

MX OIL PLC

(formerly Astar Minerals plc)

Annual Report and Financial Statements

For the year ended 31 December 2014

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COMPANY INFORMATION

DIRECTORS:	Andrew Frangos (Non-Executive Chairman) Stefan Olivier (Chief Executive Officer) Nicholas Lee (Non-Executive Director) Pat Mendoza (Non-Executive Director) Sergio Lopez (Non-Executive Director)
REGISTERED OFFICE:	4 th Floor 18 St Swithin's Lane London EC4N 8AD
COMPANY NUMBER:	05311866
SECRETARY:	Lorraine Young Company Secretaries Limited
NOMINATED ADVISER:	Cairn Financial Advisers LLP 61 Cheapside London EC2V 6AX
LEAD BROKER:	Hybridian LLP Birchin Court 20 Birchin Lane London EC3V 9DU
CO-BROKER:	Cornhill Capital Limited 4 th Floor 18 St Swithin's Lane London EC4N 8AD
REGISTRARS:	Computershare Investor Services Plc The Pavilions Bridgewater Road Bristol BS99 7NH
SOLICITORS:	Adams & Remers LLP Dukes Court 32 Duke Street London SW1Y 6DF
INDEPENDENT AUDITOR:	haysmacintyre Statutory Auditor Chartered Accountants 26 Red Lion Square London WC1R 4AG

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 December 2014

The year under review has seen the management team and Board successfully reposition your company as an oil and gas investment vehicle. Thanks to the steps we have taken, we are confident that MX Oil is now on the cusp of delivering on its first key objective, namely securing assets which we believe have company-making potential.

From an early stage we recognised the reopening of the vast Mexican energy sector for the first time since the 1930s presented an enormous value creating opportunity for international companies such as MX Oil. The numbers speak for themselves. According to the Oil & Gas Journal, as at the end of 2013, Mexico's proven oil reserves stood at approximately 10 billion barrels. Rather than seeing a rise in hydrocarbon output to monetise these enormous reserves, Mexico's production has been on a downwards trajectory for a number of years, thanks to a sustained period of underinvestment and a lack of access to the latest recovery techniques and technologies. It is to reverse this trend that the Mexican Government has opened up the sector to attract foreign capital and expertise.

For MX Oil to be able to participate in what is, for the international sector, an exciting new hydrocarbon play, we had to identify and secure a first class local partner. In Geo Estratos ('Geo') we believe we have just such a partner. Not only does Geo have proven expertise in Mexico's energy sector, it importantly has a long established track record of working closely with Pemex and other operators in Mexico, and also has built a comprehensive database covering all of Mexico's relevant licence areas. We were therefore delighted to have formed a joint venture with Geo during the year through which we are working together to secure concessions in Mexico that meet our investment criteria.

We took the decision early to focus on onshore conventional concessions, specifically those with existing discoveries requiring development, as well as those with mature fields in need of secondary interventions to enhance hydrocarbon recovery rates from the basin. This was taken with a view to positioning MX Oil as a development rather than an exploration company, thereby placing us at the lower end of the risk spectrum. Focusing on proven fields also provides the Company with a faster, more visible, route to generating near term cash flows. By targeting near term production, MX Oil would be able to use the associated cash flows and reserves in the ground as a solid foundation to which additional assets can be added as we look to build a portfolio of high impact development projects. Our focus on conventional fields has an additional benefit that is highly relevant to today's markets. These fields are low cost and therefore require low oil prices to break even. As a result they remain profitable at or below current oil prices and provide a high degree of insulation from the period of heightened oil price volatility we are currently experiencing.

The liberalisation of Mexico's energy regime is a huge undertaking. Importantly post period end the National Hydrocarbons Commission ('CNH') set out a timetable for the third phase of Bid Round 1. This phase is focused on the tender for mature onshore conventional fields in Mexico which require the application of secondary interventions to enhance recovery rates from the basin, as well as previous discoveries requiring development. In all, a total of 29 Land Contract Areas in the states of Chiapas, Nuevo Leon, Tabasco, Tamaulipas and Veracruz will be included. As these fields match our criteria, MX Oil is looking to participate in this tender. Pre-qualification of companies participating in the round was announced on 13 May 2015 with final award of contracts due to take place in November 2015. As previously announced by the CNH, those companies that can demonstrate extensive experience in either working with Pemex, the state-owned oil company, or a proven track record of developing onshore fields will be prioritised. This differs from the first two phases of Bid Round 1, where the main criteria were technical and financial. We are therefore confident that with Geo as our partner, our JV will be viewed as a strong bidder in the third tender.

Reflecting the new focus of our company, the composition of our Board was also changed during the course of the year. The appointment of Pat Mendoza and Sergio Lopez as non-executive directors in the second half of the year, both of whom have extensive operational experience on the ground in the Mexican and US onshore oil and gas sectors, complements the Board's existing expertise in operating in London's capital markets. Combined, we believe the Board now has the necessary skillset to build a leading oil and gas company.

Financial Review

The Company made a net loss from continuing activities of £1,149,000 (2013: £51,000) during the year to 31 December 2014.

In March 2014 we successfully raised £1.05 million via the issue of 105,000,000 new ordinary shares at a price of 1 pence per share. A further £2 million was raised in August 2014 through the issue of 66,666,666 new ordinary shares at a price of 3p per share. The Company has no Ordinary Shares held in treasury therefore the total number of voting rights in the Company following the Placing is 201,332,079.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 December 2014

Outlook

With a strong Board and management team, a joint venture in place with a well-connected and respected local oil and gas services partner, and exposure to a vast reopening market which matches our investment criteria and offers multiple opportunities for ground floor entry, the year ahead promises to be a highly exciting one for MX Oil. In addition we remain on the lookout for similar opportunities worldwide that match our investment criteria of low cost conventional assets in proven hydrocarbon regions. We have worked tirelessly on behalf of all shareholders to get MX Oil this far and we will continue to do so, as we look to build on the excellent platform we have put in place and deliver on our objective to create significant value through the acquisition and development of low risk, low cost assets with near term production potential.

Andrew Frangos

Chairman

18 May 2015

STRATEGIC REPORT

FOR THE YEAR ENDED 31 December 2014

The Directors present their Strategic Report on the Company for the year ended 31 December 2014.

RESULTS AND DIVIDENDS

The Company made a loss after taxation from continuing operations of £1,149,000 (2013: £51,000). The Directors do not propose a dividend (2013:£nil).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS DURING THE YEAR

During the year, the Company raised additional equity funds of £2.8 million and implemented its investing policy, having satisfied the requirements of Rule 15 of the AIM rules for companies. Subsequently, in August 2014, the Company entered into a joint venture agreement with Geo Estratos, an established oil services business, as more fully explained in the Chairman's Statement.

KEY PERFORMANCE INDICATORS ("KPIs")

The Company's activity has changed to that of an investing company and as such going forward the Directors will focus principally on the development of the Company's net asset value.

The key performance indicators are therefore set out below:

COMPANY STATISTICS	31 December 2014	31 December 2013
Net asset value	£1,962,000	£71,000
Net asset value – fully diluted per share	0.77p	*0.24p
Closing share price	1.87p	*1.15p
Market capitalisation	£3,765,000	£341,000

*Adjusted for 10 for 1 share consolidation in March 2014

KEY RISKS AND UNCERTAINTIES

Early stage investments in the natural resources sector carry a high level of risk and uncertainty, although the rewards can be outstanding. At this stage, there can be no certainty of outcome and, in addition, there is often a lack of liquidity in the Company's investments which can be either unquoted or quoted, such that the Company may have difficulty in realising the full value in a forced sale. Accordingly, a commitment is only made after thorough research into both the management and the business of the target, both of which are closely monitored thereafter. Details of other financial risks and their management are given in Note 16 to the financial statements.

GOING CONCERN

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

ON BEHALF OF THE BOARD

Stefan Olivier
Director
18 May 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 December 2014

The Directors present their annual report on the affairs of the Company, together with the financial statements for the year ended 31 December 2014.

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

CHANGE OF NAME

On 27 July 2014 the Company changed its name from Astar Minerals plc to MX Oil plc.

DIRECTORS

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

Andrew Frangos	(Appointed 31 March 2014)
Stefan Olivier	(Appointed 31 March 2014)
Nicholas Lee	
Pat Mendoza	(Appointed 1 August 2014)
Sergio Lopez	(Appointed 1 August 2014)
Lynda Chase-Gardener	(Resigned 24 July 2014)
Euan McAlpine	(Resigned 31 March 2014)

DIRECTORS' BIOGRAPHIES

Andrew Frangos

Andrew has in excess of 15 years' experience in the financial services industry. He is founder and CEO of Cornhill Asset Management and Cornhill Capital. He has extensive corporate finance expertise having played a lead role in structuring and executing many equity and debt transactions over the last 10 years. He is also the founder and Non-Executive Chairman of North American Petroleum plc, and is also a non-executive director of UK Bond Network Ltd.

Stefan Olivier

Stefan has nine years' experience in corporate broking at Cornhill Capital which provides a wide range of advisory and brokerage services to clients including oil and gas and mining companies. He has spent the last six years focused on financing natural resources transactions via both equity and debt.

Nicholas Lee

Nicholas has more than 25 years of investment banking experience. He qualified as a chartered accountant with Coopers & Lybrand and joined Kleinwort Benson Group plc in 1988, rising to the position of Managing Director, Head of Banking, Hedge Fund Solutions when he left in 2009. Nick is a director of a number of companies including several resources and mining investment AIM listed companies.

Sergio Lopez

Sergio is a director of Nogal Holdings LLC and its associated companies. Sergio has been in the oil and gas industry for the last 13 years with experience ranging from finances to operations. Lewis Energy Group appointed Sergio as its Mexico Country Manager to coordinate a 15 year E&P contract with Pemex, which represented the first move by an American independent oil and gas company into Mexico since 1938. He negotiated a special budget to drill the first exploratory Eagle Ford Shale well in Mexico, named Emergente-1. This resulted in the first and only producer in the Eagle Ford Shale in Mexico called Habano. He earned his Bachelor in Business Administration in Accounting and Finances from the Tecnológico de Monterrey in Mexico.

Patricio Mendez

Pat is a director of Nogal Holdings LLC and its associated companies. Pat joined Nogal from Lewis Energy Group where he worked from 1993 until 2013 where he held a number of positions focused on the drilling and operation of wells in the Eagle Ford Shale in South Texas. Promoted to Chief Operating Officer of Latin America, where he negotiated with Pemex and subsequently operated a first round Multiple Service Contract in Mexico, with Lewis Energy becoming the first American operating company in Mexico since 1938. Here, he designed and supervised drilling and completion of the first Eagle Ford well in Mexico jointly with Pemex. He also oversaw the operations and development of over 1 million gross acres in Colombia in conventional and unconventional horizons, increasing production from zero to over 5,000 BOPD in 12 months.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 December 2014

DIRECTORS' INTERESTS

None of the Directors had any beneficial holdings of ordinary shares in the Company as at 31 December 2014. Their interests in the Company's share warrants are included in the Report on Directors' Remuneration.

SUBSTANTIAL SHAREHOLDINGS

The only interests in excess of 3% of the issued share capital of the Company which have been notified to the Company as at 11 May 2015 were as follows:

Name of shareholder	Ordinary shares of 0.1p each Number	Percentage of capital %
Paternoster Resources plc*	8,600,000	4.27%

* Nicholas Lee, a non-executive director of the Company, is Chairman of Paternoster Resources plc.

WARRANTS TO BE ISSUED

On 1 August 2014, the Company announced that it had agreed to issue a total 110,000,000 warrants subject to approval by the shareholders and certain vesting conditions. It is intended that resolutions to approve the issue of these warrants will be put to shareholders at the Company's 2015 Annual General Meeting.

- 60,000,000 of the warrants are to be issued to certain directors and other third parties exercisable at 3p per share. Of these, 12,552,632 each will be issued to Andrew Frangos and Stefan Olivier, 12,552,631 in total will be issued to Northcote Energy Limited and its nominated Director, and 22,342,105 in total will be issued to other third parties including 11,842,105 warrants to Geo Estratos and 516,667 warrants to Cornhill Capital Limited. The warrants are subject to vesting and exercise conditions as set out in note 16.
- 8,368,421 of the warrants, exercisable at 2p per share, are to be issued each to Pat Mendoza and Sergio Lopez pursuant to their terms of appointment as non-executive directors.
- 25,105,263 of the warrants are to be issued to Northcote Energy Limited and 8,157,895 of the warrants are to be issued to Geo Estratos. These warrants are all exercisable at 2p per share and are subject to vesting and exercise conditions as set out in note 16

POST YEAR END EVENTS

There have been no material post year end events.

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 December 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have also elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

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

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

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

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

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

AUDITORS

A resolution to appoint haysmacintyre, as auditors will be put to the AGM. haysmacintyre were appointed during the year following the resignation of Welbeck Associates.

On behalf of the Board

Lorraine Young
Company Secretary

18 May 2015

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 December 2014

CORPORATE GOVERNANCE

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

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

BOARD OF DIRECTORS

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

The Board consists of five directors, the non-executive chairman Andrew Frangos, the Chief Executive Officer Stefan Olivier, and three non-executive directors Nicholas Lee, Pat Mendoza and Sergio Lopez.

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

COMMUNICATIONS WITH SHAREHOLDERS

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

INTERNAL CONTROL

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

ON BEHALF OF THE BOARD

Stefan Olivier
Director

18 May 2015

REPORT ON DIRECTORS' REMUNERATION

FOR THE YEAR ENDED 31 December 2014

REMUNERATION

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

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

DIRECTORS' EMOLUMENTS

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

Director	2014 £'000	2013 £'000
Andrew Frangos	40	–
Stefan Olivier	64	–
Nicholas Lee	20	8
Pat Mendoza	30	–
Sergio Lopez	30	–
Euan McAlpine	3	8
Lynda-Chase Gardener	9	8
	196	24

Included in the remuneration for Nicholas Lee are £1,000 paid to ACL Capital Limited, a company controlled by him, and £2,000 paid to Paternoster Resources plc, a company of which he is a director.

WARRANTS

Warrants were issued to the following Directors on 31 March 2014. The warrants are exercisable at 1p per share. Further details of the warrants are disclosed in note 16.

	2014 Number of warrants	2013 Number of warrants
Andrew Frangos	22,750,000	–
Stefan Olivier	22,750,000	–
	45,500,000	–

PENSIONS

No pension contributions were paid in respect of the directors for the year ended 31 December 2014 (2013 £nil).

BENEFITS IN KIND

The directors did not receive any benefits in kind for the year ended 31 December 2014 (2013: £nil).

ON BEHALF OF THE BOARD

Nicholas Lee
Director

18 May 2015

REPORT OF THE INDEPENDENT AUDITOR

FOR THE YEAR ENDED 31 December 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MX OIL PLC

We have audited the financial statements of MX Oil plc for the year ended 31 December 2014 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of Directors' responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2014 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

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

26 Red Lion Square
London
WC1R 4AG

18 May 2015

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Administrative expenses		(613)	(92)
Share based payment expense		(237)	–
Operating loss	3	(850)	(92)
Share of joint venture losses	9	(279)	–
Investment income	4	22	–
Other gains and losses	5	(42)	41
Loss on ordinary activities before taxation		(1,149)	(51)
Taxation	7	–	–
Loss for the year from continuing activities		(1,149)	(51)
Loss for the year from discontinued activities	8	(28)	–
Loss for the year and total comprehensive loss		(1,177)	(51)
Basic and diluted loss per share			
From continuing operations	9	(0.84)p	(0.33)p
From continuing and discontinued operations	9	(0.86)p	(0.33)p

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

AS AT 31 December 2014

	Notes	2014 £'000	2013 £'000
NON-CURRENT ASSETS			
Investment in joint venture	10	274	–
		274	–
CURRENT ASSETS			
Financial assets	11	214	–
Trade and other receivables	12	24	3
Cash and cash equivalents	13	1,520	104
		1,758	107
CURRENT LIABILITIES			
Trade and other payables	14	70	36
		70	36
NET CURRENT ASSETS		1,688	71
NET ASSETS		1,962	71
EQUITY			
Ordinary share capital	15	2,013	297
Deferred share capital	15	3,866	3,866
Share premium	15	13,967	12,852
Reserve for options granted		172	172
Reserve for warrants issued		237	–
Retained deficit		(18,293)	(17,116)
Equity attributable to owners of the Company and total equity		1,962	71

The financial statements were approved by the Board and ready for issue on 18 May 2015.

Stefan Olivier
Director

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2014

	Ordinary share capital	Deferred share capital	Share premium	Reserve for options granted	Reserve for warrants issued	Retained deficit	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2013	73	3,866	12,755	172	254	(17,319)	(199)
Loss for the year	–	–	–	–	–	(51)	(51)
Issue of new shares	224	–	112	–	–	–	336
Share issue costs	–	–	(15)	–	–	–	(15)
Lapsing of warrants	–	–	–	–	(254)	254	–
At 31 December 2013	297	3,866	12,852	172	–	(17,116)	71
Loss for the year	–	–	–	–	–	(1,177)	(1,177)
Issue of new shares	1,716	–	1,334	–	–	–	3,050
Share issue costs	–	–	(219)	–	–	–	(219)
Issue of warrants	–	–	–	–	237	–	237
At 31 December 2014	2,013	3,866	13,967	172	237	(18,293)	1,962

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2014

	2014 £'000	2013 £'000
OPERATING ACTIVITIES		
Loss for the year	(1,177)	(51)
Adjustments for:		
Share based payment expense	237	–
(Loss)/gain on disposal of investments	(6)	172
Movement in fair value of investments	29	–
Share of joint venture losses	279	–
Investment income	(22)	–
Credit arising from CVA	–	(175)
Amounts written off post CVA creditors	–	(38)
Operating cashflow before working capital changes	(660)	(92)
Increase in receivables	(21)	(3)
Increase/(decrease) in trade and other payables	34	(122)
Net cash outflow from operating activities**	(647)	(217)
INVESTMENT ACTIVITIES		
Proceeds on disposal of investments	402	–
Purchase of investments	(639)	–
Advances to joint venture operation	(546)	–
Investment income	15	–
Net cash outflow from investment activities	(768)	–
FINANCING ACTIVITIES		
Continuing operations:		
Issue of ordinary share capital	3,050	336
Share issue costs	(219)	(15)
Net cash inflow from financing activities	2,831	321
Net increase in cash and cash equivalents from continuing operations	1,444	104
Net decrease in cash and cash equivalents from discontinued operations	(28)	–
Net increase in cash and cash equivalents from continuing and discontinued operations	1416	104
Cash and cash equivalents as at 1 January	104	–
Cash and cash equivalents as at 31 December	1,520	104

** Net cash flow from operating activities includes a net cash outflow of £28,000 from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

1 GENERAL INFORMATION

The Company is a public limited company incorporated in the United Kingdom and its shares are listed on the AIM market of the London Stock Exchange.

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

2 PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

GOING CONCERN

The Company has cash balances at the year end of £1,520,000 and the Directors have prepared cash flow forecasts through to 30 June 2016 which demonstrate that the Company is able to meet these liabilities as they fall due. On this basis, the Directors have a reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

2 PRINCIPAL ACCOUNTING POLICIES (continued)

STATEMENT OF COMPLIANCE

The financial statements comply with International Financial Reporting Standards as adopted by the European Union. At the date of approval of these financial statements, the following Standards and Interpretations affecting the Company, which have not been applied in these financial statements, were in issue, but not yet effective (and in some cases had not been adopted by the EU):

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 11 (amendments) Accounting for Acquisitions of Interests in Joint Operations
- IAS 16 and IAS 38 (amendments) Clarification of Acceptable Methods of Depreciation and Amortisation
- IAS 19 (amendments) Defined Benefit Plans: Employee Contributions
- IAS 27 (amendments) Equity Method in Separate Financial Statements
- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs: 2010-2012 Amendments to: IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures and IAS 38 Intangible Assets
- Annual Improvements to IFRSs: 2011-2013 Amendments to: IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property
- Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

The Directors anticipate that the adoption of the above Standards and Interpretations in future periods will have little or no impact on the financial statements of the Company when the relevant Standards come into effect for periods commencing on or after 1 January 2015.

KEY ESTIMATES AND ASSUMPTIONS

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

JOINT VENTURE

Note 10 describes that the Company's interest in Geo Estratos MXOil, SAPI de CV is in the nature of a joint venture even though the Company holds 51% of the equity and is entitled to 51% of the revenue. The reason is that all the joint venture's management decisions require unanimous agreement of the parties to the joint venture, so the directors consider that the Company does not have a controlling interest in the joint venture. The directors have also considered that there is no evidence to warrant an impairment of the Company's investment in the joint venture which is still in its initial stages of development.

SHARE BASED PAYMENTS

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

The fair value of options is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. In accordance with IFRS 2 'Share Based Payments', the Company has recognised the fair value of options, calculated using the Black-Scholes option pricing model. The Directors have made assumptions particularly regarding the volatility of the share price at the grant date in order to reach a fair value. Further information is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

2 PRINCIPAL ACCOUNTING POLICIES (continued)

TAXATION

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

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

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

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

FINANCIAL ASSETS

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

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

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

INVESTMENTS HELD FOR TRADING

All investments determined upon initial recognition as held at fair value through profit or loss were designated as investments held for trading. Investment transactions are accounted for on a trade date basis. Assets are de-recognised at the trade date of the disposal. Assets are sold at their fair value, which comprises the proceeds of sale less any transaction cost. The fair value of the financial instruments in the balance sheet is based on the quoted bid price at the balance sheet date, with no deduction for any estimated future selling cost. Unquoted investments are valued by the directors using primary valuation techniques such as recent transactions, last price and net asset value. Changes in the fair value of investments held at fair value through profit or loss and gains and losses on disposal are recognised in the consolidated statement of comprehensive income as "Net gains on investments". Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

2 PRINCIPAL ACCOUNTING POLICIES (continued)

AVAILABLE FOR SALE INVESTMENTS

Investments are initially measured at fair value plus incidental acquisition costs. Subsequently, they are measured at fair value in accordance with IAS 39. In respect of quoted investments, this is either the bid price at the period end date or the last traded price, depending on the convention of the exchange on which the investment is quoted, with no deduction for any estimated future selling cost. Unquoted investments are valued by the Directors using primary valuation techniques such as recent transactions, last price or net asset value.

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

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

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

JOINT VENTURE

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

CASH AND CASH EQUIVALENTS

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

EQUITY

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

Equity comprises the following:

- Share capital represents the nominal value of equity shares issued.
- The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.
- Option reserve represents the cumulative cost of share based payments in respect of options granted.
- Warrant reserve represents the cumulative cost of share based payments in respect of warrants issued.
- Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

2 PRINCIPAL ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

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

The Company's financial liabilities comprise trade and other payables.

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

SHARE BASED PAYMENTS

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

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

Where the share options are cancelled before they vest, the remaining unvested fair value is immediately charged to the statement of comprehensive income.

FOREIGN CURRENCIES

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

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

SEGMENTAL REPORTING

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2014

3 OPERATING LOSS

	2014 £'000	2013 £'000
Loss from continuing operations is arrived at after charging:		
Directors' remuneration	196	24
Share based payment expense	237	–
Employee salaries and other benefits	26	1
Auditors' remuneration:		
fees payable to the principal auditor for the audit of the Company's annual financial statements	14	12
fees payables to the Company's auditor and its associates for other services – tax services	2	2

4 INVESTMENT INCOME

	2014 £'000	2013 £'000
Investment income	15	–
Interest on loan finance to joint venture	7	–
	22	–

5 OTHER GAINS AND LOSSES

	2014 £'000	2013 £'000
Gain on disposal of investments	6	–
Net loss on derivative contracts	(19)	–
Movement in fair value of investments held for trading	(29)	–
Credit arising from CVA	–	175
Post CVA creditors written down	–	38
Loss on disposal of investment in subsidiaries	–	(172)
	(42)	41

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

6 EMPLOYEE REMUNERATION

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

	2014 £'000	2013 £'000
Wages and salaries (including directors)	213	24
Share based payment expense	230	–
Social security costs	13	1
	456	25
Directors remuneration:		
Wages and salaries	196	24
Share based payment expense	206	–
Social security costs	12	1
	414	25

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

Only the directors are deemed to be key management. The average number of employees in the Company was 3 (2012: 2).

7 INCOME TAX EXPENSE

	2014 £'000	2013 £'000
Current tax – continuing operations	–	–

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

	2014 £'000	2013 £'000
Loss before tax from continuing operations	(1,149)	(51)
Loss before tax multiplied by rate of corporation tax in the UK of 20% (2012: 23.5%)	(230)	(12)
Expenses not deductible for tax purposes	60	2
Unrelieved tax losses carried forward	170	10
Total tax	–	–

There are unrelieved tax losses of £12,400,000 (2013: £11,550,000) which may be available to offset against future taxable profits. No deferred tax asset has been recognised in respect of the losses as recoverability is uncertain.

8 LOSS FROM DISCONTINUED OPERATIONS

	2014 £'000	2013 £'000
Administrative costs	28	–

During the year discontinued operations contributed a net cash outflow of £28,000 to the net cash outflow from operating activities (2013: £nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

9 EARNINGS PER SHARE

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

	2014	2013
	£'000	£'000
Loss attributable to owners of the Company		
- Continuing operations	(1,149)	(51)
- Discontinued operations	(28)	–
Continuing and discontinued operations	(1,177)	(51)
	2014	2013
Weighted average number of shares for calculating basic and fully diluted earnings per share	136,537,670	17,631,604
	2014	2013
	pence	pence
Earnings per share:		
- Continuing operations (pence per share)	(0.84)	*(0.33)
- Discontinued operations (pence per share)	(0.02)	*(0.33)
Loss per share from continuing and discontinued operations	(0.86)	*(0.33)

* The weighted average number of shares and earnings per share for 2013 have been adjusted to reflect the 10 for 1 share consolidation in March 2014.

The weighted average number of shares used for calculating the diluted loss per share for 2013 and 2014 was the same as that used for calculating the basic loss per share as the effect of exercise of the outstanding share options was anti-dilutive.

10 INVESTMENT IN JOINT VENTURE

In September 2014 the Company ("MXO") entered into a joint venture arrangement in Mexico with Geo Estratos ("GE") through a jointly held company, Geo Estratos MXOil, SAPI de CV ("GEMXO), in which MXO has a 51% shareholding and GE has 49%, with each party being assigned equal voting rights. MXO has agreed to provide finance for GEMXO up to USD 1,000,000, by way of a loan bearing interest at 12% pa.

The table below summarises MXO's transactions with GEMXO in the period to 31 December 2014:

	2014	2013
	£'000	£'000
Payment in respect of MXO's share capital contribution	6	–
Advances under the loan agreement	540	–
Interest on financing loan	7	–
	553	–
MXO's 51% share of joint venture loss	(279)	–
	274	–
Investment in GEMXO	6	–
Financing loan to GEMXO	547	–
Company's share of joint venture loss	(279)	–
Investment in joint venture per balance sheet	274	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

10 INVESTMENT IN JOINT VENTURE (continued)

The statutory information relating to the Company's joint venture interests is as follows:

<u>Name of joint venture</u>	<u>Principal activity</u>	<u>Country of incorporation and principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Company</u>	
			<u>31 Dec 2014</u>	<u>31 Dec 2013</u>
Geo Estratos MXOil, SAPI de CV	Oil exploration	Mexico	51% ownership interest 50% voting rights	–
Geo Estratos MXOil, SAPI de CV			31 Dec 2014 £'000	31 Dec 2013 £'000
Current assets			12	–
Non-current assets			–	–
Current liabilities			–	–
Non-current liabilities			(547)	–
The above amounts of assets and liabilities include the following:				
Cash and cash equivalents			–	–
Current financial liabilities			–	–
Non-current financial liabilities			(547)	–
			Year ended 31 Dec 2014 £'000	Year ended 31 Dec 2013 £'000
Continuing and total operations				
Revenue			–	–
Loss for the year			547	–
Other comprehensive income for the year			–	–
The above loss for the year includes the following:				
Depreciation and amortisation			–	–
Interest income			–	–
Interest expense			7	–
Income tax expense			–	–
Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the financial statements:				
			31 Dec 2014 £'000	31 Dec 2013 £'000
Net liabilities of the joint venture			535	–
Proportion of the Company's ownership interest in the joint venture			51%	–
Carrying amount of the Company's interest in the joint venture			274	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

11 FINANCIAL ASSETS

The table of investments sets out the fair value measurements using the IFRS 7 fair value hierarchy. Categorisation within the hierarchy has been determined on the basis of the lowest level of input that is significant to the fair value measurement of the relevant asset as follows (see note 17)

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

	2014	2013
	£'000	£'000
Level 1 Investments:		
Purchases of investments	639	–
Proceeds from the disposal of investments	(402)	–
Gain on disposal of investments	6	–
Fair value adjustment at 31 December	(29)	–
Fair value of investments held for trading	214	–

12 TRADE AND OTHER RECEIVABLES

	2014	2013
	£'000	£'000
Other receivables	2	–
Prepayments and accrued income	22	3
Prepayments and accrued income	24	3

The fair value of trade and other receivables is considered by the Directors not to be materially different to carrying amounts. At the balance sheet date in 2014 and 2013 there were no trade receivables past due.

13 CASH AND CASH EQUIVALENTS

	2014	2013
	£'000	£'000
Cash and cash equivalents	1,520	104

The fair value of cash and cash equivalents is considered by the Directors not to be materially different to carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2014

14 TRADE AND OTHER PAYABLES

	2013 £'000	2012 £'000
Trade payables	27	13
Tax and social security	15	1
Other payables	2	6
Accruals and deferred income	26	16
	70	36

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

15 CALLED UP SHARE CAPITAL

	Number of ordinary shares	Value £'000	Number of deferred shares	Value £'000	Share Premium £'000
Issued and fully paid					
At 1 January 2013 (ordinary share of 0.1p)	72,655,248	73	3,865,491,544	3,866	12,755
Shares issued in year	224,000,000	224	–	–	112
Share issue costs	–	–	–	–	(15)
At 31 December 2013	296,655,248	297	3,865,491,544	3,866	12,852
Share consolidation (ordinary shares of 1p)	29,665,524	297	3,865,491,544	3,866	12,852
Adjustment for fractions	(111)	–	–	–	–
Shares issued in year (see note below)	171,666,666	1,716	–	–	1,333
Share issue costs	–	–	–	–	(218)
At 31 December 2014	201,332,079	2,013	3,865,491,544	3,866	13,967

Share issues

On 31 March 2014 the ordinary shares of the company were consolidated by the issue of one new ordinary share of 1p in exchange for every existing 10 ordinary shares of 0.1p then in issue.

Also on 31 March 2014, 105,000,000 new ordinary shares of 1p were issued at 1p each as a result of a placing, raising £1,050,000 before expenses.

On 1 August 2014, 66,666,666 ordinary shares of 1p were issued at 3p each as a result of a placing, raising £2,000,000 before expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

16 SHARE OPTIONS AND WARRANTS**Options**

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

Share options outstanding at 31 December 2014 and their weighted average exercise price are as follows:

	2014		2013	
	Number	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)
Outstanding at 1 January and 31 December	912,500	48.00	912,500	48.00

The weighted average exercise price of share options outstanding as at 31 December 2014 was £0.48 and they had an average remaining contractual life of 0.9 years (at 31 December 2013, average exercise price was £0.48 and average contractual remaining life was 1.9 years).

Warrants

On 31 March 2014 52,500,000 warrants were issued to certain Directors, employees and advisers, as share based incentives. The warrant holders are entitled to exercise the warrants at a price of 1p per share when the closing share price of the Company's ordinary shares is at least equivalent to 2p for 30 consecutive business days and at any time during the period following this date until the close of business on the third anniversary thereof but in any event, no later than the fifth anniversary of the date of closing of the placing. The fair value of these warrants was determined using the Black-Scholes pricing model and was 0.22p per warrant. The vesting conditions are considered to have been satisfied in August 2014 and the total share based payment cost of the warrants issued has been recognised in the income statement.

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

Issue date share price	1p
Exercise price per share	1p
No. of warrants	52,500,000
Risk free rate	2.00%
Expected volatility	50%
Expected life of warrant	5 years
Calculated fair value per share	0.4524p

Warrants outstanding at 31 December 2014 and their weighted average exercise price are as follows:

	2014		2013	
	Number	Weighted average exercise price (pence)	**Number	Weighted average exercise price **(pence)
Outstanding at 1 January	–	–	1,771,222	5.81
Issued	52,500,000	1.00	–	–
Lapsed	–	–	(1,771,222)	5.81
Outstanding at 31 December	52,500,000	1.00	–	–

**The comparative numbers of warrants which lapsed in 2013 and their exercise price refer to the old 0.1p shares which were consolidated on a one for ten basis in March 2014.

The total share-based payment expense recognised in the income statement for the year ended 31 December 2014 in respect of the warrants issued during the year was £237,000 (2013: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

16 SHARE OPTIONS AND WARRANTS continued

Warrants to be issued

On 1 August 2014, the Company announced that it had agreed to issue a total 110,000,000 warrants subject to approval by the shareholders and certain vesting conditions as detailed below. It is intended that resolutions to approve the issue of these warrants will be put to shareholders at the Company's 2015 Annual General Meeting.

- 60,000,000 of the warrants are to be issued to certain directors and other third parties exercisable at 3p per share. Of these, 12,552,632 each will be issued to Andrew Frangos and Stefan Olivier, 12,552,631 in total will be issued to Northcote Energy Limited and its nominated Director, and 22,342,105 in total will be issued to other third parties including 11,842,105 warrants to Geo Estratos and 516,667 warrants to Cornhill Capital Limited. Vesting of these warrants will be conditional upon the Company securing an interest in a concession or asset. The warrants will vest in three equal tranches as follows: one third vesting upon the Company's average mid-market closing share price trading at 6p for 60 consecutive days; one third vesting upon the Company's average mid-market closing share price trading at 12p for 60 consecutive days; and the final third vesting upon the Company's average mid-market closing share price trading at 18p for 60 consecutive days. In addition the first and second tranches of options will lapse if, in each case, they have not been exercised within 90 days of the trading price vesting condition being satisfied.
- 8,368,421 of the warrants, exercisable at 2p per share, are to be issued each to Pat Mendoza and Sergio Lopez pursuant to their terms of appointment as non-executive directors.
- 25,105,263 of the warrants are to be issued to Northcote Energy Limited and 8,157,895 of the warrants are to be issued to Geo Estratos. These warrants are all exercisable at 2p per share and will vest once the Company secures a concession in Mexico. If after the Company secures a concession the average mid-market closing price of shares in the Company trades at 4p or more for 60 consecutive days, these warrants will lapse if they have not been exercised within 90 days of expiry of such period.

17 FINANCIAL INSTRUMENTS

RISK MANAGEMENT OBJECTIVES AND POLICIES

CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

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

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

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

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

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

MARKET PRICE RISK

The Company's exposure to market price risk mainly arises from potential movements in the fair value of its investments. The Company manages this price risk within its long-term investment strategy to manage a diversified exposure to the market. If each of the Company's equity investments were to experience a rise or fall of 10% in their fair value, this would result in the Company's net asset value and statement of comprehensive income increasing or decreasing by £21,000 (2013: £nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

17 FINANCIAL INSTRUMENTS continued**INTEREST RATE RISK**

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

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

CREDIT RISK

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

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

	2014	2013
	£'000	£'000
Cash and cash equivalents	1,520	104
Loans and receivables	264	–
	1,784	104

LIQUIDITY RISK

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

FINANCIAL INSTRUMENTS

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

CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2014	2013
	£'000	£'000
FINANCIAL ASSETS:		
Cash and cash equivalents	1,520	104
Investments held for trading (see FAIR VALUE MEASUREMENTS below))	214	–
Loans and receivables – loan to Joint Venture	264	–
Investments available for sale – equity investment in GEMXO	6	–

FAIR VALUE MEASUREMENTS

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

Level 1 – valued using quoted prices in active markets for identical assets.

Level 2 – valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

17 FINANCIAL INSTRUMENTS continued

FINANCIAL LIABILITIES AT AMORTISED COST:

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

	2014	2013
	£'000	£'000
Trade and other payables	44	–

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

	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	Over 5 years £'000
31 December 2014					
Non-interest bearing:					
Trade and other payables	–	44	–	–	–
31 December 2013					
Non-interest bearing:					
Trade and other payables	–	–	–	–	–

18 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 2014 (2013: nil)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2014

19 RELATED PARTY TRANSACTIONS

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

Andrew Frangos is a director of Cornhill Capital Limited ("Cornhill"), which was appointed as the Company's co-broker in March 2014. During the year Cornhill was paid £42,000 in broking fees and £173,500 commission on funds raised. In addition Cornhill was issued with 750,000 warrants out of the 52,500,000 issued during the year (see note 16 for details). No amounts were due to Cornhill at the year-end (2013: £nil)

Nicholas Lee is a director of Paternoster Resources plc which holds 4.3% of the Company's issued shares. During the year £2,000 was paid to Paternoster Resources plc for consultancy services. No amounts were due to Paternoster Resources plc at the year-end (2013: £nil)

Warrants to be issued in 2015

The following warrant issues disclosed in note 16 are all subject to shareholder approval.

- The Company has agreed to issue 12,552,632 warrants each to Andrew Frangos and Stefan Olivier, 516,667 warrants to Cornhill Capital Limited, and 11,842,105 warrants to Geo Estratos who is the Company's partner in its Mexico joint venture (see note 10). These warrants are all exercisable at 3p per share and subject to the vesting conditions set out in note 16.
- Also subject to shareholder approval the Company has agreed to issue 8,368,421 warrants, exercisable at 2p, each to Pat Mendoza and Sergio Lopez pursuant to their terms of appointment as non-executive directors.
- A further 8,157,895 warrants are to be issued to Geo Estratos, exercisable at 2p per share, and subject to the vesting conditions set out in note 16.

20 ULTIMATE CONTROLLING PARTY

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

21 POST YEAR END EVENTS

There have been no material events since the financial year end.