



**Rose Petroleum plc**  
**Annual Report and Financial Statements**  
For the year ended 31 December 2019

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## Directors, Advisers and Officers

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### Directors

RL Grant	<i>Non-Executive Chairman</i>
TH Reynolds	<i>Non-Executive Director</i>
GB Stein	<i>Non-Executive Director</i>
JC Harrington	<i>Chief Executive Officer</i>
CJ Eadie	<i>Chief Financial Officer</i>

### Secretary

CJ Eadie

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36 Old Jewry  
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# Chairman's Statement

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## Overview

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During these very challenging times, I would first of all like to reiterate that the primary concern of the Company's Board of Directors ("Board") is the safety of all the Group's stakeholders and employees. We truly hope for good health for all.

While the period under review was dominated by a restructuring of the Group, our more recent focus, as a result of the current global turmoil, has been to protect the Group, safeguard its existing asset base and position it for attractive growth opportunities that we expect will arise from the current environment. As part of this process, we have implemented comprehensive cost reductions which will enable the Group to continue trading effectively. With the continued financial support of our brokers and major Shareholder we can now focus our efforts and attention on implementing our growth strategy.

The Group has no debt, very low fixed costs and no near-term capital commitments, and it is my firm belief that the Group is now well positioned for the future despite the tremendous economic and financial shockwaves caused by the dual impact of the coronavirus pandemic and the oil price volatility.

These factors have already inflicted considerable distress to the U.S. natural resource landscape, but I also believe this distress has created significant opportunity for the Group, as demonstrated by numerous Chapter 11 filings, increased asset sale activity and more attractive valuation entry points. Even in this challenging environment we believe that attractive, value-additive acquisitions exist. A disciplined focus on cash generation, sustainable and responsible growth, and value to Shareholders will be central to our decision-making.

## Group Restructuring and Revised Strategy

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The key objectives of the Group restructuring were to augment the Board with highly experienced individuals, to reduce the Group's operational cost base, and to define and implement a new strategy to ensure the Group is optimally positioned for success.

The restructuring resulted in the closure of subsidiaries related to legacy ventures in Cuba, Mexico, Germany and the U.S.A. We also conducted an overhaul of our existing asset in the Paradox Basin (the "Paradox", "Paradox acreage" or "Paradox project") in order to reposition the asset in such a way as to maximise value for Shareholders over the medium to longer term.

In September 2019, we unveiled the Group's new strategy, which in addition to developing the Paradox project, focuses solely on the upstream sector in the Rocky Mountain region of the U.S.A., an area with a significant number of production and development acquisition opportunities of a scale suited to our strengths and size. Our goal is to produce a tight, cost-effective path to near-term cash flow, and we are well underway with efforts to execute this strategy.

In November 2019, the Group announced that it had negotiated an option to acquire a working interest in the 317-acre McCoy lease located in the Denver-Julesburg Basin ("DJ Basin") in Weld County, Colorado, U.S.A. ("McCoy" or "McCoy acquisition"). The option has since been extended through to the end of December 2020 at no cost to the Group.

## Chairman's Statement

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The DJ Basin is a world-class, liquids-rich resource play with over 4,000 horizontal wells drilled to date. There is significant infrastructure in place with available capacity and ready access to service providers and contractors. The Group's management team, together with that of our operating partner, has significant experience delivering production from horizontal development in close proximity to the McCoy project. The McCoy project is a low-risk development opportunity and the Board believes that it would complement and balance the Paradox project in the Group's portfolio. Although commodity prices in the spring of 2020 did not support the development of the McCoy project as originally envisaged, rapidly falling capex costs combined with a stabilised oil price will prove beneficial to the development of the project. We believe Great Western Petroleum, the operator of the project, will elect to move forward with drilling in the coming months, and the Group will likely seek to maximise its participation in the project if the economics are supportive and appropriate funding can be secured.

In addition, the Board believes the current market turmoil should deliver multiple attractive investment opportunities within our area of focus, and we are working with both industry and financial partners to identify high value targets which might be added to our portfolio.

### **Board and Management Changes**

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Since the last Annual Report, we have made further changes to the structure of the Group's Board to ensure we have the team necessary to deliver our new strategy.

In September 2019, Colin Harrington became the Group's full time Chief Executive Officer at which point I moved to the position of non-executive Chairman.

In addition, the Group appointed two new independent non-executive Directors to the Board, and Matthew Idiens stepped down from the Board in August 2019.

Tom Reynolds was appointed as a Director in April 2019. Tom is a Chartered Engineer with over twenty-five years' experience in the energy sector and specialises in strategic planning, investment management and cross-border merger and acquisition transactions in the oil and gas, energy and infrastructure sectors.

Gordon Stein joined the Board in September 2019. Gordon has over 26 years of international experience in the oil and gas sector and has a significant track record of working with AIM quoted natural resources businesses. Gordon's financial experience and long-standing relationships in the sector will be invaluable over the coming months as the Group completes its transformation into a geographically-focused upstream participant. As part of the Group's intention to bolster its governance framework, Gordon has taken on the roles of Chairman of the Audit and Remuneration Committees.

I have been delighted by the dynamism and cohesiveness of the new Board and I believe we now have a Board structure that meets all our key criteria:

- longstanding relationships and expertise in the geographical areas of focus (DJ Basin and the wider Rockies area);
- significant experience with company turnarounds and special situations (with multiple successful exits);
- successful track record of building and managing both small and large cap companies;
- a Board that is aligned with our Shareholders (the Board's combined shareholding is over 25% of the Company's issued share capital);
- access to capital and proven fundraising ability (including non-traditional funding sources); and
- a strong background in ESG and corporate governance adherence.

# Chairman's Statement

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## Company Vision and Rebranding

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Following the comprehensive restructuring and refocusing of the Group over the period, the Board has also used this period of transition to kick off the rebranding and repositioning of the Group.

Not only has the Group changed its management team, strategy and restructured its existing asset base, it has also undergone a fundamental process of reviewing the Group's objectives and values in order to define how the Group wishes to operate in the future.

I will ensure that the Group puts its corporate and social responsibilities at the heart of everything it does, and we will be committing to benchmark ourselves against the highest Environmental, Social and Governance ("ESG") standards. As part of this effort, we are highly focused on (i) broadening partnerships within the local communities in which we work, (ii) evaluating our larger impact on the environment and (iii) more actively supporting organisations involved with land conservation and /or restoration of grasslands and wetlands in the areas in which we work. Over the coming weeks, the Group will complete the development of an operational framework which will be used to achieve this and which will be announced in due course.

As part of this rebranding, we are proposing to change the Group's name to Zephyr Energy plc ("Zephyr") and Shareholders will be asked to approve this name change at the forthcoming Annual General Meeting.

I want Zephyr to be a group of which all its stakeholders can be proud, one focused on delivering strong economic returns as well as being a responsible steward of its surrounding environment. I want Zephyr to stand for excellence not only in its operations but also in its pursuit of responsible growth.

## Outlook

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Rose is now positioned as a clean, low-overhead, unlevered and value-focused vehicle from which to build. I believe we have the team, strategy and value set to deliver on all of our ambitious objectives, and I look forward to the future with cautious optimism.

We continue to follow the most up-to-date Government advice in respect of COVID-19. To date, thankfully, the Group's activities have continued in line with plans and the impact of the virus has been minimal on existing operations. We will continue to monitor the situation very closely.

Finally, I want to thank our Shareholders, employees and advisers for their continued support – we welcome and take seriously the opportunity to grow the value of your investment alongside ours.

**RL Grant**

29 June 2020

The Directors present their Strategic Report on the Group for the year ended 31 December 2019.

### Principal Objectives and Strategies

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Rose Petroleum plc is an Oil & Gas (“O&G”) exploration company. The key objective is to deliver sustainable Shareholder returns through responsible development of its existing assets and through future acquisitions.

To achieve this objective, the Group has prioritised:

- building a Board consisting of professionals with significant experience in the O&G sector, with a particular focus on operations, development, governance, finance, merger and acquisition (“M&A”) and turnaround experience;
- a sharpening of focus – we are 100% focused on responsible Exploration and Production (“E&P”) investment in the Rocky Mountain region;
- the redoubling ESG efforts, including broadening board level talent and corporate governance compliance;
- the building of a technology led acquisition process designed to rapidly assess and acquire distressed E&P assets, guided by a focus on geologically advantaged locations;
- the optimisation of the existing asset base (including a major Paradox restructuring);
- the leveraging of partnerships (such as the U.S. Department of Energy, experienced operators in the DJ Basin, and private equity investors);
- the potential addition of further interests through acquisition, farm-in agreements or joint venture arrangements; and
- tight financial control and cash conservation.

### Review of Operations and Future Developments

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#### Background

Since I joined as Chairman just over twelve months ago, I have worked with the team to restructure the Group and transform the existing asset base, both in my capacity as a Director and also as the Group’s major Shareholder. We have implemented a new strategy to diversify the Group through acquisition in order to deliver near-term value for the Group’s Shareholders.

While the impacts of both coronavirus and the prevailing market price of oil are undoubtedly having a significant effect on our operating landscape, I remain confident that the recent restructuring and clear forward vision have positioned the Group for future growth and profitability.

This new strategy, as outlined in the Chairman’s Statement, focuses solely on the upstream sector in the Rocky Mountain region of the U.S.A., a region in which the team has had past success and which offers a plethora of opportunities for the Group.

In light of the opportunities presented by the current market and economic conditions, and as a direct result of the considerable experience of the new Board in operating in the new area of geographical focus, the Group is moving forward with its efforts to deliver a more balanced portfolio of production, development and exploration assets.

# Strategic Report

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Over the coming months, the Group will continue to be focused on two fronts:

- the acquisition of additional near-term, low risk production and development projects in the states of Colorado, Utah and Wyoming; and
- the creation of longer-term value from the Group's high potential appraisal project in the Paradox Basin.

## Acquisition Rationale and Criteria

The Board believes that strong financial returns can be generated from the highly fragmented smaller end of the U.S.A. oil exploration and production sector, and we have restructured the Group so that it can be a stable public growth vehicle targeting this part of the market. The Board also believes that the construction of a balanced portfolio, exhibiting both free cash flow and long-term development opportunities, is core to successful growth. The Board's vision for a balanced portfolio includes:

- production assets acquired at compelling valuations;
- near-term, lower-risk yet highly economic development opportunities located in core acreage positions in established basins. In particular, we will target infill horizontal development drilling opportunities in basins long established through vertical production; and
- longer-term, high-potential appraisal and exploration projects designed to add significant scale, such as the current opportunity in the Paradox.

The Board believes that the Group already has significant long-term appraisal and exploration exposure through its restructured Paradox Basin asset, and as such will concentrate Group acquisition efforts on near-term development and production opportunities. As part of this process, the Board has implemented the following high-level methodology for screening potential acquisitions based on the following factors, and all acquisitions will need to be consistent with the criteria listed below:

Geographic criteria:	Utah, Colorado or Wyoming (the "Rocky Mountain Region")
Portfolio criteria:	Near term development ("PUD") or accretive producing ("PDP") opportunities
Expertise criteria:	Prior management experience of operating such an asset or similar assets
Cash flow criteria:	Cash flow generative within 12 months of acquisition
Entry criteria:	Proprietary acquisition angle (such as via land strategy, relationship, or unique view on upside opportunity) or uncommonly good value
Partner validation:	Strategic financial or industry partner validation
Running room:	Growth potential for future development on the asset acquired or via options for additional acreage acquisition

In addition to this screening criteria, and in an effort to build increased predictability, accuracy and efficiency into our project screening and valuation process, management has developed a series of proprietary tools for use in evaluating assets in our region of focus.



## Strategic Report

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Led by the Group's technical team, and building from datasets compiled by independent analytics providers, we are creating a comprehensive geological basin model which allows the Group to quickly review and rank operators, locations and wells in order to focus on targets perceived as having the highest value. This technology-led strategy has already proven useful, both as a deal identification and rapid screening tool, and in demonstrating the value which the Group brings to potential investor and industry partnerships. It is an initiative that will add significant value to the Group as we move forward.

The Board also believes that this technology-led approach gives the Group an advantage over other local market participants, and we have already seen the benefits while appraising new opportunities. Our technological edge, combined with the network and experience of the Board, has allowed us to find and screen many potential investment opportunities in a highly efficient manner. Our combined technology and relationship approach is encompassed within the proposed investment in the McCoy project, announced in November 2019.

### Proposed McCoy Acquisition

In November 2019, the Group announced that it had entered into a Letter of Intent ("LOI") with Captiva Energy Holdings II, LLC ("CEH") for the proposed acquisition of an initial 10% of CEH's 89.5% net working interest in the 317-acre McCoy lease located in the Denver-Julesburg Basin ("DJ Basin") in Weld County, Colorado, U.S.A.

In addition, the Group has an option to acquire, at its sole discretion, up to a further 80% of CEH's 89.5% working interest in the McCoy lease ("Option"). This Option will expire at the end of December 2020.

The Board believes that the proposed McCoy acquisition will provide the Group with near-term, low-risk horizontal development drilling exposure in the prolific Niobrara shale play, and on acreage contiguous to other major DJ Basin operators including Occidental Petroleum Corporation, Great Western Operating Company LLC, (a subsidiary of Great Western Petroleum), and Crestone Peak Resources. The DJ Basin is a mature oil basin currently undergoing a resurgence as vertical production is replaced with successful one and two-mile horizontal well developments. The McCoy lease is located in an active part of the DJ Basin and a horizontal redevelopment of the existing productive lease is proposed, with a forecast commencement date in the first half of 2021, for an initial 12 well drilling programme with two-mile long laterals.

The McCoy acquisition has multiple commercial benefits for the Group:

- a low risk development opportunity alongside Great Western Petroleum, one of the most active developers in the DJ Basin, and one with a long track record of successful horizontal development in the immediate area;
- near-term production programme proposed, with drilling anticipated in the first half of 2021; and
- optionality to acquire up to a further 80% of CEH's working interest in the McCoy lease at the Group's sole discretion.

The acquisition will give the Group access to prime acreage within the prolific DJ Basin Niobrara shale play with optionality to significantly increase its working interest position. It also marks the beginning of a partner relationship with CEH and its operating affiliate Captiva Energy Partners ("CEP"). This partnership will provide further deal flow, access to proven competence and a wealth of experience in the Rocky Mountain region. The deal fits well with the stated strategy of the Group, targeting low-risk, low-entry cost acquisitions which can deliver near-term production to balance the Group's asset portfolio currently comprised of the longer-term Paradox Basin appraisal asset.

# Strategic Report

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CEP is managed by Paul Onsager and Bill Hayworth, two professional engineers, each with more than 30 years' domestic U.S.A. and international oil and gas industry experience, with the last five years focused almost exclusively on the DJ Basin. Since founding CEP in 2016, the team executed a successful horizontal development on farm-out acreage from Anadarko, sold a horizontal development to Great Western Petroleum and purchased CEH's interest in the McCoy lease from Vanguard Natural Resources. Prior to CEP, Paul and Bill led a DJ Basin horizontal development programme for a Colorado-based private equity backed oil and gas firm. Paul was VP Operations for the Rockies Asset team at Pioneer Natural Resources, former VP for Reservoir Engineering at Norwest Corp and former Reservoir Engineering team leader at the U.S. Bureau of Land Management. Bill is the former President of PRB/Black Raven Energy and the former VP of Operations at Intoil (both Rocky Mountain-focused oil companies), and he has held senior engineering and operations roles at Unit Corporation, Patrick Petroleum and Phillips Petroleum. Both Bill and Paul are registered Professional Engineers in the State of Colorado.

Due to the economic crises related to coronavirus and the associated downturn in the oil price since the Group signed the McCoy deal, the McCoy project was not drilled in the first half of 2020 as originally planned. However, the Board has been able to extend the Group's Option to proceed with the acquisition until the end of December 2020. This is expected to give time for a recovery in the oil price and in market sentiment. In addition, capital costs to drill two-mile wells in the DJ Basin have been reduced by over 30% over the last three months, significantly lowering break even prices on horizontal developments. The Group believes that in the current market with lowered capital costs, the breakeven oil price at McCoy will be below US\$30 per barrel of oil equivalent ("BOE").

## ***Subsequent Milestones***

In February, the Group announced that several key milestones in the acquisition process had been reached.

Firstly, CEH executed a lease amendment with Weld County Land Investors, Inc. ("WCLI"), the lessor of the McCoy lease, which allows for the pooling of the underlying Niobrara and Codell reservoirs in relation to a potential two-mile horizontal well development across the McCoy lease.

Secondly, on a related front, CEH elected to support Great Western Petroleum's 1,280-acre Drilling Spacing Unit ("DSU") permit application (covering Sections 33 and 34, Township 4 North, Range 68 West, 6th P.M.) for a two-mile horizontal development which will include the McCoy lease. Great Western Petroleum has submitted permit applications for 26 two-mile horizontal wells to be drilled from the Margil pad in Section 34 and, if drilled, these wells will extend through the McCoy lease.

The Group now anticipates the drilling of 12 of the two-mile long horizontal wells (the "Initial Drilling Programme") taking place in the first half of 2021, subject to approval of Great Western Petroleum's permit applications, funding and general economic conditions.

Under this development plan, CEH and Great Western Petroleum will each hold a working interest in the proposed DSU in proportion to its respective net acreage position. Great Western Petroleum will be the operator of the DSU and will own a majority of the working interest.

CEH's McCoy lease will hold an approximate 22.2% working interest in the DSU, and as such, the Group's proposed initial acquisition of 10% of CEH's working interest in the McCoy lease will result in it holding an approximate 2.22% working interest in the DSU, rising to a maximum approximate 20% working interest should the Group's option to acquire up to a further 80% of CEH's working interest in the DSU be exercised in full.

The Board considers the completion of the lease amendment and confirmation of CEH's participation in the DSU to be highly positive steps towards completion of the Group's acquisition. The Group's proposed participation in the McCoy lease project is an important part of the Group's strategy of building a balanced asset portfolio in the U.S.A. Rocky Mountain region.

## Strategic Report

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CEH's work to make the McCoy lease applicable for inclusion into a two-mile development by Great Western Petroleum will enable McCoy working interest owners to share in the resurgence seen across the DJ Basin as vertical production is replaced with one and two-mile horizontal well developments. In addition, Great Western Petroleum has significant horizontal drilling and operations expertise within the immediate area surrounding the DSU, and as such the Board believes their participation will help to ensure the successful development of the initial drilling programme.

Great Western Operating Company LLC is a subsidiary of Great Western Petroleum, one of the leading private operators in the DJ Basin with existing gross production of over 50,000 barrels of oil equivalent per day ("BOEPD"). The company is a top 100 operator in the United States and the sixth largest producer in the DJ Basin's Wattenberg Field, having drilled and operated more than 600 wells in the region.

The Group is also pleased that CEH agreed to extend the Group's Option exercise period to 31 December 2020 while the acquisition is completed and preparations for the initial drilling programme are finalised. Under the terms of the LOI, in addition to the initial 10% acquisition, the Group received the Option, originally valid until 28 February 2020 and extendable at the sole discretion of CEH, to acquire up to a further 80% of CEH's interest in the McCoy leasehold (excluding ownership of the existing vertical wellbores). The Option is subject to the Group demonstrating sufficient means to fund its share of the related McCoy development CAPEX budget for any additional working interest acquired.

The Group is in substantive discussions with third parties, including potential joint-venture and industry partners, with respect to securing the necessary funding to enable it to exercise the Option should it so choose.

### **Key Terms of the McCoy Acquisition**

The consideration payable by the Group to CEH for its initial investment in the McCoy project (the "Initial Tranche") will be calculated based on CEH's pro-rata portion of all back costs (including acquisition and development costs) associated with the Initial Tranche. CEH's back costs to-date have been US\$2.7 million, so the pro-rata portion net to the Group's interest is US\$0.3 million (approximately £0.2 million) (the "Consideration"). The Consideration will be satisfied by the issue of new ordinary shares in Rose Petroleum plc to CEH, priced at 1.32 pence per share (being calculated as a 20% premium to the most recent Placing share price).

During the Option period, the Group can acquire any percentage that it chooses, in several tranches and at its sole discretion up to a further 80% of CEH's working interest in the McCoy lease. The price for these subsequent tranches in the lease will be calculated on the same basis as the Initial Tranche (linked directly to pro-rata back costs, adjusted to reflect any subsequent development costs incurred by CEH) and will also be payable in new ordinary shares in Rose Petroleum plc. The number of shares to be issued for exercising the Option will be determined by the 60-day volume weighted average price of ordinary shares on the date the Option is exercised divided into the pro-rata back costs.

In addition, the Group will also carry CEH to an equivalent 11.1% of Rose's CAPEX on the first 20 wells drilled on the McCoy lease (the "Carry"). If the Group exercises its Option so that it acquires a 50% working interest or greater in the McCoy lease, it will also be responsible for CEH's proportionate share of the plugging and abandonment costs of the five existing vertical wellbores prior to horizontal redevelopment, which it is currently estimated would cost in the region of US\$250,000.

### **Paradox Project, Utah**

Another key priority for the period under review was to complete a major restructuring of the Group's Paradox project.

# Strategic Report

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## **Background**

A full review of the Paradox project was undertaken by the new management team, including a detailed look at the historical activity carried out on the project and the farm-in process. The team also reviewed the timeframe and plan for spudding the first project well in line with the expectations of the U.S. Bureau of Land Management (“BLM”), who continue to support the development of the project as soon as commercially possible and in spite of the very challenging market conditions.

The clear conclusion from this review was that the scale and potential of the project are of sufficient magnitude to justify the Group’s ongoing involvement in the project. The review also concluded that with more favourable positioning and better market conditions, investment from industry and financial partners will be achievable. Furthermore, the review illustrated the need to balance the overall scale of the project with the current market backdrop, timing obligations to the BLM and ongoing holding costs of the significantly sized acreage package.

On the basis of all of these factors, the Board elected to pursue a strategy for the project which included:

- focusing on the most attractive acreage (as identified by the 3D seismic acquisition undertaken by the Group);
- releasing acreage that the Group believed to be non-prospective or on too short a lease to merit further exploration work and/or expenditure; and
- actively acquiring further contiguous acreage in areas the Board considers to have the greatest potential.

Following this review, the Group entered into discussions with its joint venture partner, Rockies Standard Oil Corporation (“RSOC”) to restructure the joint venture in order that the project might be positioned and developed in line with this new strategy.

## **New Agreement**

Following a period of renegotiation, in October 2019 the Group announced that it had negotiated a new agreement (the “Agreement”) with RSOC.

The Agreement, which superseded all previous arrangements with RSOC, enabled the Group to gain an immediate 75% working interest ownership and operatorship of key acreage, replacing the earn-in structure in the original agreement with RSOC. The Agreement has resulted in a significant reduction in the Group’s annual lease costs and allows further time to develop and market the project, while maintaining a highly valuable acreage position that is drill-ready.

Under the terms of the Agreement, the Group will initially focus on the high quality 12,920-acre position of which 5,240 acres have a nine-year lease term remaining (and a 12.75% royalty) and the residual 7,680 acres have a two-year lease extension subject to regulatory approval (and a 20% royalty). These leases are almost entirely covered by the 3D seismic data previously obtained and contain 21 drilling targets from the base case development, including the fully permitted GV22-1 drill location. The gross Estimated Ultimate Recovery (“EUR”) from each of the wells targeting the Cane Creek reservoir zone is estimated to be 0.85 million barrels of oil equivalent (“mboe”).

Based on the 2018 Competent Person’s Report (“CPR”) methodology, as applied by Gaffney Cline and Associates (“GCA”), the 12,920 acres contain estimated 2C contingent recoverable resources of 8.3 mboe net to the Group.

The resource and valuation metrics do not include the additional exploration potential contained within a further five stacked, high-graded prospective zones on the acreage. Successful efforts in these zones may create a multi-zone play which could add substantial further value through resource addition and from development cost optimisations.

## Strategic Report

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In return for this restructuring, the Group maintains the obligation from the original earn-in agreement to carry RSOC for a 25% working interest on the first well drilled on the project (expected to be circa US\$1.9 million). The Group has also agreed to carry RSOC for a 25% working interest for the acquisition of specific targeted leases in and around the core acreage area, in aggregate, up to a total of US\$0.5 million, but it is the current view of both the Group and RSOC that the final figure will be considerably lower and any payments would be incurred over an extended period of time. If the Group does not drill its first project well within a five-year period, all leases, with the exception of the 5,240 leases with nine-year lease terms, will be assigned back to RSOC.

Further, the Group has terminated its remaining farm-in rights over less prospective acreage and has reassigned those rights back to RSOC. This re-assignment is consistent with the Group's intent to focus its efforts on the area covered by the existing 3D seismic data.

### ***Subsequent Updates***

After the Group's announcement on 14 October 2019, the Group has worked with RSOC and the appropriate regulatory bodies to finalise the restructuring of the project. As part of this process, the Group and RSOC agreed to voluntarily terminate the original Federal Unit Agreement (the Gunnison Valley Unit ("GVU")). Subsequently, with the GVU agreement terminated and pursuant to U.S.A. Federal Oil and Gas Regulation 43 CFR 3107.4, the Group announced that a subset of leases located within the project core have been extended for a further two years and added back into the Group's portfolio of leases.

The extension of these further leases, together with the new RSOC Agreement, enables the Group to refocus on a core acreage position of circa 19,900 acres which contains estimated net 2C Contingent Recoverable Resources of circa 9 mmmboe associated with 22 drilling targets in the Cane Creek reservoir. The Group also recognises further exploration potential in 5 shallower reservoir targets which could add further value to the project over time.

With the project restructuring completed and the land position now clarified, the Group plans to recommence the farm-out process for the project in the near term.

### ***DOE Partnership and Grant***

A key part of maximising the value of the Paradox asset is to increase the understanding and visibility of the Paradox Basin to a broader group of market participants. As such, the Group was pleased to announce during the period that, subject to contract, grant funding to the Group from the U.S. Department of Energy (the "DOE") and the University of Utah is potentially available to the Group. The overall study relates to "Improving Production in Utah's Emerging Northern Paradox Unconventional Oil Play" and raising the profile of the northern Paradox Basin. The focus of the grant funding is to fully characterise, quantify and interpret the geological, structural, and geomechanical settings of the northern Paradox oil play in order to optimise production processes.

As part of this effort, the DOE project team is planning to drill a vertical stratigraphic well in 2020 to gather data to improve the understanding of the play. The well will target the Cane Creek and potentially the C18/19 reservoirs, acquiring both core data and a comprehensive well log suite in order to provide a highly valuable new data point in the basin. The location of the well has yet to be finalised.

The final amount of the grant funding is still to be agreed. The Company will keep Shareholders fully updated on progress.

# Strategic Report

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## Financial Review

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### Income Statement

The Group reports a net loss after tax from continuing operations of US\$3.0 million or a loss of 1.74 cents per share for the year ended 31 December 2019 (2018: net loss after tax from continuing operations of US\$1.0 million or 0.74 cents per share). Administrative costs for the year of US\$1.8 million were slightly higher than those in the prior year (2018: US\$1.6 million) primarily due to the costs of the Group restructuring. The impact of the current cost reduction programme will be reflected in the annual results for the year ended 31 December 2020.

The Company has made loans to its subsidiary entities which are denominated in sterling. Foreign exchange losses on the restatement of these loans at 31 December 2019 were US\$0.8 million (2018: gain of US\$1.1 million). These unrealised losses have a significant impact on the total Group net loss after tax when compared to the prior year.

### Balance Sheet

Total investment in the Group's intangible exploration and evaluation assets at 31 December 2019 was US\$13.5 million (2018: US\$13.1 million) reflecting continuing investment in the Paradox project.

Cash and cash equivalents at 31 December 2019 were US\$1.1 million (2018: US\$0.6 million). During the period, the Company raised gross proceeds of US\$2.0 million (2018: US\$1.3 million) through the placing of new ordinary shares in the Company.

During the period the Group disposed of its residual minority shareholdings in Encore Energy Corporation and Magellan Gold Corporation. These shareholdings were consideration received from the disposal of the Group's legacy mining assets.

### Key Performance Indicators

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The Board monitors the performance of the Group in delivering its key corporate and operational milestones for a given period. In particular, the Board monitors the completion of milestones against allocated time, resources and budget in respect of its O&G development activities.

As part of the Group's ongoing rebranding process, the Board is in the process of developing an appropriate set of key performance indicators ("KPIs") against which to benchmark how it performs against the ESG standards that will be put in place by the Board. The Board is absolutely committed to ensuring that the Group operates to the highest standards of sustainability and responsibility.

The Board will communicate its value set and revised KPIs once the rebranding process is complete.

### Risks and Uncertainties and Risk Management

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There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance and could cause actual results to differ from expected and historical results. The principal risks and uncertainties that we face are:

#### Non-Financial Risks

- Changes in government law or regulatory policy in the U.S.A. could materially affect the rights and title to the interests held by the Group, and the operations and financial condition of the Group could be adversely affected.
- The Group is dependent on the continued services and performances of its core management team. The loss of key personnel could have an impact on the Group's ability to meet its strategic objectives. The Remuneration Committee reviews the employment terms for executives and key operational management with the aim of attracting, motivating and retaining key personnel for the Group.



## Strategic Report

continued

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### Financial Risks

- There is a risk that the carrying value of the Group's assets will not be recovered through future revenues, leading to significant impairment losses. The Group manages the recoverability of its assets and assesses the economic viability throughout the exploration, development and production phases.
- The activities of the Group are subject to fluctuations in prices and demand for commodities, which are volatile and cannot be controlled. Fluctuating commodity prices could have a significant impact on the Group's operations.
- Funds are maintained by the Group in GBP and US\$. There is a risk that purchasing power in the U.S.A. is lost through foreign exchange translation. The Group considers its foreign exchange risk to be a normal and acceptable business exposure and does not hedge against the risk.
- There is a risk that there will be insufficient access to funding to meet all corporate, development and production obligations and activities. The Group manages liquidity risk by maintaining adequate cash reserves and monitoring forecast and actual cash flows. The Board reviews the Group's cash flow projections and forecasts on a monthly basis.
- The Group has financial and operational obligations in order to keep licences, leases and permits related to its projects in good standing. If the Group does not have sufficient funds to develop its portfolio of projects and to keep the projects in good standing there is a risk that underlying leases, licences and permits may expire potentially leading to a loss of the underlying assets and a subsequent impairment of the assets in the Group's financial statements.

On 31 January 2020, the United Kingdom left the European Union ("EU") and entered a transition period that will last until 31 December 2020. Until further details are known regarding the full terms of the UK's future relationship with the EU, the Directors are not able to assess the potential impacts on the Company and the Group, or what impact the wider regulatory and legal consequences of the UK leaving the EU would be on the Company and the Group. The Board has concerns that the UK's withdrawal from the EU could result in a depreciation in the value of sterling, which could impact the Group's global purchasing power.

### Corporate and Social Responsibility

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#### Health and Safety

It is the objective of the Group to ensure the health and safety of its employees and of any other persons who could be affected by its operations. It is the Group's policy to provide working environments which are safe and without risk to health and provide information, instruction, training and supervision to ensure the health and safety of its employees.

The Board is taking all necessary steps to protect its people against the current coronavirus pandemic.

#### Significant Relationships

The Group enjoys good relationships with all of its suppliers, professional advisers and operational partners.

### Statement by the Directors in performance of their Statutory Duties in accordance with S172(1) Companies Act 2006

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The Board of Directors of Rose Petroleum plc, both individually and together, have acted in good faith in a way they consider would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in S172 of Companies Act 2006).

# Strategic Report

continued

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The Board considers its stakeholders to be its Shareholders, employees, partners, suppliers/creditors and regulatory authorities in its areas of operation.

The Company maintains a well-functioning and balanced board led by the Chairman, ensuring that the Directors have the necessary up-to date experience, skills and capabilities. The Board promotes a corporate culture that is based on ethical values and behaviour and maintains governance structures and processes that are fit for purpose and support good decision-making.

The Board seeks to understand and meet Shareholder needs and expectations. It has established a strategy and business model which it believes will promote long term value to Shareholders. The Company's details are displayed on its website allowing Shareholders to contact the Company if they so wish. The Board attaches great importance to providing Shareholders with clear and transparent information on the Group's activities and strategy. Details of all Shareholder communications are provided on the Company's website, including historical annual reports and governance related material.

The Board takes into account wider stakeholder and social responsibilities and their implications for long term success. Directors and employees adopt a broad view during decision making to take meaningful account of the impact of the business on all key stakeholder groups. The Board recognises that the Group's long-term success is reliant on the efforts of its employees, customers and suppliers and through maintaining relationships with its regulators.

The Group operates a system of internal controls designed, to the extent considered appropriate, to safeguard group assets and protect the business from identified risks.

## **Significant decisions made**

During the year, the Directors completed two equity fundraises through the issue of ordinary shares in the Company. Details of these fundraises can be found in the relevant sections of this Annual Report. In arriving at the decision to proceed with these fundraises the Directors considered the cash position of the Company and the dilution impact that the respective fundraises would have on the existing Shareholders of the Company. After due consideration, the Directors considered the fundraises to be in the best interests of the Company and its Shareholders.

The Company also completed a restructuring of the Paradox project during the year. This was a complex and time-consuming process however the Directors believe that the restructuring was very much in the best interests of both the Company and its Shareholders.

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

On behalf of the Board

**JC Harrington**

*Chief Executive Officer*

29 June 2020



## Directors' Report

The Directors present the Annual Report and financial statements of the Group for the year ended 31 December 2019.

### Review of the Business and Future Developments

A review of the business, future developments and the principal risks and uncertainties facing the Group is given in the Strategic Report.

### Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: US\$ nil).

### Directors

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

JC Harrington (*appointed 24 May 2019*)

RL Grant (*appointed 27 June 2019*)

TH Reynolds (*appointed 23 April 2019*)

GB Stein (*appointed 3 September 2019*)

CJ Eadie

MC Idiens (*resigned 30 August 2019*)

PE Jeffcock (*resigned 11 April 2019*)

KB Scott (*resigned 23 April 2019*)

RJ Bensch (*appointed 11 April 2019, resigned 20 May 2019*)

### Directors' interests in Shares and Share Options

The Directors who held office at 31 December 2019 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2019	1 January 2019
RL Grant	68,636,364 <sup>(1)</sup>	–
JC Harrington	68,636,364 <sup>(1)</sup>	–
TH Reynolds	1,000,000	–
CJ Eadie	3,425,095	771,904

<sup>(1)</sup> JC Harrington is indirectly the controlling Shareholder of Origin Creek Energy LLC which is beneficial owner of these shares. RL Grant is a 26.6% Shareholder of Origin Creek Energy LLC.

Directors' interests in share options of the Company, including family interests, as at 31 December 2019 were as follows:

	Date of grant/ replacement	No. of shares	Exercise price	Option exercise period
CJ Eadie	13 Feb 2015	100,000	182.5p	13/03/16 to 12/03/25
CJ Eadie	24 Mar 2017	500,000	14.0p	24/04/17 to 23/04/27
CJ Eadie	6 April 2018	1,300,000	3.5p	06/04/19 to 05/04/28

## Directors' Report

continued

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### Third Party Indemnity Provision for Directors

The Company currently has in place, and had for the year ended 31 December 2019, Directors and officers liability insurance for the benefit of all Directors of the Company.

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### Corporate Governance

Corporate governance matters are set out on page 18.

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### Substantial Shareholdings

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 29 June 2020:

	Number of shares	Percentage of issued share capital
Jon Fitzpatrick	21,054,885	7.3
G.P. (Jersey) Limited	13,636,364	4.8
Flute Investments	11,396,940	4.0

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### Post Balance Sheet Events

Events after the balance sheet date have been disclosed in note 31 to the financial statements.

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### Financial Instruments

During the year the Company and its subsidiary undertakings applied financial risk management policies as disclosed in note 29 to the financial statements.

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### Disclosure of Information to the Auditor

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

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### Auditor

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

On behalf of the Board

**CJ Eadie**

*Chief Financial Officer*

29 June 2020

## Corporate Governance Statement

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

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

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

Full details of our corporate governance approach and how we comply with The QCA Code can be found on our website [www.rosepetroleum.com](http://www.rosepetroleum.com) in the "investors area" section.

### Going Concern

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The Directors have prepared cash flow forecasts for the Group for the period to 30 June 2021 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. These cash flow forecasts include its normal operating costs for operations together with all committed development expenditure.

Whilst the Board remains confident that the Group will be able to secure the required funding through equity issue or other financial instruments to support its ongoing activities, the Company does not currently have sufficient funding in place to enable it to meet its financial liabilities for the next twelve months. Whilst the Board is confident of securing necessary funding to meet its liabilities, there can also be no certainty over the timing of this funding or the extent of cash flows arising from the Group's exploration activities. There is therefore material uncertainty arising in the event that satisfactory funding cannot be raised.

However, based on the prepared cash forecasts, the Group's current cash position and the Board's ongoing discussions with its major Shareholders and brokers, the Directors are confident that the Group has, or has access to, sufficient resources to enable it to continue in operation for at least the next twelve months.

The Directors therefore continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

**JC Harrington**

*Chief Executive Officer*

29 June 2020

## Statement of Directors' Responsibilities

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

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

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

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

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

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

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

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### Opinion

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We have audited the financial statements of Rose Petroleum Plc (the "Parent company") and its subsidiaries (the "Group") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for Opinion

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

### Material Uncertainty related to Going Concern

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

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

continued

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## Summary of our Audit Approach

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<b>Key audit matters</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Impairment of intangible exploration and evaluation assets</li></ul>	
	<b>Parent Company</b> <ul style="list-style-type: none"><li>• Impairment of intercompany receivables</li></ul>	
<b>Materiality</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Overall materiality: \$219,000</li><li>• Performance materiality: \$164,000</li></ul>	
	<b>Parent Company</b> <ul style="list-style-type: none"><li>• Overall materiality: \$82,500</li><li>• Performance materiality: \$61,800</li></ul>	
	<b>Scope</b>	Our audit procedures covered 100% of total assets and 100% of loss before tax.

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## Key Audit Matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### ***Impairment of intangible exploration and evaluation ("E&E") assets***

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<b>Key audit matter description</b>	As explained further in note 16, the Group has capitalised a total carrying amount of US\$13.5m at 31 December 2019 in respect of its USA oil and gas E&E assets. In October 2019, the Group signed a new agreement with Rockies Standard Oil Company LLC ("RSOC") which gave the Group an immediate 75 per cent working interest and focussed the Group's land interest to the highest potential acreage.
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The Group applies IFRS6 "Exploration for and evaluation of mineral resources" and has determined policies for capitalisation of relevant costs and subsequent monitoring for impairment. Given the changes arising from the new agreement with RSOC, we considered potential impairment of these assets to be one of the matters of most significance to our audit in the current period.

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

continued

### How the matter was addressed in the audit

We reviewed managements consideration and challenged them on whether there were any indicators of impairment of the E&E assets under IFRS 6 and whether facts and circumstances indicate that a full impairment test was required under the standard. We performed work as follows:

- Discussed with management their latest intended plans for developing the assets (including funding) and considered these plans in light of the remaining lease term on relevant acreage.
- Confirmed that the lease interests held by the Group on their lease register were included within the new RSOC agreement and were supported by evidence from the Bureau of Land Management (as lessor).
- Reviewed the conclusion of the Competent Persons Report ("CPR") to understand the extent of commercially viable quantities of oil and gas resources.
- Confirmed that the lease interests held by the Group relate to the land assessed in the CPR.

### Key observations

We concurred with management that a full impairment test of the E&E assets was not required at 31 December 2019.

### *Impairment of intercompany receivables*

#### Key audit matter description

The Parent company has receivable balances from subsidiary undertakings that are currently loss making. The receivables are repayable on demand and the subsidiary undertakings do not have sufficient liquid assets to make repayment should the parent company call in the receivable balance.

One of the most significant matters in the current year audit of the Parent company is the extent to which these receivable balances are impaired and management are required to calculate an expected credit loss ("ECL") provision in accordance with IFRS9 *Financial Instruments*. The calculation of ECLs involves a significant degree of judgement as management have to make assumptions about future cash generation and consider multiple scenarios through which the balances may be recovered.

Given the magnitude of these receivable balances and the potential for impairment we considered this matter to be one of the matters of most significance in the current year audit.

At the 31 December 2019, the carrying value of amounts due from group undertakings amounted to US\$15.2m after recording a cumulative ECL provision of US\$31.2m (see note 18).

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

continued

<b>How the matter was addressed in the audit</b>	<p>We obtained management's calculation of the ECL and the underlying calculations prepared to support the carrying value of the balance and performed work as follows:</p> <ul style="list-style-type: none"><li>• Assessed the reasonableness of the scenarios considered by management and the probabilities assigned to each.</li><li>• Considered the appropriateness of the financial outcome for each scenario.</li><li>• Recalculated the computation of the ECL.</li></ul>
<b>Key observations</b>	<p>As a result of our work we concurred with management's calculated ECL and we ensured that the key estimates within the calculation were adequately disclosed within the critical estimates at note 4.</p>

## Our Application of Materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	<b>Group</b>	<b>Parent company</b>
<b>Overall materiality</b>	US\$219,000	US\$82,500
<b>Basis for determining overall materiality</b>	1.5% of net assets	0.5% of net assets. The percentage applied to the benchmark has been restricted for the purpose of calculating an appropriate component materiality.
<b>Rationale for benchmark applied</b>	Net assets are considered to be the appropriate benchmark for a pre-revenue exploration business.	Net assets are considered to be the appropriate as the Parent company is purely a holding company and no income statement is presented.
<b>Performance materiality</b>	US\$164,000	US\$61,800
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of US\$10,900 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of US\$4,120 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.



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

continued

### An Overview of the Scope of our Audit

The group consists of 7 components, located in the United Kingdom, USA, Mexico and Germany. The coverage achieved by our audit procedures was:

	Number of components	Total assets	Loss on ordinary activities before taxation
<b>Full scope audit</b>	4	100%	100%
<b>Total</b>	4	100%	100%

Analytical procedures at group level were performed for the remaining 3 components.

### Other Information

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

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

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

continued

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## Responsibilities of Directors

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As explained more fully in the Directors' responsibilities statement set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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## Use of Our Report

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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.

### Michael Thornton (Senior Statutory Auditor)

#### For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants  
Central Square, 5th Floor  
29 Wellington Street  
Leeds  
LS1 4DL  
29 June 2020

## Consolidated Income Statement

For the year ended 31 December 2019

	Notes	2019 US\$'000	Restated 2018 US\$'000
<b>Continuing operations</b>			
Administrative expenses		(1,785)	(1,601)
Development expenses	6	(206)	(178)
Foreign exchange (losses)/gains		(819)	1,082
<b>Operating loss</b>		<b>(2,810)</b>	<b>(697)</b>
Impairment of financial assets	7	(201)	–
Fair value loss on investments	8	–	(284)
Finance income	9	–	3
<b>Loss on ordinary activities before taxation</b>	<b>10</b>	<b>(3,011)</b>	<b>(978)</b>
Taxation charge	13	–	–
<b>Loss for the year from continuing operations</b>		<b>(3,011)</b>	<b>(978)</b>
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	14	1,987	1,077
<b>(Loss)/profit for the year attributable to owners of the parent company</b>		<b>(1,024)</b>	<b>99</b>
<b>(Loss)/profit per Ordinary Share</b>			
From continuing operations			
Basic and diluted, cents per share	15	(1.74)	(0.74)
From continuing and discontinued operations			
Basic and diluted, cents per share	15	(0.59)	0.08

The notes on pages 34 to 71 form part of the financial statements.

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 US\$'000	2018 US\$'000
<b>(Loss)/profit for the year attributable to owners of the parent company</b>	(1,024)	99
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss, net of tax</i>		
Foreign currency translation differences on foreign operations	(1,669)	2,394
<b>Total comprehensive (loss)/income for the year attributable to owners of the parent company</b>	(2,693)	2,493

The notes on pages 34 to 71 form part of the financial statements.

## Consolidated Balance Sheet

As at 31 December 2019

Company No 04573663

	Notes	2019 US\$'000	2018 US\$'000
<b>Non-current assets</b>			
Intangible assets	16	13,549	13,148
Property, plant and equipment	17	77	22
		13,626	13,170
<b>Current assets</b>			
Investments	18	–	464
Trade and other receivables	19	112	426
Cash and cash equivalents	20	1,084	616
		1,196	1,506
<b>Total assets</b>		<b>14,822</b>	<b>14,676</b>
<b>Current liabilities</b>			
Trade and other payables	21	(442)	(387)
Lease liabilities	22	(45)	–
		(487)	(387)
<b>Non-current liabilities</b>			
Lease liabilities	22	(8)	–
Provisions	24	(57)	–
		(65)	–
<b>Total liabilities</b>		<b>(552)</b>	<b>(387)</b>
<b>Net assets</b>		<b>14,270</b>	<b>14,289</b>
<b>Equity</b>			
Share capital	25	40,688	40,504
Share premium account	27	37,975	36,472
Warrant reserve	26	568	341
Share-based payment reserve	27	3,748	3,645
Cumulative translation reserve	27	(9,972)	(8,909)
Retained deficit	27	(58,737)	(57,764)
<b>Equity attributable to owners of the parent company</b>		<b>14,270</b>	<b>14,289</b>

The financial statements on pages 26 to 33 were approved by the Directors and authorised for issue on 29 June 2020 and are signed on its behalf by:

**CJ Eadie**

*Chief Financial Officer*

The notes on pages 34 to 71 form part of the financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital US\$'000	Share premium account US\$'000	Warrant reserve US\$'000	Share-based payment reserve US\$'000	Cumulative translation reserve US\$'000	Retained deficit US\$'000	Total US\$'000
<b>As at 1 January 2018</b>	40,463	35,657	–	3,687	(6,864)	(58,134)	14,809
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	41	1,304	–	–	–	–	1,345
Expenses of issue of equity shares	–	(148)	–	67	–	–	(81)
Transfer to warrant reserve	–	(341)	341	–	–	–	–
Share-based payments	–	–	–	172	–	–	172
Transfer to retained deficit in respect of forfeited options	–	–	–	(271)	–	271	–
Effect of foreign exchange rates	–	–	–	(10)	–	–	(10)
<b>Total transactions with owners in their capacity as owner</b>	41	815	341	(42)	–	271	1,426
Profit for the year	–	–	–	–	–	99	99
<i>Other comprehensive income:</i>							
Currency translation differences	–	–	–	–	2,394	–	2,394
Total other comprehensive income for the year	–	–	–	–	2,394	–	2,394
<b>Total comprehensive income for the year</b>	–	–	–	–	2,394	99	2,493
Currency translation differences on equity at historical rates	–	–	–	–	(3,614)	–	(3,614)
Recycled foreign currency translation differences on discontinued operations	–	–	–	–	(825)	–	(825)
<b>As at 31 December 2018</b>	40,504	36,472	341	3,645	(8,909)	(57,764)	14,289
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	184	1,851	–	–	–	–	2,035
Expenses of issue of equity shares	–	(121)	–	46	–	–	(75)
Transfer to warrant reserve	–	(227)	227	–	–	–	–
Share-based payments	–	–	–	100	–	–	100
Transfer to retained deficit in respect of lapsed warrants	–	–	–	(51)	–	51	–
Effect of foreign exchange rates	–	–	–	8	–	–	8
<b>Total transactions with owners in their capacity as owner</b>	184	1,503	227	103	–	51	2,068
Loss for the year	–	–	–	–	–	(1,024)	(1,024)
<i>Other comprehensive income:</i>							
Currency translation differences	–	–	–	–	(1,669)	–	(1,669)
Total other comprehensive income for the year	–	–	–	–	(1,669)	–	(1,669)
<b>Total comprehensive income for the year</b>	–	–	–	–	(1,669)	(1,024)	(2,693)
Currency translation differences on equity at historical rates	–	–	–	–	2,515	–	2,515
Recycled foreign currency translation differences on discontinued operations	–	–	–	–	(1,909)	–	(1,909)
<b>As at 31 December 2019</b>	40,688	37,975	568	3,748	(9,972)	(58,737)	14,270

The notes on pages 34 to 71 form part of the financial statements.

## Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Notes	2019 US\$'000	Restated 2018 US\$'000
<b>Operating activities</b>			
Loss before taxation from continuing operations		(3,011)	(978)
Profit before taxation from discontinued operations	14	1,987	1,077
		(1,024)	99
Fair value (gain)/loss on investments		(27)	284
Other income		–	(264)
Finance income		–	(3)
Adjustments for:			
Depreciation of property, plant and equipment		35	5
Gain on disposal of property, plant and equipment		(5)	(6)
Gain on disposal intangible exploration and evaluation assets		(122)	–
Impairment of intangible exploration and evaluation assets		–	4
Impairment of financial assets		201	–
Share-based payments		100	172
Unrealised foreign exchange gain		(1,076)	(2,023)
Operating outflow before movements in working capital		(1,918)	(1,732)
Decrease in trade and other receivables		119	260
Increase/(decrease) in trade and other payables		142	(204)
Cash used in operations		(1,657)	(1,676)
Income tax recovered		–	–
<b>Net cash used in operating activities</b>		<b>(1,657)</b>	<b>(1,676)</b>
<b>Investing activities</b>			
Interest received		–	3
Purchase of intangible exploration and evaluation assets		(428)	(1,002)
Proceeds on disposal of property, plant and equipment		5	6
Proceeds on disposal of intangible exploration and evaluation assets		122	–
Proceeds on disposal of investments		502	–
Net cash inflow on disposal of discontinued operations		–	53
Loans advanced		–	(195)
<b>Net cash from/(used) in investing activities</b>		<b>201</b>	<b>(1,135)</b>
<b>Financing activities</b>			
Proceeds from issue of shares		2,035	1,345
Expenses of issue of shares		(75)	(81)
Repayment of lease liabilities		(38)	–
<b>Net cash from financing activities</b>		<b>1,922</b>	<b>1,264</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>466</b>	<b>(1,547)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>616</b>	<b>2,185</b>
Effect of foreign exchange rate changes		2	(22)
<b>Cash and cash equivalents at end of year</b>		<b>1,084</b>	<b>616</b>

The notes on pages 34 to 71 form part of the financial statements.

# Company Balance Sheet

As at 31 December 2019

Company No 04573663

	Notes	2019 US\$'000	2018 US\$'000
<b>Non-current assets</b>			
Investments	18	15,201	13,394
Property, plant and equipment	17	67	22
		15,268	13,416
<b>Current assets</b>			
Investments	18	–	200
Trade and other receivables	19	89	264
Cash and cash equivalents	20	1,070	598
		1,159	1,062
<b>Total assets</b>		16,427	14,478
<b>Current liabilities</b>			
Trade and other payables	21	(213)	(148)
Lease liabilities	22	(35)	–
		(248)	(148)
<b>Non-current liabilities</b>			
Lease liabilities	22	(8)	–
<b>Total liabilities</b>		(256)	(148)
<b>Net assets</b>		16,171	14,330
<b>Equity</b>			
Share capital	25	40,688	40,504
Share premium account	27	37,975	36,472
Warrant reserve	26	568	341
Share-based payment reserve	27	3,748	3,645
Cumulative translation reserve	27	(8,344)	(8,957)
Retained deficit	27	(58,464)	(57,675)
<b>Total equity</b>		16,171	14,330

As permitted by section 408 of the Companies Act 2006, the Parent Company's Income Statement and Statement of Other Comprehensive Income have not been included in these financial statements.

The loss for the Company for the year ended 31 December 2019 is US\$0.8 million (2018: US\$1.6 million).

The financial statements on pages 26 to 33 were approved by the Directors and authorised for issue on 29 June 2020 and are signed on its behalf by:

**CJ Eadie**

*Chief Financial Officer*

The notes on pages 34 to 71 form part of the financial statements.



## Company Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital US\$'000	Share premium account US\$'000	Warrant reserve US\$'000	Share-based payment reserve US\$'000	Cumulative translation reserve US\$'000	Retained deficit US\$'000	Total US\$'000
<b>As at 1 January 2018</b>	40,463	35,657	–	3,687	(8,093)	(56,100)	15,614
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	41	1,304	–	–	–	–	1,345
Expenses of issue of equity shares	–	(148)	–	67	–	–	(81)
Transfer to warrant reserve	–	(341)	341	–	–	–	–
Share-based payments	–	–	–	172	–	–	172
Transfer to retained deficit in respect of forfeited options	–	–	–	(41)	–	41	–
Transfer to capital contribution in respect of forfeited options	–	–	–	(230)	–	–	(230)
Effect of foreign exchange rates	–	–	–	(10)	–	–	(10)
<b>Total transactions with owners in their capacity as owner</b>	41	815	341	(42)	–	41	1,196
Loss for the year	–	–	–	–	–	(1,616)	(1,616)
<i>Other comprehensive income:</i>							
Currency translation differences	–	–	–	–	2,750	–	2,750
Total other comprehensive income for the year	–	–	–	–	2,750	–	2,750
<b>Total comprehensive income for the year</b>	–	–	–	–	2,750	(1,616)	1,134
Currency translation differences on equity at historical rates	–	–	–	–	(3,614)	–	(3,614)
<b>As at 31 December 2018</b>	40,504	36,472	341	3,645	(8,957)	(57,675)	14,330
<i>Transactions with owners in their capacity as owners:</i>							
Issue of equity shares	184	1,851	–	–	–	–	2,035
Expenses of issue of equity shares	–	(121)	–	46	–	–	(75)
Transfer to warrant reserve	–	(227)	227	–	–	–	–
Share-based payments	–	–	–	100	–	–	100
Transfer to retained deficit in respect of lapsed warrants	–	–	–	(51)	–	51	–
Effect of foreign exchange rates	–	–	–	8	–	–	8
<b>Total transactions with owners in their capacity as owner</b>	184	1,503	227	103	–	51	2,068
Loss for the year	–	–	–	–	–	(840)	(840)
<i>Other comprehensive income:</i>							
Currency translation differences	–	–	–	–	(1,902)	–	(1,902)
Total other comprehensive income for the year	–	–	–	–	(1,902)	–	(1,902)
<b>Total comprehensive income for the year</b>	–	–	–	–	(1,902)	(840)	(2,742)
Currency translation differences on equity at historical rates	–	–	–	–	2,515	–	2,515
<b>As at 31 December 2019</b>	40,688	37,975	568	3,748	(8,344)	(58,464)	16,171

The notes on pages 34 to 71 form part of the financial statements.

## Company Cash Flow Statement

For the year ended 31 December 2019

	2019 US\$'000	2018 US\$'000
<b>Operating activities</b>		
Loss before taxation	(840)	(1,616)
Fair value loss on investments	–	284
Finance income	(356)	(688)
Adjustments for:		
Depreciation of property, plant and equipment	10	–
Impairment of investments in subsidiary undertakings	152	1,323
Impairment of financial assets	201	–
Share-based payments	83	138
Unrealised foreign exchange	79	(132)
Operating cash outflow before movements in working capital	(671)	(691)
(Increase)/decrease in trade and other receivables	(31)	12
Increase/(decrease) in trade and other payables	65	(26)
<b>Net cash used in operating activities</b>	<b>(637)</b>	<b>(705)</b>
<b>Investing activities</b>		
Interest received	–	3
Loans to subsidiary undertakings	(1,040)	(1,901)
Proceeds on disposal of investments	200	–
Loans advanced	–	(195)
<b>Net cash used in investing activities</b>	<b>(840)</b>	<b>(2,093)</b>
<b>Financing activities</b>		
Proceeds from the issue of shares	2,035	1,345
Expenses of issue of shares	(75)	(81)
Repayment of lease liabilities	(13)	–
<b>Net cash from financing activities</b>	<b>1,947</b>	<b>1,264</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>470</b>	<b>(1,534)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>598</b>	<b>2,156</b>
Effect of foreign exchange rate changes	2	(24)
<b>Cash and cash equivalents at end of year</b>	<b>1,070</b>	<b>598</b>

The notes on pages 34 to 71 form part of the financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2019

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### 1. Corporate Information

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Rose Petroleum plc (the “Company” and, together with its subsidiaries, the “Group”) is domiciled and incorporated in the United Kingdom under the Companies Act 2006 and is limited by shares. The address of the registered office is 20-22 Wenlock Road, London, N1 7GU.

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

### 2. Adoption of New and Revised Standards

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#### Standards adopted during the year

The Group has adopted all of the new or amended Accounting Standards and interpretations issued by the International Accounting Standards Board (“IASB”) that are mandatory and relevant to the Group’s activities for the current reporting period.

#### *IFRS 16 – Leases*

The Group adopted IFRS 16 Leases with effect from 1 January 2019. The Group assessed the impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

IFRS 16 eliminates the classification of leases as either operating or finance leases and introduces a single accounting model requiring lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. Lessees are required to recognise on the balance sheet right-of-use assets which represent the right to use underlying assets during the lease term and a lease liability representing the minimum lease payments for all leases.

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

The Group has now recognised new assets and liabilities in respect of its leases of office facilities in the UK and U.S.A. The nature of the expense related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and an interest expense on lease liabilities.

The Group has applied the modified retrospective approach. The cumulative effect of adopting IFRS 16 has not been recognised as an adjustment to the opening balance of retained earnings at 1 January 2019 on the basis that it is considered to be immaterial. In accordance with the modified retrospective approach, there has been no restatement of comparative information. The adoption of IFRS 16 has increased both non-current assets and total liabilities at 31 December 2019 by US\$0.06 million (2018: US\$0.04 million) but has not had a material impact on the overall result for the year in the income statement.

The Group has applied the recognition exemption for short-term leases which end within twelve months of the date of initial application, and have accounted for these as an operating expense on a straight-line basis over the term of the lease.

The Group applied the practical expedient to grandfather the definition of a lease on transition, applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

## Notes to the Financial Statements

continued

### 2. Adoption of New and Revised Standards continued

A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

- Amendments to IAS 19 – *Employee benefits*
- IFRIC 23 – *Uncertainty over income tax treatments*
- Amendments to IAS 28 – *Long-term interests in associates and joint ventures*
- Amendments to IFRS 9 – *Prepayment features with negative compensation*
- Amendments resulting from annual improvements to IFRS Standards 2015-2017
- Amendments to references to conceptual framework in IFRS Standards

#### **Standards issued but not yet effective**

Any new or amended Accounting Standards or interpretations that are not yet mandatory (and in some cases, had not yet been adopted by the EU) have not been early adopted by the Group for the year ended 31 December 2019. They are as follows:

- Amendments to IFRS 3 – Definition of a business
- Amendments to IAS 1 and IAS 8 – Definition of material
- Amendments to IAS 1 – Classification of liabilities as current or non-current

The Directors do not expect that the adoption of these Standards or Interpretations in future periods will have a material impact on the financial statements of the Company or the Group.

### 3. Significant Accounting Policies

#### **Basis of preparation**

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

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

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

As described below, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

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

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

## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

#### Going concern

As an exploration group, the Directors are mindful that there is an ongoing need to monitor overheads and costs associated with delivering the exploration programme and raise additional working capital on an ad hoc basis to support the Group's activities. The Group has no bank facilities and has been meeting its working capital requirements from cash resources. At the year end, the Group had cash and cash equivalents amounting to US\$1.1 million (2018: US\$0.6 million).

The Directors have prepared cash flow forecasts for the Group for the period to June 2021 based on their assessment of both the discretionary and the non-discretionary cash requirements of the Group during this period. These cash flow forecasts include its normal operating costs for operations together with all committed development expenditure, and they indicate that the Group does not currently have sufficient cash resources to service these costs over the forecast period.

Whilst the Board remains confident that the Group will be able to secure the required funding through equity issue or other financial instruments, the timing and availability of funding sources is outside of the control of the Board. There can also be no certainty over the timing and extent of cash flows arising from the Group's exploration activities and hence any forecasts prepared by the Board will have inherent uncertainties.

Based on these forecasts, the current cash position and from their ongoing discussions with its major Shareholders and brokers, the Directors are confident that the Group has, or has access to, sufficient resources to continue in operation for at least the next twelve months. However, given that none of this funding is committed at the date of these financial statements this condition represents a material uncertainty regarding the use of the going concern basis.

Whilst noting the material uncertainty above, the Directors continue to adopt the going concern basis in preparing the consolidated financial statements. The financial statements do not include any adjustment that would result from the basis of preparation being inappropriate.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary undertakings (together, "the Group") made up to 31 December each year.

Subsidiary undertakings are those entities controlled directly or indirectly by the Company. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date on which control is transferred to the Group or, up to the date that control ceases, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

The Group applies the acquisition method to account for business combinations. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire.

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

#### Investments in subsidiary undertakings

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

# Notes to the Financial Statements

continued

## 3. Significant Accounting Policies continued

### Intangible exploration and evaluation assets

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

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

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

### Exploration and evaluation costs

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

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

### Treatment of E&E assets at conclusion of appraisal activities

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

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

### Impairment of intangible exploration and evaluation assets

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

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

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

## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

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

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

The Group considers each area of oil and gas exploration, on a geographical basis to be a separate cost pool and therefore aggregates all specific assets for the purposes of determining whether impairment of E&E assets has occurred.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset into use.

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

Plant and machinery      over 5 years

The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is presented as a separate line in the Balance Sheet and is subsequently measured by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The right-of-use assets are presented within property, plant and equipment in the consolidated and company Balance Sheet.

The Group applies IAS 36 Impairment of assets to determine whether a right-of-use asset is impaired.

# Notes to the Financial Statements

continued

## 3. Significant Accounting Policies continued

### Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position are expressed in United States dollar, which is the presentation currency for both company and consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency of each group company ("foreign currencies") are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated into the functional currency at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in the profit or loss in the period in which they arise, except for foreign exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur and which, therefore, form part of the net investment in the foreign operation. Foreign exchange differences arising on the translation of the Group's net investment in foreign operations are recognised as a separate component of Shareholders' equity via the statement of other comprehensive income. On disposal of foreign operations and foreign entities, the cumulative translation differences are recognised in the income statement as part of the gain or loss on disposal.

For the purpose of presenting company and consolidated financial statements, the assets and liabilities of the Company, and the Group's operations which have a functional currency other than United States dollar, are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Foreign exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Equity items are translated at the exchange rates at the date of transactions and foreign exchange differences arising, if any, are accumulated directly in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Where there is no change in the proportionate percentage interest in an entity then there has been no disposal or partial disposal and accumulated exchange differences attributable to the Group are not reclassified to profit or loss.

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

### Retirement benefits

The Group makes contributions to the personal pension schemes for some of its employees and Directors. Payments to these schemes are charged as an expense in the income statement in respect of pension costs payable in the year.



## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

#### Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted at the reporting date.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### Discontinued operations

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

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

## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

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

#### **Investments and other financial instruments**

##### ***Recognition of financial assets and financial liabilities***

Financial assets and financial liabilities are recognised on the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss.

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

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

##### ***Derecognition of financial assets and financial liabilities***

The Group derecognises a financial asset only when the contractual rights to cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for the amount it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

##### ***Financial assets at fair value through profit or loss***

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

##### ***Impairment of financial assets***

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

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

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

## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

#### **Trade and other receivables**

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

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

#### **Cash and cash equivalents**

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

#### **Trade and other payables**

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

#### **Equity instruments**

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

The costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided.

#### **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic resources will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### **Decommissioning**

Provision for decommissioning is recognised in full when the related assets are installed. The decommissioning provision is calculated as the net present value of the Group's share of the expenditure expected to be incurred at the end of the life of the asset. The cost of recognising the decommissioning provision is included as part of the cost of the relevant asset and is thus charged to the income statement in accordance with the Group's policy for depreciation of property, plant and equipment or for impairment of intangible exploration and evaluation assets, depending upon the stage of the assets at the time of retirement. Periodic charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

#### **Fair value measurement**

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

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

## Notes to the Financial Statements

continued

### 3. Significant Accounting Policies continued

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

#### Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment for all grants of equity instruments.

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

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

The grant by the Company of options and share-based compensation plans over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

#### Operating expenses

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

#### Development expenses

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

#### Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments and making strategic decisions, has been identified as the Board of Directors.

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

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## Notes to the Financial Statements

continued

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The following are the critical judgements and estimations that the Directors have made in the process of applying the Group's and Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

#### **Recoverability of intangible exploration and evaluation assets – Group**

Determining whether an exploration and evaluation asset is impaired requires an assessment of whether there are any indicators of impairment, including by reference to specific impairment indicators prescribed in IFRS 6 *Exploration for and Evaluation of Mineral Resources*. If there is any indication of potential impairment, an impairment test is required based on the recoverable amount of the asset. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

At 31 December 2019, the Directors considered the indicators of impairment as set out in IFRS 6 and have satisfied themselves that there was no requirement to perform an impairment test.

During the year ended 31 December 2019, the Group completed a restructure of the Paradox project and entered into a new agreement with its partner RSOC. The agreement enables the Group to focus on a potentially highly economic core acreage position which contains multiple high-priority drilling targets whilst also allowing the Group to reduce the overall cost of maintaining the project. The Group is now focusing on this core acreage whilst also recognising further exploration potential in five shallower reservoir targets which could add even further value to the project over time. The Board believes that the restructured project is a highly attractive investment opportunity and ensures that the project will remain a central part of the Group's future focus and activity.

The carrying amount of intangible exploration and evaluation assets at the balance sheet date was US\$13.5 million (2018: US\$13.1 million) and the Directors did not consider that it was appropriate to make a provision for impairment in respect of these assets at 31 December 2019.

#### **Recoverability of loans to subsidiary undertakings – Company only**

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

In accordance with IFRS 9 Financial instruments, as the subsidiary undertakings cannot repay the loans at the reporting date, the Board has made an assessment of expected credit losses ("ECL"). Having considered multiple scenarios on the manner, timing, quantum and probability of recovery of the receivables, a cumulative lifetime ECL of US\$31.2 million has been recognised at 31 December 2019 (2018: US\$30.2 million).

## Notes to the Financial Statements

continued

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

The calculation of the allowance for lifetime ECL requires a significant degree of estimation and judgement, in particular in determining the probability weighted likely outcome for each scenario considered. The Directors' assessment of ECL included repayment through future cash flows over time (which are inherently difficult to forecast for the Group at its current stage of development), the amount that could be realised through an immediate sale of the subsidiary undertakings or its underlying assets and the loss that would arise should commercial extraction not occur. The Directors' assessment of repayment through future cash flows included a scenario where the loan was not recovered in full. The Directors' allocated a probability weighting of 65% to scenarios where recovery would be repayment over time, 10% to the scenario where immediate sale of the subsidiary undertaking or its underlying assets was contemplated, and 25% to the scenario where no extraction would occur.

At 31 December 2019, the Company has total loans in its directly held subsidiaries of US\$46.4 million (2018: US\$43.2 million) See note 18.

The outcome of any assessment is materially sensitive to the key assumptions inherent in the calculation and any downside in these estimates would result in an additional impairment of the underlying loans.

### 5. Segmental Information

Subsequent to the discontinuance of the Group's uranium and copper operations during the year (the 'discontinued operations') the Group has one main operating segment, the exploration and development of O&G resources, which is primarily based in U.S.A. This division is the basis on which the Group reports its segmental information.

Segmental information about this division is presented below.

	2019 US\$'000	Restated 2018 US\$'000
<b>Income statement</b>		
<b>Segmental results</b>		
O&G	(1,294)	687
Total segmental results	(1,294)	687
Unallocated results	(1,717)	(1,665)
Loss after taxation from continuing operations	(3,011)	(978)
Discontinued operations, net of tax	1,987	1,077
(Loss)/profit after taxation	(1,024)	99

The unallocated results of US\$1.7 million (2018: US\$1.7 million) include costs associated with the development of new projects, Directors remuneration and other general and administrative costs incurred by the Company only.

## Notes to the Financial Statements

continued

### 5. Segmental Information continued

	2019 US\$'000	2018 US\$'000
<b>Depreciation</b>		
O&G	24	5
Unallocated results	11	–
	35	5

	2019 US\$'000	Restated 2018 US\$'000
<b>Net foreign exchange (gains)/losses</b>		
O&G	795	(1,065)
Unallocated	24	(17)
Discontinued operations	(1,912)	895
	(1,093)	(187)

#### Employees

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

	2019 Number	Restated 2018 Number
O&G	1	1
Discontinued operations	–	1
Total segmental employees	1	2
Unallocated employees	2	2
Total employees	3	4

	2019 US\$'000	Restated 2018 US\$'000
<b>Balance Sheet</b>		
<b>Segment assets</b>		
O&G	13,586	13,244
Total segmental assets	13,586	13,244
Unallocated assets including cash and cash equivalents	1,236	1,089
Continuing operations	14,822	14,333
Discontinued operations	–	343
Total assets	14,822	14,676

## Notes to the Financial Statements

continued

### 5. Segmental Information continued

	2019 US\$'000	Restated 2018 US\$'000
<b>Segmental liabilities</b>		
O&G	171	219
Total segmental liabilities	171	219
Unallocated liabilities	381	154
Continuing operations	552	373
Discontinued operations	–	14
Total liabilities	552	387
<b>Segmental net assets</b>		
O&G	13,415	13,025
Total segmental net assets	13,415	13,025
Unallocated net assets including cash and cash equivalents	855	935
Discontinued operations	–	329
Total net assets	14,270	14,289
	2019 US\$'000	Restated 2018 US\$'000
<b>Additions to intangible assets</b>		
O&G	401	1,050
Discontinued operations	–	4
	401	1,054

### 6. Development Expenses

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
U.S.A.	206	178

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



## Notes to the Financial Statements

continued

### 7. Impairment of Financial Assets

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
Other receivables	201	–

At 31 December 2018, classified within other receivables, the Group's balance sheet included the sum of US\$0.2 million, in respect of a loan made to Magellan Gold Corporation ("Magellan"). The loan was made to facilitate completion of the sale of its Mexico assets, is non-interest bearing and due for repayment when Magellan recovers indirect tax incurred in Mexico upon acquisition of the Group's ore processing mill in the year ended 31 December 2017. See note 14.

In accordance with IFRS 9 Financial instruments, whilst the Board intends to pursue repayment of the loan in full, it has assessed expected credit losses ("ECL") and, having considered the current trading position of Magellan within Mexico, a cumulative lifetime ECL of US\$ 0.2 million has been recognised at 31 December 2019 (2018: nil).

### 8. Fair Value Loss on Investments

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
Change in fair value of investments	–	284

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan, which resulted in the disposal of the majority of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. See note 14. The consideration for the transaction, which completed on 1 December 2017, included US\$0.5 million in restricted common stock in Magellan. By reference to the quoted price of Magellan stock, the Directors considered that the fair value of the stock at 31 December 2018 was US\$0.2 million, which approximated to its market value at that date of US\$0.31 million. This resulted in a charge of US\$0.3 million in respect of the change in fair value during the year ended 31 December 2018.

The Group completed the sale of its holding in Magellan during the year ended 31 December 2019. See note 18.

### 9. Finance Income

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
Interest on bank deposits	–	3

## Notes to the Financial Statements

continued

### 10. Loss before Taxation

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

	Continuing 2019 US\$'000	Restated Continuing 2018 US\$'000
Other income	(20)	–
Impairment of receivables	201	–
Depreciation of property, plant and equipment	5	5
Depreciation of right-of-use assets	30	–
Staff costs excluding share-based payments	747	526
Share-based payments	100	172
Operating leases – land and buildings	–	24
Expense relating to short-term leases	19	–
Net foreign exchange losses/(gains)	819	(1,082)

### 11. Auditor's Remuneration

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

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
<b>Audit of these financial statements</b>	46	54
<b>Amounts receivable by the Company's auditor and its associates in respect of:</b>		
Audit of financial statements of subsidiaries of the Company	5	10
Taxation services – compliance	11	6
	62	70

### 12. Staff Costs

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

	Group		Company	
	Continuing 2019 Number	Restated Continuing 2018 Number	Continuing 2019 Number	Continuing 2018 Number
Office and management	2	2	2	2
Operations	1	1	1	1
	3	3	3	3

## Notes to the Financial Statements

continued

### 12. Staff Costs continued

Their aggregate remuneration comprised:

	Group		Company	
	Continuing 2019 US\$'000	Restated Continuing 2018 US\$'000	Continuing 2019 US\$'000	Continuing 2018 US\$'000
Wages and salaries	688	512	553	483
Social security costs	73	60	64	58
Other pension costs	30	36	30	36
Share-based payments	62	118	62	83
	853 <sup>(1)</sup>	726	709	660

<sup>(1)</sup> A proportion of staff costs were deferred during the year. See note 30.

Included within Group wages and salaries is US\$0.04 million (2018: US\$0.08 million) capitalised to intangible exploration and evaluation assets.

Included within Company wages and salaries is US\$0.2 million (2018: US\$0.1 million) which was recharged to other Group entities.

Included within both Group and Company wages and salaries are the sums of US\$0.06 million in respect of pay in lieu of notice and US\$0.03 million in respect of an ex-gratia payment made to a former Director.

The remuneration of certain Company Directors is paid through a subsidiary entity and is therefore not included in the Company only aggregate remuneration.

Refer to note 30 for details regarding the remuneration of the highest paid Director.

### 13. Taxation

	2019 US\$'000	2018 US\$'000
<b>Current tax:</b>		
Current year	–	–
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	–	–
Tax charge on loss for the year	–	–

## Notes to the Financial Statements

continued

### 13. Taxation continued

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

	Continuing 2019 US\$'000	Restated Continuing 2018 US\$'000
Loss before tax	(3,011)	(978)
Loss multiplied by the rate of corporation tax for UK companies of 19% (2018: 19%)	(572)	(186)
Effects of:		
Expenses/(income) not deductible/chargeable for tax purposes	38	(19)
Share-based payments	19	33
Unrelieved tax losses carried forward	515	172
Tax charge on loss for the year	–	–

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

Unrelieved tax losses carried forward, as detailed in note 24, have not been recognised as a deferred tax asset as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future. The losses must be utilised in relation to the same operations.

### 14. Discontinued Operations

#### Mexico Mining Operations

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan, which resulted in the disposal of the majority of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. The transaction completed on 1 December 2017.

The Mexico operations were treated as discontinued operations in the year ended 31 December 2018, and together with additional winding up costs related to the disposal incurred during the year ended 31 December 2019, have been shown within a single amount on the face of the consolidated income statement.

#### U.S.A. Uranium and Copper Exploration

Whilst all remaining licences relating to the Group's U.S.A. copper projects had previously been relinquished, AVEN Associates LLC, the Group's U.S.A. copper exploration company finally ceased all activity and was closed during the year ended 31 December 2018.

During the year ended 31 December 2019, the Group further relinquished its remaining uranium projects and VANE Minerals (US) LLC, the Group's U.S.A. uranium exploration company ceased all activity and was closed.

In accordance with IAS 21, all cumulative translation reserves relating to the entity have been recycled to the profit or loss, and the results have been disclosed as a single amount within the results of discontinued operations for the year ended 31 December 2019. The income statement for the prior period has been restated to conform to this presentation.

## Notes to the Financial Statements

continued

### 14. Discontinued Operations continued

#### Loss from discontinued operations, net of tax

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

	2019 US\$'000	2018 US\$'000
<b>Mexico Mining Operations</b>		
Expenses	(55)	(36)
Gain on disposal of property, plant and equipment	–	6
Foreign exchange gains	11	–
Recycled currency translation differences, net of tax	–	11
Loss from discontinued operations, net of tax	(44)	(19)
	2019 US\$'000	Restated 2018 US\$'000
<b>U.S.A. Uranium and Copper Exploration</b>		
Other income	–	264
Expenses	(24)	(48)
Impairment of intangible exploration and evaluation assets	–	(4)
Gain on disposal of property, plant and equipment	5	–
Gain on disposal of intangible exploration and evaluation assets	122	–
Fair value gain on investments	27	–
Foreign exchange (losses)/gains	(8)	70
Recycled currency translation differences, net of tax	1,909	814
Profit from discontinued operations, net of tax	2,031	1,096
	2019 US\$'000	Restated 2018 US\$'000
<b>Total Discontinued Operations</b>		
Loss from Mexico mining operations	(44)	(19)
Profit from U.S.A. uranium and copper exploration	2,031	1,096
Profit from discontinued operations, net of tax	1,987	1,077
	2019 US\$'000	Restated 2018 US\$'000
<b>Profit per Ordinary Share</b>		
Basic and diluted, cents per share	1.15	0.82

During the year, the discontinued operations contributed US\$0.1 million outflow (2018: US\$0.05 million outflow) to the Group's net cash outflow from operating activities, US\$0.4 million inflow (2018: US\$0.05 million inflow) to inflow from investing activities and US\$ nil (2018: US\$ nil) to net cash inflow from financing activities.

## Notes to the Financial Statements

continued

### 15. (Loss)/Profit per Ordinary Share

Basic (loss)/profit per Ordinary Share is calculated by dividing the net (loss)/profit for the year attributable to owners of the parent company by the weighted average number of Ordinary Shares in issue during the year. The calculation of the basic and diluted (loss)/profit per Ordinary Share is based on the following data:

	Continuing operations 2019 US\$'000	Continuing and discontinued operations 2019 US\$'000	Restated Continuing operations 2018 US\$'000	Continuing and discontinued operations 2018 US\$'000
<b>(Losses)/profits</b>				
(Losses)/profits for the purpose of basic profit/(loss) per Ordinary Share being net (loss)/profit attributable to owners of the parent company	(3,011)	(1,024)	(978)	99
	Number '000	Number '000	Number '000	Number '000
<b>Number of shares</b>				
Weighted average number of shares for the purpose of basic (loss)/profit per Ordinary Share	172,550	172,550	131,814	131,814
<b>(Loss)/profit per Ordinary Share</b>				
Basic and diluted, cents per share	(1.74)	(0.59)	(0.74)	0.08

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

## Notes to the Financial Statements

continued

### 16. Intangible Assets

	Exploration and evaluation assets US\$'000
<b>Cost</b>	
At 1 January 2018	17,863
Additions	1,054
Exchange differences	1
At 1 January 2019	18,918
Additions	401
Disposals – discontinued operations	(5,770)
At 31 December 2019	13,549
<b>Impairment</b>	
At 1 January 2018	5,765
Impairment charge	4
Exchange differences	1
At 1 January 2019	5,770
Disposals – discontinued operations	(5,770)
At 31 December 2019	–
<b>Carrying amount</b>	
At 31 December 2019	13,549
At 31 December 2018	13,148
At 1 January 2018	12,098

#### Rockies Standard Agreement

In March 2014, the Group signed an agreement under which its subsidiary, Rose Petroleum (Utah) LLC (“Rose Utah”), acquired the right to commence earning into a 75 per cent working interest of certain oil, gas and hydrocarbon leases in Grand and Emery Counties, Utah, from Rockies Standard Oil Company LLC (“RSOC”), which retained the remaining 25 per cent working interest.

In October 2019, the Group signed a new agreement with RSOC which gave it an immediate 75 per cent working interest ownership and operatorship of key acreage. This agreement replaced the earn-in structure of the original agreement and gave the Group immediate ownership of the highest potential 12,920 lease acres. The Group has terminated its remaining farm-in rights over less prospective acreage and has reassigned those rights back to RSOC.

The Group retains its obligations under the original earn-in agreement to carry RSOC for a 25 per cent working interest on the first well drilled on the project and has also agreed to carry RSOC for a 25 per cent working interest for the acquisition of specified targeted leases in and around the core acreage area, in aggregate, up to a total of US\$0.5 million. It is the current view of both the Group and RSOC that the final figure will be considerably lower and any payments would be incurred over an extended period of time.

Costs incurred by the Group under both the original farm-in agreement and the revised agreement are accounted for as required by the relevant accounting standards, including the capitalisation of intangible exploration and evaluation assets in accordance with IFRS 6.

## Notes to the Financial Statements

continued

### 16. Intangible Assets continued

The Group's total expenditure in respect of its U.S.A. O&G assets, included within intangible exploration and evaluation assets, as at 31 December 2019 is US\$13.5 million (2018: US\$13.1 million).

#### U.S.A. Uranium Projects

The US\$5.5 million carrying value of the Group's U.S.A. uranium projects was impaired in full at 31 December 2018. During the year ended 31 December 2019, the Group agreed the sale of its Eastern Star property and relinquished its interest in all other assets. These have now been classified as discontinued operations. See note 14.

#### Tango Project

On 25 August 2014, Minerales VANE S.A. de C.V., a wholly owned subsidiary of the Group, entered into an agreement with Minera Camargo S.A de C.V. ("Camargo"), in respect of both gold and silver and base metal exploration.

No expenditure on this project has been incurred in either of the years presented and the US\$0.3 million carrying value of these assets was impaired in full at 31 December 2018.

During the year ended 31 December 2019, the Group relinquished its interest in these assets which have now been classified as discontinued operations. See note 14.

#### U.S.A. Copper Projects

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

#### Impairment of Intangible Exploration and Evaluation Assets

At 31 December 2019, the Directors considered the indicators of impairment as set out in IFRS 6 and have satisfied themselves that there was no requirement to perform an impairment test.

During the year ended 31 December 2019, the Group completed a restructure of the Paradox project and entered into a new agreement with its partner RSOC. The agreement enables the Group to focus on a potentially highly economic core acreage position which contains multiple high-priority drilling targets whilst also allowing the Group to reduce the overall cost of maintaining the project. The Group is now focusing on this core acreage whilst also recognising further exploration potential in five shallower reservoir targets which could add even further value to the project over time. The Board believes that the restructured project is a highly attractive investment opportunity and ensures that the project will remain a central part of the Group's future focus and activity.

As a result, the Directors did not consider that it was appropriate to make a provision for impairment in respect of these assets at 31 December 2019.



## Notes to the Financial Statements

continued

### 17. Property, Plant and Equipment

	Plant and machinery US\$'000	Group Right-of-use assets US\$'000	Total US\$'000	Plant and machinery US\$'000	Company Right-of-use assets US\$'000	Total US\$'000
<b>Cost</b>						
At 1 January 2018	183	–	183	–	–	–
Group transfer	–	–	–	22	–	22
Disposals – discontinued operations	(21)	–	(21)	–	–	–
Derecognition	(3)	–	(3)	–	–	–
At 31 December 2018	159	–	159	22	–	22
Recognition of right-of-use assets on initial application of IFRS 16	–	35	35	–	–	–
Additions – right-of-use assets	–	55	55	–	55	55
At 31 December 2019	159	90	249	22	55	77
<b>Accumulated depreciation</b>						
At 1 January 2018	156	–	156	–	–	–
Charge for the year	5	–	5	–	–	–
Disposals – discontinued operations	(21)	–	(21)	–	–	–
Derecognition	(3)	–	(3)	–	–	–
At 1 January 2019	137	–	137	–	–	–
Charge for the year	5	30	35	5	5	10
At 31 December 2019	142	30	172	5	5	10
<b>Carrying amount</b>						
At 31 December 2019	17	60	77	17	50	67
At 31 December 2018	22	–	22	22	–	22
At 1 January 2018	27	–	27	–	–	–

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

	Continuing 2019 US\$'000	Continuing 2018 US\$'000
Administrative expenses	35	5

## Notes to the Financial Statements

continued

### 17. Property, Plant and Equipment continued

#### **Leases under IFRS 16**

The Group applied IFRS 16 on 1 January 2019, and has now recognised new assets and liabilities in respect of leased office premises in the UK and U.S.A. Until 1 January 2019, leases of property, plant and equipment were classified as operating leases but on application of IFRS 16 are now recognised as right-of-use assets with corresponding lease liabilities. The nature of the expense related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and an interest expense on lease liabilities, where appropriate.

In accordance with the modified retrospective approach, there has been no restatement of comparative information.

The Group has applied the recognition exemption for short-term leases which end within twelve months of the date of initial application. Accordingly, at 1 January 2019, the Group did not recognise one of its UK office leases under IFRS 16 as the remaining lease term was less than twelve months and have accounted for this as an operating expense on a straight-line basis over the term of the lease. A new lease was entered into during the year and has been accounted for under IFRS 16.

Differences between the operating lease commitments disclosed at 31 December 2018 under IAS 17 and lease liabilities recognised at 1 January 2019 are explained below:

	Group US\$'000	Company US\$'000
Minimum operating lease commitments disclosed at 31 December 2018	69	69
Lease omitted from prior year disclosure	35	–
Exclude operating leases exempt under IFRS 16	(69)	(69)
Lease liability recognised at 1 January 2019	35	–

## Notes to the Financial Statements

continued

### 18. Investments

	Group Investment carried at fair value US\$'000	Investment carried at fair value US\$'000	Company Shares in subsidiary undertakings US\$'000	Loans to subsidiary undertakings US\$'000	Total US\$'000
<b>Cost</b>					
At 1 January 2018	500	500	5,256	43,296	49,052
Additions	264	–	–	2,565	2,565
Change in fair value	(284)	(284)	–	–	(284)
Capital contribution	–	–	–	(197)	(197)
Exchange differences	(16)	(16)	(294)	(2,453)	(2,763)
At 1 January 2019	464	200	4,962	43,211	48,373
Additions	–	–	–	1,397	1,397
Disposals – continuing operations	(200)	(200)	–	–	(200)
Disposals – discontinued operations	(302)	–	–	–	–
Change in fair value	27	–	–	–	–
Capital contribution	–	–	–	18	18
Exchange differences	11	–	199	1,744	1,943
At 31 December 2019	–	–	5,161	46,370	51,531
<b>Impairment</b>					
At 1 January 2018	–	–	5,002	30,498	35,500
Impairment charge	–	–	(136)	1,459	1,323
Exchange differences	–	–	(274)	(1,770)	(2,044)
At 1 January 2019	–	–	4,592	30,187	34,779
Impairment charge	–	–	370	(218)	152
Exchange differences	–	–	198	1,201	1,399
At 31 December 2019	–	–	5,160	31,170	36,330
<b>Carrying amount</b>					
Non-current assets	–	–	1	15,200	15,201
At 31 December 2019	–	–	1	15,200	15,201
<b>Carrying amount</b>					
Non-current assets	–	–	370	13,024	13,394
Current assets	464	200	–	–	200
At 31 December 2018	464	200	370	13,024	13,594

#### Group

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan, which resulted in the disposal of the majority of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. See note 14. The consideration for the transaction, which completed on 1 December 2017, included US\$0.5 million in restricted common stock in Magellan. By reference to the quoted price of Magellan stock, the Directors considered that the fair value of the stock at 31 December 2018 was US\$0.2 million, which approximated to its market value at that date of US\$0.31 million. This resulted in a charge of US\$0.3 million in respect of the change in fair value during the year ended 31 December 2018. The Group completed the sale of its holding in Magellan during the year ended 31 December 2019 for US\$0.2 million.

## Notes to the Financial Statements

continued

### 18. Investments continued

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

The Group recognised the ENCORE shares as investments at fair value through the profit or loss, with a corresponding credit to other income during the year ended 31 December 2018, now presented within discontinued operations. The Group disposed of its entire holding in ENCORE during the year ended 31 December 2019 for US\$0.3 million, with a fair value gain being recognised within discontinued operations. See note 15.

#### Company

The Company investment at fair value in the prior year relates to the Magellan Stock Purchase Agreement described above.

The Company has outstanding loans made to its subsidiaries which incur interest at a commercial rate, according to the Group’s inter-company loan policy. The loans are due for repayment once the subsidiaries commence revenue-generating activities which is not anticipated within the next twelve months and, therefore the loans are presented within non-current assets. The Board has assessed the recoverability of the loans and investments based on the expected future cash flows arising to the Company from its subsidiary entities and consider that a provision of US\$0.15 million (2018: US\$1.3 million) should be recognised in the period.

The Company had investments in the following subsidiary undertakings as at 31 December 2019:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
<b>Directly owned:</b>				
VANE Minerals (UK) Limited	UK	100%	100%	Holding company
Rose Petroleum (UK) Limited	UK	100%	100%	Holding company
<b>Indirectly owned:</b>				
Minerales VANE S.A. de C.V.	Mexico	100%	100%	Mining
Rose Petroleum (US) LLC	U.S.A.	100%	100%	Holding company
Rose Petroleum (Utah) LLC	U.S.A.	100%	100%	Exploration

During the year ended 31 December 2019, the Group closed VANE Minerals (US) LLC, which previously held the Group’s U.S.A. uranium assets. Expenditure incurred has been classified as discontinued operations, and primarily comprises costs of cessation and recycling of foreign currency reserves through profit or loss. See note 14.

During the year ended 31 December 2019, Naab Energie GmbH which previously held the Group’s German licences was legally dissolved.

The Group also closed Rose Cuba Limited, Rose Resources Limited and Rose Gypsum Limited, companies which had been dormant since incorporation.

## Notes to the Financial Statements

continued

### 18. Investments continued

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

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

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

### 19. Trade and Other Receivables

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
VAT recoverable	29	28	29	17
Tax recoverable	–	48	–	–
Other receivables	2	267	–	195
Prepayments & accrued income	81	83	60	52
	112	426	89	264

At 31 December 2018, other receivables included the sum of US\$0.2 million in respect of a loan made to Magellan. The loan was made to facilitate completion of the sale of its Mexico assets, is non-interest bearing and due for repayment when Magellan recovers indirect tax incurred in Mexico upon acquisition of the Group's ore processing mill in the year ended 31 December 2017. In accordance with IFRS 9 Financial instruments, whilst the Board intends to pursue repayment of the loan in full, it has assessed expected credit losses ("ECL") and, having considered the current trading position of Magellan within Mexico, a cumulative lifetime ECL of US\$ 0.2 million has been recognised at 31 December 2019 (2018: nil). See note 7.

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

### 20. Cash and Cash Equivalents

Cash and cash equivalents held by the Group and the Company as at 31 December 2019 were US\$1.1 million and US\$1.1 million respectively (2018: US\$0.6 million, US\$0.6 million). The Directors consider that the carrying amount of these assets approximate to their fair value.

### 21. Trade and Other Payables

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Trade payables	84	160	73	39
Taxes and social security	17	22	17	22
Other payables	115	116	1	–
Accruals	226	89	122	87
	442	387	213	148

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

## Notes to the Financial Statements

continued

### 21. Trade and Other Payables continued

Other payables primarily represent the potential liability due to the German licencing authorities in respect of the relinquished hydrocarbon licences in south-western Germany. The Group has continued to recognise the remaining potential liability although it continues to negotiate further reductions with the German licencing authorities.

No interest is generally charged on balances outstanding.

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

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

### 22. Lease Liabilities

The Group applied IFRS 16 on 1 January 2019, and has now recognised new assets and liabilities in respect of its leases of office facilities. See note 17.

The Group has applied the recognition exemption for short-term leases which end within twelve months of the date of initial application, and have accounted for these as an operating expense on a straight-line basis over the term of the lease.

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
Current	45	–	35	–
Non-current	8	–	8	–
	53	–	43	–

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Maturity analysis</b>				
Amounts due within one year	45	–	35	–
Amounts due in 2-5 years	8	–	8	–
	53	–	43	–

The Group does not face a significant liquidity risk with regard to lease liabilities.

## Notes to the Financial Statements

continued

### 23. Deferred Tax

There are unrecognised deferred tax assets in relation to:

	2019 US\$'000	2018 US\$'000
UK tax losses	5,372	5,178
U.S.A. tax losses	7,173	16,367
Mexican tax losses	337	511
	12,882	22,056

Reductions to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 which would reduce the main rate to 17% from 1 April 2020. However, in a pre-election manifesto Boris Johnson pledged to put the reduction from 19% to 17% on hold if the Conservatives won the election and having done so, the freeze in rate was substantively enacted during the 2020 Budget. A deferred tax asset has not been provided in respect of these losses as there is currently insufficient evidence that the asset will be recoverable in the foreseeable future.

### 24. Provisions

	Group decommissioning	
	2019 US\$'000	2018 US\$'000
At 1 January	–	–
Additions	57	–
At 31 December	57	–
Non-current provision	57	–

In accordance with the Group's environmental policy and applicable legal requirements, the Group expects to restore sites where it has carried on activities, following final conclusion of those activities.

Under the terms of the revised agreement with RSOC, the Group acquired ownership of the State 16-42 well including all restoration obligations in respect of this asset. Restoration is not expected to take place within the next twelve months.

### 25. Share Capital

	Group and Company			
	2019			2018
	Number '000	US\$'000	Number '000	US\$'000
<b>Authorised</b>				
Ordinary Shares of 0.1p each	7,779,297	10,323	7,779,297	9,926
Deferred Shares of 9.9p each	227,753	29,921	227,753	28,768
	8,007,050	40,244	8,007,050	38,694
<b>Allotted, issued and fully paid</b>				
Ordinary Shares of 0.1p each	287,112	383	143,414	199
Deferred Shares of 9.9p each	227,753	40,305	227,753	40,305
	514,865	40,688	371,167	40,504

## Notes to the Financial Statements

continued

### 25. Share Capital continued

The Deferred Shares are not listed on AIM, do not give the holders any right to receive notice of, or to attend or vote at, any general meetings, have no entitlement to receive a dividend or other distribution or any entitlement to receive a repayment of nominal amount paid up on a return of assets on a winding up nor to receive or participate in any property or assets of the Company. The Company may, at its option, at any time redeem all of the Deferred Shares then in issue at a price not exceeding £0.01 from all Shareholders upon giving not less than 28 days' notice in writing.

#### Issued ordinary share capital

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

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

On 30 May 2019, the Company issued 25,000,000 Ordinary Shares of 0.1p each at a price of 1.2p per share, raising gross proceeds of US\$0.4 million (£0.3 million).

On 28 August 2019, the Company issued 2,500,000 Ordinary Shares of 0.1p each at a price of 0.6p per share, raising gross proceeds of US\$0.018 million (£0.015 million).

On 8 November 2019, the Company issued 31,182,780 Ordinary Shares of 0.1p each at a price of 1.1p per share, raising gross proceeds of US\$0.4 million (£0.35 million).

On 22 November 2019, the Company issued 82,453,584 Ordinary Shares of 0.1p each at a price of 1.1p per share, raising gross proceeds of US\$1.2 million (£0.9 million).

On 22 November 2019, the Company issued 1,325,757 Ordinary Shares of 0.1p each at a price of 1.1p per share, raising gross proceeds of US\$0.019 million (£0.015 million).

On 9 December 2019, the Company issued 1,235,545 Ordinary Shares of 0.1p each at a price of 1.1p per share, raising gross proceeds of US\$0.018 million (£0.014 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2018	112,645	227,753
Allotment of shares	30,769	–
At 1 January 2019	143,414	227,753
Allotment of shares	143,698	–
At 31 December 2019	287,112	227,753



## Notes to the Financial Statements

continued

### 26. Warrant Reserve

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

In November 2019, the Company undertook a fundraise which resulted in the issue of 31,182,780 Ordinary Shares of 0.1p each on 8 November followed by a further 82,453,584 Ordinary Shares of 0.1p each on 22 November 2019, resulting in the total issue of 113,636,364 Ordinary Shares. See note 25. In respect of this particular share issue, subscribers were also issued warrants to subscribe for 56,818,182 new Ordinary Shares, representing one warrant for every two placing shares. The warrants are exercisable at a price of 2 pence per Ordinary Share for a period of two years from the date of issue.

	Warrants Number '000
At 1 January 2018	3,572
Granted	30,769
At 1 January 2019	34,341
Granted	56,818
At 31 December 2019	91,159

The fair value of the subscriber warrants issued during the year has been calculated using the Black-Scholes model. The significant inputs into the model for the IFRS 2 valuation were as follows:

	Issued in year 56,818,182 warrants
Exercise price (pence)	2
Expected volatility (%)	78
Expected life (years)	2
Risk free rates (%)	0.53
Expected dividends	–
Performance condition	None

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

The fair value of the warrants granted to subscribers during the year was US\$0.2 million (2018: US\$0.3 million), and this has been recognised out of gross proceeds as a warrant reserve within equity.

### 27. Reserves

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

The warrant reserve represents accumulated charges made in respect of the issue of warrants to Shareholders. See note 26.

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

## Notes to the Financial Statements

continued

### 27. Reserves continued

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

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

### 28. Share-Based Payments

#### Equity Settled Share Option Plan

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

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

At 31 December 2019, 11.3 million share options had been granted under the terms of the Share Option Plans and not exercised.

The Company has no legal or constructive obligation to repurchase or settle the options in cash. The latest date for exercise of the options is 6 April 2028 and, unless otherwise agreed, the options are forfeited if the employee or consultant leaves the Group before the options vest, or if those options which have vested are not exercised within three months of leaving.

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

	2019		2018	
	Number of options '000	Weighted average exercise price	Number of options '000	Weighted average exercise price
Outstanding at 1 January	11,267	25.75p	3,799	189.0p
Granted	–	–	7,900	3.5p
Forfeited/cancelled	–	–	(432)	60.65p
Outstanding at 31 December	11,267	25.75p	11,267	25.75p
Exercisable at 31 December	5,300	49.4p	1,967	120.82p

The options outstanding and not yet vested at 31 December 2019 had an estimated weighted average remaining contractual life of 8 years (2018: 9 years), with an exercise price ranging between 3.5p and 14p.

The fair value of the options granted during the year ended 31 December 2018 was US\$0.2 million.

In the year ended 31 December 2019, the Company recognised a total expense of US\$0.1 million (2018: US\$0.2 million) in respect of the Share Option Plan.

## Notes to the Financial Statements

continued

### 28. Share-based payments continued

#### Warrants

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

On 22 November 2019, the Company issued 2,727,273 warrants to TPI, in respect of broker services provided by them in relation to the placing of the Company's shares. The warrants permit the holder to subscribe for one new Ordinary Share at a price of 1.32 pence per share and are exercisable at any time until 22 November 2022. The fair value of the services provided to the Company can be measured directly and, therefore, the fair value of the warrants issued during the year to TPI has been made with reference to the terms of the agreement which stated that the number of warrants issued should be based on 5 per cent of the equity proceeds raised by TPI.

On 26 October 2019, 428,571 warrants issued in previous years lapsed without being exercised. The fair value of the warrants previously recognised was US\$0.05 million and has been recognised as a transfer between equity reserves.

The fair value of the warrants issued during the year was US\$0.05 million (2018: US\$ 0.06 million). In accordance with the Group's accounting policy, the costs of an equity transaction are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that would otherwise have been avoided. As a result, there is no impact on the Group's income statement during the year ended 31 December 2019.

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

	Warrants Number '000
At 1 January 2018	4,054
Granted	1,538
At 1 January 2019	5,592
Granted	2,727
lapsed	(428)
At 31 December 2019	7,891

### 29. Financial Instruments

#### Financial Risk Management Objectives

Management provides services to the business, co-ordinates access to domestic and international financial markets and monitors and manages the financial risks relating to the operations of the Group. These risks include foreign currency risk, credit risk, liquidity risk and cash flow interest rate risk.

The policies for managing these risks are regularly reviewed and agreed by the Board.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

## Notes to the Financial Statements

continued

### 29. Financial Instruments continued

#### Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns, while maximising the return to Shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2018.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to externally imposed capital requirements.

The Group plans its capital requirements on a regular basis and as part of this review the Directors consider the cost of capital and the risks associated with each class of capital.

#### Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3.

#### Categories of financial instruments

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Financial assets measured at amortised cost</b>				
Cash and cash equivalents	1,084	616	1,070	598
Other receivables	2	267	–	195
Loans to subsidiary undertakings	–	–	13,300	13,024
	1,086	883	14,370	13,817

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Financial assets measured at fair value</b>				
Investments				
Hierarchy, Level 1	–	464	–	200

	Group		Company	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Financial liabilities measured at amortised cost</b>				
Trade payables	84	160	73	39
Other payables	115	116	1	–
Lease liabilities	53	–	43	–
Accruals	226	89	122	87
	478	365	239	126

## Notes to the Financial Statements

continued

### 29. Financial Instruments continued

#### Fair value of Financial Instruments

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

#### Foreign Exchange Risk and Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies, with the result that exposure to exchange rate fluctuations arise.

The Group does not normally hedge against the effects of movements in exchange rates. The Group policy is not to repatriate any currency where there is the requirement or obligation to spend in the same denomination. When foreign exchange is required the Group purchases using the best spot rate available. As a result, there is limited currency risk within the Group other than cash and cash equivalents whose functional currency is different to presentation currency.

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

	Liabilities		Assets	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
GBP	114	116	535	354

#### Foreign Currency Sensitivity Analysis

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

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

Sensitivity analysis has been performed to indicate how the profit or loss would have been affected by changes in the exchange rate between GBP and US\$. The analysis is based on the weakening and strengthening of US\$ by five per cent. A movement of five per cent reflects a reasonably positive sensitivity when compared to historical movements over a three to five-year timeframe. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a five per cent change in foreign currency rates.

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

	2019 US\$'000	2018 US\$'000
Income statement	(1,090)	(988)

#### Interest Rate Risk Management

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

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

## Notes to the Financial Statements

continued

### 29. Financial instruments continued

#### Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flow.

#### Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure on trade and other receivables.

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

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

The credit risk on liquid funds (cash) is considered to be limited because the counterparties are financial institutions with high and good credit ratings assigned by international credit-rating agencies.

### 30. Related Party Transactions

#### Amounts due from Subsidiaries

##### Group

Balances and transactions between the Company and its subsidiaries which are related parties, have been eliminated on consolidation and are not disclosed in this note.

##### Company

The Company has entered into a number of unsecured related party transactions with subsidiary undertakings. The most significant transactions carried out between the Company and their subsidiary undertakings are management charges for services provided to the subsidiary company and long-term financing. Details of these transactions are as follows:

	2019		2018	
	Transactions in the year US\$'000	Amounts owing US\$'000	Transactions in the year US\$'000	Amounts owing US\$'000
Loans	386	34,662	1,164	32,956
Management charges	630	5,137	749	4,309
Interest (1.75%)	356	5,558	685	4,989
Capital contribution	18	1,013	(197)	957

## Notes to the Financial Statements

continued

### 30. Related Party Transactions continued

#### Remuneration of Key Management Personnel

The remuneration of key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2019		2018	
	Purchase of services US\$'000	Amounts owing US\$'000	Purchase of services US\$'000	Amounts owing US\$'000
Short-term employee benefits	622	125	444	–
Ex-gratia payment	32	–	–	–
Consultancy payments	20	–	54	6
Post-employment benefits	26	9	34	2
Share-based payments	59	–	107	–
	759	134	639	8

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

All transactions with related parties have been conducted on an arm's length basis.

#### Directors' emoluments

Remuneration paid to Directors during the year was as follows:

	Emoluments entitlement US\$'000	2019		Consultancy US\$'000	Ex-gratia US\$'000	Pension US\$'000	Total US\$'000
		Emoluments <sup>(1)</sup> taken US\$'000	Emoluments <sup>(1)</sup> not taken US\$'000				
<b>Executive Directors</b>							
JC Harrington	325	54 <sup>(2)</sup>	80 <sup>(2)</sup>	–	–	–	134
MC Idiens	192	197 <sup>(3)</sup>	–	–	32	13	242
CJ Eadie	130	137	–	–	–	13	150
KB Scott	13	–	–	4 <sup>(4)</sup>	–	–	4
<b>Non-executive Directors</b>							
PE Jeffcock	32	17 <sup>(5)</sup>	–	–	–	–	17
RL Grant	65	11 <sup>(6)</sup>	19 <sup>(6)</sup>	–	–	–	30
TH Reynolds	46	20 <sup>(7)</sup>	12 <sup>(7)</sup>	–	–	–	32
GB Stein	46	8 <sup>(8)</sup>	7 <sup>(8)</sup>	–	–	–	15
	849	444	118	4	32	26	624

<sup>(1)</sup> Emoluments include benefits-in-kind which are not included in emoluments entitlement

<sup>(2)</sup> Emolument from the date of appointment on 24 May 2019

<sup>(3)</sup> Emolument to the date of resignation on 30 August 2019, including pay in lieu of notice

<sup>(4)</sup> Emolument to the date of resignation on 23 April 2019

<sup>(5)</sup> Emolument to the date of resignation on 11 April 2019

<sup>(6)</sup> Emolument from the date of appointment on 27 June 2019

<sup>(7)</sup> Emolument from the date of appointment on 23 April 2019

<sup>(8)</sup> Emolument from the date of appointment on 3 September 2019

## Notes to the Financial Statements

continued

### 30. Related party Transactions continued

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

<sup>(1)</sup> Emoluments include benefits-in-kind which are not included in emoluments entitlement

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

Directors' share options are detailed in the Directors Report.

#### Directors' pensions

	2019 No.	2018 No.
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	2	3

### 31. Post Balance Sheet Events

Following the year end, and the outbreak of Coronavirus (COVID-19), the priority of the Board has been on the health and safety of its employees and technical staff. Like many organisations, plans have been implemented and active measures have been taken to mitigate risk, such as no one-to-one contact and a move to virtual meetings. The Board is also in frequent contact with the Group's partners and technical team to assess any potential impact on the Group's assets.

We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders. To date the Group's activities have continued in line with plans and with minimal impact from COVID-19. However, the Board recognises COVID-19 and associated geo-political factors have created uncertainty around the price and demand for oil.

The long-term dynamics of the Group's intangible exploration and evaluation assets held in the U.S.A. remain strong and the Board does not consider that any impairment of these assets is likely as a result of COVID-19. However, the Board continues to monitor the situation closely and will, through consultation with its stakeholders, make any appropriate adjustments as and when required.



## Important information regarding the Annual General Meeting

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In the lead up to the annual general meeting, we are closely monitoring the impact of the COVID-19 virus in the United Kingdom.

Currently, Shareholders are strongly advised to not attend the annual general meeting given the Stay at Home Measures currently in force to limit the spread of COVID-19. Shareholders who do seek to attend the general meeting will not be admitted to the meeting. Although this is an unusual step we will be minimising contact between Shareholders and our Board members. We are planning to conduct the meeting with the minimum necessary quorum of two Shareholders present in person or by proxy. Social distancing measures will be in place. Shareholders are therefore encouraged to submit a form of proxy accompanying this notice ("Form of Proxy") by following the instructions in the Notes to the annual general meeting. Proxy votes must be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting.

Shareholders are urged to appoint the Chair of the meeting as his or her proxy in light of the COVID-19 virus. Shareholders and their proxies will (other than the chairperson) not be allowed to attend the meeting in person.

The Board understands that beyond voting on the formal business of the meeting, the general meeting also serves as a forum for Shareholders to raise questions and comments to the Board. Therefore, if Shareholders do have any questions or comments relating to the business of the meeting that they would like to ask the Board then they are asked to submit those questions in writing via email to [chris.eadie@rosepetroleum.com](mailto:chris.eadie@rosepetroleum.com) no later than 2 p.m. on 27 June 2020. The Board will publish a summary of any questions received which are of common interest, together with a written response on the Company's website as soon as practicable after the conclusion of the annual general meeting. Only questions from registered Shareholders of the Company will be accepted.

If you need help with completing the Form of Proxy, please contact Chris Eadie by email – [chris.eadie@rosepetroleum.com](mailto:chris.eadie@rosepetroleum.com).

## Notice of Annual General Meeting

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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Rose Petroleum plc (“**Company**”) will be held at the offices of the Company at First Floor, Newmarket House, Market Street, Newbury, Berks, RG14 5DP, United Kingdom on 29 July 2020 at 2 p.m. to consider and, if thought fit, pass the following resolutions (“**Resolutions**” and each a “**Resolution**”), of which Resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and Resolutions 6 and 7 will be proposed as special resolutions.

### Ordinary Resolutions

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1. To receive and adopt the annual report and accounts for the year ended 31 December 2019, together with the reports of the Directors and the auditor thereon.
2. To re-elect Mr Christopher John Eadie, who retires by rotation, as a Director.
3. To re-elect Mr Gordon Bowman Stein as a Director who was appointed since the previous annual general meeting of the Company.
4. To re-appoint RSM UK Audit LLP as auditor to act as such until the conclusion of the next annual general meeting of the Company at which the requirements of section 437 of the Companies Act 2006 (“**CA 2006**”) are complied with and to authorise the Directors of the Company to fix its remuneration.
5. That the Directors be generally and unconditionally authorised in accordance with section 551 of the CA 2006 to issue and allot ordinary shares of £0.001 each in the share capital of the Company (“**Ordinary Shares**”) or grant rights to subscribe for or to convert any security into shares in the Company (together “**Rights**”) up to a maximum nominal amount of £200,000 (representing approximately 69.9 per cent. of the issued share capital of the Company), to such persons at such times and on such terms as they think proper, provided that this authority shall, unless renewed, varied or revoked by the Company in general meeting, expire on the date falling 15 months from the date of the passing of this Resolution, or if earlier, at the conclusion of the annual general meeting of the Company in 2021, save that the Company may at any time before such expiry make an offer or agreement which might require Ordinary Shares to be allotted or Rights to be granted after such expiry and the Directors may allot Ordinary Shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority hereby conferred has expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the CA 2006.

### Special Resolutions

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6. That, subject to and conditional upon the passing of Resolution 5 above, the Directors be generally empowered pursuant to section 570 of the CA 2006 to allot equity securities (as defined in section 560 of the CA 2006) for cash as if section 561(1) of the CA 2006 did not apply to any such allotment pursuant to the general authority conferred on them by Resolution 5 above (as varied from time to time by the Company in general meeting) PROVIDED THAT such power shall be limited to:-
  - (a) the allotment of equity securities in connection with a rights issue or any other offer to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings and to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory;
  - (b) the allotment of equity securities pursuant to the terms of any share schemes for Directors and employees of the Company or any of its subsidiaries; and

## Notice of Annual General Meeting

continued

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- (c) the allotment otherwise than pursuant to sub paragraph (a) to (b) (inclusive) above of equity securities up to an aggregate nominal amount of £200,000 representing approximately 69.9 per cent of the issued share capital of the Company,

and the power hereby conferred shall operate in substitution for and to the exclusion of any previous power given to the Directors pursuant to section 570 of the CA 2006 and shall expire on whichever is the earlier of the conclusion of the annual general meeting of the Company in 2021 or the date falling 15 months from the date of the passing of this Resolution (unless renewed varied or revoked by the Company prior to or on that date) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement notwithstanding that the power conferred by this Resolution has expired.

7. That the registered name of the Company be changed to Zephyr Energy PLC.

*Registered Office*

20- 22 Wenlock Road  
London  
N1 7GU

29 June 2020

On behalf of the Board

**CJ Eadie**  
*Company Secretary*

# Notice of Annual General Meeting

continued

## Notes:

The following notes explain your general rights as a Shareholder and your right to attend and vote at this meeting or appoint someone to vote on your behalf. **These notes need to be considered subject to the UK Government's measures that are currently in force to limit the spread of COVID-19.**

## Entitlement to attend and vote

- 1 Only those members registered on the Company's register of members at:
  - 6.00 p.m. 27 July 2020; or,
  - if this annual general meeting is adjourned, as at 6.00 p.m. on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the annual general meeting.

## Appointment of proxies

- 2 A member is ordinarily entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. However, Shareholders are urged to appoint the Chair of the meeting as his or her proxy in light of the COVID-19 virus, as Shareholders and their proxies will not be allowed to attend the meeting in person.
- 3 Your proxy appointment form must be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting.
- 4 A vote withheld is not a vote in law which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the annual general meeting.
- 5 A prepaid form of proxy is enclosed. To be valid any form of proxy and power of attorney or other authority under which it is signed or a notarially certified or office copy of such power of authority must be lodged with the Company's Registrars: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not less than 48 hours before the time appointed for the meeting or any adjourned meeting.
- 6 Under the Company's articles of association, the return of a form of proxy or any CREST Proxy Instruction (as described in note 7 below) will not preclude a member from attending and voting at the meeting in person if he/she wishes to do so. However, in light of the COVID-19 virus situation, Shareholders and their proxies will not be allowed to enter the meeting. Shareholders are urged to appoint the Chair of the meeting as his or her proxy.
- 7 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the annual general meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 8 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (Link Asset Services, ID RA10) not less than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 9 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST proxy instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
- 10 The Company may treat as invalid a CREST proxy instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 11 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

## Notice of Annual General Meeting

continued

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### Changing proxy instructions

- 12 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
- 13 Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Link Asset Services on 0371 664 0391 if calling from the United Kingdom, or +44 (0) 371 664 0391 if calling from outside of the United Kingdom. Calls will be charged at local rate. Calls outside the United Kingdom will be charged at the applicable international rate. The lines are open between 9.00 a.m. and 5.30 p.m., Monday to Friday, excluding public holidays in England and Wales.
- 14 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

### Termination of proxy appointments

- 15 In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the Company or an attorney for the Company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours prior to the meeting.
- 16 If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.
- 17 Appointment of a proxy does not preclude you from attending the annual general meeting and voting in person. If you have appointed a proxy and attend the annual general meeting in person, your proxy appointment will automatically be terminated.

### Corporate representatives

- 18 A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### Issued shares and total voting rights

- 19 As at 6:00 p.m. on 29 June 2020 the Company's issued share capital comprised 287,111,606 Ordinary Shares of £0.001p each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6:00 p.m. on 29 June 2020 is 287,111,606.

### Communication

Except as provided above, members who have general queries about the annual general meeting should contact the Company Secretary at Rose Petroleum plc, 20-22 Wenlock Road, London N1 7GU or on +44 (0) 207 225 4590 (no other methods of communication will be accepted). You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.

# Notice of Annual General Meeting

continued

## Appendix 1

### Explanatory notes to the Notice of Annual General Meeting

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

Resolutions 1 to 5 are proposed as ordinary resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast in person or by proxy must be in favour of the Resolution. Resolutions 6 and 7 are proposed as special resolutions. This means that for this Resolution to be passed, at least three-quarters of the votes cast must be in favour of the Resolutions.

#### Resolution 1

This Resolution is to receive and adopt the Directors' reports and accounts for the year ended 31 December 2019, which accompany this document.

#### Resolutions 2 to 3

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

Mr Gordon Bowman Stein who was appointed since the previous annual general meeting of the Company, is also retiring as a Director at the annual general meeting and is standing for re-appointment.

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

#### Resolution 4

This is a Resolution to appoint RSM UK Audit LLP as auditor of the Company for the financial year ending 31 December 2020 and to authorise the Directors to fix their remuneration.

#### Resolution 5

This Resolution, if passed, would authorise the Directors to allot Ordinary Shares or grant Rights to subscribe for or convert any securities into Ordinary Shares up to an aggregate nominal amount of £200,000, representing approximately 69.9 per cent of the current issued share capital.

The authority being sought in Resolution 5 replaces the authority granted on 21 November 2019.

The authority will expire on the earlier of 15 months from the date the Resolution is passed or the conclusion of the Company's annual general meeting in 2021.

#### Resolution 6

This Resolution, which is conditional upon Resolution 5 being passed, would give the Directors the authority to allot Ordinary Shares (or sell any Ordinary Shares which the Company elects to hold in treasury) for cash without first offering them to existing Shareholders in proportion to their existing shareholding.

This authority would be limited to an aggregate nominal amount of £200,000 (representing approximately 69.9 per cent of the issued ordinary share capital of the Company as at 29 June 2020, being the latest practical date prior to the publication of the notice of the annual general meeting). In order to progress the Group's plans, the Company will need continued access to capital markets and therefore the Directors believe that it is prudent and in the best interests of the Group to obtain this level of share issue authority to provide greater financial and operational flexibility.

## Notice of Annual General Meeting

continued

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As with Resolution 5, the authority being sought pursuant to Resolution 6, replaces the authority granted on 21 November 2019.

The authority and power pursuant to Resolution 6 will expire on the earlier of 15 months from the date of Resolution 6 being passed or the conclusion of the Company's annual general meeting in 2021.

### **Resolution 7**

This is a Resolution to change the registered name of the Company from Rose Petroleum PLC to Zephyr Energy PLC.

For your notes

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Head Office:

First Floor  
Newmarket House  
Market Street  
Newbury  
Berkshire  
RG14 5DP

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[www.rosepetroleum.com](http://www.rosepetroleum.com)