Rose Petroleum plc

Rose Petroleum plc

Annual Report and Financial Statements

For the year ended 31 December 2017

Contents

Directors, Advisers and Officers

Directors

PE Jeffcock	*Non-Executive Chairman*
KB Scott	*Non-Executive Director*
MC Idiens	*Chief Executive Officer*
CJ Eadie	*Chief Financial Officer*

Secretary
IH McNeill

Registered Office
20-22 Wenlock Road
London
N1 7GU

Auditor
RSM UK Audit LLP
Central Square, 5th Floor
29 Wellington Street
Leeds
LS1 4DL

Solicitors
Memery Crystal LLP
44 Southampton Buildings
London
WC2A 1AP

Registrars
Link Asset Services
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated Adviser and Joint Broker
Allenby Capital Limited
5 St Helen's Place
London
EC3A 6AB

Bankers
Barclays Bank Plc
Level 27
1 Churchill Place
London
E14 5HP

Joint Broker
Turner Pope Investments Ltd
Becket House
36 Old Jewry
London
EC2R 8DD

Chairman's Statement

The period under review has been one of significant activity and sustained progress, and the Group remains on track to achieve its key strategic objective of spudding its first well on its acreage in the Paradox Basin, Utah, U.S.A. ("Paradox acreage" or "Paradox"). The Group is currently focusing its efforts and resources into achieving this before the end of 2018. The Group has a 75% working interest in approximately 80,000 acres in the Paradox acreage through its joint venture partnership with Rockies Standard Oil Company ("RSOC").

There is no doubt that the prevailing market conditions of the last few years provided the Board with an extremely challenging operating environment, but the decisive action taken during that period to consolidate the Group's key assets, while reducing liabilities and operational overheads, was critical. It has given the Group a clear strategic focus and a strong operational footing as market conditions have begun to improve. The Group is now moving forward with a clear strategy and timeline for growth.

The period has been one of continued restructuring and transformation for the Group. Subsequent to the disposal of the Group's mining operations in Mexico, which completed in December 2017, the strategy became increasingly focused on the Paradox. This restructuring activity was supplemented by the ongoing operational success in the Paradox including the 3D seismic acquisition and interpretation of the data, the commencement of the permitting, well design engineering, development plan and processes to obtain funding that will pave the way for the drilling of the first Paradox well. This activity has been carried out against a backdrop of continued cash conservation which remains a key priority for the Board.

The strategic decision to dispose of the Group's core mining assets and to focus resources on the Paradox acreage has, to date, proved a successful one. Funds from the disposal of the SDA ore processing mill in Mexico, together with the proceeds from the Company's fundraise completed in October 2017, were invested in the 3D seismic acquisition and, since the completion of the seismic acquisition in Q4 2017, the Group has been able to assemble a high-quality operations team with basin experience to deliver the Group's first Paradox well.

The Board was delighted by the quality of the data obtained from the 3D seismic acquisition which highlighted the significant scale and prospectivity of the Paradox acreage. To date, circa 60 drill targets have been identified on the Group's Paradox acreage, including additional acreage recently acquired by the Group.

The next key step for the Group will be the completion of the funding process for the first Paradox wells. The virtual data room ("VDR") is now established. The Board is very pleased by the interest shown in the project to date and was especially encouraged by interest shown whilst exhibiting at NAPE in Houston. The Group is also awaiting the updated Competent Persons Report ("CPR") which will provide an updated resource estimate for the Paradox acreage, including the recently acquired acreage. It is expected that the updated CPR will provide independent verification of the geological and economic strength of the Paradox project.

The next period promises to be a busy one for the Group. The Group acquired its initial Paradox acreage in March 2014 and it is very exciting to be close to spudding our first well, as we continue discussions towards securing the funding required to undertake the drilling programme. It is fair to say that the downturn in the natural resource sector and time-consuming permitting process for the 3D seismic acquisition delayed the timeline for drilling the first wells, but the Board and management team remain more convinced than ever that the Paradox acreage represents a highly prospective asset and one which can deliver strong returns to shareholders. Furthermore, the continued rally in oil prices significantly helps the economics of the project and should make the Paradox acreage even more appealing to funders.

I am very much looking forward to the period ahead, and I would like to take this opportunity to thank our shareholders, advisers and employees for their continuing support. The Board is looking forward to updating you on progress, and I very much hope the next period will be the one in which Rose makes the paradigm shift from explorer to producer and one in which our patient shareholders will begin to see a return on their investments.

PE Jeffcock
5 June 2018

Strategic Report

The Directors present their strategic report on the Group for the year ended 31 December 2017.

Principal Objectives and Strategies

Rose Petroleum plc is an Oil & Gas ("O&G") exploration company with some residual mining assets. The key strategic objective is to deliver shareholder returns through the enhancement of these assets.

This key objective will be achieved by various strategies:

- Continuing development of a Board consisting of highly experienced professionals covering O&G, mineral exploration, financing and financial control of public companies;
- Employing strong and experienced management teams to maximise returns from the Group's underlying assets;
- The potential acquisition of further interests through acquisition, farm-in agreements or joint arrangements to deliver near-term value to stakeholders;
- Consideration of the capital and financing required to achieve the Group's objectives and market perception; and
- Tight financial control and cash conservation.

Review Of Operations

Oil & Gas Division

Paradox Basin, Utah, U.S.A.

The period under review has been one of significant progress as the Group continues to earn into a 75% working interest in a total of approximately 80,000 acres in the Paradox Basin. Following the recent completion of the successful seismic acquisition, activity on the ground continues apace, and the Group is on track to secure the permissions required to drill its first Paradox well later this year.

Background

The Group's Paradox acreage constitutes a project of considerable scale and prospectivity. According to the resource report prepared by Ryder Scott Company LP ("Ryder Scott") in 2014, there are potential resources of 1.1 billion barrels of oil ("BO") and 2.2 trillion cubic feet of gas ("TCFG") on the Group's Paradox acreage, this included all the existing acreage and all formations (15), but not including the new acreage acquired by the Group in April 2018. The Group has recently commissioned the preparation of a revised resource report to take account of both the new acreage acquisition and the information and data gathered from the seismic acquisition. The report will be specific to the acreage covered by the 3D seismic acquisition and also specific to the main target formation, being clastic 21 also known as the Cane Creek Cycle.

The Paradox Basin is a natural fracture driven basin, therefore drilling targets "fracture swarms" to enable the natural fracturing to provide the permeability and porosity for commercial flow rates so "hydraulic fracking" is not utilised.

The Paradox has been actively exploited by Fidelity Exploration and Production Inc. ("Fidelity"), mainly in the Cane Creek Cycle, south of the Group's main group Paradox lease blocks. Fidelity had been the most active operator in the Paradox Basin with average Q1 2015 production of 2,100 barrels of oil equivalent per day ("boepd"). In addition to Fidelity's success, multiple wells in the area of the Group's leases have produced oil and gas to surface from various formations, and it is a combination of these factors which led the Board to make the strategic decision to focus the Group's activities on the Paradox acreage.

Consistent with the other successful wells drilled within the basin, and as outlined in the Group's 2016 Annual Report, the Group adopted a strategy to shoot the seismic acquisition that would assist in identifying and steering drilling targets for the Group's first wells.

3D Seismic Acquisition

After a process that took almost three years, in August 2017, the Group announced that it had finally received all necessary approvals to shoot its 3D seismic survey. This marked a watershed moment for the Group as the permitting process had taken considerably longer than had originally been anticipated and was essential for moving the Paradox project forward.

During the latter stages of the permitting process, the Group was working on the optimisation for the proposed state of the art survey and, on 31 August 2017, the Group announced that the shoot would be focused on an area of 40 square miles, within the 61 square miles permitted area, but in an area that retained the same coverage over the Group's acreage, only cutting out extended areas of the shoot which were not covering the Group's acreage. The revised shoot was designed with high fold (greater than 35-fold with offsets up to 10,000 feet) wide-azimuth design which the Directors believed were better parameters than previous surveys in the area. The shoot was designed to tie in the State 16-42 (with modern logs) and the Federal 28-11 (Cane Creek producer) wells.

On 22 September 2017, the Company announced that it had raised gross proceeds of US$4.0 million (£3.0 million) in order to fund the seismic shoot and, on 5 October 2017, the shoot commenced under the guidance of the Group's turnkey consultants Dawson Geophysical.

The shoot itself was successful and was completed on time and within budget. The shoot comprised 6,886 total receiver points and 4,665 total source points. The accelerated timeline was possible due to the vibrator truck set up change, from two teams of four vibrator trucks, to three teams of three vibrator trucks, enabling an average of 311 source points shot per day. Once completed, the next phase of work was the interpretation of the data collected from the shoot.

On 29 January 2018, the Group announced that key geological structures targeted by 3D seismic had been found to be present across the shoot area, and following the analysis of the data, multiple drilling targets were identified.

The structural interpretation, which is an ongoing process, had at that date identified 53 well locations in the Cane Creek reservoir zone alone, within the 20 square miles of the Gunnison Valley Unit ("GVU") lease holding covered by the 3D seismic data. The initial internal resource estimates are consistent with the report prepared by our independent resource analysts, Ryder Scott, in April 2014 for the Grand Main leasehold area (85 square miles), which includes the GVU acreage. This report suggests that for the 20 square mile area covered by the 3D, the gross resource potential is as follows:

- Mean unrisked undiscovered Original Hydrocarbon in Place of 450 million barrels of oil equivalent ("mmboe"); and
- A mean unrisked Prospective Recoverable Resource of 32.5 mmboe.

A further 65 square miles of the Group's Grand Main leasehold area, and 48 square miles of its Emery Main leasehold area contains additional prospectivity in the Cane Creek reservoir zone and the other Paradox Formation clastic intervals.

On 4 April 2018, the Group announced that it had increased its land position in the Paradox Basin with the acquisition of some highly prospective new acreage. The Group acquired a 75% working interest in an additional 3,320 gross acres (2,490 net acres) for $36 per gross acre, resulting in a total consideration of approximately US$120,000, which was satisfied from the Group's existing cash resources.

The acquisition of the new acreage was achieved through careful planning between the Group and RSOC. Following detailed technical analysis and, given its geological potential and close proximity to the Joint Venture's existing acreage, RSOC formally nominated the acreage for auction. The Group and RSOC then successfully acquired the acreage at the subsequent Utah Bureau of Land Management ("BLM") auction.

Significantly, the new acreage falls within the area covered by the Group's 3D seismic survey, for which the Group already had the structural interpretation. Multiple highly attractive geological structures and potential well site locations had already been identified on the new acreage. On the basis of the previous resource reports prepared by Ryder Scott, the Board believes that there may be unrisked recoverable resources of 5.5 mmboe on the new acreage in the Cane Creek Cycle (clastic 21) alone. To elaborate, the Paradox Formation is made up of approximately 24 clastic zones, of which the Cane Creek Cycle (clastic 21) is the primary producing zone of the basin to date. Additional clastics, above and below the Cane Creek Cycle, are also thought to be prospective so there are potentially resources significantly in excess of the 5.5 mmboe within the acreage.

The prospectivity of the Group's new acreage is underpinned by the existence of the producing 28-11 well which is only 365 metres to the west of the new acreage. The 28-11 was a vertical well, drilled in 2006 without 3D seismic by Delta Petroleum and has produced 141,000 barrels of oil equivalent ("BOE") from Clastic 21. These factors give management a high degree of confidence in the potential of the Group's acreage and, as a result, it has been decided to proceed with the permitting of a second well location in the new acreage, the 22-1 well, which is planned to be a horizontal well.

Since year end, the Company has raised gross proceeds of US$1.3 million (£1.0 million) by way of an equity fundraise which, in part, will help to fund the Group's planned activities in the Paradox Basin.

Current Status

Following the completion of the seismic acquisition and the subsequent interpretation, current activity is now focused on the well design, permitting and funding for the first Paradox wells.

Key to the future success of the project, the Group has assembled a highly experienced subsurface and surface operational team with extensive experience and a successful track record in the Paradox Basin. The team designed, managed and implemented a nine-well drilling programme in the Paradox Basin for Fidelity directly to the south of the Group's acreage. Eight of these wells were commercial and production grew from circa 100 barrels of oil per day ("BOPD") to over 3,500 BOPD from 2012 to 2014.

Our operational team has now largely completed the subsurface assessment, well location selection and basic well design and engineering for the Group's first proposed horizontal well, the GVU 29-1. The Application for Permit to Drill ("APD") process for GVU 29-1 is well underway. The Notice of Staking, which is the first requirement for the APD, was lodged and accepted by the BLM in April 2018 and the Group had an onsite inspection of the proposed well location in May 2018. It is currently expected that the APD will be granted in Q3 2018, which will permit the Group to commence drilling operations soon thereafter.

Following the completion of the first phase of the well design work, the new operational team has also completed time/cost estimates for the initial well. It is currently expected that the total cost of the well (including completion, testing and tie-in costs) will be in the range of US$7-8 million, which is well below the previous budgeted forecast of up to US$10 million. It is expected that forecast will reduce further during the development phase as operations increase. Discussions with industry and financial partners to fund the drilling programme are underway and, as previously announced, the Board is committed to avoiding dilution to existing shareholders wherever possible.

Mining Division

Disposal of SDA Mill, Mexico

The key event in the mining division during the period under review was the successful disposal of the Group's ore processing mill in San Dieguito de Arriba, State of Nayarit, Mexico, together with its associated assets, licences and agreements (together, the "SDA Mill") to Magellan Gold Corporation ("Magellan") (OTCQB:MAGE).

The Group had operated the SDA Mill for over ten years and had previously carried out mill production for the Group's gold and silver mining operations at the Mina Charay mine in Mexico ("Mina Charay"). In December 2015, it was decided to cease operations at Mina Charay due to high transportation costs and depressed commodity prices. As a result, the SDA Mill was instead utilised for custom milling of third party ore whilst the Group aimed to identify joint-venture opportunities which would generate better returns than custom milling. The focus of these efforts was to identify advanced-stage projects located in the vicinity of the SDA Mill which met several criteria including minimum production levels.

Having assessed the opportunities presented, the Board determined that the proposed disposal of the SDA Mill was the best course of action for the Group. The disposal dovetailed into the Group's decision to focus its resources on the Paradox Basin and proceeds from the sale of the SDA Mill were allocated towards the cost of the 3D seismic survey.

The transaction was completed on 1 December 2017, with a total consideration of US$1.5 million, US$1.0 million payable in cash (which has been received) and US$0.5 million equivalent in Magellan shares. The US$0.5 million was met by the issue of 14,200,834 restricted common stock (shares) in Magellan. The consideration shares represent approximately 15 per cent of Magellan's enlarged share capital. Under SEC regulations, the Magellan stock will not be freely tradeable for a period of twelve months post issue. In order to facilitate the disposal of these shares, the Group agreed to grant Magellan an option to acquire these shares for US$0.5 million within the six-month period following the completion of the disposal, or to acquire them for US$0.55 million in the period from six months following the completion of the disposal to the expiry of the option. This option expires one year and five business days after the completion date. If the option is not exercised during the option period, the shares will be freely tradeable with no restrictions.

Copper exploration, southwest U.S.A.

In April 2016, the Group announced that it had entered into an agreement with privately held Burdett Gold LLC, to conduct exploration drilling on the Ardmore copper project which consists of 18 unpatented mining claims located north of Tucson, Arizona. Burdett assumed control of the claims and is the operator of the project and has commenced exploration work. Burdett has recently carried out a two-hole drill programme on the project and the Group is awaiting the assay results.

Uranium exploration, U.S.A.

The majority of the Group's uranium assets were held in a joint venture with Anfield Resources Inc. (TSXV: ARY) covering property holdings in the breccia pipe district of northern Arizona. The joint venture has now expired and the properties held have now reverted to their original owners. The Group also owns 100% of the North Wash project in Utah.

The Group's land holdings in Arizona consist of a number of drill-proven breccia pipes, some containing mineralization, and breccia pipe targets. The North Wash project in Utah contains a resource of uranium and vanadium. These holdings are being held on care and maintenance while management reviews its options to develop the projects further.

Financial Review

Income Statement

Total revenue for the year ended 31 December 2017, was US$0.3 million (2016: US$0.9 million), arising from the Group's milling operations in Mexico, and is reported within discontinued operations. (see note 14). The decrease in revenues was the result of the suspension of milling activities pending the disposal of the SDA Mill to Magellan.

The Group reports a net loss after tax from continuing operations of US$3.5 million or 6.23 cents per share for the year ended 31 December 2017 (2016: net profit after tax US$0.3 million or 1.03 cents per share). Due to the ongoing cash conservation programme, administrative costs for the year of US$2.1 million were consistent with those in the prior year (2016: US$2.1 million).

As the Group directed its focus to the Paradox project, there has been a significant reduction in operating and development expenditure and project development expenditure during the year from US$1.0 million in 2016 to US$0.2 million in the year ended 31 December 2017.

Foreign exchange losses on the restatement of the Company's loans to its subsidiaries were US$1.4 million (2016: gain of US$2.5 million). This has had a significant impact on the results for the year and can be attributed to the strength of sterling against the US dollar at the year-end.

Balance Sheet

Total investment in the Group's intangible exploration and evaluation assets at 31 December 2017 was US$12.1 million (2016: US$10.1 million) reflecting investment in the Utah O&G assets.

The carrying value of property, plant and equipment at 31 December 2017 was US$0.03 million (2016: US$0.3 million) reflecting the disposal of the SDA ore processing mill.

Cash and cash equivalents at 31 December 2017 were US$2.2 million (2016: US$1.3 million). During the period, the Company raised gross proceeds of US$4.0 million (£3.0 million) through the placing of the Company's Ordinary Shares.

Going Concern

The Directors have set out in note 3 to the financial statements their consideration of the future financing requirements of the Group. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements.

This assessment has been carried out in the light of the guidance issued to the Directors by the Financial Reporting Council.

Key Performance Indicators

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.

Risks and Uncertainties and Risk Management

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

- National or local political instability or changes in government law or policies 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 geographic locations of the Group's operations can present environmental and logistical difficulties to the activities of the business.

- The Group is dependent on the continued services and performances of its core management team and 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.

- The Group's operations are such that minor and major injuries as well as fatalities could occur which could result in the temporary closure of the Group's operations.

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.

- Changes in U.S.A. legislation may affect future operations.

- Funds are maintained by the Group in GBP, and USD. 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 funds to meet all corporate, development and production obligations and activities and continue as a going concern into the foreseeable future. The Group manages liquidity risk by maintaining adequate cash reserves and monitoring forecast and actual cash flows. Management regularly reviews the Group's cash flow projections and forecasts.

On 23 June 2016, the UK electorate voted to discontinue its membership of the EU. Until further details are known regarding the terms on which the UK will exit, the Directors are not able to assess the impact 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 discontinued membership of the EU could result in a depreciation in the value of sterling, which could impact the Group's global purchasing power.

Strategic Report

continued

Corporate Social Responsibility

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.

Significant Relationships

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

Future Developments

Your Board, management and dedicated teams continue to operate the Group's existing O&G assets and will continue to look to enhance the value from these, particularly through the drilling of the first Paradox wells. In addition, the Group continues to investigate and evaluate new opportunities to increase shareholder value.

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

On behalf of the board

MC Idiens
Chief Executive Officer
5 June 2018

Directors' Report

The Directors present the Annual Report and financial statements of the Group for the year ended 31 December 2017.

Review of the Business

A review of the business, future developments and the principal risks and uncertainties facing the Group is given in the Strategic Report. The key performance indicators, which the Directors consider to be effective in managing the business, are included in the Strategic Report.

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (2016: US$nil).

Directors

The following were Directors during the year and held office throughout the year, unless otherwise indicated:

MC Idiens
KK Hefton *(resigned 31 July 2017)*
PE Jeffcock
KB Scott
CJ Eadie

Directors' interests in shares and share options

The Directors who held office at 31 December 2017 had the following interests, including family interests, in the Ordinary Shares of the Company as follows:

	Number of Ordinary Shares	
	31 December 2017	**1 January 2017**
MC Idiens	820,257	220,257
KK Hefton	–	4,160
PE Jeffcock	208,333[1]	208,333[1]
KB Scott	–	–
CJ Eadie	347,189	944

[1] Beneficial interest held through the Glenville Discretionary Trust.

Since 31 December 2017, MC Idiens and CJ Eadie have increased their shareholdings, and at the date of signing of these financial statements their shareholdings were as follow:

MC Idiens	1,620,257
CJ Eadie	771,904

Directors' Report

continued

Directors' interests in share options of the Company, including family interests, as at 31 December 2017 were as follows:

	Date of grant/ replacement	No. of shares	Exercise price	Option exercise period
MC Idiens	28 Sep 2011	52,000	112.5p	28/09/11 to 30/09/21
MC Idiens	30 Sep 2011	8,000	112.5p	01/09/12 to 29/09/21
MC Idiens	3 Sep 2013	158,000	112.5p	03/09/14 to 01/09/23
KB Scott	3 Sep 2013	109,333	47.5p	03/09/14 to 01/09/23
MC Idiens	10 Oct 2014	200,000	342.5p	10/10/15 to 09/10/24
CJ Eadie	13 Feb 2015	100,000	182.5p	13/03/16 to 12/03/25
MC Idiens	24 Mar 2017	700,000	14.0p	24/04/17 to 23/04/27
CJ Eadie	24 Mar 2017	500,000	14.0p	24/04/17 to 23/04/27
K Scott	24 Mar 2017	150,000	14.0p	24/04/17 to 23/04/27

Third party indemnity provision for Directors

The Company currently has in place, and had for the year ended 31 December 2017, Directors and officers liability insurance for the benefit of all Directors of the Company.

Corporate Governance

Corporate governance matters are set out on pages 14 and 15.

Substantial shareholdings

Other than the Directors' interests shown above, the Company has been notified of the following substantial interests as at 4 June 2018:

	Number of shares	Percentage of issued share capital
City Financial	16,500,000	11.51%
Flute Investments	4,711,626	3.29%
Hawk Investment Holdings Limited	4,615,385	3.22%

Post balance sheet events

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

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.

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.

Auditor

During the year RSM UK Audit LLP was appointed as the Company's external 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.

The Strategic Report, Corporate Governance Statement and the Directors' Report were approved by the Board on 5 June 2018.

By order of the Board

IH McNeill
Company Secretary
5 June 2018

Corporate Governance Statement

The policy of the Board is to manage the affairs of the Group using the principles of the Quoted Companies Alliance ("QCA") guidance as best practice. This statement describes how the principles of corporate governance are applied to the Group to the extent that the Board considers is appropriate for a group of its size, nature and stage of development.

The Board and its committees

Board meetings are scheduled every month with contact between meetings as required. The meetings are held to set and monitor strategy, review exploration and trading performance, examine acquisition possibilities and cash forecasts and approve reports to shareholders. The matters reserved for the Board include, amongst others, approval of the Group's long term objectives, policies and budgets, changes relating to the Group's management structure, approval of the Group's financial statements and ensuring maintenance of good systems of internal control. Procedures are established to ensure that appropriate information is communicated to the Board in a timely manner to enable it to fulfil its duties.

Details of Directors who served during the year are set out in the Directors' Report. The Board is currently comprised of two executive Directors and two non-executive Directors, one of whom acts as Chairman. There are separate roles for the Chairman and the Chief Executive Officer.

The Board has established an Audit Committee, which comprises of a non-executive Director, PE Jeffcock. The structure of the Audit Committee is currently being reviewed. The Audit Committee meets twice a year and the external auditor is invited to meetings where appropriate. The main responsibilities of the Audit Committee are to review and report to the Board on matters relating to:

- the integrity of the financial statements of the Group, including its annual and interim accounts;
- the effectiveness of the Group's internal controls and risk management systems;
- the accounting policies and practices of the Group;
- audit plans and auditor's report, including any significant concerns the external auditor may have arising from their audit work; and
- the terms of appointment, remuneration and independence of the auditor.

The Board has established a Remuneration Committee, which comprises a non-executive Director, PE Jeffcock. The structure of the Remuneration Committee is currently being reviewed. The Remuneration Committee meets twice a year and reviews the performance of the executive Directors and the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee is also responsible for awards under the share option plan. No Director is involved in any decision relating to his own remuneration.

The remuneration of non-executive Directors is determined by the Board.

Communication with shareholders

The Board encourages regular dialogue with shareholders. All shareholders are invited to the AGM at which Directors are available for questioning. The notice of AGM is sent to all shareholders at least 21 clear days before the meeting. The number of proxy votes received for and against each resolution is disclosed at the AGM and a separate resolution is proposed on each item. Financial and other information about the Group is available on the Company's website www.rosepetroleum.com.

Internal controls

The Board is responsible for establishing the Group's system of internal controls and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide the Board with reasonable and not absolute assurance against material misstatement or loss. The key procedures that have been established, and which are designed to provide effective internal control are as follows:

- each of the Group's subsidiaries is managed by an executive Director and there is a management reporting process in place to enable the Board to monitor the performance of the Group on a regular basis;
- an annual forecast is prepared and formally adopted by the Board. This is reviewed on a regular basis and actual performance against forecast is closely monitored;
- the Board reviews the major business risks faced by the Group and determines the appropriate course of actions required to manage those risks;
- the Board approves proposals for the acquisition of new businesses and sets guidelines for the development of new properties. Capital expenditure is regulated and written proposals must be submitted to the Board for any expenditure above specified levels; and
- consolidated management information is prepared on a regular basis.

The Board reviews the effectiveness of the system of internal controls and the control environment. No significant control deficiencies were reported during the year and no weaknesses in internal controls have resulted in any material losses, contingencies or uncertainty which would require disclosure as recommended by the guidance for Directors on reporting on internal controls. The Board has reviewed the need for an independent internal audit function and has concluded that the Group is not large enough to warrant this at the present time.

MC Idiens
Chief Executive Officer
5 June 2018

Statement of Directors' Responsibilities

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;

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

We have audited the financial statements of Rose Petroleum Plc (the "parent company") and its subsidiaries (the "Group") for the year ended 31 December 2017 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 2017 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

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.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Intangible exploration and evaluation assets

The Group has significant exploration and evaluation activities in a number of geographical locations. The performance of these activities is dependent on the grant (and ongoing maintenance) of appropriate licences and permits which may be subject to limitations and restrictions. 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.

Management provided us with an analysis of the exploration and evaluation assets held by the Group by pool of asset (being the smallest subset of asset held) together with their considerations as to the impairment of these assets. We performed audit work for each pool of asset as follows:

- Agreed that licences and/or other similar agreements such as the Rockies Standard Earn-In Agreement were held by the Group during the financial year and at the year end and whether the nature of the agreements in place were such that there were specific ongoing requirements of the Group as licence holder to be complied with;

- With specific regard to the Rockies Standard Earn-In Agreement we have reviewed the evidence held by the Group to support that Rockies Standard were the ultimate licence holder both during the period and at the period end;

- Reviewed the consideration made by management and discussed with them their assessment of whether there were any indicators of impairment of the licence areas arising under IFRS6 and whether facts and circumstances were such that a formal impairment assessment was required under the requirements of this standard. Our work included, but was not restricted to, reviewing the licence agreements to assess the remaining period of operation, reviewing the third party commissioned reports and challenging management's assessment of the results, and reviewing management's forecasts, plans and external communications as to whether these provided an indicator of impairment; and

- Considered management's ongoing assessment of the Group's ability to meet the licence requirements and reviewed the cash flow forecasts prepared by management to support their ability to do this.

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 and to evaluate the effects of misstatements, both individually and on the financial statements as a whole. During planning we determined a magnitude of uncorrected misstatements that we judge would be material for the financial statements as a whole (FSM). During planning FSM was calculated as US$224,000, which was not changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of US$10,000, as well as differences below those thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the Scope of Our Audit

Our audit was a risk-based approach founded on a thorough understanding of the Group's business, its' environment and risk profile and in particular included:

- Documenting the processes and controls covering all of the Key Audit Matters;
- The Group has components across North America, Central America and Europe. We have assessed the risk of material misstatement for each of these components to conclude which are in scope for full scope audit procedures using component materiality (including local statutory audit requirements) and which will be subject to reduced scope review procedures;
- Our full scope audit procedures covered 100% of group revenues, 99% of group loss before tax and 75% of group Gross Assets;
- Our reduced scope review procedures included analytical review procedures and targeted substantive testing.

The audit was scoped to support our audit opinion on the company and group financial statements of Rose Petroleum plc and was based on group materiality and an assessment of risk at group level.

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.

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

continued

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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 16, 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.

Auditor's responsibilities for the audit of the financial statements

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.

Use of our Report

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.

Andrew Allchin (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

5 June 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 US$'000	2016 US$'000
Continuing operations			
Operating and development expenses	6	–	(405)
Administrative expenses		(2,065)	(2,058)
Cuba development expenses	7	(154)	(580)
Impairment of intangible exploration and evaluation assets	8	82	(360)
Foreign exchange (losses)/gains		(1,378)	2,578
Operating loss		(3,515)	(825)
Finance income	9	1	9
Loss on ordinary activities before taxation	10	(3,514)	(816)
Taxation (charge)/credit	13	(1)	1,127
(Loss)/profit for the year from continuing operations		(3,515)	311
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	14	384	(461)
Loss for the year attributable to owners of the parent company		(3,131)	(150)
(Loss)/profit per Ordinary Share			
From continuing operations			
Basic and diluted, cents per share	15	(6.23)	1.03
From continuing and discontinued operations			
Basic and diluted, cents per share	15	(5.54)	(0.50)

The notes on pages 29 to 61 form part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Loss for the year attributable to owners of the parent company	(3,131)	(150)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss, net of tax		
Foreign currency translation differences on foreign operations	(3,671)	6,498
Total comprehensive income for the year attributable to owners of the parent company	(6,802)	6,348

The notes on pages 29 to 61 form part of the financial statements.

Consolidated Balance Sheet

At 31 December 2017

Company No 04573663

	Notes	2017 US$'000	2016 US$'000
Non-current assets			
Investments	18	500	–
Intangible assets	16	12,098	10,117
Property, plant and equipment	17	27	337
		12,625	10,454
Current assets			
Trade and other receivables	20	583	1,236
Cash and cash equivalents	21	2,185	1,273
		2,768	2,509
Total assets		15,393	12,963
Current liabilities			
Trade and other payables	22	(584)	(524)
Provisions	24	–	(110)
Taxation payable		–	(1)
		(584)	(635)
Total liabilities		(584)	(635)
Net assets		14,809	12,328
Equity			
Share capital	25	40,463	40,362
Share premium account	26	35,657	32,183
Share-based payment reserve	26	3,687	3,028
Cumulative translation reserve	26	(6,864)	(8,376)
Retained deficit	26	(58,134)	(54,869)
Equity attributable to owners of the parent company		14,809	12,328

The financial statements on pages 21 to 61 were approved by the Directors and authorised for issue on 5 June 2018 and are signed on its behalf by:

CJ Eadie
Chief Financial Officer

The notes on pages 29 to 61 form part of the financial statements.

Rose Petroleum plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US$'000	Share premium account US$'000	Share-based payment reserve US$'000	Cumulative translation reserves US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2016	38,765	31,471	2,899	(4,384)	(54,887)	13,864
Transactions with owners in their capacity as owners:						
Issue of equity shares	1,597	783	–	–	–	2,380
Expenses of issue of equity shares	–	(71)	–	–	–	(71)
Share-based payments	–	–	326	–	–	326
Transfer to retained deficit in respect of forfeit options	–	–	(168)	–	168	–
Effect of foreign exchange rates	–	–	(29)	–	–	(29)
Total transactions with owners in their capacity as owner	1,597	712	129	–	168	2,606
Loss for the year	–	–	–	–	(150)	(150)
Other comprehensive income:						
Currency translation differences	–	–	–	6,498	–	6,498
Total other comprehensive income for the year	–	–	–	6,498	–	6,498
Total comprehensive income for the year	–	–	–	6,498	(150)	6,348
Currency translation differences on equity at historical rates	–	–	–	(10,490)	–	(10,490)
As at 1 January 2017	40,362	32,183	3,028	(8,376)	(54,869)	12,328
Transactions with owners in their capacity as owners:						
Issue of equity shares	101	3,918	–	–	–	4,019
Expenses of issue of equity shares	–	(250)	–	–	–	(250)
Share-based payments	–	(194)	508	–	–	314
Transfer to retained deficit in respect of forfeit options	–	–	134	–	(134)	–
Effect of foreign exchange rates	–	–	17	–	–	17
Total transactions with owners in their capacity as owner	101	3,474	659	–	(134)	4,100
Loss for the year	–	–	–	–	(3,131)	(3,131)
Other comprehensive income:						
Currency translation differences	–	–	–	(3,671)	–	(3,671)
Total other comprehensive income for the year	–	–	–	(3,671)	–	(3,671)
Total comprehensive income for the year	–	–	–	(3,671)	(3,131)	(6,802)
Currency translation differences on equity at historical rates	–	–	–	5,183	–	5,183
As at 31 December 2017	40,463	35,657	3,687	(6,864)	(58,134)	14,809

The notes on pages 29 to 61 form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Operating activities		
Loss before taxation from continuing operations	(3,514)	(816)
Profit/(loss) before taxation from discontinued operations	404	(454)
	(3,110)	(1,270)
Finance income	(42)	(9)
Adjustments for:		
Depreciation of property, plant and equipment	54	201
Loss on disposal of property, plant and equipment	–	17
Gain on disposal of discontinued operations	(1,339)	–
Impairment of Intangible exploration and evaluation assets	(82)	360
Provision for non-recoverable taxes	197	–
Share-based payments	314	326
Unrealised foreign exchange loss/(gain)	1,388	(2,626)
Operating outflow before movements in working capital	(2,620)	(3,001)
Decrease in inventories	–	19
Decrease in trade and other receivables	419	100
Increase/(decrease) in trade and other payables	93	(163)
Cash used in operations	(2,108)	(3,045)
Income tax recovered	143	–
Net cash used in operating activities	(1,965)	(3,045)
Investing activities		
Interest received	42	4
Purchase of intangible exploration and evaluation assets	(1,990)	(272)
Proceeds on disposal of property, plant and equipment	–	9
Proceeds on disposal of intangible assets	–	5
Net cash inflow on disposal of discontinued operations	950	–
Proceeds from disposal of assets held for sale	–	50
Net cash used in investing activities	(998)	(204)
Financing activities		
Proceeds from issue of shares	4,019	2,380
Expenses of issue of shares	(250)	(71)
Net cash from financing activities	3,769	2,309
Net increase/(decrease) in cash and cash equivalents	806	(940)
Cash and cash equivalents at beginning of year	1,273	2,399
Effect of foreign exchange rate changes	106	(186)
Cash and cash equivalents at end of year	2,185	1,273

The notes on pages 29 to 61 form part of the financial statements.

Company Balance Sheet

As at 31 December 2017 Company No 04573663

	Notes	2017 US$'000	2016 US$'000
Non-current assets			
Investments	18	13,552	15,063
Current assets			
Trade and other receivables	20	81	69
Cash and cash equivalents	21	2,156	1,185
		2,237	1,254
Total assets		15,789	16,317
Current liabilities			
Trade and other payables	22	(175)	(164)
Total liabilities		(175)	(164)
Net assets		15,614	16,153
Equity			
Share capital	25	40,463	40,362
Share premium account	26	35,657	32,183
Share option reserve	26	3,687	3,028
Cumulative translation reserve	26	(8,093)	(9,368)
Retained deficit	26	(56,100)	(50,052)
Total equity		15,614	16,153

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 2017 is US$6.0 million (2016: US$2.2 million).

The financial statements on pages 21 to 61 were approved by the Directors and authorised for issue on 5 June 2018 and are signed on its behalf by:

CJ Eadie
Chief Financial Officer

The notes on pages 29 to 61 form part of the financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital US$'000	Share premium account US$'000	Share option reserve US$'000	Cumulative translation reserves US$'000	Retained deficit US$'000	Total US$'000
As at 1 January 2016	38,765	31,471	2,899	(6,232)	(47,810)	19,093
Transactions with owners in their capacity as owners:						
Issue of equity shares	1,597	783	–	–	–	2,380
Expenses of issue of equity shares	–	(71)	–	–	–	(71)
Share-based payments	–	–	327	–	–	327
Transfer to retained deficit/capital contribution in respect of forfeit options	–	–	(168)	–	(13)	(181)
Effect of foreign exchange rates	–	–	(30)	–	–	(30)
Total transactions with owners in their capacity as owner	1,597	712	129	–	(13)	2,425
Loss for the year	–	–	–	–	(2,229)	(2,229)
Other comprehensive income:						
Currency translation differences	–	–	–	7,354	–	7,354
Total other comprehensive income for the year	–	–	–	7,354	–	7,354
Total comprehensive income for the year	–	–	–	7,354	(2,229)	5,125
Currency translation differences on equity at historical rates	–	–	–	(10,490)	–	(10,490)
As at 1 January 2017	40,362	32,183	3,028	(9,368)	(50,052)	16,153
Transactions with owners in their capacity as owners:						
Issue of equity shares	101	3,918	–	–	–	4,019
Expenses of issue of equity shares	–	(250)	–	–	–	(250)
Share-based payments	–	(194)	508	–	–	314
Transfer to capital contribution in respect of forfeit options	–	–	134	–	–	134
Effect of foreign exchange rates	–	–	17	–	–	17
Total transactions with owners in their capacity as owner	101	3,474	659	–	–	4,234
Loss for the year	–	–	–	–	(6,048)	(6,048)
Other comprehensive income:						
Currency translation differences	–	–	–	(3,908)	–	(3,908)
Total other comprehensive income for the year	–	–	–	(3,908)	–	(3,908)
Total comprehensive income for the year	–	–	–	(3,908)	(6,048)	(9,956)
Currency translation differences on equity at historical rates	–	–	–	5,183	–	5,183
As at 31 December 2017	40,463	35,657	3,687	(8,093)	(56,100)	15,614

The notes on pages 29 to 61 form part of the financial statements.

Company Cash Flow Statement

For the year ended 31 December 2017

	2017 US$'000	2016 US$'000
Operating activities		
Loss before taxation	(6,048)	(2,229)
Finance income	(502)	(542)
Adjustments for:		
Impairment of investments in subsidiary undertakings	5,753	1,522
Share-based payments	200	342
Unrealised foreign exchange	1	(182)
Operating cash outflow before movements in working capital	(596)	(1,089)
(Increase)/decrease in trade and other receivables	(12)	254
Increase/(decrease) in trade and other payables	10	(40)
Net cash used in operating activities	(598)	(875)
Investing activities		
Interest received	1	3
Loans to subsidiary undertakings	(2,308)	(1,654)
Net cash used in investing activities	(2,307)	(1,651)
Financing activities		
Proceeds from the issue of shares	4,019	2,380
Expenses of issue of shares	(250)	(71)
Net cash from financing activities	3,769	2,309
Net Increase/(decrease) in cash and cash equivalents	864	(217)
Cash and cash equivalents at beginning of year	1,185	1,582
Effect of foreign exchange rate changes	107	(180)
Cash and cash equivalents at end of year	2,156	1,185

The notes on pages 29 to 61 form part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1. Corporate Information

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

Standards affecting presentation and disclosure

In the current year, the following new and revised Standards have been adopted but have not had any material impact on the amounts reported in these financial statements:

Amendments to IAS 12	*Recognition of deferred tax assets for unrealised losses*
Amendments to IAS 7	*Statement of cash flows – disclosure initiative*

At the date of authorisation of the financial statements, the following Standards and Interpretations which have not been applied in the financial statements were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

Amendments to IFRS 2	*Share-based payments*
IFRS 9	*Financial instruments*
IFRS 15	*Revenue from contracts with customers*
IFRS 16	*Leases*
IFRIC 22	*Foreign currency transactions and advance transactions*
IFRIC 23	*Uncertainty over income tax treatments*
Amendments to IAS 28	*Long term interests in associates and joint ventures*
Annual improvements to IFRS standards 2015-2017	

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 available for sale investments which are measured at 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.

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.

3. Significant Accounting Policies continued

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.

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$2.2 million (2016: US$1.3 million).

The Directors have prepared cash flow forecasts for the Group for the period to June 2019 based on their assessment of the non-discretionary cash requirements of the Group during this period. These cash flow forecasts include its normal operating costs for operations together with any committed development expenditure.

Based on these forecasts, the Directors are confident that the Group has sufficient resources to continue in operation for at least the next twelve months.

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.

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.

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 exploration, gold and silver, uranium, copper and oil & gas 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:

Ore processing mill	over the life of the mill
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 and loss.

Revenue Recognition

Revenue is recognised when persuasive evidence of an arrangement exists, usually in the form of an executed sales agreement, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy and the goods have been delivered. This is when title is determined to pass. Revenue is measured at the fair value of the consideration received or receivable.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

Operating expenses in respect of oil and gas activities include lease operating expenses, production taxes, general and administrative expenses and oil and gas depreciation, depletion and amortisation.

3. Significant Accounting Policies continued

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.

Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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 and 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.

3. **Significant Accounting Policies** continued

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.

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.

3. Significant Accounting Policies continued

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.

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.

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or expired.

Financial Assets

Investments

Listed shares held by the Group are classified as being available for sale ("AFS") and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the income statement.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost less any provision for impairment.

Cash and cash equivalents

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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.

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.

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.

3. Significant Accounting Policies continued

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, taking into account 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 facilities 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 producing life of the facility in the removal and decommissioning of the production, storage and transportation facilities currently in place. 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. Period charges for changes in the net present value of the decommissioning provision arising from discounting are included in finance costs.

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.

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.

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 accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Recoverability of Loans to Subsidiary Undertakings

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.

At 31 December 2017, the Company has total investments and loans in its directly held subsidiaries of US$48.6 million and the Board has assessed the recoverability of these based on the net assets of those subsidiary entities at 31 December 2017. Based on this assessment the Directors consider that, in consideration of the losses currently being generated, the impairment of the Group's intangible exploration and evaluation assets, and the discontinuance of operations in Mexico, a provision of US$5.8 million (2016: US$1.5 million) should be recognised by the Company in the year to 31 December 2017. At 31 December 2017, there is a total impairment provision in respect of the investments and loans to subsidiaries of US$35.5 million. See note 18.

5. Segmental Information

Prior to the sale of the Groups milling assets ("discontinued operations"), for management purposes the Group was organised into three operating divisions based on its principal activities of gold and silver mining, research and evaluation of potential uranium and copper properties and the exploration and development of O&G resources. Subsequent to the discontinuance of operations in Mexico the Group now has two main operating segments, research and evaluation of potential uranium and copper properties and the exploration and development of O&G resources, which are all based in the U.S.A. These divisions are the basis on which the Group reports its segment information.

Notes to the Financial Statements

continued

5. Segmental Information continued

Segment information about these divisions is presented below.

	2017 US$'000	2016 US$'000
Income statement		
Revenue		
Discontinued operations	304	898
Segmental results		
Uranium and copper	(139)	(483)
O&G	(1,677)	1,544
Total segment results	(1,816)	1,061
Unallocated results	(1,698)	(1,877)
Current and deferred tax	(1)	1,127
Loss after taxation from continuing operations	(3,515)	311
Discontinued operations, net of tax	384	(461)
Loss after taxation	(3,131)	(150)

The unallocated results of US$1.7 million (2016: US$1.9 million) include costs associated with the Cuba project (refer to note 7), Directors remuneration and other general and administrative costs incurred by the Company only.

	2017 US$'000	2016 US$'000
Depreciation		
Uranium and copper	–	2
O&G	27	35
Discontinued operations	27	164
	54	201

	2017 US$'000	2016 US$'000
Impairment		
Uranium and copper	43	344
O&G	(125)	16
	(82)	360

Employees

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

	2017 Number	2016 Number
Uranium and copper	1	1
Discontinued operations	27	36
O&G	1	2
Total segment employees	29	39
Unallocated employees	3	2
Total employees	32	41

5. Segmental Information continued

	2017 US$'000	2016 US$'000
Balance Sheet		
Segment assets		
Uranium and copper	23	60
O&G	12,205	10,237
Total segment assets	12,228	10,297
Unallocated assets including cash and cash equivalents	2,738	1,256
Continuing operations	14,966	11,553
Discontinued operations	427	1,410
Total assets	15,393	12,963
Segment liabilities		
Uranium and copper	50	5
O&G	85	105
Total segment liabilities	135	110
Unallocated liabilities	297	332
Current and deferred tax	–	1
Continuing operations	432	443
Discontinued operations	152	192
Total liabilities	584	635
Segment net assets		
Uranium and copper	(27)	55
O&G	12,120	10,132
Total segment net assets	12,093	10,187
Unallocated net assets including cash and cash equivalents	2,441	924
Discontinued operations	275	1,217
Total net assets	14,809	12,328

6. Operating and Development Expenses

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Operating expenses – milling	–	364	–	162
Operating expenses – O&G	–	–	405	–
Development expenses	–	9	–	33
	–	373	405	195

Development expenses represent expenditure incurred by the Group in respect of potential new projects prior to the commencement of production.

Notes to the Financial Statements

continued

7. Cuba Development Expenses

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Development expenses	154	–	580	–

Cuba development expenses represent material expenditure incurred by the Group in respect of the assessment and pursuit of a specific project.

8. Impairment of Intangible Exporation and Evaluation Assets

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Uranium and copper assets	43	–	344	–
O&G assets	(125)	–	16	–
	(82)	–	360	–

At 31 December 2017, there were indicators of impairment of both the Group's intangible uranium assets held in the U.S.A. and its intangible copper assets held in Mexico. The Directors consider that there is reasonable uncertainty that the Group will recover the carrying value of these assets and as a result an impairment charge of US$0.04 (2016: US$0.3 million) has been recognised in the year.

At 31 December 2015, the Group had relinquished, and ceased to recognise its interest in two hydrocarbon licences in south-western Germany. The original recognition of these assets included an accrual for outstanding licence duties due to the German licencing authorities. During the year ended 31 December 2017, a reduction in the potential liability was agreed with the authorities and as a result, the previous impairment relating to the relinquished assets in respect of this cost has been reversed and has resulted in a credit in impairment of US$0.1 million. The Group has continued to recognise the remaining potential liability although it continues to negotiate further reductions with the German licencing authorities.

The remaining intangible exploration and evaluation assets have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. These assets are not amortised until technical feasibility and commercial viability is established.

9. Finance income

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Interest on bank deposits	1	–	4	–
Other interest received	–	41	5	–
	1	41	9	–

10. Loss before taxation

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

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Other income	–	(50)	–	–
Depreciation of property, plant and equipment	27	27	37	164
Loss/(gain) on disposal of property, plant and equipment	–	–	26	(9)
Gain on disposal of discontinued operations	–	(1,339)	–	–
Staff costs excluding share-based payments	792	648	793	616
Share-based payments	314	–	326	–
Operating leases – land and buildings	90	–	166	–
Provision for VAT not recovered	–	197	–	–
Net foreign exchange losses/(gains)	1,378	74	(2,578)	82

11. Auditor's remuneration

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

	RSM UK Audit LLP		KPMG LLP	
	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Audit of these financial statements	45	–	23	–
Amounts receivable by the Company's auditor and its associates in respect of:				
Audit of financial statements of subsidiaries of the Company	10	–	41	–
Taxation services – compliance	11	–	–	–
Taxation services – advisory	–	6	–	–
	66	6	64	–

12. Staff Costs

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

	Group			
	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Office and management	3	–	2	–
Operations	2	27	3	36
	5	27	5	36

Their aggregate remuneration comprised:

	Group			
	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Wages and salaries	658	463	685	519
Social security costs	61	88	80	97
Other pension costs	75	–	29	–
Redundancy costs	–	97	–	–
Share-based payments	265	–	210	–
	1,059	648	1,004	616

	Company			
	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Office and management	3	–	2	–

Their aggregate remuneration comprised:

	Company			
	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Wages and salaries	379	–	302	–
Social security costs	44	–	34	–
Other pension costs	60	–	26	–
Share-based payments	164	–	60	–
	647	–	422	–

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

13. Taxation

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Current tax:				
Current year	1	20	1	7
	1	20	1	7
Deferred tax:				
Origination and reversal of temporary differences	–	–	(1,128)	–
	–	–	(1,128)	–
Tax charge/(credit) on (loss)/profit for the year	1	20	(1,127)	7

The charge/(credit) for the year can be reconciled to the (loss)/profit per the income statement as follows:

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
(Loss)/profit before tax	(3,514)	404	(816)	(454)
(Loss)/profit multiplied by the rate of corporation tax for UK companies of 19.25% (2016: 20%)	(676)	78	(163)	(91)
Effects of:				
Expenses not deductible for tax purposes	(236)	(51)	142	11
Temporary differences	–	(31)	(605)	–
Share-based payments	60	–	65	–
Unrelieved tax losses carried forward	853	17	(43)	85
Differences in foreign tax rates	–	7	(523)	2
Tax charge/(credit) on (loss)/profit for the year	1	20	(1,127)	7

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 23, 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.

Income tax charge included in other comprehensive income during the year is:

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Deferred foreign tax on net investment in foreign operations	–	–	1,128	–

14. Discontinued operations

On 3 March 2017, the Group entered into a Memorandum of Understanding ("MOU") with Magellan Gold Corporation ("Magellan") for the potential disposal of the Group's ore processing mill in Mexico, together with its associated assets, licences and agreements. Under the terms of the agreement Magellan was granted a 90-day option period, for a non-refundable deposit of US$50,000 which has been presented as other income, within discontinued operations.

On 9 September 2017, the Group signed a Stock Purchase Agreement ("SPA") with Magellan and the transaction completed on 1 December 2017. The consideration for the transaction was US$1.5 million, US$1.0 million in cash and US$0.5 million in restricted common stock in Magellan. See note 18.

The cash consideration was subject to the retention of US$50,000 by Magellan, which fell due for payment by 10 March 2018 and which was actually settled on 13 April 2018.

Although the SPA referred to the sale of stock, the substance of the transaction was the disposal of property, plant and equipment in Minerales VANE S.A. de C.V. and as a result the transaction has been accounted for as a disposal of property, plant and equipment. At the same time, the Group also agreed the sale of its wholly-owned subsidiary, Minerales VANE Operaciones S.A de C.V. ("MVO") for US$2,500, which was paid on 13 April 2018.

Under the terms of the agreement the Group is liable for payment of the net liabilities of MVO and other payables includes the sum of US$51,547 in respect of these liabilities. See note 22.

The Mexico operations have been treated as discontinued operations in the year ended 31 December 2017 and is shown as a single amount on the face of the consolidated income statement. The income statement for the prior period has been restated to conform to this presentation.

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:

	2017 US$'000	2016 US$'000
Revenue	304	898
Cost of sales	(259)	(820)
Margin	45	78
Other income	50	–
Operating and development costs	(373)	(204)
Expenses	(698)	(337)
	(976)	(463)
Gain on disposal of property, plant and equipment	–	9
Finance income	41	–
Loss before taxation	(935)	(454)
Taxation charge	(20)	(7)
Loss attributable to discontinued operations	(955)	(461)
Gain on disposal of discontinued operations	1,339	–
Gain/(loss) from discontinued operations, net of tax	384	(461)
Profit/(loss) per Ordinary Share		
Basic and diluted, cents per share	0.68	(1.53)

14. Discontinued operations continued

Gain on disposal of discontinued operations

	US$'000
Property, plant and equipment	(283)
Decommissioning provision	120
	(163)
Consideration on disposal of discontinued operations	1,502
Gain on disposal of discontinued operations	1,339
Consideration on disposal of discontinued operations	
Consideration on disposal of property, plant and equipment	1,500
Consideration on disposal of MVO	2
Total consideration on disposal of discontinued operations	1,502
Consideration settled in restricted common stock	(500)
Deferred consideration	(52)
Net cash inflow	950

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 2017 US$'000	Continuing and discontinued operations 2017 US$'000	Continuing operations 2016 US$'000	Continuing and discontinued operations 2016 US$'000
(Losses)/profits				
(Losses)/profits for the purpose of basic (loss)/profit per Ordinary Share being net (loss)/profit attributable to owners of the parent company	(3,515)	(3,131)	311	(150)
	Number '000	Number '000	Number '000	Number '000
Number of shares				
Weighted average number of shares for the purpose of basic (loss)/profit per Ordinary Share	56,467	56,467	30,088	30,088
(Loss)/profit per Ordinary Share				
Basic and diluted, cents per share	(6.23)	(5.54)	1.03	(0.50)

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

The information shown above has been restated to reflect the share consolidation which took place on 18 September 2017. See note 25.

Notes to the Financial Statements

continued

16. Intangible Assets

	Exploration and evaluation assets US$'000
Cost	
At 1 January 2016	18,511
Additions	276
Disposals	(607)
Relinquishment of licences	(2,303)
Exchange differences	(54)
At 1 January 2017	15,823
Additions	2,023
Exchange differences	17
At 31 December 2017	17,863
Impairment	
At 1 January 2016	8,290
Impairment charge	360
Disposals	(602)
Relinquishment of licences	(2,303)
Exchange differences	(39)
At 1 January 2017	5,706
Impairment charge	43
Exchange differences	16
At 31 December 2017	5,765
Carrying amount	
At 31 December 2017	12,098
At 31 December 2016	10,117

Rockies Standard Earn-in 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 retains the remaining 25 per cent working interest.

Farm-in costs incurred by the Group are accounted for as required by the relevant accounting standards including the capitalisation of intangible exploration and evaluation assets in accordance with IFRS 6.

In April 2016, the Group entered into a revised agreement with RSOC to cease earning into the Mancos acreage and dispose of the Cisco Dome field, wells, pipelines, gas tap, gas plant and all the associated equipment and liabilities. As part of the revised agreement the Group agreed to cover the cost of the existing plug and abandonment liability of the four wells already scheduled with the authorities for the sum of US$0.3 million, and this obligation was settled during the year ended 31 December 2016. The Group also agreed to leave the existing operator bonds in place with the State of Utah and Bureau of Land Management, which are now refundable to RSOC rather than the Group. The Group did not recognise any disposal of its intangible exploration and evaluation assets, other than the bonds, during the year ended 31 December 2016, as it considers its total expenditure on the project as one cost pool whose carrying value is supported by the remaining acreage in the Paradox.

16. Intangible Assets continued

RSOC agreed to reduce the Group's carry obligation to earn the 75 per cent working interest in the Paradox acreage by US$2.0 million to US$5.5 million. Under the terms of the agreement, the obligation is not contractually committed and therefore no liability or contingent liability has been recognised in these financial statements.

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 2017 is US$12.1 million (2016: US$10.1 million).

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. Under the terms of the agreement MV has the right to operate gold and silver mining activities at concessions owned by Camargo with gross margin earned to be allocated on the basis of 50 per cent to MV and 50 per cent to Camargo. In addition, MV has the option to earn a 75 per cent ownership of the base metals (porphyries) by investing US$5.0 million in work expenditures over a period of 5 years. Under the terms of the agreement, the option to earn-in is not contractually committed and therefore no liability or contingent liability has been recognised in these financial statements.

The Directors consider that there is reasonable uncertainty that the Group will recover the carrying value of these assets and as a result they were impaired in full at 31 December 2016. No further expenditure has been incurred during the year ended 31 December 2017.

German Licences

During 2016, the Group relinquished its interest in its hydrocarbon licences in the Weiden Basin, located in the State of Bavaria, southeast German, and ceased to recognise them at 31 December 2016.

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.

In May 2016, the Group assigned its interest in the Bouse copper project to a third party. No compensation was received in respect of this assignment.

All remaining licences relating to U.S.A. copper projects were relinquished during the year and ceased to be recognised at 31 December 2016.

Notes to the Financial Statements

continued

17. Property, Plant and Equipment

	Ore processing mill US$'000	Plant and machinery US$'000	Total US$'000
Cost			
At 1 January 2016	734	879	1,613
Additions	10	–	10
Disposals	–	(64)	(64)
Exchange differences	(120)	(110)	(230)
At 1 January 2017	624	705	1,329
Discontinued operations	(684)	(573)	(1,257)
Exchange differences	60	51	111
At 31 December 2017	–	183	183
Accumulated depreciation			
At 1 January 2016	534	459	993
Charge for the year	93	108	201
Disposals	–	(38)	(38)
Exchange differences	(96)	(68)	(164)
At 1 January 2017	531	461	992
Charge for the year	17	37	54
Discontinued operations	(599)	(375)	(974)
Exchange differences	51	33	84
At 31 December 2017	–	156	156
Carrying amount			
At 31 December 2017	–	27	27
At 31 December 2016	93	244	337

The depreciation has been charged to the income statement as follows:

	Continuing 2017 US$'000	Discontinued 2017 US$'000	Continuing 2016 US$'000	Discontinued 2016 US$'000
Cost of sales	–	25	–	124
Operating and development expenses	–	2	–	38
Administrative expenses	27	–	37	2
	27	27	37	164

18. Investments

	Group and Company		Company	
	Investment carried at fair value US$'000	Shares in subsidiary undertakings US$'000	Loans to subsidiary undertakings US$'000	Total US$'000
Cost				
At 1 January 2016	–	5,757	42,246	48,003
Additions	–	–	2,194	2,194
Capital contribution	–	–	(195)	(195)
Exchange differences	–	(958)	(7,079)	(8,037)
At 1 January 2017	–	4,799	37,166	41,965
Additions	500	–	2,308	2,808
Capital contribution	–	–	254	254
Exchange differences	–	457	3,568	4,025
At 31 December 2017	500	5,256	43,296	49,052
Impairment				
At 1 January 2016	–	–	30,610	30,610
Impairment charge	–	3,572	(2,050)	1,522
Exchange differences	–	(320)	(4,910)	(5,230)
At 1 January 2017	–	3,252	23,650	26,902
Impairment charge	–	1,373	4,380	5,753
Exchange differences	–	377	2,468	2,845
At 31 December 2017	–	5,002	30,498	35,500
Carrying amount				
At 31 December 2017	500	254	12,798	13,552
At 31 December 2016	–	1,547	13,516	15,063

On 9 September 2017, the Group entered into a Stock Purchase Agreement with Magellan Gold Corporation ('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, was US$1.5 million, US$1.0 million in cash and US$0.5 million in restricted common stock in Magellan. On 1 November 2017, an additional agreement gave Magellan the sole and exclusive right and option to purchase the stock. Under the term of the agreement, if the option is exercised on or before the six-month anniversary of closing the exercise price is US$0.5 million. If the option is exercised after the six-month anniversary and within five days following the first anniversary of the closing the exercise price is US$0.55 million. By reference to the quoted price of Magellan stock, the Directors consider that the fair value of the stock at 31 December 2017 was US$0.5 million, which approximates to its market value at that date of US$0.375 million.

The Company has a number of loans made to its subsidiaries which incur interest at a commercial rate, according to the Group's inter-company loan policy. However, there is a risk that the subsidiaries will not commence revenue-generating activities and that the carrying amount of the investments exceed the recoverable amount. The Board have assessed the recoverability of these loans and consider that a provision of US$5.8 million (2016: US$1.5 million) should be recognised in the period.

18. Investments continued

The Company had investments in the following subsidiary undertakings as at 31 December 2017:

	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Directly owned:				
VANE Minerals (UK) Limited	UK	100%	100%	Holding company
Rose Petroleum (UK) Limited	UK	100%	100%	Holding company
Rose Cuba Limited	UK	100%	100%	Holding company
Rose Resources Limited	UK	100%	100%	Holding company
Indirectly owned:				
AVEN Associates LLC	U.S.A.	100%	100%	Exploration
VANE Minerals (US) LLC	U.S.A.	100%	100%	Exploration
Minerales VANE S.A. de C.V.	Mexico	100%	100%	Mining
Naab Energie GmbH	Germany	100%	100%	Exploration
Rose Petroleum (US) LLC	U.S.A.	100%	100%	Holding company
Rose Petroleum (Utah) LLC	U.S.A.	100%	100%	Exploration
Rose Gypsum Limited	UK	100%	100%	Holding company

During the year ended 31 December 2017, the Group disposed of its ore processing mill in Mexico, together with its associated assets, licences and agreement, held by Minerales VANE S.A. de C.V. At the same time the Group disposed of its interest in Minerales VANE Operaciones S.A. de. C.V. The operating activities of both entities have been classified as discontinued operations. See note 14.

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 AVEN Associates LLC and VANE Minerals (US) LLC is 8987 E. Tanque Verde Road, Tucson, Arizona 85749.

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 Naab Energie GmbH is Merzhauser Strasse 4, D-79100 Freiburg, Germany.

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

19. Joint Operations

Arizona Project

On 1 September 2008, the Group entered into a Mining Venture Agreement with Uranium One Americas Inc. (“U1”). The terms of this agreement created a Joint Venture Agreement (“JVA”) between VANE Minerals (US) LLC (“VANE”) and U1, with each partner holding a 50 per cent interest. During the year ended 31 December 2015 U1 sold its 50 per cent interest to Anfield Resources Inc. (“Anfield”).

The JVA established an agreed sharing of control with decisions about the relevant activities requiring the unanimous consent of VANE and Anfield. The parties have rights to the assets and obligations for liabilities relating to the arrangement and the JVA has, therefore, been accounted for as a joint operation recognising the Group’s relevant share of assets, liabilities, revenues and expenses as appropriate.

19. Joint Operations continued

The JVA combined interests in over 60 breccia pipe targets, including 10 known mineralised pipes, in northern Arizona and also secured access to U1's Ticaboo Mill in Utah for ore developed on JV properties.

The Mining Venture Agreement was amended on 15 July 2013 to extend the terms of the agreement to 31 December 2017. Since 31 December 2017, the JVA has not been extended and each party has been reassigned the assets originally contributed to the joint venture.

The aggregate amounts related to the joint operation included within the consolidated accounts are:

	2017 US$'000	2016 US$'000
Net assets	15	47
Expenses	(4)	(3)

20. Trade and Other Receivables

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade receivables	246	–	–	–
Amounts owed by joint arrangement partners	–	35	–	–
VAT recoverable	55	608	23	25
Tax recoverable	92	263	–	–
Other receivables	107	35	–	3
Prepayments & accrued income	83	295	58	41
	583	1,236	81	69

At 31 December 2017, other receivables include the sum of US$52,500 in respect of the disposal of property, plant and equipment and the sale of Minerales VANE Operaciones S.A. de C.V. See note 14.

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

Trade receivables disclosed above do not include any amounts which are past due or impaired.

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

21. Cash and Cash Equivalents

Cash and cash equivalents held by the Group and the Company as at 31 December 2017 were US$2.2 million and US$2.2 million respectively (2016: US$1.3 million, US$1.2 million). The Directors consider that the carrying amount of these assets approximate to their fair value.

Notes to the Financial Statements

continued

22. Trade and other payables

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Trade payables	141	102	43	55
VAT payable	–	7	–	–
Taxes and social security	30	40	31	17
Other payables	82	–	–	–
Accruals	331	375	101	92
	584	524	175	164

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs. The average credit period taken for trade purchases is 30 days (2016: 30 days). The Group has financial risk management policies to ensure that all payables are paid within the credit time frame.

On 8 January 2018, the Group entered into an agreement with Magellan for the sale of its wholly-owned subsidiary, Minerales VANE Operaciones S.A de C.V. ("MVO"). There was an effective change of control on 1 December 2017 and therefore, the disposal has been treated as discontinued operations during the year ended 31 December 2017. Under the terms of the agreement the Group is liable for payment of the net liabilities of MVO as at 31 December 2017, and other payables includes the sum of US$51,547 in respect of these liabilities.

The Directors consider that the carrying amount of trade and other payables approximates to their fair value. No interest is generally charged on balances outstanding.

23. Deferred tax

There are unrecognised deferred tax assets in relation to:

	2017 US$'000	2016 US$'000
UK tax losses	5,398	5,252
U.S.A. tax losses	18,189	15,952
Mexican tax losses	332	2,271
	23,919	23,475

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

24. Provisions

	Group decommissioning 2017 US$'000	Group decommissioning 2016 US$'000
At 1 January	110	192
Additions	–	10
On disposal	–	(87)
Unwinding of discount	–	(5)
Discontinued operations	(120)	–
Foreign exchange	10	–
At 31 December	–	110
Current provision	–	110

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.

As a result of the disposal of the Group's ore processing mill the Group no longer has any obligation in respect of decommissioning costs. See note 14.

Under the terms of the revised agreement with RSOC, the Group no longer has any restoration obligations in respect of its O&G assets. See note 16.

25. Share Capital

	Group and Company			
	2017		2016	
	Number '000	US$'000	Number '000	US$'000
Authorised				
Ordinary Shares of 0.1p each	7,779,297	10,514	7,779,297	9,599
Deferred Shares of 9.9p each	227,753	30,473	190,108	23,223
	8,007,050	40,987	7,969,405	32,822
Allotted, issued and fully paid				
Ordinary Shares of 0.1p each	112,645	158	3,764,471	5,722
Deferred Shares of 9.9p each	227,753	40,305	190,108	34,640
	340,398	40,463	3,954,579	40,362

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.

25. Share Capital continued

On 18 September 2017, the Company consolidated every 100 Ordinary Shares at 0.1p each into one 'consolidated share'. Immediately following the consolidation each 'consolidated' share was sub-divided into one New Ordinary Share and one New Deferred Share. The sub-division was structured in such a way that each of the New Ordinary Shares retained the nominal value of 0.1p each. The New Ordinary and Deferred Shares have the same rights as the existing Ordinary and Deferred shares.

Issued Ordinary Share Capital

On 28 September 2017, the Company issued 60,000,000 Ordinary Shares of 0.1p each at a price of 0.4p per share, raising gross proceeds of US$3.2 million (£2.4 million).

On 10 October 2017, the Company issued 15,000,000 Ordinary Shares of 0.1p each at a price of 0.4p per share, raising gross proceeds of US$0.8 million (£0.6 million).

	Ordinary Shares Number '000	Deferred Shares Number '000
At 1 January 2016	2,550,185	190,108
Allotment of shares	1,214,286	–
At 1 January 2017	3,764,471	190,108
Share consolidation	37,645	37,645
Allotment of shares	75,000	–
At 31 December 2017	112,645	227,753

The information shown above has been restated to reflect the share consolidation that took place on 18 September 2017.

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

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 USD, resulting in exchange differences on translation of the parent undertakings equity.

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

27. Share-Based Payments

Equity Settled Share Option Plan

The Company has a Share Option Plan under which options to subscribe for the Company's shares have been granted to certain Directors and to selected employees and consultants. The Rose Petroleum plc Share Option Plan was originally adopted by the Company on 25 May 2004, and in August 2013, was replaced by the adoption of the 2013 Share Option Plan Part A (employees) and 2013 Share Option Plan Part B (non-employees).

27. Share-Based Payments continued

On 24 March 2017, the Company issued 2.45 million share options with an exercise price of 14p, which vest in three equal tranches on 24 March 2018, 2019 and 2020.

At 31 December 2017, 3.8 million 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 24 March 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:

	2017		2016	
	Number of options '000	**Weighted average exercise price**	**Number of options '000**	**Weighted average exercise price**
Outstanding at 1 January	1,308	184.3p	1,555	193.8p
Granted	2,450	14p		–
Forfeited/cancelled	41	319.0p	(247)	243.7p
Outstanding at 31 December	3,799	76.0p	1,308	184.3p
Exercisable at 31 December	1,299	189.0p	1,049	161.5p

The options outstanding and not yet vested at 31 December 2017 had an estimated weighted average remaining contractual life of 1.23 years (2016: 0.7 years), with an exercise price ranging between 14.0p and 342.5p.

The fair value of the options 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:

	Grants in year 2,450,000 Share options
Exercise price (pence)	14p
Expected volatility (%)	96-98
Expected life (years)	5.5-6.5
Risk free rates (%)	0.58-0.73
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 options granted during the year was US$0.2 million (2016: nil).

Share-Based Compensation

Under the terms of a contract of employment the Company agreed to issue Ordinary Shares in the Company to a Director in return for services provided. The fair value of the services provided can be measured directly, and accordingly, an expense of US$0.05 million was recognised in full in the year ended 31 December 2015.

27. Share-Based Payments continued

Warrants

On 26 October 2016, the Company issued 42,857,142 warrants to Turner Pope Investments ("TPI"), in respect of broker services provided by them in relation to the placing of the Company's shares which took place on the same date. The warrants permit the holder to subscribe for one new Ordinary Share at a price of 0.25 pence per share and are exercisable at any time until October 2019.

On 18 September 2017, the Company issued 3,625,000 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 7.125 pence per share and are exercisable at any time until 18 September 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.

The fair value of the warrants issued during the year was US$0.15 million (2016: US$ 0.05 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 2017.

In the year ended 31 December 2017, the Company recognised a total expense of US$0.3 million (2016: US$0.32 million) related to equity-settled share-based payment transactions. This represented US$0.3 million (2016: US$0.27 million) in respect of the Share Option Plan, US$ nil (2016: US$0.05 million) in respect of warrants.

28. Commitments under Operating Leases

The Group has entered into commercial leases on certain properties. The future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Land and buildings				
Amounts due within one year	24	74	24	6
Amounts due in 2-5 years	73	83	73	83
	97	157	97	89

None of the operating leases above have any contingency rent, renewal or purchases options, escalation clauses nor have any restrictions relating to additional debt or further leasing.

29. Financial Instruments

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 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.

29. Financial Instruments continued

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Financial assets measured at amortised cost				
Cash and cash equivalents	2,185	1,273	2,156	1,185
Trade receivables	246	–	–	–
Amounts owed by joint arrangement partners	–	35	–	–
Other receivables	107	35	–	3
Loans to subsidiary undertakings	–	–	18,250	13,599
	2,538	1,343	20,406	14,787

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Financial assets measured at fair value				
Investments				
Hierarchy, Level 1	500	–	500	–

	Group		Company	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
Financial liabilities measured at amortised cost				
Trade payables	194	102	43	55
Other payables	29	–	–	–
	223	102	43	55

Fair Value of Financial Instruments

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

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.

29. Financial Instruments continued

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	
	2017 US$'000	2016 US$'000	2017 US$'000	2016 US$'000
GBP	–	–	1,266	694

Foreign Currency Sensitivity Analysis

The functional currencies of the Group are Pound Sterling (GBP), US dollars (USD), Euro (EUR) 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 USD 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 USD. The analysis is based on the weakening and strengthening of USD by five per cent. A movement of 5 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 USD against GBP. A positive number below indicates an increase in profit where USD weakens five per cent against GBP. For a five per cent strengthening of USD there would be an equal and opposite impact on the profit, and the balance below would be negative.

	2017 US$'000	2016 US$'000
Income statement	879	660

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 2017.

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.

29. Financial Instruments continued

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 receivables.

The Group makes allowances for impairment of receivables where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

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.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

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:

	2017		2016	
	Transactions in the year US$'000	Amounts owing US$'000	Transactions in the year US$'000	Amounts owing US$'000
Loans	1,050	33,675	1,092	29,787
Management charges	723	3,806	562	2,783
Interest (1.5%)	500	4,591	539	3,712
Capital contribution	254	1,223	(195)	884

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	2017		2016	
	Transactions in the year US$'000	Amounts owing US$'000	Transactions in the year US$'000	Amounts owing US$'000
Accommodation and office rent	–	–	10	4

The related party is a relative of a Director of the Company.

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*.

	2017		2016	
	Purchase of services US$'000	Amounts owing US$'000	Purchase of services US$'000	Amounts owing US$'000
Short-term employee benefits	447	–	473	–
Consultancy payments	16	1	1	1
Post-employment benefits	57	11	29	8
Share-based payments	274	–	324	–
	794	12	827	9

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:

2017	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Pension US$'000	Total US$'000
Executive Directors				
MC Idiens	193	200	46	246
KK Hefton	54[2]	54	2	56
KB Scott	16	16	–	16
CJ Eadie	118	124	9	133
Non-executive Directors				
PE Jeffcock	24	24	–	24
	405	418	57	475

[1] Emoluments include benefits-in-kind which are not included in emoluments entitlement

[2] Emolument to the date of resignation on 1 July 2017

2016	Emoluments entitlement US$'000	Emoluments[1] taken US$'000	Bonus US$'000	Pension US$'000	Total US$'000
Executive Directors					
MC Idiens	164	171	34	16	221
KK Hefton	78	108	–	4	112
KB Scott	38[2]	1	–	–	1
CJ Eadie	92	97	–	9	106
Non-executive Directors					
PE Jeffcock	45[2]	17	–	–	17
	417	394	34	29	457

[2] PE Jeffcock and KB Scott waived their rights to certain emoluments during the year

[1] Emoluments include benefits-in-kind which are not included in emoluments entitlement

30. Related Party Transactions continued

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

	2017 No.	2016 No.
The number of Directors to whom retirement benefits are accruing under money purchase schemes was	2	2

31. Post Balance Sheet Events

Equity Fundraise

On 22 May 2018, the Company raised gross proceeds of US$1.3 million (£1.0 million) by way of a placing of 30,769,231 Ordinary Shares of 0.1p each at a price of 3.25p per share. In addition, warrants to subscribe for 30,769,231 new Ordinary Shares were issued to the subscribers, representing one warrant for each placing share. The warrants are exercisable at a price of 6.5p per Ordinary Share.

Warrants to subscribe for 1,538,461 new Ordinary Shares were issued to Turner Pope as part of the fees for undertaking the placing. The warrants are exercisable at a price of 6.5p per Ordinary Share.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Rose Petroleum plc ("**the Company**") will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London EC3A 6AB on 28 June 2018 at 11.00 AM at which the following matters will be dealt with:

Ordinary Business

1. To receive the Reports of the Directors and Auditors and the Financial Statements for the year ended 31 December 2017.

2. To re-elect Christopher Eadie, who retires by rotation, as a Director of the Company.

3. To re-appoint RSM UK Audit LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the requirements of section 437 and 438 of the Companies Act 2006 ("**2006 Act**") are complied with.

4. To authorise the Directors of the Company to agree the remuneration of the auditors.

Special Business

As Special Business to consider and, if thought fit, to pass the following resolutions, of which resolution number 5 will be proposed as an ordinary resolution and resolution number 6 will be proposed as a special resolution:

5. THAT the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 551 of the 2006 Act, to issue and allot ordinary shares of 0.1 pence 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 £47,326 to such persons at such times and on such terms as they think proper, provided that this authority shall expire on the date falling 15 months from the date of passing of this resolution, or if earlier, on the date of the next Annual General Meeting of the Company to be held after the passing of this resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may make an offer or agreement before the expiry of this authority which would or 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 pursuant to any such offer or agreement as if the authority conferred by this resolution had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 551 of the 2006 Act.

6. THAT, subject to and conditional upon the passing of resolution 6 above, in accordance with section 570 of the 2006 Act, the Directors be and are hereby generally empowered to allot for cash or otherwise equity securities (as defined in section 560 of the 2006 Act) of the Company pursuant to the authority conferred by resolution 5 above (as varied from time to time by the Company in general meeting) as if section 561 of the 2006 Act did not apply to such allotment provided that this power shall be limited to:

    a. the allotment of equity securities in connection with any other offer (whether by way of rights issue, open offer or otherwise) to holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of such shares, subject only to any exclusions or other arrangements which the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas 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

c. the allotment otherwise than pursuant to subparagraphs (a) to (b) (inclusive) above of equity securities not exceeding in aggregate the nominal amount of £25,000,

and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, the date falling 15 months from the date of passing this resolution (unless renewed, varied or revoked by the Company prior to or on that date), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired. This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 570 of the 2006 Act.

By Order of the Board 5 June 2018

Ian McNeill
Company Secretary

Rose Petroleum plc
20-22 Wenlock Road
London
N1 7GU

Notice of Annual General Meeting

continued

Notes:

Entitlement to attend and vote

1 Only those members registered on the Company's register of members at:

- close of business on 26 June 2018; or,
- if this annual general meeting is adjourned, as at close of business 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 entitled to attend, speak and vote at the above meeting and is entitled to appoint one or more proxies to attend, speak and vote in his stead. A proxy need not be a member of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. If you wish your proxy to speak on your behalf at the annual general meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, each different proxy appointment form must be received by Link Asset Services, PXS, 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, PXS, 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. The return of a form of proxy will not preclude a member from attending and voting at the meeting in person should he subsequently decide to do so.

6 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.

7 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 Service, 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.

8 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.

9 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.

10 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

Changing proxy instructions

11 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.

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 0871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

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

12 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, PXS, 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, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 48 hours prior to the meeting.

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.

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

13 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

14 As at 6:00 pm on 4 June 2018, the Company's issued share capital comprised 143,413,940 Ordinary Shares of 0.1p 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 close of business on 4 June 2018 is 143,413,940.

Communication

Except as provided above, members who have general queries about the annual general meeting should contact the Company Secretary at Rose Petroleum plc 145-157 St John Street, London, EC1V 4PW 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.

Printed by Michael Searle & Son Limited

Rose Petroleum plc

Head Office:

First Floor
Newmarket House
Market Street
Newbury
Berkshire
RG14 5DP

www.rosepetroleum.com