Company Registration No. 03896382 (England and Wales)

PROSPEX OIL AND GAS PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

PROSPEX OIL AND GAS PLC

COMPANY INFORMATION

Directors	William Smith	(Appointed 14 April 2015)
	Edward Dawson	(Appointed 14 April 2015)
	Richard Mays	(Appointed 14 April 2015)
	Gavin Burnell	(Appointed 14 April 2015)
Secretary	Gerry Desler FCA	
Company number	03896382	
Registered office	Stonebridge House Chelmsford Road Hatfield Heath Essex CM22 7BD	
Auditors	Adler Shine LLP Chartered Accountants and Statutory Auditor Aston House Cornwall Avenue London N3 1LF	
Bankers	Royal Bank of Scotland Plc London Blackfriars Branch 36 - 37 New Bridge Street London EC4V 6BJ	
Solicitors	Nabarro LLP Lacon House Theobald's Road London WC1X 8RW	
Nominated Adviser and Joint Broker	W H Ireland Limited 24 Martin Lane London EC4 0DR	
Joint Broker	Peterhouse Corporate Finance Limited 3rd Floor, New Liverpool House London EC2M 7LD	
Registrars	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

PROSPEX OIL AND GAS PLC

CONTENTS

CHAIRMAN'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

On 15 April 2015 the Company's shareholders approved a new direction for the Company and elected a new Board of Directors. Concurrently, a new group of investors came forward to entrust the new management and Board with stewardship of their investment. Thank you all for the opportunity.

As an investment company, in accordance with the Investing Policy, the Company is seeking companies and projects in the natural resources and energy sectors which have potential for income, potential for growth, or both. Since 15 April 2015, your Company and its advisors and consultants have been very active and have initiated a number of reviews and evaluations of possible deals. This process is not a trivial exercise as it involves identifying an appropriate opportunity which is financeable within the reasonable limits of the Company, and undertaking a technical review, initially at a high level. These opportunities are graded internally and the best ones merit further engagement with management of the prospective counter party. The team is hard at work.

It is noteworthy that there are a number of deals which initially seem attractive at current world energy pricing which we have under review. We continue to seek, review and negotiate on appropriate transactions. It is the current intention of the Board to complete at least one significant transaction within the next 12 months. All efforts are focused on finding the right combination of opportunity and price.

Regarding the financial statements of the Company for the year ended 31 December 2014, other than the subsequent event note, we have no further comments. However, we wish to acknowledge the work of the former Board and management of the Company. We are committed to increasing value for all shareholders.

On behalf of the Board, I would also like to extend thanks to the advisors and service providers who were instrumental in allowing the reorganisation and the financing to go forward. These include Adler Shine LLP (auditors), WH Ireland Limited (NOMAD and Joint Broker), Nabarro LLP (legal counsel) and in particular the efforts of Peterhouse Corporate Finance Limited (Joint Brokers).

William Smith
Chairman

16 June 2015

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their strategic report for the year ended 31 December 2014.

Principal activities

The principal activity of the Group during the year ended 31 December 2014 was related to mineral exploration for gold and precious metals. The Group operated in Kyrgyzstan in the year under review.

Strategy

Up until 15 April 2015, Prospex Oil and Gas plc was a gold exploration and development company quoted on the AIM market of the London Stock Exchange. It focused on gold opportunities in Central Asia, in particular Kyrgyzstan, where the Group's Cholokkaindy project, on the highly prospective Tien Shan gold belt, had numerous targets ready for drilling.

Following the general meeting held on 15 April 2015, the Company disposed of its entire interest in the Cholokkaindy Licence by selling the entire issued share capital of Central Asia Resources Limited in exchange for the Trivedi Capital Partners (I) LC reducing its loan from £580,000 to £nil. At the same time the Company changed its name from Premier Gold Resources Plc to Prospex Oil and Gas plc.

Following the sale, the Company's new Investing Policy is to invest in and/or acquire companies and/or projects within the natural resources and/or energy sector with potential for growth and/or income. The Company may also directly apply for new exploration licences or invest in existing licences. It is anticipated that the geographical focus will primarily be Europe. However, investments may also be considered in other regions should the directors consider that valuable opportunities exist and returns can be achieved.

Business review

Following the early exploration success in 2012, no further exploration was possible in the Kyrgyz Republic due to local groups holding up the work programmes illegally. Despite pressing the Kyrgyz authorities and threatening legal action against the government to ensure safe access to the area, little progress was made during 2014. Additionally, the necessary and anticipated funds for the work were not available to the Company. As a result, the Company changed its strategy as detailed above.

A review of the development and performance of the Group, including important events, progress during the year and likely future developments, can be found in the Chairman's Statement.

In summary:
- administrative expenses for the year fell to £615,022 (2013: £873,310);
- fair value loss on the derivative financial assets £168,188 (2013: £473,833);
- impairment charges against licence and exploration costs of £3,729,777 (2013: £nil);
- net loss after taxation was £4,580,445 (2013: £1,531,593);
- as at 31 December 2014, the Group had cash and cash equivalents of £22,734 (2013: £274,539);

Key performance indicators

The business Key Performance Indicators ('KPI') monitored by the Board are focussed on managing the activities of the Group in the exploration and appraisal of mineral reserves. The financial KPI is to ensure that there is adequate funding in place to cover the Group's exploration expenditure and holding company costs.

Principal risks and uncertainties

The Board regularly reviews the risks to which the Group is exposed and seeks to minimise the effects of these risks through careful monitoring of the risks on an ongoing basis.

The principal risks and uncertainties which the Group faced during the year ended 31 December 2014 were:

Operational
In common with other businesses operating in minerals exploration, the Group's activities were speculative and inherently subject to a high degree of risk.

The Group's operational work involved geological exploration and the implementation of geological work programmes. Interpretation of the results of these programmes was dependent upon judgements and assessments that by their very nature were speculative.

Work programmes involved drilling operations and other geological work that present significant engineering challenges which are subject to unexpected operational problems. The actual cost of programmed operations can vary significantly from planned levels as a result of such unexpected issues arising.

Political, economic, legal, regulatory and social
The Group operated in Kyrgyzstan which may be subject to political, economic and other uncertainties, including but not limited to terrorism, war or unrest, changes in national laws and energy policies and exposure to its legal system.

The Group assesses legal and political risks as part of its evaluation of potential projects. It actively monitors legal and political developments in Kyrgyzstan where its operation is located. The Group actively engages in dialogue with the local government and legal policy makers to discuss all key legal and regulatory developments applicable to its operations.

Business strategy
Since the year end, the Company has changed its strstegy and faces different risks and uncertainties, including:

The Group has only recent adopted a new Investing Policy to invest in and/or acquire companies and/or projects within the natural resources and/or energy sector. The Company may also directly apply for new exploration licenses or invest in existing licences.

There is a risk that the Company may be unable to complete an acquisition or acquisitions or otherwise implement the Investing Policy within twelve months of becoming an investing company. The Directors will seek to identify suitable acquisition targets and complete the necessary due diligence within the required timeframe.

Organisational
The Company is highly dependent on the Directors. Whilst the board will continue to ensure that the Directors are appropriately incentivised, their services cannot be guaranteed, and the loss of their services to the Company may have a material adverse effect on the performance of the Company and the Group. In addition, the competition for qualified personnel in the oil and gas industry can be intense and there can be no assurance that the Company will be able to attract and retain all personnel necessary in the required jurisdictions for the future development and operation of its business.

Corporate governance
The board is committed to maintaining high standards of corporate governance. While Prospex Oil and Gas plc does not formally comply with an official corporate governance code, the board has implemented appropriate measures including the establishment of Audit and Remuneration Committees (detailed below) to ensure that the company adheres to a standard which is practicable for a company of its size and stage.

Remuneration committee

The Remuneration Committee consists of William Smith, Gavin Burnell and Richard Mays who also chairs the committee, and is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for any executive directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive directors.

Audit committee

The Audit Committee consists of Richard Mays, William Smith and Gavin Burnell, who also chairs the committee, and provides a forum for reporting by the Company's external auditors. The Committee is responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders. The Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditors. The Committee keeps under review the cost effectiveness and the independence and objectivity of the external auditors.

Edward Dawson
Chief Executive Officer

16 June 2015

The directors present their report and financial statements for the year ended 31 December 2014.

On 16 April 2015, the company changed its name from Premier Gold Resources Plc to Prospex Oil and Gas plc.

Results and dividends

The results for the year are set out on page 10.

The directors do not recommend payment of an ordinary dividend.

Financial instruments

The company's financial risk management objectives and policies are set out in note 26 to the financial statements.

Going concern

In common with many investment companies, the Company raises finance for its investments, as and when required.

The Directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the planned expenditure necessary to implement the Investment Policy.

Directors

The following Directors held office during the period:

Colonel Robert Stewart	(Resigned 14 October 2014)
Richard Nolan	(Resigned 14 April 2015)
Dr Reza Tabrizi	(Resigned 19 June 2014)
Gerry Desler	(Resigned 14 April 2015)
Christian Schaffalitzky	(Resigned 14 April 2015)
Garth Earls	(Resigned 14 April 2015)

The following directors were appointed after the year end:

Edward Dawson	(Appointed 14 April 2015)
Richard Mays	(Appointed 14 April 2015)
William Smith	(Appointed 14 April 2015)
Gavin Burnell	(Appointed 14 April 2015)

Directors' interests

Share interests

The Directors of the Company held the following beneficial interests in the ordinary shares of the Company:

	31 December 2014	1 January 2014
	No. of shares	No. of shares
Colonel Robert Stewart (resigned 14 October 2014)	-	3,000,000
Richard Nolan	5,000,000	5,000,000
Dr Reza Tabrizi (resigned 19 June 2014)	-	21,666,667
Gerry Desler	10,584,672	10,584,672
Christian Schaffalitzky	28,177,341	23,177,341
Garth Earls	5,000,000	5,000,000
	48,762,013	68,428,680

Share options

The Directors of the Company held share options granted under the Company share option scheme, as indicated below. No share options were exercised during the year.

	31 December 2014 No. of shares	1 January 2014 No. of shares
Colonel Robert Stewart (resigned 14 October 2014)	-	2,000,000
Richard Nolan	10,000,000	10,000,000
Dr Reza Tabrizi (resigned 19 June 2014)	-	10,000,000
Gerry Desler	14,000,000	14,250,000
Christian Schaffalitzky	10,000,000	10,000,000
Garth Earls	10,000,000	10,000,000
	44,000,000	56,250,000

Directors' insurance

The Directors and officers of the Company are insured against any claims against them for any wrongful act in their capacity as a Director, officer or employee of the Group, subject to the terms and conditions of the policy.

Substantial shareholdings

So far as the Directors are aware the parties who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital are as follows:

	Number of ordinary shares	% of issued share capital
Charles Fry	1,639,344	4.02%

The market value of the Company's shares at 31 December 2014 was 0.07p and the high and low share prices during the period were 0.165p and 0.045p respectively.

Charitable donations	2014 £	2013 £
During the year the company made the following payments:		
Charitable donations	1,000	-

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:
- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

On average, trade creditors at the year end represented 56 days' purchases.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Adler Shine LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of disclosure to auditor

So far as each person serving as a Director of the Company at the date this report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, as required by the AIM Rules of the London Stock exchange, the Directors have chosen to prepare financial statements for the Group and the Company in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. In preparing these financial statements, the directors are required to:

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

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

Website publication

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

This report was approved by the board of directors and signed on its behalf by:

Edward Dawson
Director
16 June 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PROSPEX OIL AND GAS PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Prospex Oil and Gas plc for the year ended 31 December 2014 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes. 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.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2014 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PROSPEX OIL AND GAS PLC

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Christopher Taylor	
(Senior Statutory Auditor)	16 June 2015
for and on behalf of Adler Shine LLP	Aston House
Chartered Accountants	London
Statutory Auditor	N3 1LF

PROSPEX OIL AND GAS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £	2013 £
Administrative expenses	**4**	**(615,023)**	(873,310)
Share based payments	**19**	**-**	(24,666)
Operating loss	5	**(615,023)**	(897,976)
Loss on disposal of subsidiary		**-**	(150,724)
Impairment charges	**10**	**(3,729,777)**	-
Loss on ordinary activities after impairment charges and before interest	5	**(4,344,800)**	(1,048,700)
Finance income	**6**	**34**	190
Fair value loss on derivative financial assets	**15**	**(168,188)**	(473,833)
Finance expense	**7**	**(67,491)**	(9,250)
Loss before income taxation		**(4,580,445)**	(1,531,593)
Income tax expense	**8**	**-**	-
Loss on ordinary activities after taxation		**(4,580,445)**	(1,531,593)
Non-controlling interests		**771,232**	52,771
Loss for the year and total comprehensive income attributable to owners of the parent		**(3,809,213)**	(1,478,822)
Loss per share - basic and diluted	**9**		
From continuing operations		**(0.28)p**	(0.14)p

The notes on pages 17 - 39 form an integral part of these financial statements.

PROSPEX OIL AND GAS PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes		2014 £		2013 £
ASSETS					
Non current assets					
Intangible assets	**10**		**-**		3,752,241
Tangible assets	**11**		**10,355**		14,628
Derivative financial assets	**15**		**-**		126,875
			10,355		3,893,744
Current assets					
Inventories	**13**	**977**		-	
Trade and other receivables	**14**	**33,928**		16,445	
Derivative financial assets	**15**	**46,359**		236,250	
Cash and cash equivalents	**16**	**22,734**		274,539	
		103,998		527,234	
LIABILITIES					
Current liabilities					
Trade and other payables	**17**	**(365,873)**		(240,207)	
Borrowings	**18**	**(479,784)**		(410,717)	
Net current liabilities			**(741,659)**		(123,690)
Net (liabilities)/assets			**(731,304)**		3,770,054
EQUITY					
Share capital	**20**		**2,304,398**		2,288,898
Share premium account			**6,063,208**		6,059,750
Equity component - convertible loan note			**100,216**		89,283
Capital redemption reserve			**43,333**		43,333
Merger reserve			**2,416,667**		2,416,667
Profit and loss account			**(11,531,728)**		(7,722,515)
Foreign currency reserve			**39,467**		(3,874)
			(564,439)		3,171,542
Non-controlling interests			**(166,865)**		598,512
Total (deficit)/equity			**(731,304)**		3,770,054

Approved by the Board and authorised for issue on 16 June 2015

Edward Dawson
Director

Gavin Burnell
Director

Company Registration No. 03896382

The notes on pages 17 - 39 form an integral part of these financial statements.

PROSPEX OIL AND GAS PLC

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	2014 £	2014 £	2013 £	2013 £
ASSETS					
Non current assets					
Investments	**12**		**-**		2,503,170
Derivative financial assets	**15**		**-**		126,875
			-		2,630,045
Current assets					
Trade and other receivables	**14**	**25,357**		1,383,471	
Derivative financial assets	**15**	**46,359**		236,250	
Cash and cash equivalents	**16**	**22,487**		269,935	
		94,203		1,889,656	
LIABILITIES					
Current liabilities					
Trade and other payables	**17**	**(338,233)**		(209,557)	
Borrowings	**18**	**(479,784)**		(410,717)	
Net current liabilities			**(723,814)**		1,269,382
Net (liabilities)/assets			**(723,814)**		3,899,427
EQUITY					
Share capital	**20**		**2,304,398**		2,288,898
Share premium account			**6,063,208**		6,059,750
Equity component - convertible loan note			**100,216**		89,283
Capital redemption reserve			**43,333**		43,333
Merger reserve			**2,416,667**		2,416,667
Profit and loss account			**(11,651,636)**		(6,998,504)
Total shareholders' (deficit)/equity			**(723,814)**		3,899,427

The financial statements were approved by the Board on 16 June 2015

Edward Dawson
Director

Gavin Burnell
Director

Company Registration No. 03896382

The notes on pages 17 - 39 form an integral part of the financial statements.

PROSPEX OIL AND GAS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Share capital	Share premium	Retained earnings	Foreign currency reserve	Capital redemption reserve	Merger reserve	Non controlling interests	Convertible loan note	Total
		£	£	£	£	£	£	£	£	£
Balance at 1 January 2013		1,951,415	5,932,983	(6,268,359)	26,230	43,333	2,416,667	590,080	-	4,692,349
Changes in equity for 2013									-	
Total comprehensive income for the year		-	-	(1,478,822)	-	-	-	(52,771)	-	(1,531,593)
On disposal of subsidiaries		-	-	-	-	-	-	54,210	-	54,210
Issue of shares		337,483	147,517	-	-	-	-	-	-	485,000
Costs in respect of shares issued		-	(20,750)	-	-	-	-	-	-	(20,750)
Convertible loan note - equity component	**18**	-	-	-	-	-	-	-	89,283	89,283
Equity-settled share-based payments	**19**	-	-	24,666	-	-	-	-	-	24,666
Currency translation differences on foreign currency net investments		-	-	-	(30,104)	-	-	6,993	-	(23,111)
Balance at 31 December 2013		2,288,898	6,059,750	(7,722,515)	(3,874)	43,333	2,416,667	598,512	89,283	3,770,054
Changes in equity in 2014										
Total comprehensive income for the year		-	-	(3,809,213)	-	-	-	(771,232)	-	(4,580,445)
Issue of shares	**20**	15,500	7,750	-	-	-	-	-	-	23,250
Costs in respect of shares issued		-	(4,292)	-	-	-	-	-	-	(4,292)
Convertible loan note - equity component	**18**	-	-	-	-	-	-	-	10,933	10,933
Currency translation differences on foreign currency net investments		-	-	-	43,341	-	-	5,855	-	49,196
Balance at 31 December 2014		**2,304,398**	**6,063,208**	**(11,531,728)**	**39,467**	**43,333**	**2,416,667**	**(166,865)**	**100,216**	**(731,304)**

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited ('CAR') by the Company in exchange for shares in the Company and the nominal value. It represents the difference between the fair value of the share capital issued by the Company and the nominal value.

PROSPEX OIL AND GAS PLC

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Share capital	Share premium	Retained earnings	Capital redemption reserve	Merger reserve	Convertible loan note	Total
		£	**£**	**£**	**£**	**£**	**£**	**£**
Balance at 1 January 2013		1,951,415	5,932,983	(5,964,841)	43,333	2,416,667	-	4,379,557
Changes in equity for 2013								
Total comprehensive income for the year		-	-	(1,058,329)	-	-	-	(1,058,329)
Issue of shares		337,483	147,517	-	-	-	-	485,000
Costs in respect of shares issued		-	(20,750)	-	-	-	-	(20,750)
Equity-settled share-based payments	**19**	-	-	24,666	-	-	-	24,666
Convertible loan note - equity component	**18**	-	-	-	-	-	89,283	89,283
Balance at 31 December 2013		2,288,898	6,059,750	(6,998,504)	43,333	2,416,667	89,283	3,899,427
Changes in equity in 2014								
Total comprehensive income for the year		-	-	(4,653,132)	-	-	-	(4,653,132)
Issue of shares	**20**	15,500	7,750	-	-	-	-	23,250
Costs in respect of shares issued		-	(4,292)	-	-	-	-	(4,292)
Convertible loan note - equity component	**18**	-	-	-	-	-	10,933	10,933
Balance at 31 December 2014		**2,304,398**	**6,063,208**	**(11,651,636)**	**43,333**	**2,416,667**	**100,216**	**(723,814)**

The merger reserve has been created as a result of the acquisition of the whole of the issued share capital of Central Asia Resources Limited ('CAR') by the Company in exchange for shares in the Company. It represents the difference between the fair value of the share capital issued by the Company and nominal value.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014		2013
	£	£	£	£
Cash flows from operating activities				
Operating loss		**(615,023)**		(897,976)
Depreciation of property, plant and equipment		**2,946**		4,649
Amortisation of intangible assets		**-**		77
Increase in inventories		**(977)**		-
(Increase)/decrease in trade and other receivables		**(17,483)**		53,244
Increase in trade and other payables		**87,308**		34,251
Equity-settled share based payments		**-**		24,666
Other movement		**85,516**		10,723
Net cash used in operating activities		**(457,713)**		(770,366)
Investing activities				
Finance income	**34**		190	
Finance expense	**(5,883)**		(1,233)	
Net cash (outflow)/inflow investing activities		**(5,849)**		(1,043)
Capital expenditure				
Payments to acquire intangible assets	**(12,333)**		(51,479)	
Payments to acquire tangible assets	**(196)**		-	
Net cash outflow for capital expenditure		**(12,529)**		(51,479)
Acquisitions and disposals				
Cash on disposal of subsidiary undertaking	**-**		(9,955)	
Net cash inflow/(outflow) for acquisitions and disposals		**-**		(9,955)
Financing activities				
Issue of share capital	**-**		225,000	
Proceeds received from issue of derivative financial asset	**148,578**		221,275	
Cost of share issue	**(4,292)**		(20,750)	
Convertible unsecured loan notes	**80,000**		500,000	
Net cash generated from financing activities		**224,286**		925,525
Net (decrease)/increase in cash and cash equivalents in year		**(251,805)**		92,682
Cash and cash equivalents at beginning of the year		**274,539**		181,857
Cash and cash equivalents at end of the year		**22,734**		274,539

The notes on pages 17 - 39 form an integral part of these financial statements.

PROSPEX OIL AND GAS PLC

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

		2014		2013
	£	£	£	£
Cash flows from operating activities				
Operating loss		**(452,055)**		(683,399)
Increase in trade and other receivables		**(104,147)**		(283,682)
Increase in trade and other payables		**90,318**		9,601
Equity-settled share based payments		**-**		24,666
Net cash used in operating activities		**(465,884)**		(932,814)
Investing activities				
Finance income	**34**		107,960	
Finance expense	**(5,884)**		(1,040)	
Net cash inflow investing activities		**(5,850)**		106,920
Financing activities				
Issue of share capital	**-**		225,000	
Proceeds received from issue of derivative financial asset	**148,578**		221,275	
Cost of share issue	**(4,292)**		(20,750)	
Convertible unsecured loan notes	**80,000**		500,000	
Net cash generated from financing activities		**224,286**		925,525
Net (decrease)/increase in cash and cash equivalents in the year		**(247,448)**		99,631
Cash and cash equivalents at beginning of the year		**269,935**		170,304
Cash and cash equivalents at end of the year		**22,487**		269,935

The notes on pages 17 - 39 form an integral part of these financial statements.

1 Accounting policies and basis of preparation

1.1 General information

Prospex Oil and Gas plc (formerly Premier Gold Resources Plc) is incorporated in England and Wales and is quoted on the AIM Market of the London Stock Exchange Plc. The address of its registered office is Stonebridge House, Chelmsford Road, Hatfield Heath, Essex CM22 7BD. The registered number of the company is 03896382.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

1.2 Going concern

During the year ended 31 December 2014, the Group incurred a loss of £3,809,213 and had net liabilities of £731,304 at the year end. Since the year end, the Directors proposal for a Company Voluntary Arrangement ("CVA") was approved by creditors and members. The Company also completed a settlement deed with Tridevi Capital Partner (I) LP ("Tridevi"), disposing of the entire issued share capital of Central Asia Resource Limited ("CAR"), the Company's wholly owned subsidiary, to Tridevi in full and final settlement of the outstanding loan of approximately £580,000 under the Convertible Loan Agreement. The Company also raised £1,076,150 (before expenses) through the issue of 35,283,591 New Ordinary Shares to advance the Company's Investing Policy, of which £50,000 has been transferred to the Company in order to enable it to make an improved offer of settlement to the unsecured Creditors of the Company under the CVA. As a result of the above, the directors are of the opinion that the financial statements should be prepared on a going concern basis.

1.3 Basis of preparation

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, (IFRSs) and International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Group financial statements have been prepared under the historical cost convention or fair value where appropriate.

1.4 Parent company profit and loss account

A separate profit and loss account for the parent company, Prospex Oil and Gas plc, has been omitted under the provisions of Section 408 of the Companies Act 2006. The loss dealt with in the financial statements of the parent company was £4,653,132 (2013: £1,058,329).

1.5 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all its subsidiaries ('the Group'). Subsidiaries include all entities over which the Group has the power to govern financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control commences until the date that control ceases. Intra-group balances and any unrealised gains and losses on income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and their share of changes in equity since the date of the combination.

1 Accounting policies **(continued)**

1.6 Business combination

The Group adopts the acquisition method in accounting for the acquisition of subsidiaries. On acquisition the cost is measured at the fair value of the assets given, plus equity instruments issued and liabilities incurred or assumed at the date of exchange. The assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the date of acquisition. Any excess of the fair value of the consideration over the fair value of the identifiable net assets acquired is recorded as goodwill.

Any deficiency of the fair value of the consideration below the fair value of identifiable net assets acquired is credited to the income statement in the period of the acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

1.7 Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable net assets and contingent liabilities acquired. Identifiable assets are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but tested annually, or when trigger events occur, for impairment and is carried at cost less accumulated impairment losses.

Goodwill is initially recognised at fair value. Any negative goodwill is credited to the income statement in the year of acquisition. If an undertaking is subsequently sold, the amount of goodwill carried on the balance sheet at the date of disposal is charged to the income statement in the period of disposal as part of the gain or loss on disposal.

1.8 Exploration and evaluation development costs

Capitalisation

Certain costs (other than payments to acquire the legal right to explore and costs which are directly attributable to those payments) incurred prior to acquiring the rights to explore are charged directly to the income statement. All costs incurred after the rights to explore an area have been obtained, such as geological and geophysical costs and other direct costs of exploration and appraisal are accumulated and capitalised as intangible exploration and evaluation ("E&E") assets. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the areas or where activities in the areas have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

E&E costs are not amortised prior to the conclusion of appraisal activities.

At completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, following development sanction, the carrying value of the relevant E&E asset will be reclassified as a development and production ("D&P") asset, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. If after completion of appraisal activities in the area, it is not possible to determine technical feasibility and commercial viability or if the legal right to explore expires or if the Group decides not to continue exploration and evaluation activity, then the costs of such unsuccessful exploration and evaluation are written off to the income statement in the period the relevant events occur.

1 Accounting policies **(continued)**

Impairment

If and when facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed. For E&E assets when there are such indications, an impairment test is carried out by grouping the E&E assets with the D&P assets belonging to the same geographic segment to form the Cash Generating Unit ("CGU") for impairment testing. The equivalent combined carrying value of the CGU is compared against the CGU's recoverable amount and any resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is determined as the higher of its fair value less costs to sell and its value in use.

1.9 Property plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings - Leasehold	over the length of the lease
Fixtures, fittings & equipment	1 - 5 years, straight line
Motor vehicles	3 - 9 years, straight line

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

1.11 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.12 Financial instruments

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.

1.13 Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The principal financial assets of the company are loans and receivables, which arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

The Group's loans and receivables are recognised and carried at the lower of their original amount less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered possible.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents include cash at bank and in hand and short-term deposits with an original maturity of three months or less.

1 Accounting policies (continued)

1.14 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently carried at fair value with the changes in fair value recognised in the income statement.

1.15 Trade and other payables

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

1.16 Convertible debt

The component of convertible debt that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issue of convertible debt, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity. The carrying amount of the equity component is not re-measured in subsequent years. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.17 Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Equity comprises the following:
- Share capital represents the nominal value of equity shares;
- Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- Profit and loss reserve represents retained deficit;
- Other reserve represents the capital redemption reserve arising on redemption of shares in previous years and own share reserve.

1.18 Equity-settled share-based payment

The Company makes equity-settled share-based payments. The fair value of options and warrants granted is recognised as an expense, with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The fair value of the options granted is measured based on the Black-Scholes framework, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

1 Accounting policies **(continued)**

1.19 Foreign currency translation

Transactions in currencies other than Sterling, the presentational and functional currency of the Company, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised directly in equity, where the changes in fair value are recognised directly in equity

On consolidation, the assets and liabilities of the Group's overseas entities (none of which has the currency of a hyper-inflationary economy) are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The exchange rate on 31 December 2014 was £1: 91.423 KGS ("Kyrgyzstanian Som") (2013 £1: 81.157 KGS) the functional and presentational currency of the main subsidiary undertaking. The average rate applied to transactions during the year was £1: 87.484 KGS.

1.20 Taxation

The income tax expense or taxation recoverable represents the sum of tax currently payable or recoverable and deferred tax.

The tax currently payable is based on the taxable profit for the period using the tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from the net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

1.21 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1 Accounting policies (continued)

1.22 Accounting Standards issued but not yet effective and/or adopted

As at the date of approval of these financial statements, the following standards were in issue but not yet effective. These standards have not been adopted early by the company as they are not expected to have a material impact on the company's financial statements.

IFRS 9	Financial instruments - classification and measurement (revised)
IFRS 9	Financial instruments - Hedge accounting (revised)
IFRS 10 and IAS 28	Consolidated financial statements - sale or contribution of assets between an investor and its associates or joint venture (amendment)
IFRS 11	Joint arrangements - accounting for acquisitions of an interest in a joint operation (amendment)
IFRS 12	Disclosure of interests in other entities - application of the consolidation exception (amendment)
IFRS 14	Regulatory deferral accounts
IFRS 15	Revenue from contracts with customers
IFRS 2, 3, 8, IAS 16, 24, 38	Annual improvements 2010 - 2012 cycle
IFRS 1, 3, 13 IAS 40	Annual improvements 2011 - 2013 cycle
IAS 1	Presentation of financial statements - disclosure initiative (amendment)
IAS 19	Defined benefit plans: Employee contributions (amendment)
IAS 27	Separate financial statements - use of equity accounting method for investments (amendment)
IAS 38	Intangible assets - acceptable methods of depreciation and amortisation (amendment)
IAS 39	Novation of derivatives and continuation of hedge accounting (amendment)
IAS 41	Agriculture - bearer plants

The International Financial Reporting Interpretations Committee has also issued interpretations which the company does not consider will have a significant impact on the financial statements.

2 Critical accounting estimates and judgements

The preparation of the financial information in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from these estimates. The estimates and underlying assumptions are as follows:

Exploration and evaluation costs and licences

Capitalisation of exploration and evaluation costs and the cost of acquiring licences requires that costs be assessed against the likelihood that such costs will be recoverable against future exploitation or sale or alternatively, where activities have not reached a stage which permits a reasonable estimate of the existence of mineral reserves, a judgement that future exploration or evaluation should continue. This requires management to make estimates and judgements and to make certain assumptions, often of a geological nature, and most particularly in relation to whether or not an economically viable mining operation can be established in future. Such estimates, judgements and assumptions are likely to change as new information becomes available. When it becomes apparent that recovery of expenditure is unlikely the relevant capitalised amount is written off to the income statement.

(continued)

Impairment of assets

The Group is required to test, on an annual basis, whether its non-current assets have suffered any impairment. Determining whether these assets are impaired requires an estimation of the value in use of the cash-generating units to which the assets have been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact on the carrying value of the respective assets.

Recoverability of other financial assets

The majority of the Company's financial assets represent loans provided to its subsidiary, which are associated with funding of mineral exploration and development projects. The recoverability of such loans is dependent upon the discovery of economically recoverable reserves, the ability of the Company to maintain necessary financing to complete the development of the reserves and future profitable production or proceeds from the disposition thereof.

Share based payments

The estimates of share based payments requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural consideration of employees.

Deferred tax assets

Deferred taxation is provided for using the liability method. Deferred tax assets are recognised in respect of tax losses where the Directors believe that it is probable that future profits will be relieved by the benefit of tax losses brought forward. The Board considers the likely utilisation of such losses by reviewing budgets and medium term plans for each taxable entity within the Group. The Directors have decided that no deferred tax asset should be recognised at 31 December 2014. If the actual profits earned by the Group differs from the budgets and forecasts used then the value of such deferred tax assets may differ from that shown in these financial statements.

Valuation of derivative financial asset

The Company placed 250 million shares with Lanstead Capital L.P. ('Lanstead') for a consideration of £1 million and a second tranche of 150 million shares for a consideration of £260,000. At the same time, the Company and Lanstead entered into equity swap and interest rate swap agreements in respect of the placings for which consideration will be received on a monthly basis over a 24 month period (note 16). The amount receivable each month is dependent on the Company's share price at the settlement date. The Directors have made assumptions in the financial statements about the funds receivable at the year end. However, there is significant uncertainty underlying these assumptions due to the unpredictable nature of the share price.

3 Segmental information

The Directors are of the opinion that the Group operates in one primary business segment, gold and precious mineral exploration and in one principal geographical area, Kyrgyzstan. The management information received by the Board is prepared on this basis.

The Group also conducts business within the UK including fund raising, subsequently passed to subsidiary companies, and the incurring of expenditure in relation to the Company's activities as a holding company. None of this activity is considered to be significantly different to the principal activity of the Group in Kyrgyzstan.

Geographical market

	2014	**2013**
Loss before taxation	**£**	**£**
UK	**(687,701)**	(1,117,003)
Kyrgyz Republic	**(3,892,744)**	(414,590)
	(4,580,445)	(1,531,593)
Net (liabilities)/assets		
UK	**(723,814)**	1,042,786
Kyrgyz Republic	**(7,490)**	2,727,268
	(731,304)	3,770,054

4 Expenses by nature

	2014	**2013**
	£	**£**
Directors' emoluments and key management	**222,075**	287,286
Travel and subsistence costs	**34,712**	37,829
Legal and professional fees	**107,171**	249,579
Financial PR	**44,568**	43,712
Other expenses	**206,496**	254,899
	615,023	873,310

5 Operating loss

		2014	2013
		£	£
Operating loss is stated after charging:			
Amortisation of intangible assets		-	77
Depreciation of tangible assets		2,946	4,649
Loss on foreign exchange transactions		81,850	242
Auditors' remuneration	- Fees payable to the company's auditor for the audit of the company's financial statements	19,500	20,000
	- Fees payable to the company's auditor for the audit of the financial statements of a subsidiary	-	2,500

6 Finance income

	2014	2013
	£	£
Bank interest received	34	190

7 Finance costs

	2014	2013
	£	£
Other interest	67,491	9,250

8 Income tax expense

	2014	2013
	£	**£**
Total tax expenses	**-**	-
Factors affecting the tax charge for the year		
Loss before income taxation	**(4,580,445)**	(1,531,593)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2013 - 23.25%)	**(916,089)**	(356,095)
Effects of:		
Non deductible expenses	**803,977**	144,738
Tax losses not utilised	**112,112**	211,357
	916,089	356,095
Total tax expense	**-**	-

There is no provision for UK Corporation Tax due to adjusted losses for tax purposes, subject to agreement with HM Revenue and Customs. The deferred asset arising from the accumulated tax losses of approximately £3.2m (2013: £2.76m) carried forward has not been recognised but would become recoverable against future trading profits.

9 Loss per share

The loss and number of shares used in the calculation of earnings per ordinary share are set out below:

	2014	2013
	£	**£**
Basic:		
Loss for the financial period	**(3,809,213)**	(1,478,822)
Weighted average of ordinary shares	**1,361,298,989**	1,053,805,264

There was no dilutive effect from the options outstanding during the period (note 19).

10 Intangible fixed assets

	Licences	Exploration and evaluation assets	Total
The Group	**£**	**£**	**£**
Cost			
At 1 January 2014	3,447,077	305,164	3,752,241
Additions	-	12,333	12,333
Exchange differences	-	(34,797)	(34,797)
Impairment charge	(3,447,077)	(282,700)	(3,729,777)
At 31 December 2014	**-**	**-**	**-**
Net book value			
At 31 December 2014	**-**	**-**	**-**
At 31 December 2013	3,447,077	305,164	3,752,241

Kyrgyzstan Licences

On acquisition of Central Asian Resources Limited, the company acquired an 80% interest in the Kyrgyzstan prospecting licences held by Alji LLC, which have subsequently been transferred to Premier Asia Resources LLC. This included a Lithium licence in the Uzunbulak region that was deemed non-core on acquisition, on this basis none of the exploration asset fair value uplift was allocated to the Lithium licence. The other licence acquired was the Cholokkaindy gold prospecting licence covering 24km2. This licence extends for a 5 year period to 31 December 2017 and has been expanded to cover an additional 8 square kilometres.

The Group has one CGU being that of gold exploration in Kyrgyzstan as disclosed in note 3, segmental information, which is relevant for the purposes of the evaluation of intangible exploration assets.

The Company has been prevented, by the local community, from progressing the exploration and exploitation of the area covered by its Licence over the last 30 months. In February 2015, A C A Howe International Limited, Geological and Mining Consultants, valued the Licence at £nil. Therefore, a full impairment charge has been made writing off the value of the Licence.

Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, such as geochemistry, geophysics, drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling prefeasibility and feasibility studies.

Exploration expenditure relates to the initial search for mineral deposits with economic potential. Evaluation expenditure arises from a detailed assessment of mineral deposits that have been identified as having economic potential. Expenditure on exploration activity is capitalised to the extent that it is recoverable. Capitalisation of evaluation expenditure commences when there is a high degree of confidence in the project's viability and hence it is probable that future economic benefits will flow to the Group.

10 Intangible fixed assets **(continued)**

Such capitalised evaluation expenditure is reviewed for impairment at each statement of financial position date. The review is based on a status report regarding the Group's intentions for development of the undeveloped property and when available, any CPR report completed on the relevant assets. Subsequent recovery of the resulting carrying value depends on successful development of the area of interest or sale of the project.

If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

The Company has been prevented, by the local community, from progressing the exploration and exploitation of the area covered by its Licence over the last 30 months. In February 2015, A C A Howe International Limited, Geological and Mining Consultants, valued the exploration and evaluation assets at £nil. Therefore, a full impairment charge has been made writing off the value of the exploration and evaluation assets.

11 Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2014	15,416
Exchange differences	(1,740)
Additions	196
At 31 December 2014	13,872
Depreciation	
At 1 January 2014	788
Exchange differences	(217)
Charge for the year	2,946
At 31 December 2014	3,517
Net book value	
At 31 December 2014	10,355
At 31 December 2013	14,628

12 Investments in subsidiary undertakings

The Company

	£
Cost or valuation	
At 1 January 2014	2,503,270
At 31 December 2014	**2,503,270**
Provisions for diminution in value	
At 1 January 2014	100
Charge for the year	2,503,170
At 31 December 2014	**2,503,270**
Net book value	
At 31 December 2014	**-**
At 31 December 2013	2,503,170

Subsidiary undertakings:
As at 31 December 2014, the company held more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Central Asia Resources Limited	England & Wales	Ordinary	100
Premier Asia Resources LLC	Kyrgyz Republic	Ordinary	80

13 Inventories

The Group	2014 £	2013 £
Finished goods and goods for resale	977	-

14 Trade and other receivables

	The Group 2014 £	The Group 2013 £	The Company 2014 £	The Company 2013 £
Trade receivables	**7,451**	-	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**-**	1,374,416
Other receivables	**14,434**	13,946	**13,314**	6,556
Prepayments and accrued income	**12,043**	2,499	**12,043**	2,499
	33,928	16,445	**25,357**	1,383,471

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

15 Derivative financial assets

	2014 £	2013 £
Due within one year	**46,359**	236,250
Due after more than one year	**-**	126,875
Value of derivative financial assets at 31 December 2014	**46,359**	363,125

Lanstead 1 Agreement

In December 2012, the Company issued 250 million new shares of 0.1p per share at a price of 0.4p per share to Lanstead Capital L.P. ('Lanstead') with a notional value of £1 million. The Company entered into an equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 0.5333p per share. Lanstead have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period. All 250 million shares were allotted with full rights on the date of the transaction.

To the extent that the share price is greater or lower than the reference price at each swap settlement, the Company will receive greater or lower consideration calculated on pro-rata basis i.e. share price / reference price multiplied by the monthly transfer amount. The valuation for each settlement is determined to be the average share price for the preceding 5 trading days up to settlement date.

As the amount of the consideration receivable by the Company from Lanstead will vary subject to the change in the Company's share price and will be settled in the future, the receivable is treated as a derivative financial asset and has been designated at fair value through profit or loss.

The Company also issued 25 million shares to Lanstead as a value payment in connection with the equity swap agreement.

The fair value of the derivative financial assets has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value of derivative financial assets at 1 January 2013	0.43p	187,500,000	806,250
Consideration received		(78,125,000)	(177,292)
Loss on revaluation of derivative financial asset			(475,833)
Value of derivative financial assets at 31 December 2013	0.14p	109,375,000	153,125
Consideration received		(93,750,000)	(96,988)
Loss on revaluation of derivative financial asset			(47,278)
Value of derivative financial assets at 31 December 2014	0.05p	15,625,000	8,859

15 Derivative financial assets (continued)

Lanstead 2 Agreement

In December 2013, the Company issued 200 million new shares of 0.1p per share at a price of 0.13p per share to Lanstead Capital L.P. ('Lanstead') with a notional value of £260,000. The Company entered into an equity swap price mechanism with Lanstead for a notional 75% of these shares with a notional reference price of 0.17333p per share. Lanstead have hedged the consideration they pay for shares in the Company against the performance of the Company's share price over a 24 month period. All 150 million shares were allotted with full rights on the date of the transaction.

The Company also issued 20 million shares to Lanstead as a value payment in connection with the equity swap agreement.

As with the Lanstead 1 Agreement, the consideration receivable from Lanstead has been treated as a derivative financial asset and has been designated at fair value through profit or loss. The fair value of the derivative financial asset has been determined by reference to the Company's share price and has been estimated as follows:

	Share price	Notional number of shares outstanding	Fair value £
Value recognised on inception (notional)	0.17333p	150,000,000	260,000
Initial payment			(52,000)
Gain on revaluation of derivative financial asset			2,000
Value of derivative financial assets at 31 December 2013	0.14p	150,000,000	210,000
Consideration received		(75,000,000)	(51,590)
Loss on revaluation of derivative financial asset			(120,910)
Value of derivative financial assets at 31 December 2014	0.05p	**75,000,000**	37,500

16 Cash and cash equivalents

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	£	**£**	**£**	**£**
Cash at bank and in hand	**22,734**	274,539	**22,487**	269,935

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value. All of the Company's cash and cash equivalents are at floating rates of interest.

17 Trade and other payables

	The Group		The Company	
	2014	**2013**	**2014**	**2013**
	£	**£**	**£**	**£**
Trade payables	**138,096**	121,529	**137,989**	121,529
Corporation tax	**411**	411	**411**	411
Other taxes and social security costs	**1,580**	28,118	**771**	27,807
Other payables	**138,321**	50,899	**111,597**	20,560
Accruals and deferred income	**87,465**	39,250	**87,465**	39,250
	365,873	240,207	**338,233**	209,557

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

18 Borrowings

	2014	**2013**
	£	**£**
Convertible loan note	**479,784**	410,717

In 2013, the Company entered into a convertible loan note agreement for £1 million of which £500,000 was drawn down by 31 December 2013, with further draw downs totalling £80,000 during 2014. The interest rate on the loan is 10% per annum. The loan matures five years from the issue date at their nominal value. The Loan Note Holder can convert their loan, and accrued interest, into shares at the holder's option commencing six months after the issue date of the loan and up to the maturity date at the rate of 500 shares per £1. The Company has the right to repay the loan at any time up to the maturity date. The values of the liability component and the equity conversion component were determined at issuance of the loan.

The convertible loan recognised in the balance sheet is calculated as follows:

	2014	**2013**
	£	**£**
Nominal value of convertible loan issued	**580,000**	500,000
Equity component	**(100,216)**	(89,283)
Liability component on initial recognition and at 31 December 2014	**479,784**	410,717

Interest of £61,608 (2013: £nil) has been charged in respect of the convertible loan note to the statement of comprehensive income and included in trade and other payables under accruals and deferred income.

19 Share-based payments

Share options

At 31 December 2013 and 31 December 2014 outstanding awards to subscribe for ordinary shares of 0.1p each in the company, granted in accordance with the rules of the share option scheme, were as follows:

31 December 2013	**Shares under option**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	68,350,000	8.5	0.63
Granted	-	-	-
Lapsed	-	-	-
Carried forward	68,350,000	**7.6**	0.63

31 December 2014	**Shares under option**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**
Brought forward	68,350,000	**7.6**	0.63
Granted	-	-	-
Lapsed	(1,250,000)	-	(2.25)
Carried forward	**67,100,000**	**6.3**	**0.60**

The fair value of remaining share options has been calculated using the Black Scholes model. The assumptions used in the calculation of the fair value of the share options outstanding during the year are as follows:

Grant date	1 September 2012	30 April 2012	31 July 2007	18 November 2005
Exercise period	September 2012 - September 2022	April 2012 - April 2022	July 2007 - July 2017	November 2005 - November 2015
Exercise price	0.50p	0.50p	1.00p	1.00p
Number of employees	1	7	3	2
Shares under option	2,000,000	52,000,000	9,100,000	4,000,000
Expected volatility	32%	32%	100%	100%
Expected life	3.5 years	3.5 years	5 years	5 years
Risk-free interest rate	0.24% - 0.43%	0.24% - 0.43%	4.4%	4.4%
Expected dividend yield	-	-	-	-
Possibility of ceasing employment before vesting	-	-	-	-
Fair value per option	0.02p	0.19p	0.33p	0.04p

The share based payments charge relating to the above options in the year ended 31 December 2014 was a charge of £nil (2013 : £24,666)

19 Share-based payments **(continued)**

2,000,000 share options lapsed after the year end. As a result of the share reorganisation in April 2015 as detailed in note 25, the table below gives details of the options that existed at the balance sheet date and the revised share options.

		Pre Reorganisation		**Post reorganisation**	
Issue date	***Expiry date***	***No. of existing options***	***Current exercise price***	***No. of new options***	***New exercise price***
30 April 2012	30 April 2022	52,000,000	0.5p	208,000	125p
31 July 2007	31 July 2017	9,100,000	1.0p	36,400	250p
18 November 2005	18 November 2015	4,000,000	1.0p	16,000	250p

20 Share capital

	2014 Number	**2013 Number**	**2014 £**	**2013 £**
Allotted, called up and fully paid				
Ordinary shares of 0.1p each	**1,361,935,975**	1,346,435,975	**1,361,936**	1,346,436
Deferred shares of 0.1p each	**942,462,000**	942,462,000	**942,462**	942,462
			2,304,398	2,288,898

On 16 January 2014, the Company issued 15,500,000 new Ordinary Shares of 0.1p each allotted as fully paid at 0.15p per share, in settlement of fees for services provided to the Company.

21 Directors' emoluments

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including all directors of the Company.

	2014 £	2013 £
Directors		
Emoluments for qualifying services	**215,083**	259,750
Equity-settled share based payment (note 19)	**-**	24,666
	215,083	284,416

Directors and key management personnel **Salaries and fees**	2014 £	2013 £
Directors' emoluments		
Gerry Desler	**35,500**	36,000
Christian Schaffalitzky	**21,667**	13,750
Dr Reza Tabrizi (resigned 19 June 2014)	**25,000**	60,000
Richard Nolan	**60,000**	65,000
Colonel Robert Stewart (resigned 14 October 2014)	**20,416**	25,000
Garth Earls	**52,500**	60,000
	215,083	259,750

22 Employees

Number of employees
There were 14 employees during the year including the directors (2013: 20).

Employment costs

	2014 £	2013 £
Wages and salaries	**264,158**	338,818
Social security costs	**14,070**	17,536
Equity settled share-based payments	**-**	24,666
	278,228	381,020

23 Control

In the opinion of the directors, there is no ultimate controlling party.

24 Related party transactions

During the year there were consultancy fees and property related expenses of £39,521 (2013: £16,355) charged by Eurasia Mining Plc and included in trade payables at the year end is £38,081 (2013: £27,592) owing to Eurasia Mining Plc. Christian Schaffalitzky is a director of Eurasia Mining Plc.

Included in trade and other payables are the following balances due to Directors as at 31 December 2014.

	2014 £	2013 £
Christian Schaffalitzky	**13,333**	-
Garth Earls	**36,119**	9,126
Gerry Desler	**25,423**	5,527
Richard Nolan	**36,722**	-

Key management compensation
Key management include directors. The compensation paid or payable to key management for services is shown below.

	2014 £	2013 £
Salaries and other short term benefits	**215,083**	259,750
Share-based payments	**-**	24,666
	215,083	284,416

In the Company's own accounts, full provision has been made against balances due from Central Asia Resources Limited and Premier Asia Resources LLC amounting to £772,715 (2013: £nil) and £689,546 (2013: £nil) respectively.

25 Subsequent events

On 14 April 2015, the Company held a General Meeting at which resolutions to effect the following were approved.

1. The Company enter into a Company Voluntary Arrangement ("CVA") with its creditors.

2. To dispose of the entire issued share capital of Central Asia Resources Limited ("CAR") to Trivedi Capital Partners (I) LP ("Trivedi") in full and final settlement of the outstanding loan under the Convertible Loan Agreement. ACA Howe independently valued the exploration licence known as the Cholokkaindy licence in the Kyrgyz Republic on 24 February 2015 at £nil. The Licence was owned by Premier Asia Resources LC, which was 80% owned by CAR. Following this transaction, Tridevi's loan will be reduced to £nil, Tridevi will waive any right it may have to participate in the CVA and Tridevi would transfer £50,000 to the Company in order to enable it to make an improved offer of settlement to the unsecured Creditors of the Company, than would have otherwise have been possible.

3. To adopt an Investing Policy following the disposal of CAR which accounted for the whole of the Group's activities and assets. The Company's new Investing Policy is to invest in and/or acquire companies and/or projects within the natural resources and/or energy sector with potential for growth and/or income. The Company may also directly apply for new exploration licences or invest in existing licences. It is anticipated that the geographical focus will primarily be Europe. However, investments may also be considered in other regions to the extent that valuable opportunities may exist and returns can be achieved.

4. To re-organise the Company's share capital through the consolidation of every 25,000 existing ordinary shares into one Consolidation Share; thereafter each Consolidation Share would be sub-divided into 100 New Ordinary Shares of 1p each and 1 New Deferred Share. The same reorganisation applies to the number of share options in issue, with a corresponding adjustment to the exercise price (note 19). And

5. That a new board is appointed and that the Company changes its name to Prospex Oil and Gas plc.

The Company had conditionally raised £1,076,150 through the placing of 35,283,591 New Ordinary Shares to advance the Company's Investing Policy, of which £50,000 would be transferred to the Company in order to enable it to make an improved offer of settlement to the unsecured Creditors of the Company. With all the resolutions passed at the General Meeting the placing closed and the shares were issued.

On 15 April 2015 the Company issued share options to the new directors of the Company as follows:

Directors	**Number of options**	**Percentage of enlarged share capital**
Richard Mays	541,726	1.33%
Gavin Burnell	541,726	1.33%
Edward Dawson	680,212	1.67%
William Smith	541,726	1.33%

These shares vest immediately and are exercisable for a period of 10 years at a price of 3p per share.

A further 1,342,926 options were awarded at the same time, which vest immediately, of which 541,726 are exercisable over a 10 year period at 3 pence per share, with the remaining 801,200 being exercisable over a 3 year period at 3 pence per share.

As a result of the consolidation and placing the Company has in issue a total of 40,731,291 Ordinary Shares of £0.01 each.

26 Financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows

- Derivative financial assets
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

A summary of the financial instruments held by category is provided below:

	2014	2013
Financial assets	**£**	£
Loans and receivables		
Trade and other receivables	**33,928**	16,445
Cash and cash equivalents	**22,734**	274,539
Derivative financial assets	**46,359**	363,125
Total financial assets	**103,021**	654,109

	2014	2013
Financial liabilities	**£**	£
Trade and other payables	**845,657**	650,924

	Fair value measurement		
	Level 1	**Level 2**	**Level 3**
	£	**£**	**£**
Derivative financial assets			
At 31 December 2014	**-**	**46,359**	**-**
At 31 December 2013	-	363,125	-

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

Financial risk management
The Group's activities expose it to a variety of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management programme and through this programme, the Board seeks to minimise potential adverse effects on the Group's financial performance.

The Board provides written objectives, policies and procedures with regards to managing currency and interest risk exposures, liquidity and credit risk including guidance on the use of certain derivative and non derivative financial instruments

26 Financial instruments **(continued)**

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk is primarily attributable to its receivables and its cash deposits. It is Group policy to assess the credit risk of new customers before entering contracts. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk and interest rate risk
Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Board regularly receives cash flow projections for a minimum period of 12 months, together with information regarding cash balances monthly.

The Group is principally funded by equity and invests in short-term deposits, having access to these funds at short notice. The Group's policy throughout the period has been to minimise interest rate risk by placing funds in risk free cash deposits but also to maximise the return on funds placed on deposit.

All cash deposits attract a floating rate of interest. The benchmark rate for determining interest receivable and floating rate assets is linked to the UK base rate.

Foreign currency exposure
The Group has entities which operate in Kyrgyzstan and are therefore exposed to foreign exchange risk arising from currency exposure to the Kyrgyzstan Som, the functional currency of those subsidiaries. The overseas subsidiaries operate separate bank accounts which are used solely for those subsidiaries, thus managing the currency in that country. The Group's net assets arising from the overseas subsidiaries are exposed to currency risk resulting in gains or losses on retranslation into sterling. Given the levels of materiality, the Group does not hedge its net investments in overseas operations as the cost of doing so is disproportionate to the exposure.

Sensitivity analysis
The effect of a 10% movement on the foreign exchange rate between Sterling and the Kyrgyzstan Som on the net assets and the Sterling value of cash balances held would be as follows:

Net assets: 10% movement either way will result in £35,779 increase or decrease in net assets.
Cash balances: 10% movement either way will result in £102 increase or decrease in cash balances.