# Paternoster Resources plc

## Financial Statements

for the year ended 31 December 2015

Company no: 269566

# COMPANY INFORMATION

| | |
|---|---|
| DIRECTORS : | N Lee (Executive Chairman)<br>A van Dyke |
| SECRETARY : | M Nicholson |
| REGISTERED OFFICE : | 30 Percy Street<br>London<br>W1T 2DB |
| COMPANY REGISTRATION NUMBER : | 00269566 |
| REGISTRAR AND TRANSFER OFFICE : | Share Registrars Limited<br>Suite E, First Floor<br>9 Lion and Lamb Yard<br>Farnham<br>Surrey<br>GU9 7LL |
| BANKERS : | Barclays Bank Plc<br>77 Albion Street<br>Leeds<br>LS1 5AW |
| SOLICITORS : | Adams & Remers LLP<br>Quadrant House<br>55-58 Pall Mall<br>London<br>SW1Y 5JH |
| INDEPENDENT AUDITOR : | Welbeck Associates<br>Registered Auditors<br>Chartered Accountants<br>30 Percy Street<br>London<br>W1T 2DB |
| NOMINATED ADVISOR AND<br>JOINT BROKER: | Stockdale Securities Limited<br>Beaufort House<br>15 St Botolph Street<br>London<br>EC3A 7BB |
| JOINT BROKER: | Peterhouse Corporate Finance Limited<br>3rd Floor<br>New Liverpool House<br>15-17 Eldon Street<br>London<br>EC2M 7LD |

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## REPORTS

# EXECUTIVE CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

## INTRODUCTION

During the year ended 31 December 2015, the Company has continued to build its investment portfolio and this growth has continued strongly into 2016.

## FINANCIAL

During 2015, the Company made a loss from continuing operations of £308,873 (2014: loss of £120,372). The net asset value of the Company as at 31 December 2015 was £2,948,406 (2014: £2,758,784).

The Company's investment portfolio at 31 December 2015, is divided into the following categories:

| Category | Principal investments | Cost or valuation (£) |
|---|---|---|
| **Unlisted/pre IPO** | Bison Energy Services Limited, Andiamo Exploration Limited, Elephant Oil Limited, MX Oil plc and Alecto Minerals plc | 947,221 |
| **Listed special situations** | Metal Tiger plc, MX Oil plc, Plutus Powergen plc, Shumba Energy Limited and New World Oil and Gas plc | 1,455,438 |
| **Investment portfolio** | | **2,402,659** |
| **Cash resources** | | 464,570 |
| **Total** | | **2,867,229** |

At 31 December 2015, the Company had cash balances amounting to £464,570 (2014: £359,094).

## REVIEW OF THE YEAR

Details of the investments made in the year, together with development of investments during the year and significant developments since the year end are set out in the Strategic Report.

In November 2015, Paternoster raised gross proceeds of £300,000 via a placing of 150,000,000 new ordinary shares at a price of 0.2 pence per share. Also in November 2015, the Company issued 100,000,000 new ordinary shares for the purchase of US$495,365 (£325,000) nil coupon convertible unsecured loan stock ("CULs") in Alecto Minerals plc.

## OUTLOOK AND STRATEGY

The Company has made good progress with its current portfolio, whilst adding more interesting and attractive investments. At the same time, given the current market environment, the Company is keen to ensure that it maintains a healthy cash balance or cash equivalents in order to take advantage of new opportunities as they arise.

The current portfolio represents an exciting mix of investments, a number of which are poised for significant further growth. This potential has already been demonstrated in the first half of 2016 with the value of the Company's investment portfolio having now increased to around £3.4 million, comprising mainly cash and listed investments.

Since Paternoster was restructured in April 2011, it has focused on investing in opportunities within the natural resources sector that provide scope to make significant gains through the provision of funding and/or active management. This strategy has been successful and has yielded some significant returns. The natural resources sector, whilst starting to recover, is still not an easy market for companies seeking investment and expansion capital. Indeed, as a result of the downturn in the sector, it has been necessary for certain of the Company's investments to pursue opportunities in new sectors. For example, both Plutus PowerGen plc and New World Oil and Gas plc were originally natural resources companies but have now moved or are expected to move into the power generation and market research industries, respectively.

Against this background, considering the particular opportunities that we are now seeing and given the skills and

# EXECUTIVE CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

experience of the board, we have concluded that we should expand the Company's investment strategy to include opportunities in the financial services sector as well as continuing to invest in the natural resources sector. The financial services sector is attractive due to its cash generative nature and relatively low cost scalability. Furthermore, given our current level of cash resources, we believe that we are very well placed to make some new and exciting investments. We believe that the expansion of our current strategy will help create additional value for Paternoster shareholders and, to this end, we are seeking shareholder approval for this expansion at our upcoming AGM.

Nicholas Lee
Executive Chairman

14 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.

## REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

### LISTED INVESTMENTS

### NEW WORLD OIL AND GAS PLC

On 22 September 2015, Paternoster acquired 366,618,383 shares in New World Oil and Gas plc (“New World”) at a price of 0.07 pence per share, for an aggregate consideration of £256,688, amounting to a shareholding in the company of 8.0%. New World's principal assets comprised, at the time, the Blue Creek Project in Belize and around US$4.5 million (£2.9 million) of cash. This investment provided Paternoster with a significant interest in a listed company with a substantial cash balance at an attractive valuation. Since then, Adam Reynolds and Nicholas Lee have become directors of the company and have worked on reducing the company’s cost base and reviewing various investment opportunities.

The company has recently announced that it has entered into a non-binding agreement to acquire a business called Big Sofa Limited which operates in the market research sector. As this acquisition would be classified as a reverse takeover, the company’s shares have been suspended pending the publication of an admission document or a decision not to proceed with the acquisition.

### ALECTO MINERALS PLC

On 24 November 2015, Paternoster acquired US$495,365 of CULs in Alecto Minerals plc ("Alecto") in exchange for the issue of 100,000,000 new ordinary shares in Paternoster. Alecto, which is listed on AIM, is an Africa-focused exploration and development company involved in gold and base metals. In particular, it has gold and copper interests in four countries in Africa and six projects covering exploration to near term production.

The issue of CULs was in connection with Alecto’s acquisition of the Matala and Dunrobin gold mines in Zambia which have, in aggregate, 760,000 oz Au JORC code compliant resource estimate in the Measured, Indicated and Inferred categories at an average grade of 2.3g/t Au. Over US$20 million has been invested to date in these mines, principally on drilling and test work.

On 5 April 2016, Paternoster decided to convert its CULs at a price of 0.08 pence per share into 434 million shares in the company. This currently represents a shareholding in the company of 9.7%. The company has been making good progress in putting in place the necessary financing in order to bring the 400,000 tonnes per annum open-pit Matala mine into low-cost production in the near to mid-term. In particular, it is at an advanced stage with regard to securing vendor financing with regard to plant and infrastructure costs and it recently raised around £665,000 by way of a placing.

### PLUTUS POWERGEN PLC

Plutus PowerGen is continuing to make good progress in developing flexible energy generation capacity in the UK. In January 2015, the company raised £500,000 in new funding and in February 2015 it closed a £3.4 million direct equity financing with Rockpool Investments LLP (“Rockpool”) to fund the development of its first power generation site. In May 2015, the company received planning permission for its first 20MW flexible stand-by power generation plant in Plymouth which is expected to be generating power in 2016. The company has also now secured connection agreements for 260MW of capacity which exceeds the company’s three-year target set out at the time of its re-listing. It also now has five management contracts for the construction and operation of 20MW flexible stand-by electricity plants which will generate income for the company in the short term. The company has also entered into a partnership with the newly established funding provider, Reliance Energy Limited, a developer of renewable energy and flexible generation projects in the UK, for the development of further individual 20MW flexible power generation sites. This is complementary to its existing arrangements with Rockpool.

In December 2015, the company was awarded capacity mechanism contracts for three 20MW sites in the UK meaning that each site will receive £360K per annum for 15 years from 2019. In February 2016, it was awarded two further management contracts for the construction and operation of 20MW of flexible stand-by electricity plants, by SelectGen Limited and Reliance Generation Limited being two major customers of Rockpool. This agreement brings the total number of management contracts granted to Plutus Powergen to nine, equivalent to 180MW. Under these agreements, Plutus will be paid £150,000 per annum by each company for these services in addition to an equity stake of 45% in the capital of each company. The company has also signed a memorandum of understanding with UK based Green Biofuels Limited for the supply of its proprietary renewable fuel 'Green D+' for use across the company's power generation projects, enabling Plutus to become a low carbon renewable power generator.

# STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

On 1 December 2015, Paternoster announced the sale of 25 million shares in Plutus PowerGen at a price of 1.1 pence per share for a total consideration of £275,000 before expenses. This represented a 4.4 times return on Paternoster's original investment made at the time when Paternoster was involved in the establishment of the precursor company to Plutus PowerGen. The proceeds from just this sale alone exceed the cost of the Company's entire investment in Plutus PowerGen, whilst still continuing to hold 69.3 million shares. Within this holding, 20 million shares were subject to an option in favour of certain members of the company's management team at a price of 0.75 pence per share. This option has recently been exercised resulting in the Company realising another £150,000 from its investment or a 3 times multiple on its original investment. Since 31 March 2016, the Plutus PowerGen share price has been recovering and is currently trading at 1.32 pence. The Company still owns 49.3 million shares or 7.1% of the company.

## NORTH AMERICAN PETROLEUM/NORTHCOTE ENERGY PLC

In January 2015, North American Petroleum agreed to sell all of its assets to Northcote Energy plc ("Northcote") in exchange for new shares in Northcote. Paternoster finally received its shares in Northcote in December 2015 and these shares have now been sold.

## MX OIL PLC

During 2015, MX Oil plc ("MX Oil") and its consortium partner, Geo Estratos, were actively seeking to secure onshore conventional acreage in Mexico, by participating in Bid Round 1, for mature onshore conventional fields in the states of Tabasco, Veracruz and Tamaulipas.

The consortium was successful in bidding for four onshore licences in December 2015. Given the funding obligations associated with the development of four licences, the company then agreed to assign three of these licences to its consortium partner, Geo Estratos, whilst retaining a 66% share in the fourth licence, subject to a satisfactory outcome from a Competent Person Report that had been commissioned. This assignment was expected to take place in May 2016. Unfortunately, at the last minute, due to certain funding issues in Mexico, this assignment could not take place. Furthermore, the outcome of the CPR was unsatisfactory so the company decided not proceed with the fourth licence.

In July 2015, MX Oil invested indirectly in a Nigerian oil and gas licence, OML 113, which includes the Aje Field. This asset is offshore Lagos with production scheduled to commence in early 2016. At that stage, the drilling of the first well in a two well first phase programme was in progress. As part of the investment, the company raised around £6 million before expenses, principally for capital expenditure. Since then, the company has raised additional funding by way of both equity and debt in order to fund this investment against the background of a sharply deteriorating oil price. Funding for the development to first oil has now been completed. In February 2016, the company agreed in principle, subject to certain conditions, to sell this asset for US$18 million which is significantly above the company's current market value. On 4 May 2016, the company announced that the Aje Field had commenced production. The initial production phase is progressing as planned and the company may decide to retain this investment rather than to sell it, particularly against the background of an increasing oil price. On 31 May 2016, the company announced an additional fund raising of £3.4 million.

## METAL TIGER PLC

Metal Tiger plc ("Metal Tiger") comprises two distinct investment divisions: the Asset Trading Division; and the Metal Projects Division. The Asset Trading Division is focused on taking advantage of the low valuations of many listed junior resource companies. During 2015, this division has made investments in companies such as Kibo, Eurasia, Ariana and New World Oil and Gas and has already realised some significant profits.

The Metal Projects Division is focused on the company's key projects in Botswana, Spain and Thailand. In Botswana, Metal Tiger has a growing interest in the large and highly prospective Kalahari copper/silver belt in joint venture with ASX listed MOD Resources Limited. In Spain, the company has tungsten and gold interests in the highly mineralised Extremadura region. In Thailand, Metal Tiger has expanding interests over licences, applications and critical historical data covering antimony, copper, gold, silver, lead and zinc opportunities.

The company has also raised new funds through placings and the exercise of warrants and so is well funded.

Since 31 December 2015, the company's share price has increased very significantly and Paternoster has now sold over 15 million shares in Metal Tiger at an average price of 4.2 pence per share for a total consideration of over £650,000 before expenses. This represents a 4.6 times return on Paternoster's investment in Metal Tiger. Paternoster continues to retain a holding of Metal Tiger shares, although this is now below the 3% disclosure threshold.

# STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

## SHUMBA ENERGY LIMITED

During the year Shumba Coal Limited changed its name to Shumba Energy Limited in order to better reflect the strategic objectives of the company. It is focused on developing two independent power plant projects. The first is Mabesekwa, where it is partnered with Mulilo Thermal, a South African company with significant experience of power plant development and financing. Coal will be supplied by the company from its Mabesekwa coal project in Botswana, where, the estimated JORC in-situ coal resource is over 800 million tonnes, predominately contained in one coal seam, with an average seam thicknesses of greater than 18 metres with a flat and consistent profile with the coal found at average depths of 50-60 metres. The second is Sechaba, where the company is the sole developer. Here coal will be supplied from within the company's Sechaba coal licence in Botswana where the JORC in-situ coal resource is estimated to be around 1.1 billion tonnes. The company is listed on the Stock Exchange of Mauritius as well as on the Botswana Exchange, although liquidity is low. Consequently, during 2015 when the opportunity arose, 1 million shares were sold returning a small profit on the Company's investment. Since the year end, a further 1 million shares have been sold, again generating a small profit, leaving the Company with a shareholding of 500,000 shares.

## UNLISTED INVESTMENTS

## ANDIAMO EXPLORATION LIMITED

Andiamo Exploration Limited ("Andiamo"), together with its joint venture partner Environminerals East Africa Ltd ("EEA"), has now completed a 2,000m diamond drilling programme on the Hoba prospect, located in the northern part of the Haykota Exploration License area in Eritrea. This drilling work has confirmed the presence of a volcanic massive sulphide deposit. The massive sulphide intersections display very high concentrations of sulphur and iron (often around 50% each) which support the analysis of this being a typical massive sulphide lens. These results follow a successful 2015 programme of stream sediment sampling, ground mapping, surface sampling, a hand-dug trenching program and an initial 1,000m scout diamond drill programme. The agreement with EEA means that EEA can earn a 50% interest in discoveries in the northern part of this area by spending a total of US$2.0m. Under the terms of the original agreement between the companies, EEA may then earn a 75% interest in projects in the joint venture license area by completing a technical and economic assessment of an equivalent standard required for a mining licence application.

In addition to the work carried out at Hoba, Denny Jones Pty Ltd of Brisbane, Australia has also provided the company with an estimate of the Yacob Dewar mineral resource in compliance with JORC standards for the surface oxide gold and the adjacent copper resources.

## ELEPHANT OIL LIMITED

Elephant Oil Limited, is an oil and gas exploration company focused on West Africa, which holds a 100% interest in Block B, onshore Benin, on the prolific West Africa Transform Margin. Elephant Oil Limited continues to progress its work programme on Block B in Benin. The company has now begun the Environmental Impact Assessment covering the area of interest where future surveys and drilling are to be targeted. This assessment is a prerequisite to the new seismic acquisition programme planned to be carried out as part of the first phase of development. The company has also identified further potential acquisitions in West Africa and due diligence is being carried out on selected assets.

## BISON ENERGY SERVICES LIMITED

This company is currently in the process of being restructured in order to be better positioned to explore the various options available to it in order to capitalise on its deposit of frac sand and associated permits in the US. It is expected to raise some additional funding for this process in the near future.

# STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

## KEY PERFORMANCE INDICATORS

The key performance indicators are set out below:

| COMPANY STATISTICS | 31 December 2015 | 31 December 2014 | Change % |
|---|---|---|---|
| Net asset value | £2,948,406 | £2,758,784 | +7% |
| Net asset value – fully diluted per share | 0.32p | 0.40p | -20% |
| Closing share price | 0.185p | 0.245p | -24% |
| Share price discount to net asset value – fully diluted | (42%) | (39%) | |
| Market capitalisation | £1,707,000 | £1,648,000 | +4% |

## 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 Company's investments that are either unquoted or quoted on AIM, such that the Company 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. Furthermore, the Company limits the amount of each commitment, both as to the absolute amount and percentage of the target company. Details of other financial risks and their management are given in Note 18 to the financial statements.

## FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of the Company's financial risk management objectives and policies are set out in Note 18 to these financial statements.

## GOING CONCERN

The Company's assets comprise mainly cash and quoted securities and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. Therefore, the directors believe that as at the date of this report it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

ON BEHALF OF THE BOARD

Nicholas Lee
Executive Chairman

14 June 2016

# REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

## PRINCIPAL ACTIVITIES

The Company's principal activity is that of investment in the natural resources sector.

## RESULTS AND DIVIDENDS

The Company made a loss after taxation of £308,873 (2014: loss of £120,372). The Directors do not propose a dividend (2014: £nil).

The key performance indicators are shown in the Strategic Report.

## DIRECTORS

The Directors of the Company at the end of the year are listed below. All served on the Board throughout the year, unless otherwise stated.

The Directors' beneficial interests in the shares of the Company were as follows:

| | Percentage of issued share capital | 31 December 2015 | 31 December 2014 |
|---|---|---|---|
| N Lee | 0.24% | 4,600,000 | 1,600,000 |
| G Haselden | 0.01% | 25,000 | 25,000 |
| M Lofgran | 0.24% | 4,600,000 | 1,600,000 |

On 31 March 2016, Mr G Haselden resigned as a director, and on 6 April 2016, Ms A van Dyke was appointed as a director.

On 3 June 2016, Matt Lofgran resigned as a director.

Details of the Directors' options and warrants are shown below:

| Name of Director | Number outstanding at 31 December 2015 | Exercise price | Vesting date | Expiry Date |
|---|---|---|---|---|
| OPTIONS: | | | | |
| N Lee | 28,000,000 | 0.32p | Various | 26.10.2021 |
| N Lee | 14,000,000 | 0.48p | Various | 13.03.2022 |
| M Lofgran | 20,000,000 | 0.26p | Various | 17.09.2024 |
| | 62,000,000 | | | |

Refer to Note 9 for further information.

# REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2015

## SUBSTANTIAL INTERESTS

The Company is aware that at 6 June 2016, the following, other than the Directors shown above, held in excess of 3% of the issued share capital of the Company:

| | Number of ordinary shares | Percentage of issued share capital |
|---|---|---|
| Beaufort Nominees Limited | 140,961,223 | 15.3% |
| C3W Limited | 100,000,000 | 10.8% |
| Ronald Bruce Rowan | 100,000,000 | 10.8% |
| Mike Prentice | 54,819,907 | 5.9% |

## CORPORATE GOVERNANCE

Although the Company is not required to comply with the principles of corporate governance, this report sets out how the Company does comply with the principles of good corporate governance.

## BOARD OF DIRECTORS

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company 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 Company's expense. Training is available for new Directors and other Directors as necessary.

The Board consists of two directors, the executive chairman, Nicholas Lee and one non-executive director, Amanda van Dyke.

The Directors are subject to re-election every three years and, on appointment, at the first AGM after appointment.

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 Company'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 Company 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 Company has well established procedures which are considered adequate given the size of the business.

## 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 Company which reflects current market rates.

Details of directors' fees and of payments made for professional services rendered are set out in Note 7 to the financial statements and details of the directors' share options are set out in Note 9.

# REPORT OF THE DIRECTORS
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 financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the 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 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company 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 Company'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 Company'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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## POST YEAR END EVENTS

There have been no material post balance sheet events.

## AUDITORS

Welbeck Associates, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

M Nicholson
Secretary

14 June 2016

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF PATERNOSTER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of Paternoster Resources plc for the year ended 31 December 2015 which comprise the statement of comprehensive income, the statement of changes in equity, the statement of financial position, the statement 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 10, 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;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## 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.

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF PATERNOSTER RESOURCES PLC
FOR THE YEAR ENDED 31 DECEMBER 2015

## 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 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.

Jonathan Bradley-Hoare (Senior statutory auditor)
for and on behalf of Welbeck Associates
Chartered Accountants and Statutory Auditor
30 Percy Street, London, W1T 2DB, United Kingdom

14 June 2016

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| CONTINUING OPERATIONS: | | | |
| Consultancy income | | **2,000** | 4,000 |
| Net (loss)/gain on investments | 4 | **(23,162)** | 91,981 |
| Investment income | 5 | **6,084** | 25,263 |
| TOTAL INCOME | | **(15,078)** | 121,244 |
| Operating expenses | 6 | **(293,795)** | (241,616) |
| LOSS BEFORE TAXATION | | **(308,873)** | (120,372) |
| Taxation | 10 | **–** | – |
| LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSE | | **(308,873)** | (120,372) |
| EARNINGS PER SHARE | 11 | | |
| Basic and fully diluted loss per share | | **(0.044p)** | (0.021p) |

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Share capital £ | Share premium £ | Other reserves (Note 17) £ | Retained losses £ | Total equity £ |
|---|---|---|---|---|---|
| BALANCE AT 1 JANUARY 2014 | 3,830,796 | 2,774,849 | 91,182 | (4,052,559) | 2,644,268 |
| Loss for the year and total comprehensive expense | – | – | – | (120,372) | (120,372) |
| Share issue | 95,000 | 147,250 | – | – | 242,250 |
| Share issue costs | – | (20,592) | – | – | (20,592) |
| Share based payment costs | – | – | 13,230 | – | 13,230 |
| Transactions with owners | 95,000 | 126,658 | 13,230 | – | 234,888 |
| BALANCE AT 31 DECEMBER 2014 | 3,925,796 | 2,901,507 | 104,412 | (4,172,931) | 2,758,784 |
| Loss for the year and total comprehensive expense | – | – | – | (308,873) | (308,873) |
| Share issue | 250,000 | 250,000 | – | – | 500,000 |
| Share issue costs | – | (16,500) | – | – | (16,500) |
| Share based payment costs | – | – | 14,995 | – | 14,995 |
| Transactions with owners | 250,000 | 233,500 | 14,995 | – | 498,495 |
| BALANCE AT 31 DECEMBER 2015 | 4,175,796 | 3,135,007 | 119,407 | (4,481,804) | 2,948,406 |

# STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Investments held for trading | 12 | **2,402,659** | 2,291,761 |
| | | **2,402,659** | 2,291,761 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 13 | **167,846** | 172,626 |
| Cash and cash equivalents | 14 | **464,570** | 359,094 |
| | | **632,416** | 531,720 |
| TOTAL ASSETS | | **3,035,075** | 2,823,481 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 15 | **86,669** | 64,697 |
| | | **86,669** | 64,697 |
| NET ASSETS | | **2,948,406** | 2,758,784 |
| EQUITY | | | |
| Share capital | 16 | **4,175,796** | 3,925,796 |
| Share premium account | 16 | **3,135,007** | 2,901,507 |
| Capital redemption reserve | 17 | **27,000** | 27,000 |
| Share option reserve | 17 | **92,407** | 77,412 |
| Retained losses | | **(4,481,804)** | (4,172,931) |
| TOTAL EQUITY | | **2,948,406** | 2,758,784 |

These Financial Statements were approved by the Board of Directors on 14 June 2016 and were signed on its behalf by:

N Lee
Director

Company number: 269566

**The accompanying accounting policies and notes are an integral part of these financial statements**.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before tax - continuing operations | | **(308,873)** | (120,372) |
| Share based payment expense | | **14,995** | 13,230 |
| Investment income | | **(6,084)** | (25,263) |
| Net losses/(gains) on investments | | **23,162** | (91,981) |
| OPERATING CASH FLOWS BEFORE MOVEMENTS IN WORKING CAPITAL | | **(276,800)** | (224,386) |
| Decrease in trade and other receivables | | **4,780** | 12,855 |
| Increase in trade and other payables | | **21,972** | 33,922 |
| NET CASH USED BY OPERATING ACTIVITIES | | **(250,048)** | (177,609) |
| INVESTING ACTIVITIES | | | |
| Purchase of investments | | **(463,828)** | (722,826) |
| Disposal of investments | | **529,768** | 552,030 |
| Repayment of loans and receivables | | – | 60,000 |
| Investment income received | | **6,084** | 25,263 |
| NET CASH GENERATED/(USED) BY INVESTING ACTIVITIES | | **72,024** | (85,533) |
| FINANCING ACTIVITIES | | | |
| Gross proceeds of share issues | | **300,000** | 242,250 |
| Share issue expenses | | **(16,500)** | (20,592) |
| NET CASH FROM FINANCINGACTIVITIES | | **283,500** | 221,658 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **105,476** | (41,484) |
| Cash and cash equivalents at the beginning of the year | | **359,094** | 400,578 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 14 | **464,570** | 359,094 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 1 GENERAL INFORMATION

Paternoster Resources plc is a public limited company incorporated in the United Kingdom. The shares of the Company are listed on the AIM stock exchange. The address of its registered office is 30 Percy Street, London W1T 2DB. The Company's principal activities are described in the Directors' Report.

## 2 SUMMARY OF SIGNIFICANT 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 Company 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 financial statements are presented in pounds sterling (£) which is the functional currency of the Company.

At the year-end Paternoster Resources plc had one wholly owned subsidiary, Viridas Brasil Agronegocios Ltd, a company incorporated in Brazil which has not traded since incorporation and which has no material assets or liabilities. As such, no consolidated financial statements have been prepared on the basis that in accordance with section 405 of the Companies Act 2006 the inclusion of this company is not material for the purpose of giving a true and fair view.

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

### GOING CONCERN

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. These estimates and assumptions are based upon management's knowledge and experience of the amounts, events or actions. Actual results may differ from such estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In certain circumstances, where fair value cannot be readily established, the Company is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

#### 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

#### FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company holds investments that have been designated as held for trading on initial recognition. Where practicable the Company 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 recognise 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 realised immediately.

### 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 Company 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 Company.

### REVENUE RECOGNITION

#### 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. Bank deposit interest is recognised on an accruals basis.

#### CONSULTANCY INCOME

Consultancy fees are recognised over the period that the services are provided.

### CURRENT TAX

Current taxation is the taxation currently payable on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures and are only not recognised if the Company controls the reversal of the difference and it is not expected for the foreseeable future. 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### DEFERRED TAX

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the statement of financial position date. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited to equity in which case the related deferred tax is also charged or credited directly to equity.

### SEGMENTAL REPORTING

The accounting policy for identifying segments is now based on internal management reporting information that is regularly reviewed by the chief operating decision maker, which is identified as the Board of Directors.

In identifying its operating segments, management generally follows the Company's service lines which represent the main products and services provided by the Company. The Directors believe that the Company's continuing investment operations comprise one segment.

### FINANCIAL ASSETS

The Company's financial assets comprise investments held for trading, associated undertakings, 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.

### 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.

### ASSOCIATED UNDERTAKINGS

Associated undertakings are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 "Investment in Associates", which requires investments held by a company as a venture capital provider to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

### IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

### FINANCIAL LIABILITIES

The Company's financial liabilities comprise trade payables. Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instruments.

### TRADE PAYABLES

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### SHARE-BASED PAYMENTS

All share based payments are accounted for in accordance with IFRS 2 – "Share-based payments". The Company issues equity-settled share based payments in the form of share options to certain directors and employees. Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Fair value is estimated using the Black-Scholes valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to retained earnings.

### DIVIDENDS

Dividend distributions payable to equity shareholders are included in "current financial liabilities" when the dividends are approved in general meeting prior to the statement of financial position date.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### EQUITY

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Capital redemption reserve" represents the nominal value of shares repurchased or redeemed by the Company.
- "Option reserve" represents the cumulative cost of share based payments.
- "Retained losses" represents retained losses.

## 3 SEGMENTAL INFORMATION

The Company is organised around business class and the results are reported to the Chief Operating Decision Maker according to this class. There is one continuing class of business, being the investment in the natural resources sector.

Given that there is only one continuing class of business, operating within the UK no further segmental information has been provided.

## 4 NET (LOSS)/GAIN ON INVESTMENTS

| | **2015** | 2014 |
|---|---|---|
| | **£** | £ |
| Net realised (losses)/gains on disposal of investments | **(126,021)** | 124,383 |
| Movement in fair value of investments | **102,859** | (32,402) |
| Net (loss)/gain on investments | **(23,162)** | 91,981 |

## 5 INVESTMENT INCOME

| | **2015** | 2014 |
|---|---|---|
| | **£** | £ |
| Dividends from investments | **4,874** | 6,975 |
| Deposit interest receivable | **60** | – |
| Other interest receivable | **1,150** | 18,288 |
| | **6,084** | 25,263 |

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

## 6 OPERATING EXPENSES

| | 2015 £ | 2014 £ |
|---|---|---|
| Operating expenses include: | | |
| Wages and salaries | **135,054** | 126,504 |
| Share based payment expense | **14,995** | 13,230 |

AUDITOR'S REMUNERATION
During the year the Company obtained the following services from the Company's auditor:

| | 2015 £ | 2014 £ |
|---|---|---|
| Fees payable to the Company's auditor for the audit of the parent company and the Company financial statements | **12,000** | 10,000 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| Other services relating to taxation | **2,250** | 2,000 |
| | **14,250** | 12,000 |

## 7 DIRECTORS' EMOLUMENTS

| | 2015 £ | 2014 £ |
|---|---|---|
| Aggregate emoluments | **127,000** | 118,400 |
| Social security costs | **8,054** | 8,104 |
| Share based payment expense | **14,995** | 13,230 |
| | **150,049** | 139,734 |

| Name of director | Fees £ | Benefits £ | Total 2015 £ | Total 2014 £ |
|---|---|---|---|---|
| N Lee | 74,000 | – | **74,000** | 91,000 |
| G Haselden | 17,000 | – | **17,000** | 17,000 |
| M Lofgran | 36,000 | – | **36,000** | 10,400 |
| | 127,000 | – | **127,000** | 118,400 |

For 2015, £2,000 of the fees in respect of Mr N Lee was paid to ACL Capital Limited (2014: £19,000).

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

## 8 EMPLOYEE INFORMATION

| | 2015 £ | 2014 £ |
|---|---|---|
| Wages and salaries | **127,000** | 118,400 |
| Social security costs | **8,054** | 8,104 |
| Share based payment expense | **14,995** | 13,230 |
| | **150,049** | 139,734 |

Average number of persons employed:

| | 2015 Number | 2014 Number |
|---|---|---|
| Office and management | **3** | 2 |

### COMPENSATION OF KEY MANAGEMENT PERSONNEL

There are no key management personnel other than the Directors of the Company.

## 9 SHARE BASED PAYMENTS

### EQUITY-SETTLED SHARE OPTION SCHEME

The Company operates share-based payment arrangements to remunerate directors and key employees in the form of a share option scheme. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

On 26 October 2011, Nicholas Lee was granted options to subscribe for 28,000,000 new ordinary shares in the Company at an exercise price of 0.32p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively.

On 13 March 2012, Nicholas Lee was granted options to subscribe for 14,000,000 new ordinary shares in the Company at an exercise price of 0.48p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively. The fair value of these options was determined using the Black-Scholes option pricing model and was £0.22p per option.

On 17 September 2014, Matt Lofgran was granted options to subscribe for 20,000,000 new ordinary shares in the Company at an exercise price of 0.26p per share. The options are exercisable for a period of ten years from the date of grant, with one third becoming exercisable on the first, second and third anniversaries of the date of grant respectively. The fair value of these options was determined using the Black-Scholes option pricing model and was 0.14p per option.

## 9 SHARE BASED PAYMENTS (continued)

EQUITY-SETTLED SHARE OPTION SCHEME

The significant inputs to the model in respect of the options granted in 2014, 2012 and 2011 were as follows:

| | 2014 | 2012 | 2011 |
|---|---|---|---|
| Grant date share price | 0.26p | 0.48p | 0.32p |
| Exercise share price | 0.26p | 0.48p | 0.32p |
| No. of share options | 20,000,000 | 14,000,000 | 28,000,000 |
| Risk free rate | 2.5% | 3% | 3% |
| Expected volatility | 50% | 40% | 40% |
| Option life | 10 years | 10 years | 10 years |
| Calculated fair value per share | 0.14p | 0.22p | 0.15p |

The total share-based payment expense recognised in the income statement for the year ended 31 December 2015 in respect of the share options granted was £14,995 (2014: £13,230).

| Number of options at 1 Jan 2015 | Issued in the year | Exercised in the year | Number of options at 31 Dec 2015 | Exercise price | Vesting Date | Expiry date |
|---|---|---|---|---|---|---|
| 9,333,334 | – | – | 9,333,334 | 0.32p | 26.10.2012 | 26.10.2021 |
| 4,666,667 | – | – | 4,666,667 | 0.48p | 13.03.2013 | 13.03.2022 |
| 9,333,333 | – | – | 9,333,333 | 0.32p | 26.10.2013 | 26.10.2021 |
| 4,666,667 | – | – | 4,666,667 | 0.48p | 13.03.2014 | 13.03.2022 |
| 9,333,333 | – | – | 9,333,333 | 0.32p | 26.10.2014 | 26.10.2021 |
| 4,666,667 | – | – | 4,666,666 | 0.48p | 13.03.2015 | 13.03.2022 |
| 6,666,666 | – | – | 6,666,666 | 0.26p | 17.09.2015 | 17.09.2024 |
| 6,666,667 | – | – | 6,666,667 | 0.26p | 17.09.2016 | 17.09.2024 |
| 6,666,667 | – | – | 6,666,667 | 0.26p | 17.09.2017 | 17.09.2024 |
| 62,000,000 | – | – | 62,000,000 | 0.34p | | |

## 10 INCOME TAX EXPENSE

| | 2015 £ | 2014 £ |
|---|---|---|
| Current tax - continuing operations | – | – |

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average rate applicable to profits of the Consolidated entities as follows:

| | 2015 £ | 2014 £ |
|---|---|---|
| Loss before tax from continuing operations | (308,873) | (120,372) |
| Loss before tax multiplied by rate of corporation tax in the UK of 20% (2014: 20%) | (61,775) | (24,074) |
| Expenses not deductible for tax purposes | 4,615 | 523 |
| Unrelieved tax losses carried forward | 57,160 | 23,551 |
| Total tax | – | – |

Unrelieved tax losses of £3,867,000 (2014: £3,582,000) remain available to offset against future taxable trading profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

## 11 EARNINGS PER SHARE

The basic earnings per share is based on the loss for the year divided by the weighted average number of shares in issue during the year. The weighted average number of ordinary shares for the year assumes that all shares have been included in the computation based on the weighted average number of days since issue.

| | 2015 £ | 2014 £ |
|---|---|---|
| Loss attributable to equity holders of the Company: | | |
| Loss from continuing operations | **(308,873)** | (120,372) |
| Loss for the year attributable to equity holders of the Company | **(308,873)** | (120,372) |
| Weighted average number of ordinary shares in issue for basic earnings | **698,200,422** | 579,940,148 |
| Weighted average number of ordinary shares in issue for fully diluted earnings* | **698,200,422** | 579,940,148 |
| LOSS PER SHARE | | |
| BASIC AND FULLY DILUTED: | | |
| - Basic and fully diluted loss per share from continuing and total operations | **(0.044p)** | (0.021p) |

For 2015 and 2014 the share options in issue are anti-dilutive in respect of the loss per share calculation and have therefore not been included.

## 12 INVESTMENTS HELD FOR TRADING

| | 2015 £ | 2014 £ |
|---|---|---|
| At 1 January – fair value | **2,291,761** | 2,028,984 |
| Acquisitions | **663,828** | 722,826 |
| Disposal proceeds | **(529,768)** | (552,030) |
| Net gain on disposal of investments | **(126,021)** | 124,383 |
| Movement in fair value of investments | **102,859** | (32,402) |
| .At 31 December – fair value | **2,402,659** | 2,291,761 |
| Categorised as: | | |
| Level 1 – Quoted investments | **1,455,438** | 1,617,069 |
| Level 2 – Unquoted investments | **–** | – |
| Level 3 – Unquoted investments | **947,221** | 674,692 |
| | **2,402,659** | 2,291,761 |

## 12 INVESTMENTS HELD FOR TRADING (continued)

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:

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 company are explained in the accounting policy note, "Investments held for trading".

### LEVEL 2 FINANCIAL ASSETS

Level 2 financial assets comprise a convertible instrument valued by reference to the bid price of the underlying equity and taking into account the contractual arrangements in place regarding the asset.

### LEVEL 3 FINANCIAL ASSETS

Reconciliation of Level 3 fair value measurement of financial assets

| | **2015** | 2014 |
|---|---|---|
| | **£** | £ |
| Brought forward | **674,692** | 374,692 |
| Purchases | **406,017** | 300,000 |
| Movement in fair value | **(133,488)** | – |
| Carried forward | **947,221** | 674,692 |

Level 3 valuation techniques used by the Company are explained on page 19 (Fair value of financial instruments)

### ASSOCIATED UNDERTAKINGS

#### MX OIL PLC

At the year end, the Company held 2.3% of the issued share capital of MX Oil plc, a company of which Nicholas Lee is a director.

#### ELEPHANT OIL LIMITED

At the year end, the Company held 5.2% shareholding in Elephant Oil Limited, a company of which Matt Lofgran (a director of the Company who has resigned since the year end) is a director and a significant shareholder.

#### NEW WORLD OIL & GAS PLC ("NWOG")

At the year end the Company held 7.7% of the issued share capital of NWOG, a company of which Nicholas Lee is a director.

## 13 TRADE AND OTHER RECEIVABLES

| | **2015** | 2014 |
|---|---|---|
| | **£** | £ |
| Other receivables | **106,078** | 108,630 |
| Prepayments and accrued income | **61,768** | 63,996 |
| | **167,846** | 172,626 |

Other receivables include short term loans made on normal market terms. The Directors consider that the carrying amount of short term loans and other receivables is approximately equal to their fair value.

## 14 CASH AND CASH EQUIVALENTS

| | 2015 £ | 2014 £ |
|---|---|---|
| Cash and cash equivalents | **464,570** | 359,094 |

The Directors consider the carrying amount of cash and cash equivalents approximates to their fair value.

## 15 TRADE AND OTHER PAYABLES

| | 2015 £ | 2014 £ |
|---|---|---|
| Trade payables | **36,219** | 29,278 |
| Social security and other taxes | **3,086** | – |
| Other creditors | **5,168** | – |
| Accrued expenses | **42,196** | 35,419 |
| | **86,669** | 64,697 |

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

## 16 SHARE CAPITAL

| | Number of shares | | Share capital | | Share |
|---|---|---|---|---|---|
| | Deferred | Ordinary | Deferred £ | Ordinary £ | premium £ |
| ISSUED AND FULLY PAID: | | | | | |
| At 1 January 2014: | | | | | |
| Deferred shares of 9.9p each | 32,857,956 | | 3,252,938 | | |
| Ordinary shares of 0.1p each | | 577,857,956 | | 577,858 | 2,774,849 |
| At 1 January 2014 | 32,857,956 | 577,857,956 | 3,252,938 | 577,858 | 2,774,849 |
| Issue of shares | | 95,000,000 | | 95,000 | 147,250 |
| Share issue costs | | | | | (20,592) |
| At 31 December 2014 | 32,857,956 | 672,857,956 | 3,252,938 | 672,858 | 2,901,507 |
| Issue of shares | | 250,000,000 | | 250,000 | 250,000 |
| Share issue costs | | | | | (16,500) |
| At 31 December 2015 | 32,857,956 | 922,857,956 | 3,252,938 | 922,858 | 3,135,007 |

On 24 November 2015 the Company issued 150,000,000 new ordinary shares for cash at 0.2p per share, raising £300,000 before expenses, and issued 100,000,000 new ordinary shares for the purchase of US$495,365 (£325,000) nominal amount of zero coupon convertible loan stock in Alecto Minerals plc.

## 17 OTHER RESERVES

| | Capital redemption reserve £ | Share option reserve £ | Total Other reserves £ |
|---|---|---|---|
| Balance at 1 January 2014 | 27,000 | 64,182 | 91,182 |
| Share based payment costs | – | 13,230 | 13,230 |
| Balance at 31 December 2014 | 27,000 | 77,412 | 104,412 |
| Share based payment costs | – | 14,995 | 14,995 |
| Balance at 31 December 2015 | 27,000 | 92,407 | 119,407 |

## 18 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.

The main risks the Company is exposed to through its financial instruments are credit risk, foreign currency risk, liquidity risk and market price risk.

### 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.

### CREDIT RISK

The Company's financial instruments that are subject to credit risk are cash and cash equivalents and loans and receivables. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable financial institutions. The credit risk for loans and receivables is mainly in respect of short term loans, made on market terms, which are monitored regularly by the Board.

The Company's maximum exposure to credit risk is £570,648 (2014: £467,724) comprising cash and cash equivalents and loans and receivables.

### LIQUIDITY RISK

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through maintaining a positive cash balance and controlling expenses and commitments. The Directors are confident that adequate resources exist to finance current operations.

### FOREIGN CURRENCY RISK

The Directors do not consider the Company has significant exposure to movements in foreign currency in respect of its monetary assets.

## 18 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 £240,000 (2014: £229,000).

## 19 FINANCIAL INSTRUMENTS

The Company uses financial instruments, other than derivatives, comprising cash to provide funding for the Company'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 |
|---|---|---|
| | **£** | £ |
| FINANCIAL ASSETS: | | |
| Cash and cash equivalents | **464,570** | 359,094 |
| Loans and receivables | **106,078** | 108,630 |
| Investments held for trading | **2,402,659** | 2,291,761 |

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 |
|---|---|---|
| | **£** | £ |
| Trade and other payables | **44,473** | 29,278 |

## 20 RELATED PARTY TRANSACTIONS

The compensation payable to Key Management personnel comprised £127,000 (2014: £118,400) paid by the Company to the Directors in respect of services to the Company. Full details of the compensation for each Director are provided in Note 7.

Nicholas Lee is a director and controlling shareholder of ACL Capital Limited which invoiced the Company £2,000 in respect of consultancy fees due for the year (2014: £19,000). No amounts were owed at 31 December 2015.

Nicholas Lee is also a director of MX Oil plc ("MX Oil"), in which the Company has a 2.3% shareholding. During the year, the Company invoiced MX Oil plc £2,000 (2014: £2,000) for consultancy services.

The Company has a 5.2% shareholding in Elephant Oil Limited, a company of which Matt Lofgran (a director of the Company who has resigned since the year end) is a director and a significant shareholder.

In November 2015 the Company acquired a shareholding which currently represents 7.7% of New World Oil & Gas plc's ("NWOG") total shares in issue. Subsequently Nicholas Lee was appointed a director of NWOG.

## 21 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

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

## 22 POST YEAR END EVENTS

There have been no significant post year end events.

## 23 ULTIMATE CONTROLLING PARTY

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