interest 50% voting rights

Geo Estratos MXOil, SAPI de CV	2014 £'000
Current assets	12
Non-current assets	–
Current liabilities	–
Non-current liabilities	(547)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	–
Current financial liabilities	–
Non-current financial liabilities	(547)

Geo Estratos MXOil, SAPI de CV	2014 £'000
Continuing and total operations	
Revenue	–
Loss for the year	547
Other comprehensive income for the year	–
The above loss for the year includes the following:	
Depreciation and amortisation	–
Interest income	–
Interest expense	7
Income tax expense	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the financial statements:

	2015 **£'000**	2014 £'000
Net liabilities of the joint venture	**–**	535
Proportion of the Group's ownership interest in GEMXO	100%	51%
Carrying amount of the Group's interest in the joint venture	–	274

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

12 FINANCIAL ASSETS

The table of investments sets out the 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 (see note 19)

The investments held by the Group are all quoted (Level 1 investments) and are designated as at fair value through profit or loss.

	GROUP AND COMPANY	
	2015	2014
	£'000	£'000
Level 1 Investments:		
Fair value of investments brought forward	**214**	–
Purchases of investments	**147**	639
Proceeds from the disposal of investments	**(227)**	(402)
Gain on disposal of investments	**12**	6
Movement in fair value of investments held at year end	**(108)**	(29)
Fair value of investments held for trading	**39**	214

13 TRADE AND OTHER RECEIVABLES

	GROUP AND COMPANY	
	2015	2014
	£'000	£'000
Amounts owed in respect of share issues (see note below)	**319**	–
Other receivables	**37**	2
Prepayments and accrued income	**15**	22
Prepayments and accrued income	**371**	24

Note: The amounts owed in respect of share issues were settled following the year end.

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.

14 CASH AND CASH EQUIVALENTS

	GROUP AND COMPANY	
	2015	2014
	£'000	£'000
Cash at bank	**224**	1,520
Cash and cash equivalents	**224**	1,520

The fair value of cash and cash equivalents 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

15 TRADE AND OTHER PAYABLES

	GROUP AND COMPANY	
	2015	2014
	£'000	£'000
Trade payables	**229**	**27**
Tax and social security	**15**	**15**
Other payables	**–**	**2**
Accruals and deferred income	**66**	**26**
	310	**70**

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

16 BORROWINGS

Convertible loan notes

On 17 December 2015, the Group issued £1,300,000 Convertible Loan Notes ("CLNs") paying a coupon of 12 per cent. per annum and are convertible, at the election of holders, into ordinary shares of the Group at a price of 4.5 pence per share. Certain of the CLNs could also be converted at the same price per share as the next equity issue by the Group, if any, post the issue of the CLNs but prior to their redemption or, on the occurrence of specific events requiring repayment which do not take place, certain of the CLNs may be converted into ordinary shares at or around the then prevailing market price. The CLNs are secured and will be redeemable, together with all interest due, on the first anniversary of issue.

The net proceeds received from the issue of the CLNs 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 Group, as follows:

	GROUP AND COMPANY	
	2015	2014
	£'000	£'000
Nominal value of convertible Loan Notes issued	**1,300**	–
Issue costs	**(122)**	–
Equity component	**(31)**	–
Liability component at date of issue	**1,147**	–
Interest charged	**11**	–
Liability component at 31 December	**1,158**	–
Total equity component	**31**	–

The interest charged for the year is calculated by applying an effective average interest rate of 26.9% 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 convertible loan notes at 31 December 2015 to be approximately £1,158,000. This fair value has been calculated by discounting the future cash flows at the market rate of 15%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

17 CALLED UP SHARE CAPITAL

	Number of ordinary shares	Value £'000	Number of deferred shares	Value £'000	Share Premium £'000
Issued and fully paid					
At 1 January 2014 (ordinary share of 0.1p)	296,655,248	297	3,865,491,544	3,866	12,852
Share consolidation (ordinary shares of 1p)	29,665,524	297	3,865,491,544	3,866	12,852
Adjustment for fractions	(111)	–	–	–	–
Shares issued in year (see note below)	171,666,666	1,716	–	–	1,333
Share issue costs	–	–	–	–	(218)
At 31 December 2014	201,332,079	2,013	3,865,491,544	3,866	13,967
Shares issued in year (see note below)	177,963,658	1,780	–	–	6,185
Share issue costs	–	–	–	–	(438)
At 31 December 2015	**379,295,737**	**3,793**	**3,865,491,544**	**3,866**	**19,714**

Share issues

On 13 July 2015, 133,333,333 new ordinary shares of 1p were issued at 4.5p each as a result of a placing, raising £6,000,000 before expenses.

Also on 13 July 2015, 43,380,325 ordinary shares of 1p were issued at 4.5p each in settlement of US$3 million consideration for the assignment of a loan due to Jack Resources Limited.

On 27 July 2015, 1,250,000 ordinary shares of 1p each were issued at 1p per share on the exercise of share warrants.

18 SHARE OPTIONS AND WARRANTS

Options

No options were granted in the year or in the previous year.

Share options outstanding at 31 July 2015 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	**912,500**	**48.00**	912,500	48.00
Lapsed in year	**(912,500)**	**48.00**	–	–
Outstanding at 1 January and 31 December	–	–	912,500	48.00

The weighted average exercise price of share options outstanding as at 31 December 2014, average exercise price was £0.48 and average contractual remaining life was 0.9 years.

18 SHARE OPTIONS AND WARRANTS continued

Warrants

On 31 March 2014, 52,500,000 warrants, exercisable at a price of 1p per share, were issued to certain Directors, employees and advisers, as share based incentives. These warrants would only vest when the closing share price of the Company's ordinary shares is at least equivalent to 2p for 30 consecutive business days and at any time during the period following this date until the close of business on the third anniversary thereof but in any event, no later than the fifth anniversary of the date of closing of the placing. The fair value of these warrants was determined using the Black-Scholes pricing model and was 0.22p per warrant. The vesting conditions are considered to have been satisfied in August 2014 and the total share based payment cost of the warrants issued has been recognised in the income statement.On 1 August 2014, the Group announced that it had agreed to issue a total of 110,000,000 warrants subject to approval by the shareholders. Approval was received at the Group's 2015 Annual General Meeting after which 20,000,000 warrants were issued, as their vesting conditions had been met, comprising 8,368,421 to Sergio Lopez, 620,690 to Cornhill Asset Management and 11,010,889 to certain other third parties.

The remaining 90,000,000 warrants are subject to certain vesting conditions as detailed below.

- 60,000,000 warrants to certain directors and other third parties exercisable at 3p per share. Of these, 12,552,632 have been allocated to each of Andrew Frangos and Stefan Olivier, 516,667 to Cornhill Capital Limited and a total of 34,378,069 to other third parties. Vesting of these warrants will be conditional upon the Group securing an interest in a concession or asset. The warrants will vest in three equal tranches as follows: one third vesting upon the Group's average mid-market closing share price trading at 6p for 60 consecutive days; one third vesting upon the Group's average mid-market closing share price trading at 12p for 60 consecutive days; and the final third vesting upon the Group's average mid-market closing share price trading at 18p for 60 consecutive days. In addition, the first and second tranches of options will lapse if, in each case, they have not been exercised within 90 days of the trading price vesting condition being satisfied.
- 30,000,000 warrants to certain third parties exercisable at 2p per share and vesting once the Group secures a concession in Mexico. If after the Group secures a concession the average mid-market closing price of shares in the Group trades at 4p or more for 60 consecutive days, these warrants will lapse if they have not been exercised within 90 days of expiry of such period.

In total, the Group has approved the warrant instruments for the issue of 162,500,000 warrants, of which 72,500,000 warrants have vested and are capable of being exercised, 1,250,000 warrants have been exercised, and 90,000,000 remain to be issued as the vesting condition have not yet been met.

The significant inputs to the model in respect of the warrants issued in the year were as follows:

	2015
Issue date share price	3.375p
Exercise price per share	2p
No. of warrants	20,000,000
Risk free rate	1.5%
Expected volatility	50%
Expected life of warrant	5 years
Calculated fair value per share	2.0022p

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

18 SHARE OPTIONS AND WARRANTS continued

Warrants outstanding at 31 December 2015 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	**52,500,000**	**1.00**	–	–
Issued	**20,000,000**	**2.00**	52,500,000	1.00
Exercised	**(1,250,000)**	**1.00**	–	–
Outstanding at 31 December	**71,250,000**	**1.28**	52,500,000	1.00

The total share-based payment expense recognised in the income statement for the year ended 31 December 2015 in respect of the warrants issued during the year was £400,000 (2014: £237,000).

19 FINANCIAL INSTRUMENTS

RISK MANAGEMENT OBJECTIVES AND POLICIES

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are:

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

The Group 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 Group 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.

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

Management review the Group's exposure to currency risk, interest rate risk, liquidity risk on a regular basis and consider that through this review they manage the exposure of the Group on a near term needs basis

There is no material difference between the book value and fair value of the Group's cash.

MARKET PRICE RISK

The Group's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Group manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Group's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Group's net asset value and statement of comprehensive income increasing or decreasing by £4,000 (2014: £21,000).

INTEREST RATE RISK

The Group and Company manage the interest rate risk associated with the Group's cash assets by ensuring that interest rates are as favourable as possible, whilst managing the access the Group requires to the funds for working capital purposes.

The Group's cash and cash equivalents are subject to interest rate exposure due to changes in interest rates. Short-term receivables and payables are not exposed to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

19 FINANCIAL INSTRUMENTS continued

CREDIT RISK

The Group's financial instruments, which are exposed to credit risk, are considered to be mainly loans and receivables, and cash and cash equivalents. The credit risk for cash and cash equivalents is not considered material since the counterparties are reputable banks. The maximum exposure to credit risk for loans and receivables is as set out in the table below, and relates to the financing of the Group's joint venture interests.

The Group'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	2014
	£'000	£'000
Cash and cash equivalents	**224**	1,520
Loans and receivables	**356**	268
	580	1,788

LIQUIDITY RISK

Liquidity risk is managed by means of ensuring sufficient cash and cash equivalents are held to meet the Group's payment obligations arising from administrative expenses. The cash and cash equivalents are invested such that the maximum available interest rate is achieved with minimal risk.

FINANCIAL INSTRUMENTS

The Group uses financial instruments, other than derivatives, comprising cash to provide funding for the Group's operations.

CATEGORIES OF FINANCIAL INSTRUMENTS

The IAS 39 categories of financial asset included in the statement of financial position and the headings in which they are included are as follows:

	2015	2014
	£'000	£'000
FINANCIAL ASSETS:		
Cash and cash equivalents	**224**	**1,520**
Investments held for trading (see FAIR VALUE MEASUREMENTS below)	**39**	**214**
Loans and receivables	**356**	**268**
Investments available for sale	**8,569**	**6**

FAIR VALUE MEASUREMENTS

The Group holds quoted investments that are measured at fair value at the end of each reporting period using the IFRS 7 fair value hierarchy as set out below.

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 within Level 1.

Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data.

The valuation techniques used by the Group are explained in the accounting policy note, "Investments held for trading".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

19 FINANCIAL INSTRUMENTS continued

FINANCIAL LIABILITIES AT AMORTISED COST:

The IAS 39 categories of financial liabilities included in the statement of financial position and the headings in which they are included are as follows:

	2015	2014
	£'000	£'000
Trade and other payables	**229**	44
Borrowings	**1,158**	–

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest repayment date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years
	£'000	£'000	£'000	£'000	£'000
2015					
Interest bearing:					
Borrowings	–	–	1,456	–	–
Non-interest bearing:					
Trade and other payables	–	229	–	–	–
2014					
Interest bearing:					
Borrowings	–	–	–	–	–
Non-interest bearing:					
Trade and other payables	–	44	–	–	–

20 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2015 (2014: £Nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2015

21 RELATED PARTY TRANSACTIONS

The remuneration of the Directors, who are key management personnel of the Group, is set out in the report on directors' remuneration.

Andrew Frangos is a director of Cornhill Capital Limited ("Cornhill"), the Group's co-broker. During the year Cornhill was paid £165,000 in broking and corporate finance fees (2014: £42,000) and £429,700 commission on funds raised (2014: £173,500). In addition Cornhill was issued with 750,000 warrants out of the 52,500,000 issued during the year to 31 December 2014 and 620,690 warrants out of the 20,000,000 issued in 2015 (see note 16 for details). £134,630 was due to Cornhill at the year end (2014: £nil)

In addition, under the Group's agreement with Jacka Resources Limited, Cornhill has received £516,000 (USD 800,000) in reimbursement of amounts it and an associate invested in Jacka Resources Limited and will receive an additional USD 1,000,000 on first oil production from the Aje field.

On 27 July 2015 Andrew Frangos acquired 2,250,000 shares in the Group at 3.9p per share.

22 ULTIMATE CONTROLLING PARTY

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

23 POST PERIOD END EVENTS

Events since the year end are detailed in the Report of the Directors.